

**Prospectus of**  
**The Staffordshire Portfolio**

**This Prospectus is dated and is valid as at 21 October 2024**  
**(A Non-UCITS Retail Scheme with FCA Product Reference Number: 407775)**

This document constitutes the Prospectus relating to The Staffordshire Portfolio (the “Scheme”), a UK authorised investment fund which is an ICVC. It has been prepared in accordance with the rules contained in the Collective Investment Schemes Sourcebook (“COLL Sourcebook”) which forms part of the FCA Handbook of Rules and Guidance (the “FCA Rules”). This document complies with the requirements of Chapter 4 of the COLL Sourcebook and copies have been sent to the Financial Conduct Authority and to the Depositary in accordance with the COLL Sourcebook.

This document is valid as at 21 October 2024. Any Shareholder or prospective Shareholder should check with the ACD that this document is the most current version and that no revisions have been made to this Prospectus since this date.

This Prospectus has been prepared solely for, and is being made available to investors for the purposes of evaluating an investment in Shares in the Fund. Investors should only consider investing in the Fund if they understand the risks involved including the risk of losing all capital invested.

The ACD of the Scheme is the person responsible for the information contained in this Prospectus and accepts responsibility accordingly. It has taken all reasonable care to ensure that, to the best of its knowledge and belief, the information in this document does not contain any untrue or misleading statement or omit any matters required by the FCA Rules to be included in it.

This Prospectus is intended for distribution in the United Kingdom only. Its distribution in other countries may be restricted. This Prospectus does not amount to an offer in any jurisdiction where such offer may be prohibited or to any investor outside the United Kingdom who is prohibited by applicable laws from subscribing for Shares.

All communications in relation to this Prospectus shall be in English.

If you are in any doubt about the suitability of investing in Shares of the Scheme or the contents of this Prospectus you should consult your financial adviser. This Prospectus sets out only generic information. Potential investors are encouraged to seek appropriate advice prior to investing in Shares.

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

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## TERMS USED IN THIS DOCUMENT

“ACD”	Evelyn Partners Fund Solutions Limited
“Act”	the Financial Services and Markets Act 2000 (as amended)
“AIF”	means alternative investment fund.
“AIFM”	means alternative investment fund manager.
“AIFMD”	means the Alternative Investment Fund Managers Directive, 2011/61/EU, or the statutory equivalent thereof which forms part of UK law by virtue of the EUWA, as applicable.
“AIFMD Level 2 Regulation”	means Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing the AIFMD, or the statutory equivalent thereof which forms part of UK law by virtue of the EUWA, as applicable.
“AIFM Rules”	means the AIFMD, AIFMD Level 2 Regulation, and the United Kingdom implementing legislation, including the section of the FCA Handbook that deals with investment funds;
“Approved Bank”	one (in relation to a bank account opened by the ACD):  (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 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

**“Approved Derivative”**

an approved derivative is one which is traded or dealt on an eligible derivatives market and any transaction in such a derivative must be effected on or under the rules of the market

**“AUT”**

a UK authorised unit trust scheme

**“Authorised Investment Fund”**

an AUT or an ICVC

**“Business Day”**

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

**“Client Money”**

means any money that a firm receives from or holds for, or on behalf of, a shareholder in the course of, or in connection with, its business unless otherwise specified



<b>“COLL”</b>	refers to the appropriate chapter or rule in the COLL Sourcebook
<b>“COLL Sourcebook”</b>	the Collective Investment Schemes Sourcebook issued by the FCA as amended or re-enacted from time to time
<b>“Dealing Day”</b>	the fourteenth day of each month (or, if such day is not a Business Day, on the next Business Day) and on the last Business Day of each month
<b>“Depository”</b>	NatWest Trustee & Depository Services Limited
<b>“EEA State”</b>	a member state of the European Union or any other state which is within the European Economic Area
<b>“EMT”</b>	European MiFID Template
<b>“EUWA”</b>	means the European Union (Withdrawal) Act 2018.
<b>“FCA”</b>	the Financial Conduct Authority, or such successor regulatory authority as may be appointed from time to time, and (where applicable) its predecessors including the Financial Services Authority
<b>“FCA Regulations”</b>	the rules contained in the Collective Investment Schemes Sourcebook (COLL), and the Investment Funds Sourcebook (FUND), as part of the FCA Rules as they may be amended or updated from time to time
<b>“FCA Rules”</b>	the FCA’s Handbook of Rules and Guidance (including the COLL Sourcebook)
<b>“ICVC”</b>	a UK authorised open ended investment company, an investment company with variable capital
<b>“Instrument”</b>	the instrument of incorporation by which the Scheme is constituted

<b>“Investment Manager”</b>	Close Asset Management Limited
<b>“MiFID II”</b>	Markets in Financial Instruments Directive, effective from 3 January 2018, or the statutory equivalent thereof, which forms part of UK law by virtue of the EUWA, as applicable
<b>“OEIC Regulations”</b>	The Open-Ended Investment Companies Regulations 2001 (as amended)
<b>“Prime Broker”</b>	a credit institution, regulated investment firm or another entity subject to prudential regulation and ongoing supervision, offering services to professional clients primarily to finance or execute transactions in financial instruments as counterparty and which may also provide other services, such as clearing and settlement of trades, custodial services, stock lending, customised technology and operational support facilities. The Scheme does not currently require the services of a Prime Broker
<b>“Prospectus”</b>	this document, the prospectus for the Scheme as amended from time to time
<b>“Regulations”</b>	the OEIC Regulations and the FCA Rules
<b>“Scheme”</b>	The Staffordshire Portfolio
<b>“SDRT”</b>	stamp duty reserve tax
<b>“Share”</b>	a share in the Scheme, being a share which relates to a particular class of share of the Scheme (including fractions of 1/1000 of a share) where appropriate
<b>“Shareholder”</b>	a holder of registered shares in the Scheme and whose name is entered on the register in relation to that share
<b>“Switch”</b>	the exchange where permissible of shares of one class for shares of another class

<b>“UCITS”</b>	an Undertaking for Collective Investment in Transferable Securities. This will include a UCITS scheme or an EEA UCITS scheme, as defined in the FCA Glossary
<b>“UCITS Directive”</b>	means the EC Directive on Undertakings for Collective Investment in Transferable Securities, or the statutory equivalent thereof which forms part of UK law by virtue of the EUWA, as applicable
<b>“Valuation Point”</b>	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 12.00 p.m. London time on each Dealing Day, with the exception of any 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
<b>“VAT”</b>	value added tax

## The Scheme

### Establishment and Authorisation

The Scheme is an investment company with variable capital incorporated in England and Wales, company registration number IC000179. The Scheme is constituted by its instrument of incorporation (the “Instrument”).

The Scheme was authorised by the Financial Conduct Authority on 6 June 2002. The Scheme is classified as a non-UCITS retail scheme and is an AIF for the purposes of AIFMD.

Approval by the FCA in this context refers only to approval under the OEIC Regulations 2001 (as amended) and does not in any way indicate or suggest endorsement or approval of the Fund as an investment.

FCA Product Reference Number: 407775

### Base Currency

The base currency of the Scheme is Pounds Sterling or other such currency as may be the lawful currency of the United Kingdom from time to time.

### Scheme Objective

The objective of the Scheme is to invest the property of the Scheme with the aim of spreading investment risk and giving Shareholders the benefit of the results of the management of that property. The types of investments and assets in which the property of the Scheme may be invested are transferable securities, units in collective investment schemes, money market instruments, deposits and derivative and forward transactions and immovables in accordance with the FCA Rules applicable to a non-UCITS retail scheme, subject to any more restrictive provisions set out in the Prospectus from time to time.

### Investor Profile

The Scheme is not widely marketed. It is made available to various private clients of the Investment Manager.

Whether an investment in the Scheme is appropriate for you will depend on your own requirements and attitude to risk. The Scheme is designed for high net worth retail

investors (although shares in the Scheme may be marketed to all types of investors) who:

- want to achieve long-term capital growth through investing in UK and overseas markets using the expertise of the Investment Manager,
- for who receiving an income from their investments is of less importance,
- can meet the minimum investment levels,
- are able to commit to a long term investment in the Scheme and take the risk of losing part or all of their investment capital, and
- who understand and are willing to take the risks involved in investing in the Scheme (as detailed under “Risk Factors”).

**If you have any doubts as to whether the investment is suitable for you, please contact a financial adviser.**

## Management of the Scheme

### The ACD

The ACD of the Scheme is Evelyn Partners Fund Solutions Limited (the “ACD”). The ACD was incorporated in England and Wales with registered number 1934644 on 30 July 1985. The ultimate holding company of the ACD is Evelyn Partners Group Limited which was incorporated in England and Wales with registered number 08741768. The registered office (and head office) of the ACD is at 45 Gresham Street, London, EC2V 7BG. The issued share capital of the ACD is £50,000 consisting of 50,000 ordinary shares of £1 each fully paid.

Information on the typical investor profile for the Fund is set out in Appendix 3.

The ACD is the authorised corporate director of the Scheme and is also the manager or authorised corporate director of the UK Authorised Investment Funds set out in Appendix 4.

The Directors of the ACD are listed in Appendix 5.

The directors of the ACD also act as directors of companies other than the ACD (including companies that are within the same group of companies as the ACD) but do not engage in business activities that are not connected with the Scheme that would be significant to the Scheme’s business within the meaning of the FCA Rules.

The appointment of the ACD was made under an Agreement dated 18 January 2007 between the Scheme and the ACD (the “ACD Agreement”).

The ACD is responsible for the management of the Scheme and the general administration of the Scheme in compliance with the FCA Rules. Under the terms of the ACD Agreement, the ACD is to provide investment management, administrative, accounting, company secretarial and registrar services to the Scheme.

The ACD Agreement may be terminated by the Scheme on 6 months’ written notice. The ACD Agreement will terminate if the ACD ceases to be the authorised corporate director of the Scheme or if the Scheme is wound up in accordance with the FCA Rules. The ACD Agreement may be terminated by a notice in writing if the ACD commits a material breach of the ACD Agreement.

The ACD Agreement includes an indemnity from the ACD to the Scheme against costs, claims and expenses incurred by the Scheme as a consequence of the ACD’s

performance of its responsibilities under the terms of the ACD Agreement except in certain limited circumstances.

Upon termination of the ACD Agreement and the appointment of another ACD (the New ACD), the ACD may transfer any sums being held as client money to the New ACD, who will continue to hold the money in accordance with FCA client money rules.

The Shareholder will be given the opportunity, upon request, to have the proceeds returned by submitting a written request to the Transfer Agency team at 177 Bothwell Street, Glasgow, G2 7ER.

Subject to the restrictions in the FCA Rules which are explained below, the ACD may delegate or employ agents to assist it in forming its investment management, unit accounting and registration functions for the Scheme.

The ACD holds professional indemnity insurance to cover its professional liability risks (as set out in Article 12 of the AIFMD Level 2 Regulation), has appropriate professional indemnity insurance in place and maintains an amount of own funds sufficient to meet the PII Requirements in accordance with Article 15 of the AIFMD Level 2 Regulation (professional indemnity insurance). The ACD has internal operational risk policies in place to identify, measure, manage and monitor appropriately operational risks including professional liability risks to which the ACD is or could be reasonably exposed in accordance with the requirements of Article 13 of the AIFMD Level 2 Regulation. The operational risk management activities are performed independently by the Risk Oversight function.

#### Investment Manager

The ACD has appointed Close Asset Management Limited (the “Investment Manager”) of 10 Crown Place, London, EC2A 4FT as Investment Manager in respect of the Scheme. The activity of the Investment Manager is investment management and the giving of advice.

The main terms of the Agreement (other than those relating to remuneration) between the Investment Manager and the ACD are that the Investment Manager will exercise all of the ACD’s powers and discretions under the Instrument in relation to the selection, acquisition, holding and realisation of investments, the application of any monies forming part of the property of the Scheme and negotiation of any borrowing or currency transactions, with full authority of the ACD to make decisions on behalf of the ACD in respect of those matters.

The Agreement between ACD and the Investment Manager is terminable on not less than 30 days’ notice in writing by either the ACD or the Investment Manager and in

certain circumstances is terminable forthwith by notice in writing. In addition, the ACD can terminate the arrangement with immediate effect where this is in the interests of Shareholders.

Copies of the Investment Manager's execution and voting policy are available from the ACD on request.

### The Depositary

NatWest Trustee & Depositary Services Limited is the Depositary of the Company.

The Depositary is incorporated in England as a private limited company. Its registered office is at 250 Bishopsgate, London EC2M 4AA, which is also its head office. The ultimate holding company of the Depositary is the NatWest Group plc, which is incorporated in Scotland. The principal business activity of the Depositary is the provision of trustee and depositary services.

### Duties of the Depositary

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

### Conflicts of interest

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

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

The Depositary operates independently from the Company, Shareholders, the ACD and its associated suppliers and the Custodian. As such, the Depositary does not anticipate any conflicts of interest with any of the aforementioned parties.



## Delegation of Safekeeping Functions

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

The Depositary has delegated safekeeping of the Scheme Property to The Bank of New York Mellon, London Branch (BNYM LB) (“the Custodian”). In turn, the Custodian has delegated the custody of assets in certain markets in which the Fund may invest to various sub-delegates (“sub-custodians”).

## Terms of Appointment

The Depositary was appointed as the Depositary of the non-UCITS retail scheme by virtue of the Instrument of Incorporation and is a Bank authorised by the Regulator to act as depositary of a non-UCITS retail scheme.

The Depositary was appointed as Depositary under a Depositary Agreement between the ACD, the Company and the Depositary (the “Depositary Agreement”). Under the Depositary Agreement, the Depositary is free to render similar services to others and the Depositary, the Company and the ACD are subject to a duty not to disclose confidential information.

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

Under the Depositary Agreement the Depositary will be liable to the Company for any loss of Financial Instruments held in Custody or for any liabilities incurred by the Company as a result of the Depositary negligent or intentional failure to fulfil its obligations.

However, the Depositary Agreement excludes the Depositary from any liability except in the case of fraud, wilful default, negligence or failure to exercise due care and diligence in the performance or non-performance of its obligations.

It also provides that the Depositary will be entitled to be indemnified from the Scheme Property for any loss suffered in the performance or non-performance of its obligations except in the case of fraud, wilful default, negligence or failure to exercise due care and diligence on its part.

The Depositary Agreement may be terminated on three months’ notice by the Company or the Depositary or earlier on certain breaches or the insolvency of a party. However, termination of the Depositary Agreement will not take effect, nor may the Depositary

retire voluntarily, until the appointment of a new Depositary.

#### The Auditor

The auditor of the Scheme is Johnston Carmichael LLP, whose address is Bishop's Court, 29 Albyn Place, Aberdeen, AB10 1YL.

#### Delegation of Powers

The ACD and the Depositary may retain the services of the other or of third parties to assist them in fulfilling their respective roles. The exceptions to this are that:

- (a) the Depositary may not delegate oversight in respect of the Scheme to the Scheme, the ACD or any associate of the Scheme or the ACD or custody or control of the scheme property to the Scheme or the ACD;
- (b) any delegation by the Depositary of custody of the scheme property must be under arrangements which allow the custodian to release documents into the possession of a third party only with the Depositary's consent; and
- (c) no mandate for managing investments of the scheme property may be given to the Depositary; or any other person whose interests may conflict with those of the ACD or the Shareholders; or any other person who is not both authorised or registered for managing investments by the FCA and is not subject to prudential supervision (unless there is an agreement in place between the FCA and the overseas regulator of the delegate ensuring adequate co-operation).

Where functions are performed for the ACD by third parties, the responsibility which the ACD had in respect of such services prior to the delegation to a third party will remain unaffected. Where the Depositary delegates matters to a director of the Scheme or an associate of a director or an associate of the Depositary to assist in the performance of its functions, then the Depositary's liability in respect of those services shall remain unaffected and, in any other case, the Depositary will not be held responsible by virtue of the FCA Rules for any act or omission of the person so retained if it can show, first, that it was reasonable for the delegator to obtain assistance to perform the function in question; secondly, that the delegate was and remained competent to provide that assistance; and thirdly, that the delegator took reasonable care to ensure that the assistance was provided in a competent manner.

