

# Prospectus of Hercules Managed Funds

(A Non-UCITS Retail Scheme with FCA Product Reference Number: 476201)

This Prospectus is dated and is valid as at 8 October 2024

This document constitutes the Prospectus relating to Hercules Managed Funds (the “Company”), 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 8 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 Sub-funds. Investors should only consider investing in the Sub-funds if they understand the risks involved including the risk of losing all capital invested.

The ACD of the Company 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.

If you are in any doubt about the suitability of investing in Shares of the Company 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.

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

## Contents

	<b>Page</b>
The Company	6
Establishment and Authorisation	6
Base Currency	6
The Funds	6
Object	6
Investor Profile	7
Management of the Company	8
The ACD	8
Investment Manager	10
The Auditor	12
Delegation of powers	12
Conflicts of interest	13
Investment objective and investment powers	14
Investment objective	14
Investment powers and restrictions	14
Risk Factors	14
Shares	23
Share capital	23
Share Classes	23
Interests of Shareholders	23
The Register	24
Statements	24
Client Money	24
Dealings in Shares	25
Issue and redemption of Shares	25
Anti-money laundering procedures	28
Cancellation	29
In specie issue and cancellation of Shares	29
Deferred redemptions of Shares	29

Suspension of dealings in Shares	30
Compulsory redemptions of Shares	30
Minimum holdings	31
Governing Law	31
Valuation and pricing of Shares	31
Valuation	31
Price of a Share	32
Dilution policy	32
Publication of prices	33
Remuneration and expenses	34
ACD's remuneration	34
Depositary's remuneration	35
Expenses	36
Initial expenses and costs	38
VAT	38
Allocation of Fees and Expenses between Funds	38
Allocation of payments to income or capital	38
Income	39
Accounting and income allocation dates	39
Income allocations	39
Income equalisation	40
Shareholder meetings and information for Shareholders	41
Approvals and notifications	41
Reports	43
Instrument and Prospectus	43
Taxation	44
Taxation of the Scheme and the Funds	44
Taxation of Shareholders	44
General Matters	49
Winding up of the Company or a Fund	49
General Information	50
Telephone Recordings	51
Notices	51
Complaints	51
Compensation	52

Best Execution	52
Inducements and Soft Commission	52
Genuine Diversity of Ownership (GDO)	52
<b>Appendix 1</b>	<b>53</b>
The Funds	53
<b>Appendix 2</b>	<b>59</b>
Investment powers and restrictions	59
<b>Appendix 3</b>	<b>88</b>
Typical Investor Profile(s)	88
<b>Appendix 4</b>	<b>89</b>
Other funds managed by the ACD	89
<b>Appendix 5</b>	<b>91</b>
Historic Performance	91
<b>Appendix 6</b>	<b>92</b>
Directory	92

## TERMS USED IN THIS DOCUMENT

<b>“ACD”</b>	Evelyn Partners Fund Solutions Limited.
<b>“ACT”</b>	the Financial Services and Markets Act 2000 as amended.
<b>“AIF”</b>	means alternative investment fund.
<b>“AIFM”</b>	means alternative investment fund manager.
<b>“AIFMD”</b>	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.
<b>“AIFMD Level 2 Regulation”</b>	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.
<b>AIFM Rules</b>	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.
<b>“Approved Bank”</b>	(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

**“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 Trust’s portfolio of securities or a significant portion thereof, the ACD may decide that any business day shall not be construed as such.

**“COLL Sourcebook”** the Collective Investment Schemes Sourcebook issued by the FCA as amended (References in this Prospectus to COLL refer to the appropriate chapter or rule in the COLL Sourcebook).

**“Client Money”** 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>“Company”</b>	Hercules Managed Funds.
<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>“Depositary”</b>	NatWest Trustee & Depositary Services Limited.
<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>“Fund”</b>	a sub-fund of the Company - details of the Funds are set out in Appendix 1.
<b>“ICVC”</b>	a UK authorised open ended investment company.
<b>“Instrument”</b>	the instrument of incorporation by which the Company 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 Company does not currently require the services of a Prime Broker.
<b>“Prospectus”</b>	this document, the prospectus for the Company as amended.
<b>“Regulations”</b>	the OEIC Regulations and the FCA Rules.
<b>“Share”</b>	a share in the Company, being a share which relates to a particular class of share of a Fund (including fractions of 1/1000 of a share) where appropriate
<b>“Shareholder”</b>	a holder of registered shares in the Company and whose name is entered

“Share Class” or “Class”	<p>on the register in relation to that share</p> <p>in relation to shares, means (according to the context) a particular class or classes of Share as described in Appendix 1</p>
“UCITS”	<p>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;</p>
“UCITS Directive”	<p>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.</p>
“Valuation Point”	<p>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</p>
“VAT”	<p>value added tax;</p>

## **The Company**

### **Establishment and Authorisation**

The Company is an investment company with variable capital incorporated in England and Wales, company registration number IC000612. The Company is constituted by its Instrument of Incorporation (the “Instrument”).

The Company was authorised by the Financial Conduct Authority on 6 February 2008.

The Company and each Fund 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 Sub-funds as an investment.

### **Base Currency**

The base currency of the Company (and of each Fund) is pounds sterling or such other currency as may be the lawful currency of the United Kingdom from time to time.

### **The Funds**

The Company is an umbrella scheme comprising a number of Funds, each of which is operated as a distinct fund with its own portfolio of investments. The Funds in which Shares are currently available are:

- Hercules Growth Fund

The ACD may launch further Funds at a later date. Full details of each Fund are set out in Appendix 1.

Information on the typical investor profile for each Sub-fund is set out in Appendix 3.

### **Object**

The object of the Company is to invest the property of the Company 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 Company may be invested are transferable securities, units in collective investment schemes, money market instruments, deposits, 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 this Prospectus from time to time.

### Investor Profile

The Company is not widely marketed. It is made available to various private clients of the Investment Manager. The Company is designed for high net worth retail investors (although Shares in the Funds may be marketed to all types of investor), who:

- Want to achieve capital growth or income over the longer term through investing in UK and overseas markets using the expertise of the Investment Manager,
- Can meet the minimum investment levels.
- Are able to commit to a long term investment in the Fund and take the risk of losing part or all of their investment capital.
- Who understand and are willing to take the risks involved in investing in the Fund (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 Company**

### **The ACD**

The ACD of the Company 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, 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.

The ACD is the authorised corporate director of the Company 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 as follows:

#### **Name of Director**

Andrew Baddeley

Brian McLean

Mayank Prakash

Neil Coxhead

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 Scheme that are not connected with the business of the ACD.**

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 Company that would be significant to the Company's business within the meaning of the FCA Rules.

The appointment of the ACD was made under an Agreement dated 17 June 2011 between the Company and the ACD (the "ACD Agreement").

The ACD is responsible for managing and administering the Company's affairs in compliance with the FCA's Rules. Under the terms of the ACD Agreement, the ACD is to provide investment management, administrative, accounting, company secretarial and registrar services to the Company.

The ACD Agreement may be terminated by the Company on 6 months' written notice. The ACD Agreement will terminate if the ACD ceases to be the authorised corporate director of the Company or if the Company 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

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.

The ACD Agreement includes an indemnity from the ACD to the Company against costs, claims and expenses incurred by the Company as a consequence of the ACD's performance of its responsibilities under the terms of the ACD Agreement except in certain limited circumstances.

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 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 each of the Funds. The main activity of the Investment Manager is investment management. The appointment of the Investment Manager was made under an agreement dated 17 June 2011 between the ACD and Investment Manager. Under the Agreement, 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 Company 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 the ACD and the Investment Manager is terminable on not less than one months’ notice in writing by either the ACD or the Investment Manager and in certain circumstances is terminable with immediate effect 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 policy 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 NatWest Group plc, which is incorporated in Scotland. The principal business activity of the Depositary is the provision of trustee and depositary services. The Depositary’s principal place of business is House A, Floor 0, Gogarburn, 175 Glasgow Road, Edinburgh, EH12 1HQ.

### 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 agreement

The Depositary was appointed 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’s 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 Company 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 Company to the Company, the ACD or any associate of the Company or the ACD or custody or control of the scheme property to the Company 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 Company 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.

#### Conflicts of interest

The FCA Rules contain various requirements relating to transactions entered into between the Company 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 Company. Certain transactions between the Company and the ACD, or an associate of the ACD, may be voidable at the instance of the Company in certain circumstances.

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 Regulations, ensure that the performance of their respective duties will not be impaired by any such involvement.

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 in an appropriate format.

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).

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

Each Fund has a separate specific investment objective and investment policy, details of which are set out in Appendix 1.

### Investment powers and restrictions

The assets of each Fund will be invested in accordance with each Fund's investment policy with the aim of achieving the investment objective of that Fund. They must be invested so as to comply with the investment and borrowing powers and restrictions set out in the FCA Rules, the Instrument and this Prospectus. A summary of the investment powers and restrictions applicable to the Funds is set out in Appendix 2.

### Benchmark

Shareholders may also compare the performance of the Fund against the ARC Sterling Equity Risk PCI. Comparison of the Fund's performance against this benchmark will give Shareholders an indication of how the Fund 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 Fund, nor is the Fund 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 Company.

### Historical performance

The Hercules Growth Fund was launched on 17 June 2011. Details of historic performance are shown in Appendix 5.

Past performance is not a reliable indicator of future results. 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.

### *Fluctuations in value*

Investors are reminded that, notwithstanding the investment objectives of the Funds, the price of Shares in the Funds, and the income from them, may go down as well as up and is not guaranteed. No return is guaranteed and the return in any performance period can be zero. Investment in the Company should be regarded as a long-term investment and investors should therefore not invest money in Shares in the Company that they may require in the short term.

### *Investment Matters*

- **Market Risk**

The Funds invest in investments which are subject to market price risk. An investment in a Fund will involve exposure to those risks normally associated with investment in securities.

- **Collective investment schemes**

An investment by a Fund in a collective investment scheme will involve risks that are not present in direct investments. For example, the collective investment scheme in which the Fund invests may at any time have an economic or business interests or goals which are not fully consistent with those of the Fund.

For an investment by a Fund in an unregulated collective investment scheme, the property of the scheme may be highly illiquid securities and difficult to value. Moreover, unregulated collective investment schemes may have significant discretion as to the valuation of its investments, and may impose constraints which affect the liquidity of the investment by the Fund in the scheme and which could have an impact on the Fund's valuation.

- **Bonds and debt instruments (including high yielding securities)**

Where a Fund invests 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.

For investments in high yielding debt instruments, there may be a relatively high level of income from such investments (compared to investment grade debt instruments). However, the risk of depreciation and realisation of capital losses on such debt instruments will be significantly greater than for lower yielding debt instruments.

The credit quality of debt instruments is often assessed by rating agencies. Changes to the rating or a debt instrument, as well as expected changes to ratings, will be likely to cause changes in the yield and market value of such debt instruments, at times significantly so.

Medium and lower rated debt securities and unrated debt securities may be subject to greater fluctuations in yield, wider bid-offer spreads, a greater liquidity premium and accentuated market expectations compared with higher rated securities. Consequently such debt instruments may experience greater fluctuations in market value than higher rated securities.

- **Leverage Risk**

Leverage is where a Sub-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 Sub-fund.