In accordance with these restrictions, the ACD and the Depositary have, as mentioned above, appointed certain third parties to perform particular functions.

The FCA Rules contain various requirements relating to transactions entered into between the Scheme and the ACD, the Investment Manager or any of their associates

which may involve a conflict of interest. These are designed to protect the interests of the Scheme. Certain transactions between the Scheme and the ACD, or an associate of the ACD, may be voidable at the instance of the Scheme in certain circumstances.

### Conflicts of Interest

The FCA Rules contain various requirements relating to transactions entered into between the Depositary, the ACD, the Investment Manager or any of their associates, which may involve a conflict of interest. These are designed to protect the interests of the Company.

The ACD, the Depositary and the Investment Manager are or may be involved in other financial, investment and professional activities which may, on occasion, cause conflicts of interest with the management of the Company and its Funds. In addition, the Company may enter into transactions at arm's length with companies in the same group as the ACD or the Investment Manager.

The Depositary may, from time to time, act as trustee or depositary of other funds.

The Custodian may, from time to time, act as custodian and hold assets of other funds and investors.

Each of the parties will, to the extent of their ability and in compliance with the FCA Rules, ensure that the performance of their respective duties will not be impaired by any such involvement.

To ensure the fair treatment of Shareholders is central to all the activities of the ACD, the ACD has implemented a Treating Customers Fairly policy, against which all its policies and procedures and those of its delegates are measured and must conform. This ensures that conflicts of interest are appropriately managed in a way that is fair to Shareholders as outlined in this section, that expenses are proportionate and allocated fairly (see Fees and Expenses), that Shareholders can redeem their holdings (see Buying and Selling Shares) and that if Shareholders are dissatisfied with their treatment their complaints are assessed by an independent and impartial investigator (see Complaints).

The ACD maintains a written conflict of interest policy. The ACD acknowledges that there may be some situations where the organisational or administrative arrangements in place for the management of conflicts of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of the Company or its shareholders will be prevented. Should any such situations arise the ACD will, as a last resort if the conflict cannot be avoided, disclose these to shareholders in the report and accounts or otherwise an appropriate format.

Copies of the ACD's and the Investment Manager's conflicts of interest policies are available from the ACD on request.

## **Investment Objective and Investment Powers**

### **Investment Objective**

The objective of the Scheme is to enhance total return and provide long-term growth. Whilst income is of secondary importance, there will be semi-annual distributions. The ACD's policy is to achieve this objective through a portfolio of UK and international equities, bonds and cash as appropriate.

The Scheme will also have the power to invest in other collective investment schemes and money market instruments. Additionally it may invest in derivative and forward transactions, but only for the purposes of efficient management of the portfolio. The ACD does not envisage entering into hedging transactions to a major extent. The ACD can also invest in immovables (real property).

### **Investment Powers and Restrictions**

The assets of the Scheme will be invested with the aim of achieving the investment objective set out above and must be invested so as to comply with the investment and borrowing powers and restrictions set out in the COLL Sourcebook, the Instrument and this Prospectus.

A summary of the investment powers and restrictions applicable to the Scheme is set out in Appendix 2.

### **Benchmark**

Shareholders may compare the performance of the Company against the ARC Sterling Steady Growth PCI. Comparison of the Company's performance against this benchmark will give Shareholders an indication of how the Company is performing against an index based on the real performance numbers delivered to discretionary private clients by participating investment managers.

The benchmark is not a target for the Company, nor is the Company constrained by the benchmark.

### **Risk Factors**

Risk is about how likely it is that an investment will fluctuate in value over time. The level of risk varies between investment funds. Whilst historically over the longer term shares and bonds have been seen to outstrip the returns expected from a bank or

building society account, potential investors should consider the following risk factors before investing in an investment fund such as the Scheme.

### *General Risks*

The price of shares of the Scheme and any income from them may fall as well as rise and investors may not get back the full amount invested. Past performance is not a guide to future performance. There is no assurance that the investment objective of a Fund will actually be achieved.

The following statements are intended to summarise some of the risks, but are not exhaustive, nor do they offer advice on the suitability of investments.

### *Pricing And Valuation Risk*

For quoted investments a valuation price can be obtained from an exchange or similarly verifiable source. However, investment in unquoted and/or illiquid investments which are difficult to value may increase the risk of mispricing. Furthermore, the Scheme will compute Net Asset Values when some markets are closed for holidays or other reasons. In these and similar cases a verifiable source of market prices will not be available and the ACD may invoke its Fair Value process which will determine a fair value price for the relevant investments; this Fair Value process involves assumptions and subjectivity.

### *Emerging Countries and Developing Markets Risk*

The Scheme may invest in emerging markets which are undergoing rapid growth and regulatory change. Emerging markets present additional risks to those normally encountered in developed securities markets. These risks may be political, social and economic in nature and may be complicated by inflationary pressures and currency depreciation. The accounting and financial reporting standards, practices and disclosure requirements in some of the countries in which investments may be made may differ from those experienced in more developed markets. Similarly, reliability of the trading and settlement systems in such markets and the liquidity of these markets may not be equal to those available in more developed markets and this could lead to delays in settlement or affect the price at which investments could be realised. Government influence or control of private companies in some countries may be significant and investments may be exposed to the risks of political change, political uncertainty or governmental action. Such assets could be expropriated, nationalised, confiscated or subjected to changes in legislation relating to foreign ownership. The value of investments in emerging markets may therefore be adversely affected by political and/or economic conditions, which would, in turn, adversely impact on the performance of the Scheme and its share price.

### *Smaller and Unquoted Companies Risk*

Significant investments may be made in smaller companies, in which there may be no established market for the shares, or the market may be highly illiquid. Because of this potential illiquidity investment in the Scheme may not be appropriate for all investors, including those who are not in a position to take a long-term view of their investment. The Scheme may also invest, directly and indirectly, in securities that are not listed or traded on any stock exchange. In such situations, the Scheme may not be able to immediately sell such securities. The purchase price and subsequent valuation of these securities may reflect a discount, which could be significant, from the market price of comparable securities for which a liquid market exists.

### *Risk to Capital*

This includes potential risk of erosion resulting from withdrawals or cancellations of shares and distributions in excess of investment returns.

### *Liquidity Risk*

In normal market conditions a Fund's assets comprise mainly realisable investments which can be readily sold. A Fund's main liability is the redemption of any shares that investors wish to sell. In general the Scheme manages its investments, including cash, such that it can meet its liabilities. Investments held may need to be sold if insufficient cash is available to finance such redemptions. If the size of the disposals is sufficiently large, or the market is illiquid, then there is a risk that either the investments might not be sold or the price at which they are sold may adversely affect the Net Asset Value of the Scheme. If there were significant requests for redemption of shares in the Scheme at a time when a large proportion of the Scheme's assets was invested in illiquid investments, then the Scheme's ability to fund those redemptions would be impaired and it might be necessary to suspend dealings in shares in the Scheme.

### *Equities Risk*

Where investments are in the shares of companies (equities), the value of those equities may fluctuate, sometimes dramatically, in response to the activities and results of individual companies or because of general market and economic conditions or other events. Currency exchange rate movements will also cause changes in value when the currency of the investment is other than Sterling.

### *Bonds and Debt Instruments (Including High Yielding Securities) Risk*

Where investments are in bonds or other debt instruments, the value of those investments will depend on market interest rates, the credit quality of the issuer and liquidity considerations. Investments in high yielding debt instruments where the level of income may be relatively high (compared to investment grade debt instruments); however the risk of depreciation and realisation of capital losses on such debt instruments held will be significantly higher than on lower yielding debt instruments.

#### *Lower Rated/Unrated Securities Risk*

The credit quality of debt instruments is often assessed by rating agencies. Medium and lower rated securities and unrated securities of comparable quality may be subject to wider fluctuations in yield, wider bid-offer spreads, greater liquidity premium and accentuated market expectations, and consequently greater fluctuations in market values, than higher rated securities. Changes in such ratings, or expectation of changes, will be likely to cause changes in yield and market values, at times significantly so.

#### *Collective Investment Schemes Risk*

The Scheme may make investments in collective investment schemes. Such investments may involve risks not present in direct investments, including, for example, the possibility that an investee collective investment scheme may at any time have economic or business interests or goals which are not fully consistent with those of the Scheme. Moreover, many alternative investment strategies give themselves significant discretion in valuing securities. There may be liquidity constraints and the extent to which an investee fund's securities are valued by independent sources are factors which could impact on the Scheme's valuation.

Unregulated collective investment schemes in which the Scheme may invest up to 20% of its scheme property may invest in highly illiquid securities that may be difficult to value. Moreover, many alternative investment strategies give themselves significant discretion in valuing securities. You should be aware that liquidity constraints and the extent to which a fund's securities are valued by independent sources are factors which could have an impact on the Scheme's valuation.

#### *Leverage Risk*

Leverage is where a fund borrows money in order to meet redemption requests or, through the use of derivatives, for the purpose of buying or selling assets. Where assets are bought or sold using borrowed money this increases the risk that in the case of losses that these are compounded and as a result have a material negative impact on the value of the Fund.

#### *Leveraged Companies Risk*



Investments may be made in companies or collective investment schemes which borrow funds. Such companies or collective investment schemes may not be subject to any limitations on the amount of their borrowings, and the amount of borrowings that they may have outstanding at any time may be large in comparison to their capital. Furthermore, given that the Scheme may borrow in order to make investments, the Shareholders must be aware that they may suffer a greater risk resulting from the decline of the net asset value of the underlying investments made with this borrowing facility and therefore, the Schemes' risk exposure will be higher.

### ***Futures and Options Risk***

The Scheme may use, under certain conditions, options and futures on indices and interest rates, for the purposes of efficient portfolio management. Also, the Scheme may hedge market and currency risks using futures, options and forward exchange contracts. Transactions in futures carry a high degree of risk. The amount of the initial margin is small relative to the value of the futures contract so that transactions are "leveraged" or "geared". A relatively small market movement will have a proportionately larger impact which may work for or against the investor. The placing of certain orders which are intended to limit losses to certain amounts may not be effective because market conditions make it impossible to execute such orders. Transactions in options also carry a high degree of risk. Selling ("writing") an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obliged either to settle the option in cash or acquire or deliver the underlying interest. If the option is "covered" by the seller holding a corresponding position in the underlying interest or a future on another option, the risk may be reduced.

### ***Foreign Currency Risk***

The Scheme may invest in securities denominated in a number of different currencies other than sterling in which the Scheme is denominated. Changes in foreign currency exchange rates may adversely affect the value of a Fund's investments and the income thereon.

### ***Real Estate Risk***

Investment in real estate/property investment vehicles may result in exposure to the risks associated with property investment, including but not limited to, fluctuations in land prices, construction costs, interest rates, inflation and property yields, changes in

taxation, legislation changes in landlord and tenant legislation, environmental factors, and changes in the supply and demand for property.

### *Credit Risk*

Investments may be adversely affected if any of the institutions with which money is deposited suffers insolvency or other financial difficulties (default). Credit risk also arises from the uncertainty about the ultimate repayment of principal and interest for bond or other debt instrument investments. The entire deposit or purchase price of the debt instrument is at risk of loss if there is no recovery after default. The risk of default is usually greatest with bonds and debt instruments that are classed as 'sub-investment' grade.

### *Settlement Risk*

All security investments are transacted through brokers who have been approved by the Investment Manager as an acceptable counterparty. The list of approved brokers is reviewed regularly. There is a risk of loss if a counterparty fails to perform its financial or other obligations to the Scheme, for example, the possibility that a counterparty may default, by failing to make payments due, or make payments in a timely manner. If settlement never occurs the loss incurred by the Scheme will be the difference between the price of the original contract and the price of the replacement contract or, in the case where the contract is not replaced the absolute value of the contract at the time it is voided. Furthermore, in some markets 'Delivery versus Payment' may not be possible in which case the absolute value of the contract is at risk if the Scheme meets its settlement obligations but the counterparty fails before meeting its obligations.

### *Custody Risk*

Assets of the Scheme are kept by the custodian and investors are exposed to the risk of the custodian not being able to fully meet its obligation to restate in a short time frame all of the assets of the Scheme in the case of bankruptcy of the custodian. Securities of the Scheme will normally be identified in the custodian's books as belonging to the Scheme and segregated from other assets of the custodian which mitigates but does not exclude the risk of non-restitution in case of bankruptcy. However, no such segregation applies to cash which increases the risk of non-restitution in case of bankruptcy. The custodian does not keep all the assets of the Scheme itself but uses a network of sub-custodians which are not part of the same group of companies as the custodian. Investors are exposed to the risk of bankruptcy of the sub-custodians in the same manner as they are to the risk of bankruptcy of the custodian.

A Fund may invest in markets where custodial and/or settlement systems are not fully developed. The assets of the Scheme that are traded in such markets and which have been entrusted to such sub-custodians may be exposed to risk in circumstances where the custodian will have no liability.

#### *Tax Risk*

Tax laws, currently in place, may change in the future which could affect the value of the Scheme's and therefore the Shareholders' investments. Refer to the section headed 'Taxation' in the prospectus for further details about the taxation of the Scheme.

#### *Inflation Risk*

Unless the performance of your investment keeps up with or beats inflation, the real value of your investments will fall over time.

#### *Political And/Or Environmental Risk*

The investee companies may operate in countries where the ownership rights may be uncertain and development of the resources themselves may be subject to disruption due to factors including civil disturbances, industrial action, interruption of power supplies, as well as adverse climatic conditions.

#### *Market Risk*

The risk that the entire market of an asset class will decline thus affecting the prices and the values of the assets.

## Shares in the Scheme

### Share Capital

The maximum share capital of the Scheme is £10,000,000,000 and the minimum share capital of the Scheme is £1.

### Share Classes

The Scheme may issue a number of Share classes in respect of the Scheme. Different charging structures, minimum investment levels and eligibility provisions apply to each Share class. The Scheme may issue income and/or accumulation Shares.

The Instrument provides for the creation of one or more classes of share with their respective criteria for eligibility and allocation of rights to participate in the property of the scheme as set out in the Instrument and in this Prospectus from time to time. The terms for the Share classes which are currently available in the Scheme from time to time are as set out in this Prospectus. Currently only income Shares are in issue.

Note, as mentioned above, the Directors may resolve to create further Share classes in the future in respect of the Scheme. As and when the further Share classes are added, this Prospectus will be updated accordingly.

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

### Interests of Shareholders

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

Each holder of Shares is entitled to participate in the property of the Scheme and its income in the proportion that the value of the holding of Shares bears to the value of the property of the Scheme. If, in the future, more than one class of Shares is in issue, the holder of Shares will participate in the property of the Scheme in accordance with its proportionate share entitlements calculated in accordance with the terms of the Instrument.

## The Register

Entitlement to Shares is conclusively evidenced by entries on the register of Shareholders. The Depositary and the ACD are not obliged to take notice of any trust or equity or other interest affecting the title to any of the Shares.

The ACD is responsible for maintaining the register of Shareholders and the number of Shares held by each Shareholder. The register of Shareholders is available for inspection by any Shareholder or their duly authorised agent free of charge during normal office hours on any Business Day at 177 Bothwell Street, Glasgow, G2 7ER (subject to the power to close the register of Shareholders for such periods not exceeding 30 days in any one year). Copies of the entries on such registers relating to a Shareholder are available on request by that Shareholder free of charge.

Bearer certificates are not currently issued in respect of Shares.

## Statements

Certificates will not be issued in respect of Shares. The Instrument relieves the ACD and the Depositary from the duty to issue certificates, representing Shares, to Shareholders whose names appear on the register of Shareholders and title to Shares will be conclusively proved by entry on the register.

At least once each year the ACD will send a statement to each person who holds, or has held, Shares (or is, or was, the first named of joint holders of Shares) since the time of issue of the last such statement. That statement shall describe any current holding of Shares as at the date the statement is compiled and any transactions in Shares carried out by or on behalf of that person, since the date on which the last such statement was compiled.

## Client Money

As required by the FCA's client money rules, the ACD will hold money received from clients or on the client's behalf in accordance with those rules in a pooled client bank account, with an approved bank (as defined in the FCA Rules) in the UK.