- **Sovereign debt**

Certain developing countries are large debtors to commercial banks and foreign governments. Investment in debt obligations (“**Sovereign Debt**”) issued or guaranteed by the governments of developing countries or their agencies and instrumentalities (“**government entities**”) involve a higher degree of risk. The government entity that controls repayment of Sovereign Debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt. A government entity’s willingness or ability to repay principal and interest due in a timely manner may be affected by its cash flow situation, the extent of its foreign reserves, the availability of sufficient foreign exchange on a date a payment is due, the relative size of the debt service burden to the economy as a whole, the government entity’s policy towards the International Monetary Fund and any political constraints of a government entity. Government entities may also be dependent on foreign governments, multilateral agencies or other third parties abroad to reduce principal and interest arrears on their debt. The commitment on the part of these governments, multilateral agencies and third parties to make such disbursements may be conditional on a government entity’s implementation of economic reforms and/or economic performance and the timely service of the debtor’s obligations. Failure to implement reforms, achieve levels of economic performance or repay principal or interest when due may result in the cancellation of commitments to lend funds to the government entity. This may further impair such debtor’s ability or willingness to service the debt on a timely basis. Consequently, government entities may default on their Sovereign Debt. Holders of Sovereign Debt, such as a Fund, may be requested to participate in

the rescheduling of debt and extend further loans to government entities. There are no bankruptcy proceedings for default of Sovereign Debt which would enable it to be recovered in whole or in part.

- **Equity linked notes**

The return component of an equity linked note is based on the performance of a single security, a basket of securities or an equity index. Where a Fund invests in these instruments, the Fund may realise a capital loss if the value of the underlying security decreases. In extreme cases a Fund may lose the entire capital. (These risks are also present for direct investments in equity investments.) The return payable on an equity linked note is determined at a specified time on a valuation date, irrespective of the fluctuations in the underlying stock price. There is no guarantee that a return or yield on an investment will be made. There is also the risk that a note issuer may default.

A Fund may use equity linked notes to gain access to certain markets, for example emerging and less developed markets, where direct investment is not possible. Such an approach may increase the Fund's exposure to the following additional- the lack of a secondary market in such instruments, illiquidity of the underlying securities, and difficulty selling the instruments at times when the underlying markets are closed.

- **Investment trusts**

The Funds may invest in investment trusts. These are public limited companies quoted on the London Stock Exchange. The price of their shares depends on supply and demand and may not reflect the value of the underlying assets. It may be higher ("at a premium") or lower ("at a discount"). The discount or premium will vary over time. In addition, investment trusts are permitted to borrow money which can then be used to make further investments. In a rising market, this "gearing" can enhance returns to investors. However, if the market falls, losses may be significantly increased. Investment trusts may also invest in hedge funds, structured products and quoted private equity funds, which may carry the risks associated with derivative investments.

- **Structured products**

Typically, these are investment strategies based on derivatives whose underlying assets may be, but are not limited to, securities, options, indices, commodities, debt issuances and/or foreign currencies. Capital-at-risk investments, high-income investments or guaranteed stock market investments are all examples of structured products but structured products are not limited to these types. The return on structured products is not guaranteed and the level of return may depend on the level of the underlying assets.

- **Leverage**

A Fund may invest in companies or collective investment schemes which borrow funds. The issuers of investments in which a Fund invests may not be subject to any limitations on the amount of their borrowings, and the amount of borrowing outstanding at any time may be substantial in comparison to the capital held.

Shareholders should also be aware that the Funds may borrow money, subject to the constraints set out in Appendix 2.

- **Warrants**

Investments in warrants by a Fund may cause the price of Shares in the Fund to fluctuate more than if the Fund was invested in the underlying securities, since the price of warrants is more volatile.

- **Smaller companies**

Smaller companies can be subject to certain specific risks not normally associated with larger, more mature companies. These risks relate mainly to lack of product depth, limited geographical diversification and greater sensitivity to economic conditions. Companies trading on AIM or PLUS are by their nature smaller companies and there is a less liquid market in their securities than may be the case for companies listed on the Official List of the UK Listing Authority.

The securities of smaller companies may be subject to greater fluctuations in value than securities of larger companies, and the market for the securities of smaller companies may be less liquid than for securities of larger companies, which may reduce the opportunity for a Fund to dispose of investments at the optimum time.

- **New share or debt issues**

A Fund may invest in initial public offerings of shares (“IPO”) or a new bond issue. The price of securities involved in an IPO or bond issue are often subject to greater and more unpredictable price changes than securities that are already listed and traded in large volumes.

- **Concentration**

A Fund may invest in a relatively small number of investments and/or take substantial positions in one or more group of securities or sector or asset class.

This may cause the price of Shares in the Fund to become more volatile than if the Fund held a larger number of more widely diversified investments.

- **Investments outside the UK**

For those Funds which invest outside the UK, there could be risks associated with the markets in which investments could be made. For example, there may be dealing difficulties, issues related to settlement and custody practices, and the accounting and financial reporting standards, practices and disclosure requirements made may differ.

- **Emerging countries and developing markets**

For Funds investing in securities in or with exposure to emerging markets, those investments will involve additional risks to those normally encountered in developed securities markets. These risks may be political, social or economic in nature, and may be complicated by inflationary pressures and currency depreciation. For example, the 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 may 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 or with exposure to emerging markets may therefore be adversely affected by political and/or economic conditions, which would, in turn, adversely impact on the performance of the Fund and the price of Shares in the Fund.

- **Political and/or environmental risk**

The Funds may invest in or have exposure to countries where ownership rights are or may become uncertain, and the development of resources may be subject to disruption (for example due to civil disturbances, industrial action, interruption of power supplies, and adverse climatic or environmental conditions).

- **Valuation and pricing**

By investing in a Fund, Shareholders will gain exposure to the return from the underlying investments of the Fund. When valuing a Fund's underlying investments, the ACD may be able to obtain a market price from an exchange or similarly verifiable source. However, the ACD may be required to value investments when markets are closed. In addition, the investments of a Fund



may comprise investments in unquoted and/or illiquid investments, which may be difficult to value. In circumstances where a verifiable source of market prices is not available, the ACD may invoke its fair value process in order to determine a fair value price for the relevant investments. As this fair value process involves subjectivity and reliance on assumptions, this increases the risk that the ACD's best estimate of a fair and reasonable market value is incorrect.

- **Currency fluctuations**

Where an underlying investment of the Company is not denominated in the base currency of the Company (sterling) the effect of fluctuations in the rate of exchange between that currency and the base currency may adversely affect the value of that investment and this will be reflected in the value of Shares.