No interest payment will be made on client money held by the ACD. Client money will be held in a designated client money account with Natwest Group plc.

The ACD will not be liable for any acts or omissions of the approved bank. The approved bank will be responsible for any acts or omissions within its control.

In the event of the insolvency of any party, clients' money may be pooled which means that shareholders may not have a claim against a specific account and may not receive their full entitlement, as any shortfall may be shared pro rata amongst all clients.

The ACD is covered by the Financial Services Compensation Scheme (FSCS). The FSCS may pay compensation if the ACD is unable to meet its financial obligations. For further information about the compensation provided by the FSCS (including the amounts covered and eligibility to claim) refer to the FSCS website [www.FSCS.org.uk](http://www.FSCS.org.uk) or call the FSCS on 020 7741 4100 or 0800 678 1100.

## Dealings in Shares

### Issue and Redemption of Shares

The dealing office of the ACD is open from 9.00 am until 5.00 pm on each Business Day to receive requests for the purchase, redemption and switching of Shares, which will be effected at prices determined at the next Valuation Point following receipt of such request. Telephone calls may be recorded for training and monitoring purposes. The ACD may also, at its discretion, introduce further methods of dealing in Shares in the future.

The Company deals on a forward pricing basis. A forward price is the price calculated at the next valuation point after the sale or redemption is agreed.

Calculation of the Share price will take place on each Dealing Day at a time not later than 2 hours following the commencement of the valuation of the property of the Scheme (see under “**Valuation**” below).

Client money held by the ACD on the purchase or redemption of Shares will be held in a designated client money account with The NatWest Group plc. No interest payment will be made on client money held by the ACD. The ACD is under no obligation to account to the Depositary or to the Shareholders for any profit or interest which it makes on the issue of Shares or on the reissue or cancellation of Shares it has redeemed.

### *Buying Shares*

Where the minimum investment levels allow, initial investments can only be made by sending a completed application form to the ACD’s Transfer Agency Team at 177 Bothwell Street, Glasgow, G2 7ER, either (i) accompanied by a cheque (up to a maximum value of £50,000) or (ii) having made a telegraphic transfer to the ACD’s bank account. Application forms can be obtained from the ACD. The ACD will accept written instructions accompanied by payment (where applicable) on subsequent transactions which can be carried out by writing to the ACD’s Transfer Agency team at the address set out in Appendix 7. The ACD will also accept telephone purchase instructions from FCA regulated entities for subsequent investments, by telephone the Transfer Agency Team of the ACD on 0141 222 1150. The ACD may accept applications to purchase shares by electronic communication. Electronic communication does not include email. Telephone calls may be recorded by the ACD, its delegates, their duly appointed agents and any of their respective related, associated or affiliated companies for record keeping, security and/or training purposes, please see paragraph “Telephone Recordings” below for further information.

Where an instruction has been received by telephone, settlement is due within 4 Business Days of the Valuation Point. Purchases made by telephone are subject to risk limits at the ACDs discretion, and the ACD may at its discretion reject or defer an instruction to purchase Shares until it is in receipt of cleared funds for the purchase (when the purchase of Shares will be placed at the next Valuation Point following receipt of cleared funds). 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.

The ACD, at its discretion has the right to cancel a purchase deal if settlement is materially overdue (being more than 5 Business Days of receipt of an application form or other instruction) and any loss arising on such cancellation shall be the liability of the applicant. The ACD is not obliged to issue Shares unless it has received cleared funds from an investor.

The ACD reserves the right to charge interest at 4% per annum above the prevailing Bank of England Base rate, on the value of any settlement received later than the 4th Business Day following the Valuation Point

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. In addition the ACD may reject any application previously accepted in circumstances where the applicant has paid by cheque and that cheque subsequently fails to be cleared.

Any subscription monies remaining after a whole number of shares has been issued will not be returned to the applicant. Instead, fractions of shares will be issued in such circumstances.

In respect of all applications for the issue of Shares, a contract note will be issued to the Shareholder (the first named, in the event of joint holders), normally by the close of the next Business Day following the execution of the transaction. This will show the number of Shares purchased and the price. As share certificates will not be issued in respect of Shares, a Renunciation Form will also be sent with the applicant's contract note. Where appropriate, a notice of the applicant's right to cancel the deal will also be sent along with the contract note.

### *Selling Shares*

Requests to redeem Shares may be made in writing to the ACD's Transfer Agency team at 177 Bothwell Street, Glasgow, G2 7ER. The ACD may also, at its discretion and by prior agreement, accept instructions to redeem shares from FCA regulated entities by



telephone on 0141 222 1150 or by fax. The ACD will may accept authority to effect transfer of title to shares by means of electronic communication. Electronic communication does not include email. Telephone calls may be recorded by the ACD, its delegates, their duly appointed agents and any of their respective related, associated or affiliated companies for record keeping, security and/or training purposes, please see paragraph “Telephone Recordings” below for further information.

In respect of all applications to redeem Shares, a contract note giving details of the number and price of shares sold will be sent to the selling Shareholder (the first named, in the case of joint Shareholder) or their duly authorised agents together with a form of renunciation for completion and execution by the Shareholder (and, in the case of a joint holding, by all the joint holders) not later than the end of the next Business Day following the valuation point by reference to which the redemption price is determined. Payment will be made by BACS or CHAPS in satisfaction of the redemption monies and will be issued within four Business Days of the later of: either the day of the calculation of the redemption price or receipt by the ACD of a properly completed and signed Renunciation Form in respect of the appropriate number of Shares.

Any request to redeem Shares, once given, cannot subsequently be withdrawn.

### Switching

Subject to any restrictions on the eligibility of investors for a particular Fund, a Shareholder may at any time Switch all or some of his Shares of one Fund (“the Original Shares”) for Shares of another Fund (“the New Shares”). 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.

Switching may be effected by writing to the ACD at 177 Bothwell Street, Glasgow, G2 7ER. A switching shareholder must be eligible to hold the shares into which the switch is to be made.

The ACD may at its sole discretion and by prior agreement, accept switching instructions by telephone from FCA regulated entities only. The ACD may accept requests to switch Shares by electronic communication. Electronic communication does not include email. Telephone calls may be recorded by the ACD, its delegates, their duly appointed agents and any of their respective related, associated or affiliated companies for record keeping, security and/or training purposes, please see paragraph “Telephone Recordings” below for further information.

The ACD may at its discretion charge a fee on the switching of shares between Funds. See ‘Switching Fee’ section below.

If the switch would result in the Shareholder holding a number of Old Shares or New Shares of a value which is less than the minimum holding, the ACD may, if it thinks fit, convert the whole of the applicant's holding of Old Shares to New Shares or refuse to effect any switch of the Old Shares. No switch will be made during any period when the right of shareholders to require the redemption of their shares is suspended. The general provisions on selling shares shall apply equally to a switch.

The ACD may adjust the number of New Shares to be issued to reflect the imposition of any switching fee together with any other charges or levies in respect of the issue or sale of the New Shares or repurchase or cancellation of the Old Shares as may be permitted pursuant to the FCA Regulations.

A switch of shares between different funds is treated as a redemption and sale and will, for persons subject to United Kingdom taxation, be a realisation for the purposes of capital gains taxation.

A shareholder who switches shares in one Fund for shares in any other Fund will not be given a right by law to withdraw from or cancel the transaction.

#### Switching Fee

On the switching of shares of one fund for shares of another fund the Instrument of Incorporation authorises the Company to impose a switching fee. The fee will not exceed an amount equal to the then prevailing preliminary charge for the class into which shares are being switched. The switching fee is payable to the ACD. Currently no switching charge will be levied.

#### Anti-Money Laundering Procedures

The ACD is subject to the provisions of legislation in force in the United Kingdom to prevent money laundering. The ACD operates detailed internal compliance procedures in relation to each and every application to purchase Shares so as to verify the identity and bona fides of the investor and the source of funds offered in consideration of the prospective purchase. This may include the ACD using the services of a licensed reference agency which will record that an enquiry has been made. The type and degree of information required will vary from case to case, and may depend on whether, for example, the prospective Shareholder has been introduced to the ACD by or through the agency of an associate of the ACD or an independent financial intermediary in good standing with the ACD. Specific details of the information required of a prospective investor in Shares will be provided to the person concerned in response to his or its application for Shares. Failure to comply with the ACD's requests to furnish such information may result in the application for Shares being rejected.

## Cancellation

An investor may be entitled to cancel an application to purchase Shares within a period of fourteen days from receipt of their contract note. If the investor exercises their right to cancel, the investor will receive a refund of the amount invested (including any preliminary charge). If the value of the investment has fallen before the ACD receives notice of the cancellation, then the amount of refund that the investor receives will be reduced to reflect that fall in value. This may result in a loss to the investor.

If a Shareholder wishes to exercise their right to cancel they should write to Evelyn Partners Fund Solutions Limited (Transfer Agency Team) at 177 Bothwell Street, Glasgow, G2 7ER within 14 calendar days of receiving their contract note. Please note that in certain circumstances there may be a delay in returning refunds to investors.

## In Specie Issue and Cancellation of Shares

The ACD may at its discretion and subject to the approval of The Depositary, and the Investment Manager, arrange for the Scheme to accept payment for the issue of Shares to be made by transfer of assets other than cash as provided for in the Regulations. In particular, the ACD and Depositary will only do so where satisfied that the acceptance of the assets concerned would not result in any material prejudice to the interests of the Shareholders.

Where a Shareholder requests a redemption of Shares representing in value not less than 5% of the value of the scheme property of the Scheme, the Shareholder may require the transfer to him of scheme property or the ACD may by notice of election served on the Shareholder, choose to transfer scheme property to him. Any such notice must be served no later than the second Business Day following the receipt of the request for redemption. The Shareholder may then serve a further notice on the ACD requiring the sale of the property and the payment to the Shareholder of the net proceeds of sale. This further notice must be served on the ACD not later than the close of business on the fourth Business Day following the date of receipt of the notice from the ACD.

## Suspension of Dealings in Shares

The issue or redemption of Shares may be temporarily suspended by the ACD with the prior agreement of the Depositary or if the Depositary so requires at any time if the ACD or the Depositary as appropriate is of the opinion that there is good and sufficient reason to do so having regard to the interests of all Shareholders. The ACD and the Depositary shall review any suspension at least every 28 days. A suspension shall only continue for as long as it is justified having regard to the interests of Shareholders.

The ACD will notify all Shareholders of the suspension in writing as soon as practicable and will publish details to keep Shareholders appropriately informed about the suspension, including its likely duration.

If such a suspension occurs, the recalculation of the price of the Shares will recommence on the next Dealing Day following the resumption of dealing.

#### Compulsory Redemptions of Shares

The ACD may impose such restrictions as it thinks necessary to ensure that no Shares are acquired or held by any person in breach of law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory. The ACD may reject any application for, or sale of, Shares. If the ACD becomes aware that:

- any Shares are owned directly or beneficially in breach of any law or governmental regulation; or
- the Shareholder in question is not eligible to hold such Shares or if the ACD reasonably believes this to be the case; or
- a holding of Shares constitutes a breach of the Instrument or this Prospectus as to eligibility or entitlement to hold any Shares;

then the ACD may give notice requiring the transfer, repurchase or exchange of such Shares. If any person does not take such steps within 30 days, he shall then be deemed to have given a written request for the redemption of all of his Shares.

A person who becomes aware that he is holding or owning Shares in breach of any law or governmental regulation or is not eligible to hold those Shares must either:

- transfer all those Shares to a person qualified to own them; or
- give a request in writing for the redemption of all such Shares unless he has already received such a notice from the ACD to transfer the Shares or for them to be repurchased.

#### Minimum Holdings

The minimum value of Shares which may be the subject of an initial or subsequent purchase request must be at least £100,000 (including any preliminary charge). The minimum value of Shares which may be the subject of any one redemption request is £100,000. A Shareholder will not normally be allowed to redeem Shares if this would

result in his holding Shares of less than £100,000, unless he is redeeming all Shares in issue to him.

Minimum investment amounts may be reduced or waived at the discretion of the ACD.

#### Governing Law

All deals in shares are governed by the laws of England and Wales.

## Valuation and Pricing of Shares

### Valuation

The property of the Scheme will be valued for the purpose of determining prices at which Shares may be purchased or redeemed by the ACD as at 12 p.m. in relation to the Scheme on every Dealing Day (the “**Valuation Point**”) but may be valued more frequently if the ACD so decides. The ACD reserves the right to revalue the Scheme at any time, at its discretion.

The ACD maintains a Fair Value Pricing policy with an audit review carried out annually. The policy is detailed fully in the Fair Value Policy document.

The ACD’s Transfer Agency Team may request a change to the pricing methodology in certain circumstances. The policy is detailed in the Pricing Policy document.

All asset prices from the primary price source are compared to two other sources to ensure the validity of each price. The policy is detailed in the Pricing Policy document.

### Price of a Share

Shares are priced on a single mid-market pricing basis in Sterling in accordance with the COLL Sourcebook. The Scheme deals on a forward pricing basis. As mentioned above, a forward price is a price calculated at the next valuation point after the deal is accepted.

The price of a Share is the net asset value of the Scheme attributable to the relevant Share class divided by the number of Shares in that class in issue.

The net asset values attributable to the Share class(es) of the Scheme will normally be calculated at the Valuation Point on each Dealing Day (as specified above). The net asset value attributable to a Share class is determined by calculating the value of the assets attributable to that class and deducting the liabilities attributable to that class in accordance with the provisions for the calculation set out in the Instrument. For valuation purposes:

- investments with a single price (whether a transferable security or units or shares in a collective investment scheme) shall be valued at that price;
- investments for which different buying and selling prices are quoted will be valued at the mid-market price;

- other scheme property shall be valued at a fair and reasonable mid-market value;
- derivative and forward transactions shall be valued as agreed between the ACD and the Depositary; and
- adjustments will be made for tax, outstanding borrowings and dealing expenses.

#### Dilution Policy

The basis on which the Company's investments are valued for the purpose of calculating the issue and redemption price of shares as stipulated in the FCA Regulations and the Company's Instrument is summarised in the section immediately above. This is subject to the application of the dilution policy.

Dealing costs in, and spreads between the buying and selling prices of the Scheme's underlying investments means that the buying and selling prices of Shares calculated for the Scheme may differ from the value of the proportionate interests those Shares represent in the Scheme and dealing at those prices could lead to a reduction in the value of the scheme property of the Scheme and so disadvantage other Shareholders. The effect of this is known as "dilution". The ACD may therefore apply a dilution adjustment as defined in the COLL Sourcebook on the issue and/or redemption of Shares as outlined below, but does not at present intend to do so.

A dilution adjustment is an adjustment to the share price which is determined by the ACD in accordance with the COLL Sourcebook. The ACD may make a dilution adjustment to the price of a Share (which means that the price of a Share is above or below that which would have resulted from mid-market valuation) for the purposes of reducing dilution in the Scheme (or to recover an amount which it has already paid or is reasonably expected to pay in the future) in relation to the issue or cancellation of shares.

If applied, a dilution adjustment will be calculated by reference to the estimated costs of dealing in the underlying investments of the Scheme, including any dealing spreads, commission and transfer taxes in accordance with the COLL Sourcebook.

The ACD intends only to take the power to make a dilution adjustment in the following circumstances:

- (a) where over a dealing period the Scheme has experienced a large level of net issues or redemptions relative to its size - assessed as 5% or more than the net asset value of the Scheme (as calculated at the last available valuation); or

(b) where the ACD considers it appropriate in order to protect the interests of the continuing Shareholders.

The need to make a dilution adjustment will depend on the volume of sales or redemptions. It is not possible to predict accurately whether or not dilution will occur at any particular point in time, and how frequently the ACD will need to make such a dilution adjustment.

If a dilution adjustment is required then, based on future projections the estimated rate or amount of such adjustment will be 0.23% on sales (creation) and 0.06% on redemptions (liquidation). If a dilution adjustment is not made then this may restrict the future growth of the Scheme. The ACD will regularly monitor the rate and frequency of dilution adjustments in respect of the Scheme and update this Prospectus accordingly.