- **Credit risk**

The price of Shares in a Fund may be adversely affected if any of the institutions with which the Fund deposits money becomes insolvent or suffers other financial difficulties. Credit risk may also arise if, in respect of an investment by a Fund, the issuer of the investment is less financially secure and/or there is uncertainty about the issuer's ultimate repayment of principal and interest for bond or other debt instrument investments. The entire deposit or purchase price of the debt security may be at risk of loss if there is no recovery after default.

- **Counterparty and settlement risk**

The Funds only buy and sell investments through brokers approved by the ACD and/or Investment Advisor as an acceptable counterparty. A Fund may nevertheless suffer loss due to another party not meeting its financial or other obligations to the Fund. For example, a counterparty to a trade (whether an exchange traded or over the counter transaction) may fail to meet its transactions commitments or may fail to do so in a timely manner. Furthermore, in some markets 'Delivery versus Payment' may not be possible meaning the absolute value of the contract/investment is at risk if the Fund meets its settlement obligations but the counterparty fails to do so.

- **Interest rate risk**

The value of investments may change as a result of fluctuations in interest rates. For example, a reduction in interest rates may mean that a Fund receives less credit interest on cash placed on deposit. Alternatively, an increase in interest rates means that a Fund may be charged higher debt interest on any overdrawn accounts.

- **Segregated liability**

As explained in the “Liabilities” section below, under the OEIC Regulations, each Fund is a segregated portfolio of assets and those assets can only be used to meet the liabilities of, or claim against, that Fund. Whilst the provisions of the OEIC Regulations provide for segregated liability between Funds, the concept segregated liability is relatively new. Accordingly, where claims are brought by local creditors in foreign courts or under foreign law contracts, it is not yet known whether a foreign court would give effect to the segregated liability and cross investment provisions contained in the OEIC Regulations. Therefore, it is not possible to be certain that the assets of a Fund will always be completely insulated from the liabilities of another Fund of the Company in every circumstance.

### *Liquidity*

This is the risk that a Fund may not have sufficient cash, or the ability to raise additional cash through the sale of underlying investments, to meet redemption requests. Each Fund has limited borrowing powers, and may hold cash and readily realisable securities. The ACD monitors the cash position and the level of redemption requests so as to minimise the liquidity risk which may arise. The underlying investments of a Fund may be subject to liquidity constraints affecting the ability of a Fund to realise the investments. This, in turn, may affect the ability of a Fund to raise cash to meet requests for the redemption of Shares.

### *Liabilities*

The Funds represent segregated portfolios of assets and, accordingly, the assets of a Fund belong exclusively to that Fund and shall not be used or made available to discharge (indirectly or directly) the liabilities of claim against, any other person or body, and any other Fund and shall not be available for any such purpose.

### *Inflation*

Unless the performance of the Funds keeps up with or beats inflation, the ‘real’ value of an investment will fall over time.

### *Charges and expenses*

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

### *Rights to cancel*

You will only have cancellation rights if your investment is made as a result of your having taken independent advice from an authorised financial adviser.

If you exercise any right to cancel, you may not get back the amount initially invested where the Share price has fallen since you invested.

### *Tax position*

The tax position as stated in this document is believed to be accurate as at the date of this Prospectus. It may be subject to change in the future. Investors should consider their tax position which would depend on their circumstances.

### *Fund specific risk factors*

Please refer to Appendix 1 for details of specific risk factors which apply to a particular Fund.

## Shares

### Share capital

The maximum share capital of the Company is £10,000,000,000 and the minimum share capital of the Company is £100.

### Share Classes

The Company may issue a number of Share Classes in respect of a Fund. Different charging structures, minimum investment levels and eligibility provisions may apply to each Share Class.

The Company currently issues accumulation Shares in each of the Funds. The terms for the Share Classes in issue in the Company from time to time are as set out in this Prospectus.

Net income attributable to accumulation Shares is automatically added to (and retained as part of) the capital assets of the relevant Fund at the end of each accounting period and is reflected in the Share price of accumulation Shares.

Details of the Share Classes which are currently available in each Fund are set out in the details of the Funds in Appendix 1.

The ACD may resolve to create further Share Classes in respect of a Fund in the future. If 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 Company. A Shareholder is not liable to make any further payment to the Company after he has paid the purchase price of the Shares.

Each holder of Shares in the Company is entitled to participate in the property of the Company and its income in accordance with its proportionate share entitlements calculated in accordance with the terms of the Instrument. If, in the future, more than one class of Shares is in issue, the holder of Shares will participate in the property of a Fund 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 in the Company.

## 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. 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.

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.

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. No interest payment will be made on client money held by the ACD, prior to investment in the scheme. Client money will be held in a designated client money account with NatWest Group plc. The ACD from time to time holds Shares in its own name to assist in the administration of the Company. The ACD does not seek to make a profit from doing so.

The ACD is under no obligation to account to the Depositary or to the Shareholders for any profit which it makes on the issue of Shares or on the reissue or cancellation of Shares it has redeemed.

### *Share prices*

The Shares will be priced on a forward basis, hence prices used will be those calculated by reference to the valuation point next after the receipt by the ACD of the Shareholder's application. Shares issued or redeemed between the commencement of the last valuation on a Friday (or a Dealing Day preceding a public holiday) and the close of business on that day or at any time on any other day which is not a Dealing Day will be effected at the price determined after the valuation which - unless the ACD exercises his discretion to revalue the property of the Fund before that time - will commence at midday on the following Dealing Day. Calculation of the Share price will take place on each Dealing Day.

### *Buying Shares*

Where minimum investment levels allow, initial investments in the Company must be made by sending a completed Application form to the ACD's Transfer Agency team, either: (i) accompanied by a cheque (up to £50,000); or (ii) having made payment by way of electronic transfer to the ACD's bank account. Application forms are available from the ACD. The ACD will accept written instructions accompanied by payment for

subsequent transactions which can be carried out by writing to the ACD's Transfer Agency team at the Correspondence Address. The ACD will also accept telephone requests for subsequent investments by FCA regulated entities for subsequent investments, which may purchase shares by telephoning the ACD on 0141 222 1150. 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. 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, 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 4<sup>th</sup> Business Day following the Valuation Point.