As stated above, as at the date of this Prospectus, the ACD's policy is that it may require a dilution adjustment on the basis set out above. If, at some future date, it appears to the ACD that a charge of dilution levy would be preferable to making a dilution adjustment then the ACD may change its policy, and may charge a dilution levy.

#### Publication of Prices

Shareholders can obtain the prices of their shares by calling 0141 222 1151 or going to [www.trustnet.com](http://www.trustnet.com). These prices will, unless for reasons beyond the control of the ACD, relate to the valuation on the Dealing Day immediately prior to the date of publication.



## Remuneration and Expenses

### ACD's Remuneration

#### *Preliminary Charge*

The ACD may impose a charge on the sale of shares to investors which is based on the amount invested by the prospective investor. Details of the preliminary charge can be found in Appendix 1. This charge may be waived in whole or in part at the discretion of the ACD.

The Evelyn Partners Fund Solutions Limited remuneration policy is designed to be compliant with the AIFMD Remuneration Code contained in SYSC 19B of the FCA Handbook, and provides a framework to attract, retain and reward employees and partners and to maintain a sound risk management framework, with particular attention to conduct risk. The overall policy is designed to promote the long term success of the group. The policy is designed to reward partners, directors and employees for delivery of both financial and non-financial objectives which are set in line with company strategy.

Details of the Evelyn Partners Fund Solutions Limited remuneration policy are available on the website <https://www.evelyn.com/regulatory/remuneration-code-disclosure>.

A paper copy of the remuneration policy can be obtained free of charge by telephoning 0141 222 1151.

Any fees payable to the ACD may be reduced or waived by the ACD at its discretion.

#### *Redemption Charge*

There is currently no redemption charge (by way of reduction from the proceeds of redemption) upon redemption of Shares, although the Instrument contains the power for such a charge to be introduced.

#### *Periodic Charges*

The ACD currently makes the following periodic charges:

- Administration and registration fee

The current rate of the ACD's periodic charge for administration and registration services is 0.15% per annum, calculated on the basis of the value of the Scheme's property, subject to a minimum charge of £42,500 per annum.

The ACD's periodic charge is based on the month end valuation from the previous month, accrues daily and is payable monthly in arrears on the last Business Day of each month.

- Investment management

The current rate of the Investment Manager's periodic charge for investment management services is 0.5% per annum, calculated on the basis of the value of the Scheme's property. The amount of such investment management fee is paid on to the Investment Manager under the agreement between the ACD and the Investment Manager.

The Investment Manager's fee accrues daily and is calculated by reference to the value of the Company managed by the Investment Manager on the last Business Day of the preceding month. The fee is payable monthly in arrears on receipt of the invoice from the Investment Manager.

#### Depository's Remuneration

As remuneration for its services, the Depository is entitled to receive a periodic charge and transaction fees out of the Scheme property. The periodic fee, which accrues daily and is payable monthly in arrears on the last Business Day of each month, is based on the value of the Scheme property on the last Business Day of the preceding month and is determined at the Valuation Point on each Dealing Day. The fee is payable out of the Scheme Property. The rate of the periodic fee is agreed between the ACD and the Depository and is subject to a current minimum of £7,500.

Specifically, the Company will pay:

- a) 0.0275% per annum plus VAT on Scheme Property below £50,000,000;
- b) 0.025% per annum plus VAT on Scheme Property between £50,000,000 and £100,000,000; and
- c) 0.02% per annum plus VAT on Scheme Property above £100,000,000.

but always subject to a minimum fee of £2,500 for the first year, £5,000 for the second year and £7,500 thereafter per annum (+ VAT).

In addition to the periodic fee referred to above, the Depositary shall also be entitled to be paid transaction and custody charges in relation to transaction handling and safe-keeping of the Scheme Property as follows:

Item	Range
Transaction Charges	Between £5.00 and £472.00 per transaction
Safe Custody Charges	<p>Between 0.003% and 0.50%* of the value of investments being held per annum</p> <p>*With the exception of:</p> <ul style="list-style-type: none"> <li>• USA (Physical Securities) - £14 per line per calendar month</li> <li>• Not in Bank / Not in Custody Assets - £65 per line per calendar month</li> </ul>

These charges vary from country to country depending on the markets and the type of transaction involved. Transaction charges accrue at the time the transactions are effected and are payable as soon as is reasonably practicable, and in any event not later than the last Business Day of the month when such charges arose or as otherwise agreed between the Depositary and the ACD. Custody charges accrue and are payable as agreed from time to time by the ACD and the Depositary. In addition, charges may be applied for cash payments, currency conversion, corporate actions and other incidental expenses. Details are available on request.

The ACD agrees the rates of these fees with the Depositary from time to time.

#### Expenses

The following further expenses may be paid out of the property of the Scheme:

- (a) all reasonable and properly evidenced out of pocket expenses incurred by the ACD in the performance of its duties in respect of the Scheme, including any stamp duty reserve tax paid by the ACD in relation to the cancellation of Shares (whether or not the amount of that tax has been deducted from the payments made to Shareholders who cancelled their Shares);
- (b) certain expenses properly incurred by the Depositary in performing its duties in respect of the Scheme, including the following:

- the fees and expenses and disbursements of any person to whom the Depositary may delegate any function including custody fees (without limitation);
  - expenses incurred in the collection and distribution of income including bank charges, professional and accountancy fees and expenses and disbursements bona fide incurred in respect of the computation claiming or reclaiming of all taxation release and payments;
  - all expenses incurred in the submission of tax returns;
  - all costs and expenses of or incidental to preparation of reports and accounts required to be prepared for the Depositary by regulation or general law in relation to the Scheme and the costs and expenses of or incidental to the preparation and despatch of any communications from the Depositary to Shareholders; and
  - all such other charges, expenses and disbursements properly incurred by the Depositary in performing its duties in respect of the Scheme.
- (c) broker's commission, fiscal charges and other disbursements which are:
- (i) necessary to be incurred in effecting transactions for the Scheme; and
  - (ii) normally shown in contract notes, confirmation notes and difference accounts as appropriate;
- (d) interest on borrowings permitted under the COLL Sourcebook and charges incurred in effecting or terminating such borrowings or in negotiating or varying the terms of such borrowings;
- (e) taxation and duties payable in respect of the property of the Scheme, the Instrument or the issue of Shares and any stamp duty reserve tax charged in accordance with Schedule 19 of the Finance Act 1999;
- (f) any costs incurred in modifying the Instrument or the Prospectus including costs incurred in respect of meetings of Shareholders convened for purposes which include the purpose of modifying the Instrument where the modification is:
- (i) necessary to implement or necessary as a direct consequence of any change in the law (including changes in the COLL Sourcebook); or

- (ii) expedient having regard to any change in the law made by or under any fiscal enactment and which the ACD and the Depositary agree is in the interest of Shareholders; or
- (iii) to remove from the Instrument obsolete provisions;
- (g) any costs incurred in respect of meetings of Shareholders convened by the Depositary or on a requisition by Shareholders not including the ACD or an associate of the ACD;
- (h) liabilities on unitisation, amalgamation or reconstruction arising in certain circumstances as set out in the COLL Sourcebook;
- (i) the audit fee properly payable to the Auditor and VAT thereon plus any proper expenses of the Auditor;
- (j) the periodic fees of the Financial Conduct Authority under the Act or the corresponding periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which Shares are or may be marketed;
- (k) the costs of printing and distributing copies of the Prospectus;
- (l) costs of establishing and maintaining the register and/or plan sub-register;
- (m) fees payable to the FCA or the Registrar of Companies in relation to the filing of any details concerning the Scheme in accordance with the OEIC Regulations or FCA Rules;
- (n) costs associated with the publication of any information concerning the Scheme, including the price of a net asset value of Shares from time to time in any medium whatsoever; and
- (o) such other expenses as may be permitted by the COLL Sourcebook from time to time.

Any third party research received in connection with investment advisory services that an Investment Manager provides to the Fund will be paid for by the Investment Manager out of its fees, as relevant in relation to the Fund, and will not be charged to the Fund.

#### VAT

The above remuneration and expenses are subject to value added tax where applicable. There are currently some exemptions from VAT in respect of the ACD's charges for management of the Scheme's investments and also any initial charge.

## Allocation of Payments to Income or Capital

All remuneration and expenses are allocated between income and/or capital in accordance with the FCA Regulations and the OEIC Regulations and as specified in Appendix 1. Where expenses are allocated to income, but at the end of the accounting period there is insufficient income, the shortfall may be allocated to capital in accordance with the FCA Regulations and the OEIC Regulations. This may constrain capital growth.

## Income

### Accounting and Income Allocation Dates

The annual accounting date for the Scheme is 31 March and the interim accounting date is 30 September in each year.

The annual income allocation date is 31 July and the interim income allocation date is 30 November in each year.

### Income Allocations

Allocations of income are made in respect of the income available for allocation in each accounting period. The amount available for allocation in an accounting period is calculated by:

- (a) taking the aggregate of the income property received or receivable for the account of the Scheme for the period;
- (b) deducting the charges and expenses of the Scheme paid or payable out of the income of the property for that accounting period;
- (c) adjusting for the ACD's best estimate of tax charge or tax relief on these expenses and charges; and
- (d) making such other adjustments which the ACD considers appropriate in relation to tax and other issues.

Where there is more than one Share class in issue, income available for allocation will be allocated between the Share classes based on the respective proportionate interests represented by those Share classes on a daily basis.

Currently only income Shares are in issue. The income allocated to such Shares is distributed to Shareholders. Income is allocated in respect of each interim and annual accounting period by the relevant income allocation date. Shareholders of income Shares may elect to have net income distributed or reinvested in further Shares.

Payment will be made by BACS or telegraphic transfer to the Shareholder's nominated bank account. If the Income Allocation Date is not a Business Day, payment will be made on the next Business Day. No distribution or other monies payable on or in respect of a share shall bear interest against the Scheme.

The Authorised Corporate Director and the Depositary have agreed a de minimis amount of £20 in respect of distribution of income payments made by cheque.

All distributions unclaimed for a period of six years after having become due for payment shall be forfeited and shall revert to the Scheme.

If, in respect of a particular accounting period, the average income allocation to a Shareholder (disregarding for the purpose any Shares held by the ACD or the Depositary or their associates) would be less than £250, the ACD reserves the right (with the agreement of the Depositary) not to make any income allocation and, in such event, the amount of income for that period will be credited to capital (and reflected in the value of Shares).

Income will be distributed as a dividend payment where the Scheme is deemed to be an Equity Company or as an interest payment where the Scheme is deemed to be a Bond Company over the relevant accounting period. The treatment of income anticipated by the ACD is given in Appendix 1, although Shareholders are advised the treatment of income will depend on the composition of assets over the accounting period. Income can only be distributed as an interest payment if the Scheme has held the minimum Qualifying Investments over the accounting period (see "Taxation" for further details). Details of the treatment of income for taxation purposes over an accounting period will be given in a tax voucher sent to all Shareholders when the income is allocated.

#### Income Equalisation

Grouping for equalisation is permitted. This means that Shares purchased during an accounting period will contain in their purchase price an amount called equalisation that represents a proportion of the net income of the Scheme accrued up to the date of purchase. A total of this amount is taken and each Shareholder shall be refunded an averaged proportion of the equalisation as part of their first income allocation. This, for tax purposes, is treated as being a return of capital. Grouping periods shall be each period commencing at the beginning of an accounting period and ending on the interim accounting date and each period commencing immediately after the interim accounting date and ending on the annual accounting period.



## Shareholder Meetings and Information for Shareholders

### Approvals and Notifications

Under the COLL Sourcebook, the ACD is required to seek Shareholder approval to, or notify Shareholders of, various types of changes to the Scheme.

- *Fundamental Changes*

A fundamental change is a change or event which changes the purposes or nature of the Scheme, or may materially prejudice a Shareholder or alters the risk profile of the Scheme or introduces any new type of payment out of the Scheme property. The ACD must, by way of an extraordinary resolution (which needs 75% of the votes cast at the meeting to be in favour if the resolution is to be passed), obtain prior approval from Shareholders for any such change. An extraordinary resolution is required, for example, for a change of investment objective or policy of the Scheme.

The convening and conduct of meetings of Shareholders and the voting rights of Shareholders at those meetings is governed by the provisions of the FCA Rules and the Instrument.

The ACD may convene a meeting at any time. Shareholders registered as holding at least 1/10th in value of all the Shares then in issue may require that a meeting be convened. A requisition by Shareholders must state the objects of the meeting, and be dated and signed by those Shareholders and deposited at the head office of the Depositary. The ACD must convene a meeting no later than eight weeks after receipt of such requisition by the Depositary.

Shareholders will receive at least 14 days' written notice of a meeting (including the day of service of the notice and the day of the meeting). The notice will specify the day, hour and place of the meeting and the resolutions to be put to the meeting. They are entitled to be counted in the quorum and vote at a meeting either in person or by proxy. The quorum for a meeting is two Shareholders, present in person or by proxy. If, at an adjourned meeting, a quorum is not present after a reasonable time from the time appointed for the meeting, one person entitled to be counted in a quorum present at the meeting shall constitute a quorum.

The ACD will not be counted in the quorum for a meeting. The ACD and its associates are not entitled to vote at any meeting, except in respect of Shares which the ACD or an associate holds on behalf of or jointly with a person who, if

himself the registered Shareholder, would be entitled to vote and from whom the ACD or associate has received voting instructions.

Every Shareholder who (being an individual) is present in person or (being a corporation) by its properly authorised representative shall have one vote on a show of hands. Where there are joint holders of a Share, the vote of the holder whose name in the register of Shareholders stands above the names of each other such holder who votes shall be counted to the exclusion of each other vote cast in respect of that Share.

A Shareholder may vote in person or by proxy (a person appointed by the Shareholder to attend and vote in place of the Shareholder) on a poll vote. A poll may be demanded by the chairman of the meeting (who shall be a person appointed by the Depositary, or in the absence of such a person, a person nominated by the Shareholders), the Depositary or any two Shareholders.

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

Where every Shareholder is prohibited from voting at a meeting of Shareholders by reason of each such Shareholder being either the ACD or an associate of the ACD and a resolution is required to do business at a meeting of Shareholders, a meeting of Shareholders need not be called and a resolution may, with the prior written consent of the Depositary to the process, instead be passed with the written consent of Shareholders representing 50% or more, or for an extraordinary resolution 75% or more, of the Shares of the Scheme or of the Class in question.

- *Significant Changes*

A significant change is a change or event which is not fundamental but which affects the Shareholder's ability to exercise his rights in relation to his investment; or would reasonably be expected to cause the Shareholder to reconsider his participation in the Scheme; or results in any increased payments out of the scheme property to the ACD or an associate of the ACD; or materially increases any other type of payments out of the scheme property. The ACD must give reasonable prior notice (of not less than sixty days) in respect of any such significant change.

- *Notifiable Changes*

A notifiable change is a change or event which a Shareholder must be made aware of, but, although considered by the ACD not to be insignificant, is not a

fundamental change or a significant change. The ACD must inform Shareholders in an appropriate manner and time scale of any notifiable changes that are reasonably likely to affect or have affected the operation of the Scheme.

Changes to the Investment Objective and Policy will normally require approval by Shareholders at an Extraordinary General Meeting if the change alters the nature or risk profile of the Scheme, or on giving 60 days notice to Shareholders where these do not alter the nature or risk profile of the Scheme. In exceptional circumstances, changes may be made to the Investment Objective and Policy with no minimum period of notice where these are for clarification purposes only. In all cases, changes may only be made to the Investment Objective and Policy following notification to the FCA pursuant to the Act and confirmation from the FCA that these changes will not affect the ongoing authorisation of the Scheme.

## Reports

An Annual report of the Company will be published within four months of each annual accounting period and a half-yearly report will be published within two months of each interim accounting period. The annual and half-yearly reports are available upon request.

The ACD will also, on request, provide free of charge to any person Scheme copies of the most recent interim and annual ACD's reports, which may also be inspected at the ACD's offices at 45 Gresham Street, London, EC2V 7BG.

The annual and half-yearly reports will include disclosures on the following:

- (a) The percentage of the Scheme's assets that are subject to special arrangements arising from their illiquid nature;
- (b) Any new arrangements for managing the liquidity of the Scheme;
- (c) The current risk profile of the Scheme and the risk management systems employed by the ACD to manage those risks;
- (d) Any changes to the maximum level of leverage that the ACD may employ on behalf of the Scheme;
- (e) Any changes to any right of reuse of collateral or any guarantee granted under the leveraging arrangement; and
- (f) The total amount of leverage employed by the Scheme.

## Instrument, Prospectus and Other Documents

Copies of the Instrument, any amendment of such Instrument and the current Prospectus are kept at and may be inspected at the ACD's offices between 9 a.m. and 5 p.m. on each Business Day. Copies of the Instrument and any Supplemental Instrument may be obtained by a Shareholder on payment of a reasonable charge from the ACD at 45 Gresham Street, London, EC2V 7BG. Copies of the Prospectus may be obtained free of charge to any person on request from the ACD at 45 Gresham Street, London, EC2V 7BG. A copy of the ACD Agreement or any contract of service between the Scheme and its directors can be provided free of charge on request.

## **Taxation**

The following summary is only intended as a general summary of United Kingdom (“UK”) tax law and HM Revenue & Customs practice, as at the date of this Prospectus, applicable to the Fund and to individual and corporate investors who are the absolute beneficial owners of a holding in the Fund which is held as an investment. The summary’s applicability to, and the tax treatment of, investors will depend upon the particular circumstances of each investor (and it will not apply to persons, such as certain institutional investors, who are subject to a special tax regime). It should not be treated as legal or tax advice. Accordingly, if investors are in any doubt as to their taxation position, they should consult their professional adviser. Levels and bases of, and reliefs from, taxation are subject to change in the future.

The following is divided into sections relating to “Bond Fund” and “Equity Fund”. A “Bond Fund” is a Fund which invests more than 60% of its market value in “Qualifying Investments” (at all times in each accounting period). The term “Qualifying Investments” includes money placed at interest and securities that are not shares, including but not limited to government and corporate debt securities and cash on deposit. The tax issues relating to the Fund and the investors within it are treated separately in this section. It is anticipated that the Fund will for most periods be an Equity Fund for these purposes, but that depending on how it is invested it may constitute a Bond Fund for some periods.

### **Taxation of an Equity Fund**

#### ***Taxation of Capital Gains***

An Equity Fund is not subject to UK taxation on capital gains arising on the disposal of its investments. In the unlikely event that the Fund be considered to be trading in securities under tax law, and to the extent an investment is disposed in a non-distributor/reporting Fund, any gains made will be treated as taxable income and not exempt gains.

#### ***Tax on income***

An Equity Fund will be liable to corporation tax at a rate equal to the lower rate of income tax, currently 20%, on its income after relief for expenses (which include fees payable to the ACD and to the Depositary). Dividends and similar income distributions from UK and non-UK resident companies are generally exempt from corporation tax. Dividends and similar income distributions from UK authorised unit trusts and UK ICVCs are also generally exempt from corporation tax to the extent the underlying income derives from dividends.

Foreign dividends and similar income are generally treated as exempt for the purposes of UK corporation tax. This income may be subject to withholding tax in certain jurisdictions.

Dividend income received from certain countries are likely to be elected to be treated as taxable income in the UK in order to obtain a beneficial rate of withholding tax in the source country. This is based on guidance provided to the investment Fund industry by the Investment Association.

Profits from loan relationships are treated as taxable income, as for a Bond Fund.

### ***Taxation of a Bond Fund***

#### ***Taxation of Capital Gains***

Bonds or loan relationships held are taxable as income (see below) and are not subject to capital gains tax. Capital gains, for example on investment in equities, (except insofar as treated as income gains - see below) accruing to a Bond Fund will be exempt from UK tax on chargeable gains.

#### ***Tax on Income***

A Bond Fund will be liable to UK corporation tax at 20% on income, translated (where appropriate) into Sterling, from investments in debt, debt-related securities and cash deposits less deductible expenses. Such income will be computed according to the generally accepted accounting practice relevant to the Fund.

The total will be taxed under the Loan Relationship rules. Any income received from UK equities will be exempt from UK corporation tax.

A Bond Fund would generally be entitled to make up distribution accounts in such a way that the income distribution (including accumulations of income, which are deemed to be paid and reinvested as capital) to Shareholders is treated as if it were interest for UK tax purposes. If so entitled, the Fund intends that distributions will be made in this way.

The treatment of distributions as interest distributions for UK tax purposes is significant because:

distributions made should be deductible for corporation tax purposes against UK taxable income.

The income, less interest distributions, expenses (including the ACD's and Depositary's fees) and any non-UK withholding taxes, is subject to UK corporation tax at a rate equal

to the basic rate of income tax (currently 20%). Any corporation tax charge should not be significant.

Capital gains (except insofar as treated as accrued income gains - see above) accruing to a Bond Fund will be exempt from UK tax on chargeable gains.

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

On 30 March 2014, Schedule 19 Stamp Duty Reserve Tax (SDRT) ceased to be chargeable on dealings in shares in an OEIC. As such, the provisions relating to SDRT no longer apply. However, investors should note that should SDRT or a similar tax relating to dealings on shares in OEICs be reintroduced in the future, all such costs will be paid out of the Fund's Scheme Property and charged to capital.

However it should be noted that in the unlikely event of either of (i) third party transfer of shares or (ii) non-pro rata in specie redemptions, occurring within the Fund, SDRT may still be triggered and where applicable be charged to the investor.

### **Automatic Exchange of Financial Account Information**

#### **US Foreign Account Tax Compliance Act (FATCA)**

The US Foreign Account Tax Compliance Act (**FATCA**) is designed to help the Internal Revenue Service (the **IRS**) combat US tax evasion. It requires financial institutions, such as the Fund, to report on US investors or US holdings, whether or not this is relevant. Failure to comply (or be deemed compliant) with these requirements will subject the Fund to US withholding taxes on certain US-sourced income and gains. Under an intergovernmental agreement between the US and the United Kingdom, the Fund may be deemed compliant, and therefore not subject to the withholding tax, if it identifies and reports US taxpayer information directly to HMRC.

Shareholders may be asked to provide additional information to the ACD to enable the Fund to satisfy these obligations. Institutional Shareholders may be required to provide a Global Intermediary Identifications Number (**GIIN**). Failure to provide requested information may subject a Shareholder to liability for any resulting US withholding taxes, US tax information reporting and/or mandatory redemption, transfer or other termination of the Shareholder's interest in its Shares. The Global Intermediary Identification Number for the Fund is available on request.

#### ***Common Reporting Standard***

The Common Reporting Standard (**CRS**) is the reporting standard approved and developed by the Organisation of Economic Co-operation and Development (OECD) in 2014, and came into force with effect from 1st January 2016. This requires financial institutions such as the Company, to report non-UK resident investors, other than US Persons, to other agreed jurisdictions on an annual basis. The objective of this reporting is the same as the FATCA regulations but on a worldwide basis and is based on **Residency** rather than citizenship as with the US model, and will encompass natural persons and legal entities.



## General Matters

### Winding up of the Scheme

The Scheme may be wound up:

- by the court as an unregistered company under Part V of the Insolvency Act 1986, or
- if the Scheme is solvent, under the provisions of the COLL Sourcebook.

To wind up the Scheme under the FCA Rules, the ACD has to notify the FCA of the proposal, confirming to the FCA that the Scheme will be able to meet all its liabilities within the following twelve months.

The Scheme can be wound up under the FCA Rules:

- (a) if an extraordinary resolution is passed to that effect; or
- (b) if the FCA agrees to a request by the ACD for revocation of the order in respect of the Scheme (provided no material change in any relevant factor occurs prior to the date of the revocation); or
- (c) on the expiration of any period for the duration of the Scheme or the occurrence of an event specified in the instrument of incorporation as triggering a winding up of the Scheme.

On a winding-up under the COLL Sourcebook:

- Chapter 5 of the COLL Sourcebook, (concerning pricing investment and borrowing powers) and Chapter 6, Parts 2 and 3 of the COLL Sourcebook (concerning dealing and pricing), will cease to apply;
- the Scheme will cease to issue and cancel Shares;
- the ACD will stop selling and redeeming Shares; and
- no transfer of Shares will be registered and no change to the register will be made without the sanction of the ACD.

The Scheme will cease to carry on its business except as is required for its beneficial winding up. The ACD shall, as soon as practicable, realise assets of the Scheme and pay

the respective shares of the proceeds to Shareholders in accordance with the FCA Rules.

Following the completion of the 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 FCA, to each Shareholder and, in the case of the winding up of the Company, to the Registrar of Companies within four months of the termination of the winding up.

### General Information

Persons not resident in the United Kingdom who are interested in purchasing Shares should inform themselves as to:

- (a) the legal requirements within their own countries for subscription of Shares;
- (b) any foreign exchange restrictions;
- (c) the income, estate and other tax consequences of becoming a Shareholder.

It is the responsibility of any person not resident in the United Kingdom making an application for Shares to satisfy himself as to full observance of the laws of the relevant territory, including obtaining any governmental or other consents which may be required or observing any formality which needs to be observed in such territory.

### Notices

Notices or documents will be served on Shareholders by first class post, with copies available by facsimile and / or secure email.

The address of the head office and the place for service on the Scheme of notices or other documents required or authorised to be served on it is 45 Gresham Street, London, EC2V 7BG.

### Telephone Recording

Please note that the ACD may record telephone calls for training and monitoring purposes and to confirm investors' instructions. Recordings will be provided on request for a period of at least five years from the date of such recording, or, where requested by a competent regulatory authority, for a period of seven years, where the ACD can identify the call. If you ask the ACD to send you a recording of a particular call, the

ACD may ask for further information to help identify the exact call to which your request relates.

## Complaints

Complaints about any aspect of the ACD's service should in the first instance be made in writing to the Compliance Officer of the ACD at 45 Gresham Street, London, EC2V 7BG. If the complaint is unresolved the Shareholder may have the right to refer it to The Financial Services Ombudsman at Exchange Tower, Harbour Exchange Square, London E14 9SR, telephone number 0800 023 4567. A copy of the ACD's Internal Complaint Handling Procedure is available on request. In the event of the ACD being unable to pay a valid claim against it, the Shareholder may be entitled to compensation from the Financial Services Compensation Scheme.

Making a complaint will not prejudice your rights to commence legal proceedings.

Further information regarding any compensation scheme or any other investor-compensation scheme of which the ACD or the Fund is a member (including, if relevant, membership through a branch) or any alternative arrangement provided, are also available on request.

## Best Execution

The ACD must act in the best interests of the Fund when executing decisions to deal on behalf of the Fund. The ACD's order execution policy sets out the (i) systems and controls that have been put in place and (ii) the factors which the ACD expects the Investment Manager to consider when effecting transactions and placing orders in relation to the Fund. This policy has been developed in accordance with the ACD's obligations under the Regulations to obtain the best possible result for the Company.

Details of the order execution policy are available from the ACD on request. If you have any questions regarding the policy please contact the ACD or your professional adviser.

## Inducements and Soft Commission

When executing orders, or placing orders with other entities for execution, that relate to financial instruments for, or on behalf of, the Fund, an Investment Manager or the ACD (as relevant) will not accept and retain any fees, commissions or monetary benefits; or accept any non-monetary benefits, where these are paid or provided by any third party or a person acting on behalf of a third party.

The Investment Manager or ACD will return to the Fund as soon as reasonably possible after receipt any fees, commissions or any monetary benefits paid or provided by any

third party or a person acting on behalf of a third party in relation to the services provided to the Fund, and disclose in the annual report the fees, commissions or any monetary benefits transferred to them.

However, the Investment Manager or ACD may accept without disclosure minor non-monetary benefits that are capable of enhancing the quality of service provided to the Fund; and of a scale and nature such that they could not be judged to impair their compliance with its duty to act honestly, fairly and professionally in the best interests of the Fund.

#### Genuine Diversity of Ownership (GDO)

Shares in, and information on, the Company are and will continue to be marketed and made easily and widely available to reach the intended categories of investors and in a manner appropriate to attract those categories of investors.

The intended categories of investors are retail and institutional investors.

#### Compensation

Under the Financial Services Compensation Scheme (FSCS), in the event of firm default your investment is protected up to the value of £85,000 per person per firm.

## **Appendix 1: The Scheme**

### **1. Investment Objective and Policy**

#### *Objective*

The objective of the Scheme is to enhance total return and provide long-term growth. Whilst income is of secondary importance, there will be semi-annual distributions.

#### *Policy*

The ACD's policy is to achieve this objective through a portfolio of UK and international equities, bonds and cash as appropriate.

The Scheme will also have the power to invest in other collective investment schemes and money market instruments. Additionally it may invest in derivative and forward transactions, but only for the purposes of efficient management of the portfolio. The ACD does not envisage entering into hedging transactions to a major extent. The ACD can also invest in immovables (real property).

The assets of the Scheme will be invested with the aim of achieving the investment objective set out above and must be invested so as to comply with the investment and borrowing powers and restrictions set out in the COLL Sourcebook, the Instrument and this Prospectus.

### **2. Investment Manager**

The ACD has appointed Close Asset Management Limited of 10 Crown Place, London, EC2A 4FT as Investment Manager in respect of the Scheme. The activity of the Investment Manager is investment management and the giving of advice.

### **3. Classes of Shares**

Income Shares.

### **4. Preliminary Charge**

10%

This charge may be waived in whole or in part at the discretion of the ACD.

## **5. Ongoing Charges Figure (OCF)**

The OCF provides investors with a clearer picture of the total annual costs in running a collective investment scheme and is based on the previous year's expenses. The figure may vary from year to year and it excludes the costs of buying or selling assets for the Fund (but includes transaction charges incurred by investing in any other collective investment schemes). Where there is not enough historic data available, or when historic data will not provide a reliable indication of future costs, an estimated OCF will be calculated based on the most reliable information available (OCF (Estimated)). The OCF is displayed in the Key Investor Information Document (KIID). A copy of the KIID can be provided free of charge on request.

## **6. Investment Research**

Charge for investment research:      None

## **7. Accounting Dates**

Annual accounting date:              31 March

Interim accounting dates:            30 September

## **8. Income Allocation Dates**

Annual income allocation date:      31 July

Interim income allocation date:      30 November

## **9. Risk Factors**

The general risk factors as set out in this Prospectus shall apply.

## **10. Reports**

Annual report published by:            31 July

Interim report published by:           30 November

## **11. Charges taken from Income or Capital**

Fifty percent (50%) of all remuneration and expenses (other than those relating directly to the purchase and sale of investments) shall be charged to the capital account of the Scheme, and the remaining fifty percent (50%) will be allocated

to the income account of the Scheme. Such allocation of remuneration and expenses to the capital account of the Scheme may result in capital erosion or constrain capital growth.

If at the end of an accounting period there is insufficient income the shortfall may be allocated to capital, which may constrain capital growth.

## 12. Income to be distributed as a dividend or interest?

The ACD may distribute income in the form of a dividend or interest depending on the composition of the assets held over the accounting period.

## 13. Government and Public Securities Issuers

More than 35% in value of the property of the Scheme may be invested in government and public securities issued or guaranteed by the Government of the United Kingdom or Northern Ireland, the Executive Committee of the Northern Ireland Assembly, the National Assembly of Wales, the Scottish Administration; or by the European Central Bank, the International Bank for Reconstruction and Development, the European Bank for Reconstruction and Development or the European Investment Bank; or by any one of the following governments:

Australia	Germany	Norway
Austria	Greece	Poland
Belgium	Hungary	Portugal
Bulgaria	Ireland	Romania
Canada	Italy	Spain
Czech Republic	Japan	Sweden
Denmark	Luxembourg	Switzerland
Finland	Netherlands	Turkey
France	New Zealand	United States of America

## 14. Eligible Securities Markets

Generally, the Scheme will invest in approved securities which are transferable securities admitted to official listing in a member State, or are traded on eligible securities markets, or are recently issued transferable securities which are to be so listed or traded. "Eligible securities markets" for the Scheme as at the date of this Prospectus are as follows:

- markets established in the UK, Member States of the European Union, or any other State which is within the European Economic Area ("Member State") on which transferable securities admitted to official listing are traded, and
- markets which the ACD, after consultation with the Depositary, has decided are appropriate for the purpose of investment of or dealing in the property of the Scheme having regard to the relevant criteria in the COLL Sourcebook. Such markets must operate regularly and be regulated, recognised and open to the public.