The ACD may accept applications to purchase shares by electronic communication. Electronic communication does not include email.

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

In respect of all applications for the issue of Shares, a contract note will be sent to the registered Shareholder (or, in the case of joint holders, to the first named Shareholder), 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 the Company, 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, under separate cover, within 8 days of the receipt by the ACD of the application for Shares.

Other than for an initial investment in the Company, the application monies are due on receipt by the applicant of the contract note and in any event not later than the fourth Business Day following the date on which the dealing in the Shares took place. In respect of an initial investment in the Company, the ACD is not obliged to issue or procure the issue of Shares until it has received cleared funds from or on behalf of the applicant.

### *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 may accept requests to sell or transfer Shares by electronic communication. Electronic communication does not include email. In respect of all applications to redeem Shares, a contract note will be issued, normally by close of the next Business Day following the execution of the redemption giving details of the Shares sold back to the ACD and the price used. Payment in satisfaction of the redemption request will be issued by BACS or telegraphic transfer by the close of the fourth Business Day following 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, whichever is later. 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.

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

### *Initial offer of Shares*

In relation to each Fund, there will be a one day initial offer period with Shares at the price of 100 pence per Share.

### *Switching between Funds*

A Shareholder in a Fund may switch all or some of his Shares in a Fund for shares in a fund of another ICVC of which the ACD is the authorised corporate director, at any time.



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.

A switch involves a sale of the original Shares held and a purchase of the new shares. The ACD may make a switch charge (instead of a preliminary charge) on the purchase of the new shares. Such a charge may be up to an amount equal to the amount of the preliminary charge for the Fund in which the new Shares are to be purchased.

If the switch would result in the Shareholder holding a number of original or new shares of a value which is less than the minimum holding in the Funds concerned, the ACD may, if it thinks fit, convert the whole of the applicant's holding of original Shares to new Shares, or refuse to effect any switch of the original Shares.

Investors should note that a switch between funds as described above is treated as a disposal for the purposes of tax on capital gains and may therefore give rise to capital gains tax liability for UK resident Shareholders.

No rights to cancel the purchase of Shares under the FCA Rules will be given to Shareholders who switch their Shares for Shares in another Fund of the Company.

#### 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 for a period of fourteen days from his receipt of the contract note and to request the return of his money. If the investor has a right to cancel and exercises that right, and 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.

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 Instrument authorises payment for the issue or cancellation of Shares to be made by transfer of assets other than cash but only if the Depositary has taken reasonable care to ensure that the property concerned would not be likely to result in any material prejudice to the interests of Shareholders.

Where a Shareholder requests a redemption of Shares representing in value not less than 5% of the value of the scheme property of a Fund, 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.

## Deferred redemptions of Shares

If requested redemptions of Shares on a particular Business Day exceed 10% of the relevant Fund's value, redemptions of Shares may be deferred to the next valuation point. Any such deferral will only be undertaken in such manner as to ensure consistent treatment of all Shareholders who had sought to redeem shares at the valuation point at which redemptions were deferred. Deferral will be pro-rated based on the value of units being redeemed (provided that the ACD may determine in its discretion a value threshold below which all redemptions will be effected, and above which the foregoing pro-rata deferral shall apply), and so that all deals relating to an earlier valuation point are completed before those relating to a later valuation point are considered.

The intention of the deferred redemption provisions is to reduce the impact of dilution on the Fund in question. In times of high levels of redemption, deferred redemption

provisions would enable the ACD to protect the interest of continuing Shareholders by allowing it to match the sale of a property of the Fund in question to the levels of redemptions of Shares in that Fund.

#### Suspension of dealings in Shares

The ACD may, with the prior agreement of the Depositary, and must without delay if the Depositary so requires, temporarily suspend the issue, cancellation, sale or redemption of Shares where due to exceptional circumstances it is in the interests of all Shareholders. On a suspension, the FCA will be immediately informed. Any such suspension will be notified to Shareholders as soon as practicable after the suspension commences and the ACD will ensure that it publishes sufficient details to keep Shareholders appropriately informed about the suspension including, if known, its likely duration. The ACD and the Depositary shall review any suspension at least every 28 days. A suspension of dealings in Shares must cease as soon as practicable after the exceptional circumstances which caused the suspension have ceased. If such a suspension occurs, the recalculation of the price of the Shares at the end of the period of suspension 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 is £1,000,000. The minimum value of Shares which may be the subject of any one redemption is £5,000. There is no minimum holding amount. The ACD may waive any of the requirements set out in this paragraph at its discretion.

#### Governing Law

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

#### Valuation and pricing of Shares

##### Valuation

The property of each Fund will be valued for the purpose of determining prices at which Shares in each Fund may be purchased or redeemed by the ACD as at midday in relation to each Fund on every Dealing Day (a "Valuation Point") but may be valued more frequently if the ACD so decides. At each Valuation Point, the valuation shall be carried out on a mark to market basis for which purpose:

- 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.

The ACD reserves the right to revalue each Fund at any time, at its discretion. This is only likely to take place in cases where there has been a substantial change, amounting to 2 per cent or more, in the value of the underlying assets of a Fund since the previous valuation.

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 and the Instrument. The Company deals on a forward pricing basis (and not on the basis of published prices). As mentioned above, a forward price is a price calculated at the next valuation point after the deal is agreed.

The price per Share at which shares are bought, redeemed or switched is the Net Asset Value per Share. Any initial charge or redemption charge, (or dilution levy or SDRT on a specific deal, if applicable) is payable in addition to the price or deducted from the proceeds and is taken from the gross subscription or redemption monies. Special provisions apply in the case of an initial offer of Shares, where the ACD sets the initial offer price (as explained in the paragraph "Initial offer of Shares" above).

#### Dilution policy

The basis on which the Company's investments are valued for the purpose of calculating the buying and selling price of Shares as stipulated in the FCA Rules and the 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 a Fund's underlying investments means that the buying and selling prices of Shares calculated for a Fund may differ from the value of the proportionate interests those Shares represent in the Fund and dealing at those prices could lead to a reduction in the value of the scheme property of the Fund and so disadvantage other Shareholders. The effect of this is known as "dilution". The ACD may therefore apply a "dilution levy" 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.

Any dilution levy must be fair to all shareholders and potential shareholders. A dilution levy is a charge of such amount or at such rate as is determined by the ACD in accordance with the COLL Sourcebook to be made for the purpose of reducing dilution. Any dilution levy will be calculated by reference to the estimated costs of dealing in the underlying investments of the Fund, including any dealing spreads, commission and transfer taxes in accordance with the COLL Sourcebook.

Generally the ACD reserves the right to impose a dilution levy on purchases and sales of whatever size and whenever made but it is not possible to predict accurately whether dilution would occur at any point in time. If a proposed transaction falls or potentially falls within the large deal category (which is any deal or series of deals which together relate to Shares having an aggregate value of £250,000 or more), the investor should enquire as to whether a dilution levy will be applied in respect of that transaction before giving instructions to the ACD. In deciding whether to impose a dilution levy, the ACD may consider a number of factors including the size of the transaction relative to the overall value of the Fund, the level of transaction costs within the relevant particular markets, the liquidity of the underlying investments within the Fund, the amount of the investments to be bought/sold and the likely time that this will take, the likelihood of an adverse impact on the value of the investments as a result of the accelerated rate of disposal and the length of time for which the Shares in question were held.

It should be noted that, as dilution is directly related to the inflows and outflows of monies from a Fund, 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 levy.

Based on future projections, the levy (if imposed) will be 0.52% on sales (creation) purchases and 0.23% on redemptions (liquidations). Any dilution levy would be paid to the Company and would become part of the property of the relevant Fund. Based on future projections, the ACD intends to impose a dilution levy in respect of Shareholders seeking to redeem Shares which amount to a large deal, as described above. The actual percentages can only be accurately calculated at the time at which they are applied and, as such, these percentages are subject to change.

Although, as stated above, as at the date of this Prospectus, the ACD's policy is that it may impose a dilution levy if, at some future date it appears to the ACD, that a dilution adjustment would be preferable to a charge of a dilution levy, the ACD may change its policy and may make a dilution adjustment.

#### Publication of prices

Shareholders can obtain the price 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 current preliminary charge for each Fund which is payable to the ACD is set out in the details of the Funds in Appendix 1.

#### *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 current rates of the ACD's periodic charges for each Fund are set out in the details of the Funds in Appendix 1. It comprises two component parts:

- a charge in respect of the ACD's services as authorised corporate director for the Company.
- a periodic charge for investment management services is made for each Fund, payable to the ACD, which it pays on to the relevant Investment Manager.

These periodic charges accrues daily and is payable monthly in arrears on the last Business Day of each month. The fee is calculated by reference to the value of the scheme property attributable to the relevant Fund at the Valuation Point on the last Dealing Day of the previous month.

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

#### Depositary's remuneration

The Depositary receives for its own account a periodic fee which will accrue and is payable monthly on the last business day in each calendar month in respect of that day and the period since the last business day in the preceding month and is payable within seven days after the last business day in each month. The fee is calculated by reference to the value of the Fund on the last business day of the preceding month except for the first accrual which is calculated by reference to the first valuation point of the Fund. The rate of the periodic fee is agreed between the ACD and the Depositary and is currently as shown below;

The current charge is 0.0275% per annum plus VAT on Scheme Property below £50,000,000, 0.025% per annum plus VAT on Scheme Property between £50,000,000 and £100,000,000, and 0.02% per annum plus VAT on Scheme Property above £100,000,000

The rate of the periodic fee is agreed between the ACD and the Depositary and is subject to a current annual minimum of £7,500 plus VAT

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

The first accrual in relation to any Fund will take place in respect of the period beginning on the day on which the first valuation of that Fund is made and ending on the last business day of the month in which that day falls.

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 safekeeping of the Scheme Property as follows:

Item	Range
Transaction Charges	Between £5.00 and £87.53 per transaction
Safe Custody Charges	Between 0.003% and 0.50%* of the value of investments being held per annum

\*With the exception of:

- USA (Physical Securities) - £14 per line per calendar month.
- Not in Bank / Not in Custody Assets - £65 per line per calendar month.



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.

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

#### Expenses

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

- (a) all reasonable and properly evidenced out of pocket expenses incurred by the ACD in the performance of its duties in respect of the Fund, 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) all costs, liabilities and expenses properly incurred by the Depositary in the performance of, or arranging the performance of, functions conferred on it by the Instrument, the FCA Rules or by the general law.
- (c) broker's commission, fiscal charges and other disbursements which are:
  - (i) necessary to be incurred in effecting transactions for the Fund; 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 Fund, 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 in the Fund are or may be marketed;
- (k) the costs of preparing the Simplified Prospectus or any successor document required to disclose the key features of the Funds;
- (l) the costs of printing and distributing copies of the Prospectus;
- (m) costs of establishing and maintaining the register and/or plan sub-register;
- (n) fees payable to the FCA or the Registrar of Companies in relation to the filing of any details concerning the Fund in accordance with the OEIC Regulations or FCA Rules;
- (o) costs associated with the publication of any information concerning the Fund, including the price of a net asset value of Shares from time to time in any medium whatsoever; and
- (p) such other expenses as may be permitted by the COLL Sourcebook from time to time.

## Initial expenses and costs

The costs of launching the Company will be borne by the Company and charged to the Funds on such terms and in such manner as may be agreed between the ACD and the Depositary and the Auditor.