As at the time of this Prospectus, the following specific markets have been deemed eligible markets:

<i>Country</i>	<i>Stock Exchange</i>
Hong Kong	Hong Kong Exchanges and Clearing Company
South Africa	JSE Limited
Switzerland	SIX Swiss Exchange
United States of America	New York Stock Exchange NASDAQ

AIM in the UK;

The OTC Market(s) in US securities, regulated by FINRA and SECNASDAQ in the United States of America;

The OTC Market(s) in US Government securities conducted by primary dealers selected and regulated by the Federal Reserve Bank of New York;



The OTC Market(s) in Canadian Government Bonds, regulated by the Investment Industry Regulatory Organization of Canada;

**15. Eligible Derivative Markets**

United States of America      CME Group

**16. Establishment of Collective Investment Schemes**

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

Any member state of the UK or the European Economic Area

Australia

Bermuda

Canada

Cayman Islands

Channel Islands

Isle of Man

Japan

Singapore

Switzerland

United States

## Appendix 2: Investment Powers and Restrictions

The Scheme is classified as a “non-UCITS retail scheme”.

### General

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

An aim of the restrictions on investment and borrowing powers set out in the COLL Sourcebook (which are summarised below) is to help protect Shareholders by laying down minimum standards for the investments that may be held. There are requirements for the types of investments which may be held by the Scheme. There are also a number of investment rules requiring diversification of investment of the Scheme, and so providing a prudent spread of risk.

The rules relating to spread of investments do not apply during any period in which it is not reasonably practical to comply, provided that the ACD aims to provide a prudent spread of risk.

### Types of investment

For a non-UCITS retail scheme such as the Scheme, the scheme property may consist of one or more of:

- (a) transferable securities;
- (b) units in collective investment schemes;
- (c) money market instruments;
- (d) deposits;
- (e) derivatives and forward transactions;
- (f) immovables (real property); and
- (g) gold (up to a 10% limit);

in each case as permitted under the provisions of Section 5.6 of the COLL Sourcebook.

The Scheme may, in principle, invest in up to 100% in any of the types of assets mentioned in paragraphs (a)-(f) above (but not in gold).

The object of the Scheme is to invest the scheme property in transferable securities, units in collective investment schemes, money market instruments, deposits, derivative instruments and forward transactions and immovables (real property) in accordance with the COLL Sourcebook applicable to a non UCITS retail schemes, and subject to any more restrictive provisions set out in this Prospectus, with the aim of spreading investment risk and giving Shareholders the benefit of the results of the management of that property.

The following paragraphs summarise the restrictions for non-UCITS retail schemes generally under the COLL Sourcebook. However, the Scheme is managed subject to its investment objective, and this indicates the likely type of investments which will be held. Accordingly, the Scheme will invest predominantly in transferable securities. The ACD does not intend to use derivatives for the Scheme (if at all) other than for the purposes of efficient management of the portfolio as explained further below.

- Transferable securities

*What is a transferable security?*

A transferable security is an investment which is any of the following: a share, a debenture, a government and public security, a warrant or a certificate representing certain securities. An investment is not a transferable security if title to it cannot be transferred, or can be transferred only with the consent of a third party (although, in the case of an investment which is issued by a body corporate and which is a share or debenture, the need for any consent on the part of the body corporate or any members or debenture holders of it may be ignored). An investment is not a transferable security unless the liability of the holder of it to contribute to the debts of the issuer is limited to any amount for the time being unpaid by the holder of it in respect of the investment.

The Scheme may invest in a transferable security only to the extent that that transferable security fulfils the following criteria:

- the potential loss which the Scheme may incur with respect to holding the transferable securities is limited to the amount it paid for it;
- its liquidity does not compromise the ability of the ACD to comply with its obligation to redeem shares at the request of any qualifying Shareholder;

- a reliable valuation is available for it as follows: (i) for a transferable security admitted to or dealt in on an eligible market, there are accurate reliable and regular prices which are either market prices or prices made available by valuation systems independent from issuers; and (ii) for a transferable security not admitted to or dealt in on an eligible market, there is a valuation on a periodic basis which is derived from information from the issuers of the transferable security or from competent investment research);
- appropriate information is available for it as follows: (i) for a transferable security admitted to or dealt in on an eligible market, there is regular accurate and comprehensive information available to the market on that security or, where relevant on the portfolio of the transferable security; and (ii) for a transferable security not admitted to or dealt in on an eligible market, there is regular and accurate information available to the ACD on the transferable security or relevant on the portfolio of the transferable security;
- it is negotiable; and
- its risks are adequately captured by the risk management process of the ACD.

Unless there is information available to the ACD that would lead to a different determination, a transferable security which is admitted to, or dealt in on, an eligible market is presumed not to compromise the ability of the ACD to comply with its obligation to redeem shares at the request of any qualifying Shareholder and to be negotiable.

Note that a unit in a closed ended fund is taken to be a transferable security provided it fulfils the above criteria and either:

- where the closed ended fund is constituted as an investment company or a unit trust:
- it is subject to corporate governance mechanisms applied to companies; and
- where another person carries out asset management activity on its behalf, that person is subject to national regulation for the purpose of investor protection; or
- where the closed ended fund is constituted under the law of contract:

- it is subject to corporate governance mechanisms equivalent to those applied to companies; and
- it is managed by a person who is subject to national regulation for the purposes of investor protection.

(Shares in UK investment trusts are classified as transferable securities.)

#### *Transferable securities linked to other assets*

The Scheme may invest in any other investment which may be taken to be a transferable security for the purposes of investment by the Scheme provided that the investment fulfils the criteria set out above and is backed by or linked to the performance of other assets which may differ from those in which a scheme can invest.

Where such an investment contains an embedded derivative component, the requirements with respect to derivatives and forwards will apply to that component.

#### *What are “approved securities”?*

The Scheme will generally invest in “approved securities”, which are transferable securities which are admitted to, or dealt in on, an eligible market as defined for the purposes of the COLL Sourcebook.

#### *Limited investment in unapproved securities*

Not more than 20% in value of the Scheme’s property is to consist of transferable securities which are not such approved securities or recently issued transferable securities as explained below (together with any money market instruments other than any approved money market instruments which are not admitted to or dealt in on an eligible market (as explained below) provided the money market instruments are liquid and have a value which can be determined accurately at any time).

#### *Eligible Markets*

An Eligible Market for the purpose of the COLL Sourcebook is:

- a regulated market, which is a multilateral system operated and/or managed by a market operator, which brings together or facilitates the bringing together of multiple third party buying and selling interests in

financial instruments - in the system and in accordance with its non-discretionary rules - in a way that results in a contract, in respect of the financial instruments admitted to trading under its rules and/or systems, and which is authorised and functions regularly and in accordance with the provisions of Title III of the Markets in Financial Instruments Directive (MiFID);

- a market in the UK or an EEA state which is regulated, operates regularly and is open to the public; or
- a market which the ACD, after consultation with, and notification to, the Depositary, determines is appropriate for the purpose of investment of, or dealing in, the property of the Scheme and as set out in Appendix 1 to this Prospectus. In accordance with the relevant criteria in the COLL Sourcebook, such a market must be regulated; operate regularly; recognised as a market or exchange or as a self-regulating organisation by an overseas regulator; open to the public; be adequately liquid; and have adequate arrangements for unimpeded transmission of income and capital to, or to the order of, investors.

The eligible securities markets for the Scheme are as set out in Appendix 1.

#### *Recently issued transferable securities*

Recently issued transferable securities may be held by the Scheme provided that:

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

- **Collective Investment Schemes**

Investments may be made in units or shares of collective investment schemes (the “second scheme”) subject to the following restrictions:

#### *Relevant types of collective investment scheme*

The Scheme may invest in a collective investment scheme if that second scheme:

- (a) be a UK UCITS scheme or satisfy the conditions necessary for it to enjoy the rights conferred by the UCITS Directive as implemented in the EEA (for example, it is a UK authorised fund which is a UCITS scheme); or
- (b) is UK authorised fund which is a non-UCITS retail scheme; or
- (c) is a scheme recognised under the provision of Section 272 of the Financial Services and Markets Act 2000; or
- (d) is constituted outside the United Kingdom and has investment and borrowing powers which are the same or are more restrictive than those of a non-UCITS retail scheme, or
- (e) is a scheme which does not fall within any of the above categories 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.

In each case:

- the second scheme must operate on the principle of prudent spread of risk.
- the second scheme must be prohibited from having more than 15% in value of the property of that scheme consisting of units in collective investment schemes (unless COLL 5.6.10AR applies).
- the participants in the second scheme must be entitled to have their units redeemed in accordance with the scheme at a price which is related to the net value of the property to which the units relate and which is determined in accordance with the scheme.

(In the case of an umbrella fund, these requirements of the second scheme apply to the relevant sub fund of that umbrella scheme.)

Any second schemes in which the Company invests will be established in the locations listed for each Fund in Appendix 1. The Company may invest in second schemes established in locations not currently listed in Appendix 1 provided the second scheme satisfies the requirements of this Prospectus and the FCA Regulations, where this occurs the list in Appendix 1 will be updated and an updated Prospectus issued.

- Feeder Schemes

A non-UCITS retail scheme that is not a feeder NURS may, if the following conditions are met, invest in units of:

- a) a feeder UCITS; or
- b) a feeder NURS; or
- c) a scheme dedicated to units in a single property authorised investment fund; or
- d) a scheme dedicated to units in a recognised scheme

The relevant master UCITS must comply with COLL 5.2.13R (2), (3) and (4) as if it were the second scheme for the purpose of that rule.

The relevant qualifying master scheme, property authorised investment fund or recognised scheme must comply with COLL 5.6.10R (2) to (5) as if it were the second scheme for the purpose of that rule.

Not more than 35% in value of the scheme property of the non-UCITS retail scheme may consist of units of one or more schemes permitted under (COLL 5.6.10AR) (1a) to (1d).

The non-UCITS retail scheme must not invest directly in units of the relevant master UCITS, qualifying master scheme, property authorised investment fund or recognised scheme.

The authorised corporate director of the non-UCITS retail scheme must be able to show on reasonable grounds that an investment in one or more schemes permitted under (COLL 5.6.10AR) (1a) to (1d) is:

- (a) in the interests of investors; and
- (b) no less advantageous than if the non-UCITS retail scheme had held units directly in the relevant:
  - i. master UCITS; or
  - ii. qualifying master scheme; or
  - iii. property authorised investment fund; or



iv. recognised scheme.

*Spread restrictions*

Whilst investment is possible in schemes in any of the categories mentioned in paragraphs (a) to (e) above, no more than 35% in value of the scheme property of the Scheme is to consist of units or shares in any one collective investment scheme. (For the purposes of this spread requirement, if investment is made in sub-funds of an umbrella scheme, each sub-fund is treated as if it were a separate scheme.)

*Investment in associated collective investment schemes*

The Scheme may invest in associated collective investment schemes i.e. any collective investment scheme which is managed or operated by the ACD or an associate of the ACD. In this connection, where an investment or disposal of units in such an associated collective investment scheme is made, and there is a charge in respect of such investment or disposal, the ACD must pay certain amounts within four business days following the date of the agreement to invest or dispose namely:

- when an investment is made, any preliminary charge; and
- when a disposal is made, any charge made for the account of the operator of the second scheme or an associate of any of them in respect of the disposal.

Note that, for this purpose, dilution and SDRT provisions are not regarded as part of any charge. The intention is to prevent any double charging of the preliminary charge on investment, or redemption charge on disinvestment.

- Money market instruments

*What is an “approved money market instrument”?*

An approved money market instrument is a money market instrument which is normally dealt in on the money market, is liquid and has a value which can be accurately determined at any time.

- normally dealt in on the money market

A money market instrument shall be regarded as normally dealt in on the money market if it:

- (a) has a maturity at issuance of up to and including 397 days;
  - (b) has a residual maturity of up to and including 397 days;
  - (c) undergoes regular yield adjustments in line with money market conditions at least every 397 days; or
  - (d) has a risk profile including credit and interest rate risks corresponding to that of the instrument which has a maturity as set out in (a) or (b) or is subject to yield adjustment as set out in (c).
- regarded as liquid

A money market instrument shall be regarded as liquid if it can be sold at limited cost in an adequately short time frame taking into account the obligation of the ACD to redeem Shares at the request of any qualifying Shareholder.

and

- has a value which can be accurately determined at any time

A money market instrument shall be regarded as having a value which can be accurately determined at any time if accurate and reliable valuation systems, which will fulfil the following criteria, are available:

- they enable the ACD to calculate a net asset value in accordance with the value at which the instrument held in the portfolio could be exchanged between knowledgeable willing parties in an arm's length transaction; and
- they are based either on market data or on valuation models including systems based on amortised costs.

#### *Eligible money market instruments*

Generally investment may be made in the following types of money market instrument:

#### **Money market instruments admitted to/dealt in on an Eligible Market**

A money market instrument that is normally dealt in on the money market and is admitted to or dealt in on an eligible market shall be presumed to be liquid and have a value which can be accurately determined at any time, and so be an approved money market instrument, unless there is information available to the ACD that would lead to a different determination.

### **Money market instruments with certain regulated issuers**

In addition to instruments admitted to or dealt in on an eligible market, a non UCITS retail scheme may invest in an approved money market instrument provided:

- the issue or the issuer is regulated for the purpose of protecting investors and savings

This is regarded as being the case if:

- the instrument is an approved money market instrument (as explained above);
- appropriate information is available for the instrument (including information which allows an appropriate assessment of credit risks related to investment in it);

Generally, the following information must be available:

- (i) information on both the issue or the issuance programme, and the legal and financial situation of the issuer prior to the issue of the instrument, verified by appropriately qualified third parties not subject to instructions from the issuer;
- (ii) updates of that information on a regular basis and whenever a significant event occurs; and
- (iii) available and reliable statistics on the issue or the issuance programme, or where appropriate, other data enabling an appropriate assessment of the credit risks related to investment in those instruments.

In the case of an approved money market instrument issued or guaranteed by a central authority of the UK or an EEA state, the Bank of England, if the EEA state is a federal state, one of the

members making up the federation, the European Union or the European Investment Bank or a non EEA state other than the UK or, in the case of a federal state, one of the members making up the federation, or which is issued by a regional or local authority of the UK or an EEA state or a public international body to which the UK or one or more EEA states belong and is guaranteed by a central authority of the UK or an EEA state or, if the EEA state is a federal state, one of the members making up the federation, information must be available on the issue or the issuance programme, or on the legal and financial situation of the issuer prior to the issue of the instrument;

and

- the instrument is freely transferable.
- the instrument is:
  - issued or guaranteed by any one of the following: a central authority of the UK or, an EEA state or, if the EEA state, is a federal state, one of the members making up the federation; a regional or local authority of the UK or an EEA state; the European Central Bank or a central bank of an EEA state; the Bank of England, the European Union or the European Investment Bank; a non EEA state other than the UK or, in the case of federal state, one of the members making up the federation; a public international body to which the UK or one or more EEA member states belong; or
  - issued by a body, any securities of which are dealt in on an eligible market; or
  - issued or guaranteed by an establishment which is (i) subject to prudential supervision in accordance with the criteria defined by UK or European Community law or (ii) subject to and complies with prudential rules considered by the FCA to be at least as stringent as those laid down by UK or European Community law.

(This latter condition is considered satisfied if it is subject to and complies with prudential rules and fulfils one or more of the following criteria: it is located in UK or the EEA; it is located in an OECD country belonging to the Group of Ten; it has at least investment grade rating or, on the basis of an in depth analysis of

the issuer, it can be demonstrated that prudential rules applicable to that issuer are at least as stringent as those laid down by UK or European Community law.)