## 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 Fund's investments and also any initial charge.

## Allocation of Fees and Expenses between Funds

All the above fees and expenses will be charged as follows:

- fees and expenses which are directly attributable to a particular Share Class of a Fund will be charged to that Share Class;
- fees and expenses which are attributable to a particular Fund will be charged to that Fund. If there is more than one Share Class in issue in the Fund, they will normally be allocated pro rata to the value of the scheme property attributable to those Share Classes; and
- fees and expenses which are attributable to the Company generally will normally be charged to each of the Funds (and its Share Classes) pro rata to the value of the scheme property attributable to those Funds (and its Share Classes).

The ACD has discretion to allocate these fees and expenses in a different manner where it considers this to be fair to Shareholders.

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

## Allocation of payments to income or capital

All remuneration and expenses shall be made from the income property of the Fund in the first instance but, if there is insufficient income in any annual or income accounting period, such remuneration and expenses shall be charged to the capital account. This will only be done with the approval of the Depositary. Such allocation of remuneration

and expenses to the capital account of the Fund may result in capital erosion or constrain capital growth.

## **Income**

### Accounting and income allocation dates

The annual accounting date for the Company is 31 May and the interim accounting date is 30 November in each year. The first annual accounting period ends on May 2012. Details of the accounting periods and income allocation dates for each of the Funds are set out in Appendix 1.

In general terms, income is allocated on each Business Day.

### 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 relevant Fund for that period;
- (b) deducting the charges and expenses of that Fund 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 accumulation Shares are in issue. Net income attributable to accumulation Shares is automatically added to (and retained as part of) the capital assets of the relevant Fund at the end of each accounting period and is reflected in the Share price of accumulation Shares.

Where income shares are issued, payment will be made by means of direct credit 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 Fund.

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 Fund.

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 their associates) would be less than £1,000, 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 a Fund is deemed to be an Equity Fund or as an interest payment where a Fund is deemed to be a Bond Fund 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 Fund 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 “income equalisation” that represents a proportion of the net income of the Fund 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 Company and the Funds. Annual General Meetings are not held but Extraordinary General Meetings may be convened from time to time. The provisions apply to a Fund or the Company as appropriate.

- *Fundamental Changes*

A fundamental change is a change or event which changes the purposes or nature of the Company or a Fund, or may materially prejudice a Shareholder or alters the risk profile of a Fund or introduces any new type of payment out of the scheme property of a Fund. 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 a Fund.

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 of the Company.

A meeting of all Shareholders in the Company or a Fund may be convened at any time. All references below to a meeting apply equally to Company and Fund meetings.

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 Company. The ACD must convene a meeting no later than eight weeks after receipt of such requisition by the Company.

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.

- *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 a Fund; 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 of a Fund. The ACD must give reasonable prior notice (of not less than sixty days) in respect of any such significant change to the operation of the Company or its Funds.

- *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 Company or a Fund.

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 Fund, or on giving 60 days' notice to Shareholders where these do not alter the nature or risk profile of the Fund. 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 Company.

## 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 Company 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 each Fund's assets that are subject to special arrangements arising from their illiquid nature;
- (b) Any new arrangements for managing the liquidity of each Fund;
- (c) The current risk profile of each Fund 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 each Fund;
- (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 each Fund.

## Instrument and Prospectus

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. 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 and the agreement appointing the ACD between the



Company and the ACD may be obtained free of charge to any person on request from the ACD at 45 Gresham Street, London, EC2V 7BG.

## **Taxation**

The information given below does not constitute legal or tax advice, and prospective investors should consult their own professional advisers as to the implications of their subscribing for, purchasing, holding, switching or disposing of Shares under the laws of any jurisdiction in which they may be subject to tax.

### **Taxation of the Scheme and the Funds**

Each Fund is treated as a separate open-ended investment company resident in the UK for the purposes of UK taxation.

Each Fund is exempt from any liability to UK taxation in respect of any capital gains realised by it on the disposal of its investments.

Income received by a Fund in the form of dividends from UK companies is exempt from United Kingdom taxation in the hands of a Fund.

The Company and its Funds will however be liable to UK corporation tax (at the current special rate of 20%) on other types of income but after deducting allowable expenses (which include the management expenses and any interest distributions).

Any income derived by a Fund from foreign sources will be included in its taxable income, but, in computing its liability to corporation tax on any such income, credit may be available for any foreign withholding taxes that the income has borne.

### **Taxation of Shareholders**

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 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.

## **Taxation of a Shareholder - Equity Fund**

### **Income distributions**

Accumulations and distributions of income ('distributions') comprise income for UK tax purposes.

UK resident individuals and (the trustees of) certain trusts liable to UK income tax will be taxable on accumulations and distributions of income.

From 6 April 2017, additional rate taxpayers are required to pay tax at 38.1% on their distributions while the rate for higher rate taxpayers is 32.5% and for basic rate taxpayers it is 7.5%. Individuals with a net adjusted income of £100,000 will also have their personal allowances reduced £1 for every £2 on the income above this limit. The personal allowance will be reduced to nil above an income level of approximately £123,000. These limits may change in the future.

Distributions to shareholders within the charge to corporation tax are deemed to comprise two elements:

- where an Equity Fund's gross income is not wholly derived from UK dividend income, part of any distribution will be deemed to be reclassified as an annual payment received by such shareholders after deduction of income tax at the basic rate, currently 20% ("deemed tax deducted"). Such shareholders will be subject to corporation tax on the grossed-up amount of the annual payments but will be entitled to the repayable deemed tax deducted; and
- the remainder, is exempt from UK corporation tax.

Details of the proportions of distributions comprising exempt income and annual payments will be shown on the tax voucher of the Equity Fund concerned.

These rules do not apply or are modified in relation to life insurance companies, in particular those with pensions and ISA business, life reinsurance business or overseas life assurance business.

### **Capital gains**

Shareholders who are resident in the UK may be liable to UK taxation on capital gains arising from the sale or other disposal, including redemption, of shares. Individuals and certain trusts generally compute their gains by deducting from the net sale proceeds the capital gains base cost in respect of shares. The resulting gains will be taxable at the capital gains tax rate, and may be reduced by capital losses brought forward from previous tax years or losses in the year, and by annual exemptions. Exempt shareholders, which include UK charities, UK approved pension trusts, ISAs (and their individual investors), would not normally be liable to capital gains tax on their disposal of shares.