### **Other money market instruments with a regulated issuer**

In addition to instruments admitted to or dealt in on an eligible market, the Scheme may also, with the express consent of the FCA (which takes the form of a waiver under Section 148 of the Financial Services and Markets Act 2000), invest in an approved money market instrument provided:

- the issuer or issuer is itself regulated for the purpose of protecting investors and savings on the basis explained above;
- investment in that instrument is subject to investor protection equivalent to that provided by instruments which satisfy the requirements explained above; and
- the issuer is a company whose capital and reserves amount to at least €10 million and which presents and publishes its annual accounts in accordance with Directive 2013/34/EU (as amended) (or the statutory equivalent thereof, which forms part of UK law by virtue of the EUWA, as applicable, is an entity which, within a group of companies which includes one or several listed companies, is dedicated to the financing of the group or is an entity which is dedicated to the financing of securitisation vehicles which benefit from a banking liquidity line.

A securitisation vehicle is a structure, whether in corporate, trust or contractual form, set out for the purpose of securitisation operations.

A banking liquidity line is a banking facility secured by a financial institution which is an establishment subject to prudential supervision in accordance with criteria defined by European Community law or in an establishment which is subject to, and complies with, prudential rules considered by the FCA to be at least as stringent as those laid down by European Community law.

### *Limited investment in unapproved money market instruments*

Not more than 20% in value of the property of the Scheme may consist of money market instruments which are neither approved money market instruments admitted to or dealt on an eligible market (defined on the same basis explained above in relation to eligible markets for transferable securities) nor approved money market instruments with a regulated issuer, provided the money market

instruments are liquid and have a value which can be determined accurately at any time (together with any transferable securities which are not approved securities or recently issued transferable securities as explained above under the heading 'Limited investment in unapproved securities').

- Deposits

The Scheme may invest in deposits if it is with an Approved Bank, is repayable on demand or has the right to be withdrawn, and matures in no more than 12 months.

- Derivatives

Under the COLL Sourcebook, a non-UCITS retail scheme may enter into transactions in derivatives subject to certain detailed restrictions, and provided that the transaction in a derivative does not cause the Scheme to diverge from its investment objectives. Permitted underlying assets for derivative transactions

The underlying of any transaction in a derivative must consist of any one or more of the following to which the scheme is dedicated:

- transferable securities;
- approved money market instruments (i.e. money market instruments admitted to, or dealt in on, an eligible market or with a regulated issuer as explained above);
- deposits;
- permitted derivatives;
- units in a collective investment scheme;
- immovables (real property);
- gold;
- financial indices which satisfy certain criteria;
- interest rates;
- foreign exchange rates; and

- currencies;

and the exposure to the underlying must not exceed the spread restrictions explained below.

The Scheme may not undertake a transaction in derivatives on commodities.

The financial indices mentioned above are those which satisfy the following criteria:

- the index is sufficiently diversified

A financial index is sufficiently diversified if 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; where it is composed of assets in which the Scheme is permitted to invest, its composition is at least diversified in accordance with the requirements with respect to spread and concentration set out for the Scheme; and, where it is composed of assets in which the Scheme cannot invest it is diversified in a way which is equivalent to the diversification achieved by the requirements with respect to spread and concentration applicable to the Scheme;

- the index represents an adequate benchmark

A financial index represents an adequate benchmark for the market to which it refers if it measures the performance of a representative group of underlyings in a relevant and appropriate way; it is revised or rebalanced periodically to ensure that it continues to reflect the market to which it refers, following criteria which are publicly available; and the underlying is sufficiently liquid, allowing users to replicate it if necessary; and

- the index is published in an appropriate manner

An index is published in an appropriate manner if 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 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.

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 any other underlyings which are permitted underlyings for a transaction in derivatives mentioned above, be regarded as a combination of those underlyings.

#### *Permitted derivative transactions for UCITS schemes*

Subject to certain detailed restrictions, a transaction in derivatives or a forward transaction may be effected for the Scheme if it is:

- a permitted transaction; and
- the transaction is covered;

in each case on the basis explained below.

For any derivative transaction, there are requirements specified if that transaction will or could lead to the delivery of property, and there must be an appropriate risk management process in place.

#### *Permitted transactions*

A transaction in a derivative must be:

- in an approved derivative, i.e. a transaction effected on or under the rules of an eligible derivatives market.

Eligible derivatives markets are those which the ACD, after consultation with the Depositary, has decided are appropriate for the purpose of investment of or dealing in the property of the Scheme in question with regard to the relevant criteria set out in the COLL Sourcebook and the formal guidance on eligible markets issued by the FCA as amended from time to time. The eligible derivatives markets for the Scheme are set out in Appendix 1.

or

- subject to restrictions, an OTC derivative transaction.

Any transaction in an OTC derivative must be:

- 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 permits it to enter into transactions as principal off - exchange.
- 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 or the ACD:

- 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 will, at the request of the Company or the ACD, enter into a further transaction to close out that transaction at any time at a fair value arrived at under the reliable market value basis or the pricing model agreed under the next paragraph.
- 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:

- on the basis of an up to date market value which the ACD and the Depositary have agreed is reliable; or
- if the value referred to above is not available, on the basis of a pricing model which the ACD and the Depositary have agreed uses an adequate recognised methodology.

and

- 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:

- 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
- 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.

A transaction in a derivative must not be entered into if the intended effect is to create the potential for an uncovered sale of one or more transferable securities, money market instruments, units in a collective investment scheme or derivatives.

Any forward transaction must be made with an Eligible Institution or an Approved Bank.

#### *Derivatives exposure*

The requirements for cover are intended to ensure that the Scheme is not exposed to the risk of loss of the property, including money, to an extent greater than the net value of the scheme property. Therefore a scheme is required to hold scheme property sufficient in value or amount to match the exposure arising from the derivative obligation to which the scheme is committed.

A transaction in derivatives or a forward transaction may only be entered into if the maximum exposure, in terms of the principle or notional principle created by the transaction to which the Scheme is or may be committed by another person is covered globally. Exposure is covered globally if adequate cover from within the scheme property of the Scheme is available to meet the Scheme's total exposure, taking into account the value of the underlying assets and any reasonably foreseeable market movement, counterparty risk, and the time available to liquidate any positions.

The global exposure relating to derivatives held in the Scheme may not exceed the net value of the scheme property.

Cash not yet received into the scheme property but due to be received within one month is available as cover.

Property which is 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.

Cash obtained from borrowing, and borrowing which the ACD reasonably regards an eligible institution or approved bank to be committed to provide, is not available for cover unless the Scheme borrows an amount of currency from an eligible institution or approved bank and keeps an amount in another currency at least equal to the borrowing for the time being in the initial amount of currency on deposit with the lender (or his agent and nominee) in which case the requirements for cover applies if the borrowed currency and not the deposited currency were part of the scheme property.

The ACD must (as frequently as is necessary) re-calculate the amount of cover required in respect of derivatives and forward positions already in existence. Derivatives and rights under forward transactions may be retained in the scheme property only so long as they remain covered globally.

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

A derivative or forward transaction which will or could lead to the delivery of property for the account of the Scheme may be entered into only if:

- that property can be held for the account of the Scheme; and
- the ACD, having taken reasonable care, determines that delivery of the property under that transaction will not occur or will not lead to a breach of the applicable restrictions.

#### *Requirement to cover sales*

No agreement by or on behalf of the Scheme 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 Scheme by delivery of property or the assignment (or, in Scotland, assignation) of rights; and
- such property and rights are attributable to the Scheme at the time of the agreement.

However this requirement does not apply to a deposit. Nor does this requirement apply where:

- 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
- the ACD or the Depositary has the right to settle the derivative in cash, and cover exists within the scheme property which falls within one or more of the following asset classes: cash; liquid debt instrument (e.g. government bonds of first credit rating) with appropriate safeguards; or other highly liquid assets having regard to their correlation with the underlying of the financial derivative instruments (subject to appropriate safeguards).

(For this purpose 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.)

#### *Exposure to underlying assets*

Where the Scheme invests in derivatives, the exposure to the underlying assets must not exceed the spread limits explained in “Spread requirements” below, save that where the Scheme invests in an index based derivative, provided the relevant index falls within the definition of “relevant index” (being an index which satisfies the following criteria: (i) the composition is sufficiently diversified; (ii) the index represents an adequate benchmark for the market to which it refers; and (iii) the index is published in an appropriate manner), the underlying constituents of the index do not have to be taken into account for the purposes of the spread requirements. Such relaxation in respect of index based derivatives is subject to the requirement for the ACD to maintain a prudent spread of risk.

A derivative includes an instrument which fulfils the following criteria:

- it allows the transfer of the credit risk of the underlying independently from the other risks associated with that underlying;
- it does not result in the delivery or the transfer of assets other than those referred to regarding permitted types of scheme property for the Scheme including cash;
- in the case of an OTC derivative, it complies with the requirements for OTC transactions in derivatives explained above;
- its risks are adequately captured by the risk management process of the ACD, and by its internal control mechanisms in the case of risks of asymmetry of information between the ACD and the counterparty to the derivative, resulting from potential access of the counterparty to non-public information on persons whose assets are used as the underlying by that derivative.

*Transferable securities and money market instruments embedding derivatives*

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

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

- 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 standard alone derivative;
- its economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract; and
- it has a significant impact on the risk profile and pricing of the transferable security or approved money market instrument.

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.

The following list of transferable securities and approved money market instruments (which is illustrative and non-exhaustive) could be assumed to embed a derivative:

- credit linked notes;
- transferable securities or approved money market instruments whose performance is linked to the performance of a bond index;
- transferable securities or approved money market instruments whose performance is linked to the performance of a basket of shares, with or without active management;
- transferable securities or approved money market instruments with a fully guaranteed nominal value whose performance is linked to the performance of a basket of shares with or without active management;
- convertible bonds; and
- exchangeable bonds.

The Scheme cannot use transferable securities or approved money market instruments which embed a derivative to circumvent the restrictions regarding use of derivatives.

Transferable securities and approved money market instruments which embed a derivative are subject to the rules applicable to derivatives as outlined in this section. It is the ACD's responsibility to check that these requirements are satisfied. The nature, frequency and scope of checks performed will depend on the characteristics of the embedded derivatives and on their impact on the Scheme, taking into account its stated investment objective and risk profile.

#### *Risk management: derivatives*

As mentioned below, the ACD must use a risk management process enabling it to monitor and measure as frequently as appropriate the risk of the Scheme's derivatives positions and their contribution to the overall risk profile of the Scheme.

#### *Proposed use of derivatives by the Scheme*

**It is intended that derivatives will be used for the Scheme (if at all) only for the purposes of efficient management of the Scheme, and not for investment purposes.**

Transactions for efficient management of the Scheme are transactions which are reasonably regarded by the ACD as economically appropriate, and which are permitted by the COLL Sourcebook to be effected, in order to achieve a reduction in certain risks or costs or the generation of additional capital or income for the Scheme with an acceptably low level of risk. There is no limit on the amount or value of the property of the Scheme which may be used for such efficient management purposes, but the ACD will only enter into the transaction if it reasonably believes the transaction to be economically appropriate. The types of transactions in which the Scheme may engage include derivatives (i.e. futures, options or contracts for difference) which are dealt in or traded on an eligible derivatives market (as listed in Appendix 1) or, in special circumstances, "off-exchange options" or "synthetic futures" and forward transactions in currencies with certain counterparties.

The following types of risk are relevant in relation to efficient management of the Scheme:

- market risk;
- interest rate risk;
- credit risk; and
- foreign exchange (FX) risk.

**Accordingly, it is not anticipated that the use of derivatives by the Scheme as described in this Prospectus will have any adverse effect on the risk profile of the Scheme.**

- Immovable property

Investments may include immovables (real property), where such real property complies with the restrictions set out in the COLL Rules. However, the ACD does not currently intend to make any investment in such assets and will not invest in immovables without Shareholders receiving appropriate notification and this Prospectus shall be updated accordingly to include the appropriate investment restrictions.

Spread Requirements

There are limitations on the proportion of the value of the Scheme which may be held in certain forms of investment.

### *General spread requirements*

The general spread requirements for a non-UCITS retail scheme are as follows:

- (a) not more than 10% in value of the Scheme's property is to consist of transferable securities or money market instruments issued by a single body (and in applying these limits certificates representing certain securities are treated as equivalent to the underlying security). This limit of 10% is raised to 25% in value of the scheme property in respect of covered bonds.
- (b) not more than 35% in value of the Scheme is to consist of units or shares in any one collective investment scheme; and
- (c) not more than 20% in value of the Scheme's property is to consist of deposits with a single body;
- (d) the exposure to any one counterparty in an OTC derivative transaction must not exceed 10%;

In applying the spread requirements, a single body is:

- in relation to transferable securities and money market instruments, the person by whom they are issued; and
- in relation to deposits, the person with whom they are placed.

### Government and public securities

The above restrictions do not apply in respect of a transferable security or an approved money-market instrument ("such securities") that is issued or guaranteed by:

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



The Scheme may invest more than 35% of the Scheme's property in such securities issued by any one body as listed in Appendix 1.

More than 35% of the Scheme's property may be invested in such securities issued by any one such issuer provided that:

- (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 Scheme;
- (2) no more than 30% in value of the scheme property consists of such securities of any one issue;
- (3) the scheme property includes such securities issued by that or another issuer, of at least six different issues.

#### *Exposure to OTC derivatives*

For the purposes of calculating the limits mentioned above in relation to OTC derivatives, 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:

- it is marked to market on a daily basis and exceeds the value of the amount at risk;
- it is exposed only to negligible risks (e.g. government bonds of first credit rating or cash) and is liquid;
- it is held by a third party custodian and not related to the provider or is legally secured from the consequences of failure of a related party; and
- it can be fully enforced by the Scheme at any time.

For the purposes of calculating the spread limits, OTC derivative positions with the same counterparty may be netted provided that the netting proceedings:

- comply with the conditions in Section 3 (Contractual Netting) (Contracts for Novation and Other Netting Agreements) of Annex III to the Banking Consolidation Directive, or the statutory equivalent thereof, which forms part of UK law by virtue of the EUWA, as applicable; and
- are based on legally binding agreements.

In applying the spread requirements, 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:

- it is backed by an appropriate performance guarantee; and
- it is categorised by daily marked to market valuation of the derivatives positions and at least daily margining.

#### *Use of index based derivatives*

Where a scheme invests in an index based derivative, provided the relevant index complies with the above criteria, the underlying constituents of the index do not need to be taken into account for the purposes of the spread requirements provided the ACD takes into account the requirement to provide a prudent spread of risk.

#### Warrants

A warrant is an instrument giving entitlements to investments (a warrant or other instrument entitling the holder to subscribe for a share, debenture or government and public security) and any other transferable security (not being a nil paid or partly paid security) which is listed on an eligible securities market; and is akin to an investment which is an instrument giving entitlements to investments in that it involves a down payment by the then holder and a right later to surrender the instrument and pay more money in return for a further transferable security.

A warrant falls within any power of investment if it is reasonably foreseeable that the right conferred by the proposed warrant could be exercised by the ACD without contravening the investment restrictions in the COLL Sourcebook (assuming that there is no change in a fund's property between the acquisition of the proposed warrant and its exercise and that the rights conferred by the proposed warrants and all other warrants forming part of the Scheme's property at the time of acquisition of the proposed warrant will be exercised, whether or not it is intended that they will be).

**The ACD will not invest more than 5% of the scheme property in warrants.**

#### Nil and partly paid securities

A security on which any sum is unpaid is 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 Scheme, at the time when payment is required, without contravening the COLL Sourcebook as it is applicable to the Scheme.

## Stock lending

Stock lending covers techniques relating to transferable securities and approved money market instruments which are used for the purpose of efficient portfolio management. It permits the generation of additional income for the benefit of the Scheme and hence its investors by entering into stock lending transactions for the account of the Scheme.

Stock lending involves a lender transferring securities to a 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 purposes 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.

A stock lending arrangement or repo contract may be entered into in respect of the Scheme when it is appropriate with a view to generating additional income with an acceptable degree of risk. The Depositary, at the ACD’s request, may enter into a stock lending arrangement or repo contract in respect of the Scheme of a kind described in section 263B of the Taxation of Chargeable Gains Act 1992 (without extension by section 263C) on certain terms specified in the COLL Sourcebook. There is no limit on the value of the property of the Scheme which may be the subject of stock lending transactions.

Where a stock lending arrangement is entered into, the scheme property remains unchanged in terms of value. The securities transferred cease to be part of the scheme property but there is obtained in return an obligation on the part of the counterparty to transfer back equivalent securities. The Depositary will also receive collateral to set against the risk of default and transfer and that collateral is equally irrelevant to the value of the scheme property. The COLL Sourcebook makes provision for treatment of collateral in that context. Where the scheme generates leverage through the re-investment of collateral, this should be taken into account in the calculation of the scheme’s global exposure.

## Power to underwrite or accept placings

The exposure of the Scheme to agreements and understandings which are underwriting or sub underwriting agreements, or contemplate the securities will or may be issued or subscribed for or acquired for the account of the Scheme, must, on any day be covered (as explained above in relation to derivative transactions) and 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.

## Guarantees and indemnities

The Depositary (on account of a Scheme) must not provide any guarantee or indemnity in respect of the obligation of any person. None of the property of the Scheme may be used to discharge any obligation arising under any guarantee or indemnity with respect to the obligation of any person. This is subject to exceptions in the case of any indemnity or guarantee given for margin requirements where the derivatives or forward transactions are being used in accordance with the COLL Sourcebook (summarised above) or indemnities given to the person winding-up a body corporate or other scheme in circumstances where those assets are becoming part of the property of the Scheme by way of a unitisation.

## Borrowing

The Depositary (on the instruction of the ACD) may borrow money for the use of the Scheme on terms that the borrowing is to be repayable out of the property of the Scheme from an Eligible Institution or an Approved Bank (e.g. a bank or building society). Borrowings may be arranged with the Depositary. The ACD must ensure that any such borrowings comply with the COLL Sourcebook.

The ACD must ensure that borrowing does not exceed 10% of the value of the property of the Scheme on any Business Day.

These borrowing restrictions do not apply to "back to back" borrowing for currency hedging purposes, i.e. borrowing permitted to reduce or eliminate risk arising by reason of fluctuations in exchange rates.

## Restrictions on lending

None of the money in the scheme property of the Scheme may be lent and, for the purposes of this prohibition, money is lent by the Scheme if it is paid to a person (the payee) on the basis that it should be repaid whether or not by the payee. (This restriction does not prevent the acquiring of a debenture, nor the placing of money on deposit or in a current account. Nor does it prevent the Scheme from providing an officer of the Company with funds to meet expenditure to be incurred by him for the purpose of the Scheme (or for the purposes of enabling him properly to perform his duties as an officer of the Company) or from doing anything to enable an offer to avoid incurring such expenditure.)

The scheme property of the Company other than money must not be lent by way of deposit or otherwise, although stock lending transactions are not regarded as lending for this purpose. The scheme property must not be mortgaged. This rule does not however prevent the Company or the Depositary at the request of the ICVC from

lending, depositing, pledging or charging the scheme property for margin requirements where transactions in derivatives or forward transactions are used for the account of the Company in accordance with the COLL Sourcebook.

## Leverage

Transactions introducing leverage are generally undertaken to reduce risk or cost in terms of fluctuations in prices, interest rates or exchange rates or involve receiving a premium for the writing of a covered call option or cash covered put option on the property of the Scheme which the Scheme is willing to buy or sell at the exercise price. The Scheme may also borrow up to 10% of its net asset value; as a result of actively invested borrowing the Scheme would display leveraged characteristics.

The types and sources of leverage and risks the Scheme may employ are as follows:

- i) The Scheme may borrow up to 10% of its net asset value from an Approved Bank, and
- ii) Through the use of derivatives. Any exposure by the Scheme through the use of derivatives must be covered by cash or readily realisable assets held by the Scheme. Restrictions on the use of derivatives are outlined in the Investment Objective and Policy in Appendix 1 and detailed in the Investment and Borrowing Powers in Appendix 2.

Please refer to the Risk Factors for details of the risks associated with these types of leverage.

The following restrictions apply to the use of leverage:

- i) Leverage through Borrowing: The Scheme may borrow from Eligible Institutions or Approved Banks only.
- ii) Leverage through the Use of Derivatives: Derivatives may be used for the purposes of Efficient Portfolio Management only. No current collateral or asset reuse arrangements are currently in place. Should the Scheme enter into any contracts that require the use of collateral in future, collateral will be managed in accordance with FCA Regulations and Guidelines issued from time to time by the European Securities and Markets Authority. A Collateral Management Policy will be implemented by the ACD before the Scheme enters into any transactions which require it to hold collateral from a counterparty.

Under AIFMD, it is necessary for AIFs to disclose their leverage in accordance with prescribed calculations. The two types of leverage calculations defined are the gross and commitment methods. These methods summarily express leverage as a ratio of the exposure of the AIF against its net asset value. 'Exposure' typically includes debt, the

value of any physical properties subject to mortgage, non sterling currency, equity or currency hedging (even those held purely for risk reduction purposes, such as forward foreign exchange contracts held for currency hedging) and derivative exposure (converted into the equivalent underlying positions). The commitment method nets off derivative instruments, while the gross method aggregates them.

The maximum level of leverage for the Company expressed as a ratio of the Company's total exposure to its Net Asset Value:

- (a) under the Gross Method is 200 per cent; and
- (b) under the Commitment Method is 130 per cent.

The limits have been set for the investment policy of the AIF under AIFMD and have been set to accommodate the maximum level of leverage conceivable.

#### Cash and Near Cash

The ACD's investment policy may mean that at times it is appropriate for the property of the Scheme not to be fully invested and for cash or "near cash" to be held. The Scheme may hold cash or "near cash" (meaning, essentially, certain types of deposits) where this may reasonably be regarded as necessary in order to enable:

- (a) the pursuit of the Scheme's investment objectives; or
- (b) redemption of Shares; or
- (c) efficient management of the Scheme in accordance with its investment objectives; or
- (d) other purposes which may reasonably be regarded as ancillary to the investment objectives of the Scheme.

#### Risk management

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

This process must take into account the investment objectives and policy of the Scheme. The ACD has taken reasonable care to establish and maintain systems and controls which are appropriate to its business in this connection. The Depositary is obliged to take reasonable care to review the appropriateness of the risk management

process in line with its duties. The ACD's risk management process is available to Shareholders on request.

The FCA Regulations require that authorised fund managers maintain a liquidity risk management process.

The ACD assesses how many days are likely to be required to sell investments without negatively impacting the Share price or liquidity on a best endeavours basis i.e. a liquidity ladder. The ACD assess the bid/offer spreads and trading volumes as widening spreads and thin trading volumes give an indication that it might be more difficult to dispose of an investment. The characteristic of the Scheme determines the frequency of this assessment. The main factors are:

- i) liquidity of underlying investments;
- ii) the size of the investment as a proportion of the Scheme and also relative to the market (e.g. proportion of the holding to the average trade size); and
- iii) the average holding period of Shareholders in the Scheme.

It is also the ACD's responsibility to ensure that the Investment Manager undertakes testing of its liquidity management arrangements against various stressed liquidity arrangements on a regular basis.

#### Breaches of the investment and borrowing powers and limits

The ACD must immediately upon becoming aware of any breach of any of the investment and borrowing powers and limits, at its own expense, rectify that breach.

However:

- (a) if the reason for the breach is beyond the control of the ACD and the Depositary, the ACD must take the steps necessary to rectify a breach as soon as it is reasonably practicable having regard to the interests of Shareholders, and, in any event, within six months or, if it is a transaction in derivatives or a forward transaction, five Business Days; and
- (b) if the exercise of rights conferred by an investment held by the Scheme would involve a breach, the Scheme may still exercise those rights if:
  - the prior written consent of the Depositary is obtained: and- the ACD then takes the steps necessary to rectify the breach as soon as reasonably practicable, having regard to the interests of Shareholders, and, in any event, within six months or, if it is a transaction in derivatives or a forward transaction, generally five Business Days.

Immediately upon the Depositary becoming aware of any breach of any of the investment and borrowing powers and limits, it must ensure that the ACD takes such appropriate action.



### **Appendix 3: Typical Investor Profile(s)**

Below is an indication of the target market of the Fund as required under MiFID II and its supplementing regulations, or the statutory equivalent thereof which forms part of UK law by virtue of the EUWA, as applicable. This is fully detailed in the EMT which should be made available to you before making an investment. If you do not believe you fit the target market of this Fund please seek advice from your professional adviser.

This Fund is suitable for all investor types of all levels of knowledge and experience coming into the fund from all available distribution channels.

Investors should be seeking no capital guarantee and be able to bear losses up to their full investment.

The Fund seeks to increase capital and grow income over a long time period.

Please refer to the latest EMT or KIID for the Synthetic Risk Reward Indicator (SRRI).

#### Appendix 4: Other Funds Managed by the ACD

The ACD is also the manager or authorised corporate director of the following UK authorised investment funds:

Authorised Unit Trusts	Investment Companies with Variable Capital
Dragon Trust Eagle Fund Evelyn Witch General Trust Langham Trust Magnum Trust Marathon Trust Orchard Fund Ourax Unit Trust Spenser Fund SVS DW Asia Income & Growth Fund SVS Dowgate Wealth UK New Economies Fund SVS Sanlam European Equity Fund SVS Sanlam Fixed Interest Fund SVS Sanlam North American Equity Fund The Acorn Trust The Alkerton Trust The Barro II Trust The Capital Balanced Fund The Dream Trust The Enterprise Trust The Global Opportunities Fund The Ilex Fund The Jetwave Trust The Lancaster Trust The Millennium Fund The Plain Andrews Unit Trust The Securities Fund Worldwide Growth Trust	Bute Fund Earlstone Fund Evelyn Partners Funds Evelyn Partners Investment Funds ICVC Forest Fund ICVC Ganymede Fund GFS Investments Fund Glairnox Fund Gryphon Investment Funds Hercules Managed Funds Issodola Fund JC Investments Fund Kanthaka Fund Moorgate Funds ICVC New Square Investment Funds Pendennis Fund ICVC Pharaoh Fund Pityoulish Investments Fund Quercus Fund Sardasca Fund Sherwood Fund Smithfield Funds Starhunter Investments Fund Stratford Place Fund Sussex Fund SVS AllianceBernstein UK OEIC SVS Aubrey Capital Management Investment Funds SVS Baker Steel Global Investors OEIC SVS Baker Steel Gold and Precious Metals Fund SVS Brooks Macdonald Fund SVS Brown Shipley Multi Asset Portfolio

	SVS Cornelian Investment Funds SVS Dowgate Cape Wrath Focus Fund SVS Dowgate Wealth Funds ICVC SVS Heritage Investment Fund SVS Kennox Strategic Value Fund SVS RM Funds ICVC SVS Saltus Onshore Portfolios SVS WAM Investment Funds SVS Zeus Investment Funds ICVC Sylvan Funds Taber Investments Fund The Air Pilot Fund The Aurinko Fund The Blu-Frog Investment Fund The Brighton Rock Fund The Cheviot Fund The Daisybelle Fund The Dinky Fund The Dunninger Fund The Folla Fund The Galacum Fund The Global Balanced Strategy Fund The Gloucester Portfolio The Headspring Fund The Headway Fund The Jake Fund The Jay Fund The Kingfisher Fund The Loch Moy Fund The Magpie Fund The MF Fund The Milne Fund The Nectar Fund The Norton Fund The Princedale Fund The Rosslyn Fund The SBB Fund The Staffordshire Portfolio The Stellar Fund The SVS Levitas Funds The Touchstone Investment Fund The Tully Fund The Westhill Investment Fund
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	TS Campana Fund Vagabond Investment Fund White Oak Fund
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## **Appendix 5: List of Directors of the ACD**

### **Name of Director**

Brian McLean

Neil Coxhead

Andrew Baddeley

Mayank Prakash

Dean Buckley (Independent Non-Executive Director)

Linda Robinson (Independent Non-Executive Director)

Victoria Muir (Independent Non-Executive Director)

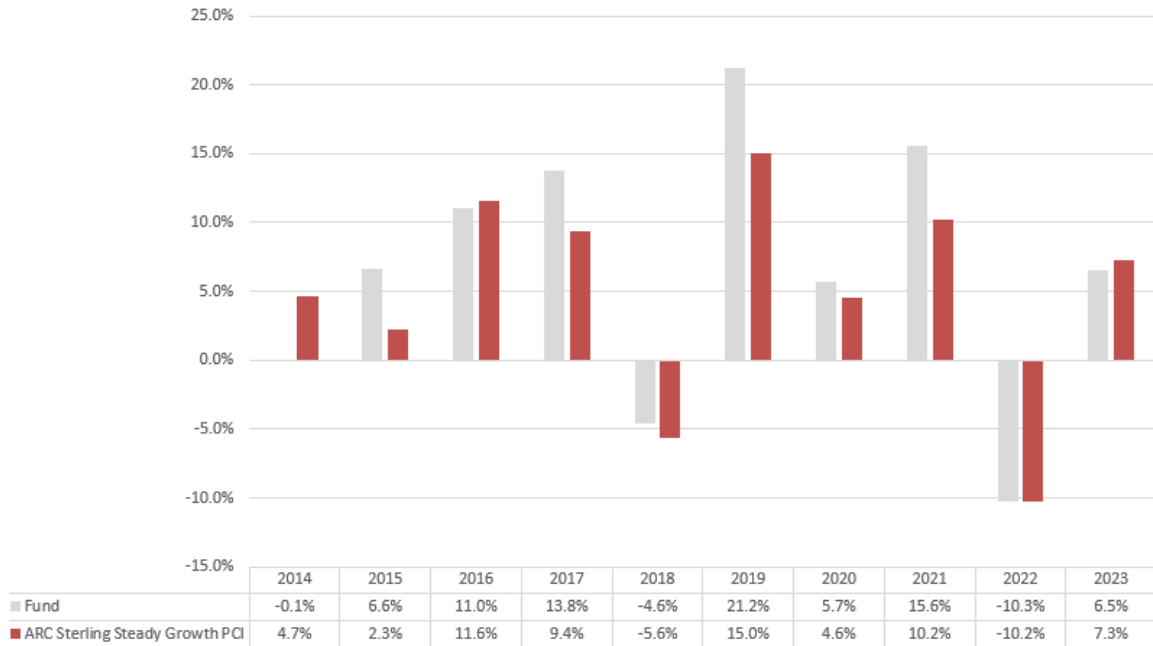
Sally Macdonald (Independent Non-Executive Director)

Guy Swarbreck (Non-Executive Director)

None of the directors have any business activities of significance to the Company that are not connected with the business of the ACD.

## Appendix 6: Historical Performance

The annual performance record of the Company is set out below:



Source: Fund - FE fundinfo 2024  
Benchmark - Morningstar

Basis: Mid to mid; net of tax and charges, net income reinvested. Performance does not include the effect of any initial or redemption charges.

Past performance is not a reliable indicator of future performance. The price of shares and the income from them can fall as well as rise and, if investors buy shares, they may not get back the amount they originally invested when they sell them. In addition, smaller companies can be subject to certain specific risks not associated with larger, more mature companies.

## **Appendix 7: Directory**

### **The Company and Head Office**

The Staffordshire Portfolio  
45 Gresham Street  
London  
EC2V 7BG

### **ACD, Administrator and Registrar**

Registered Office:  
Evelyn Partners Fund Solutions Limited  
45 Gresham Street  
London  
EC2V 7BG

Correspondence Address:  
Evelyn Partners Fund Solutions Limited  
Transfer Agency Team  
177 Bothwell Street  
Glasgow  
G2 7ER

Telephone Numbers:  
For Dealing - 0141 222 1150  
For Prices, Registration and Other Enquiries - 0141 222 1151

### **Depository**

Registered Office:  
NatWest Trustee & Depository Services Limited  
250 Bishopsgate  
London  
EC2M 4AA

Principal Place of Business:  
House A, Floor 0  
Gogarburn  
175 Glasgow Road  
Edinburgh  
EH12 1HQ

### **Investment Manager**

Close Asset Management Limited  
10 Crown Place  
London  
EC2A 4FT

### **Auditors**

Johnston Carmichael LLP  
Bishop's Court  
29 Albyn Place  
Aberdeen  
AB10 1YL

**Supervisory Authority**  
The Financial Conduct Authority (FCA)  
25 The North Colonnade  
Canary Wharf  
London  
E14 5HS