Shareholders within the charge to corporation tax are taxed on the capital gain made computed on the basis of the rules described above. They are, however, entitled to indexation allowance on the basic cost to the date of disposal. In certain cases, the “loan relationships” provisions mentioned below in relation to Bond Funds could apply.

Special rules apply to life insurance companies who beneficially own shares.

### **Inheritance tax**

A gift by a shareholder of his shareholding in the Company or the death of a shareholder may give rise to a liability to inheritance tax, except where the shareholder is neither domiciled in the UK, nor deemed to be domiciled there under special rules relating to long residence or previous domicile in the UK. For these purposes, a transfer of a shareholding at less than the full market value may be treated as a gift.

### **Taxation of a Shareholder - Bond Fund**

#### **Income Distributions: Interest Distributions**

Accumulations and distributions of income (‘distributions’) comprise income for UK tax purposes. Shareholders will be taxable on the amount distributed.

Additional rate taxpayers will be liable to income tax on their distributions at 45%, higher rate taxpayers at 40% (after their £500 personal savings allowance has been exhausted) and basic rate taxpayers at 20% (after their £1,000 personal savings allowance has been exhausted). There is also a 0% starting rate band for savings income of up to £5,000 for those investors who qualify for it.

### **Capital gains**

Shareholders who are resident in the UK may be liable to UK taxation on capital gains arising from the sale or other disposal, including redemption, of shares. Individuals and certain trusts generally compute their gains by deducting from the net sale proceeds the capital gains base cost in respect of shares and will be taxable at the capital gains tax. The gain may be reduced by capital losses brought forward from previous tax years or losses in the year, and by annual exemptions. Exempt shareholders, which include UK charities, UK approved pension funds, ISAs (and their individual investors), would not normally be expected to be liable to capital gains tax on their disposal of shares.

In respect of shareholders subject to corporation tax, holdings in a Fund will be treated as holdings of loan relationships and recognised using a fair value basis of accounting (which entails movements in the value of the holdings being brought into account in each accounting period as loan relationship credits or debits). No indexation allowance or taper relief is available.

### **Inheritance tax**

A gift by a shareholder of his shareholding in the Company or the death of a shareholder may give rise to a liability to inheritance tax, except where the shareholder is neither domiciled in the UK, nor deemed to be domiciled there under special rules relating to long residence or previous domicile in the UK. For these purposes, a transfer of a Shareholding at less than the full market value may be treated as a gift.

### **Stamp Duty Reserve Tax**

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 Sub-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 Sub-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 Fund, 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 Company or a Fund

#### *The Company*

The Company may be wound up:

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

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

The Company 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 Company (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 Company or the occurrence of an event specified in the instrument of incorporation as triggering a winding up of the Company.

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

#### *A Fund*

A Fund of the Company may be wound up under the FCA Rules individually

- where any of the events set out in (a), (b) or (c) above occurs in respect of that particular Fund, or
- if the ACD is of the opinion that it is desirable to wind up the Fund.

If so, the assets of the Fund will be realised and the Shareholders in the Fund will receive their respective shares of the proceeds, net of liabilities and the expenses of the termination.

A Fund may also be terminated in connection with its amalgamation or reconstruction. In that case Shareholders in the Fund will become entitled to receive shares or units in another regulated collective investment scheme in exchange for their Shares in the Fund.

#### 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.

#### Telephone Recordings

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.

#### 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 Company of notices or other documents required or authorised to be served on it is 45 Gresham Street, London, EC2V 7BG.

#### 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 Ombudsman, 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 any Sub-fund is a member (including, if



relevant, membership through a branch) or any alternative arrangement provided, are also available on request.

### 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.

### Best Execution

The ACD must act in the best interests of each Sub-fund when executing decisions to deal on behalf of the relevant Sub-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 Sub-funds. 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 Sub-funds, 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 each relevant Sub-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 that Sub-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 Sub-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 each Sub-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.

## **Appendix 1**

The Funds

Hercules Growth Fund

The ACD may launch further Funds at a later date.

(FCA Product Reference Number: 645892)

## Hercules Growth Fund

### 1. Investment Objective and Policy

#### *Objective*

The investment objective of the Hercules Growth Fund is to produce a total return (i.e. capital gain and income) over the medium to longer term.

#### *Policy*

The Hercules Growth Fund aims to achieve the investment objective by investing mainly in UK equities, and also in UK and international government debt, corporate bonds and collective investment schemes (both regulated and unregulated). Exposure to non-UK equities will be achieved via direct investments and collective investment schemes. The Fund may also invest in money market instruments, other transferable securities, deposits, and derivatives and forward transactions for the purposes of efficient portfolio management.

### 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 Hercules Growth Fund.

### 3. Classes of Share

Accumulation Shares

### 4. ACD's Charges

Preliminary charge – 5%

ACD's periodic charge – In respect of the ACD's services as authorised corporate director for the Company:

0.15% per annum of the value of the scheme property of the Hercules Growth Fund subject to a minimum annual payment of £33,500 per Fund; and

– In respect of investment management

services:

0.5% per annum of the value of the scheme property of the Hercules Growth Fund.

**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 Company (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. Charge for investment research**    None

**7. Allocation of Expenses**

Charges taken from income or capital?    All charges and expenses will be taken from income.

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

**8. Accounting Dates**

Annual accounting date:    31 May

Interim accounting dates:    30 November

**9. Income Allocation Dates**

Annual income allocation date:    30 September

**10. Income Distributions**

Income to be distributed as a dividend or interest?    The ACD anticipates income will be distributed in the form of a dividend.

## 11. Risk Factors

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

## 12. Reports

Annual report published by: by 30 September

Interim report published by: by 31 January

## 13. Government and public securities issuers

No more than 35% in value of the property of the Fund may be invested in government and public securities issued or guaranteed by any one issuer.

## 14. Eligible Securities and Derivatives Markets

Eligible Securities Market

“Eligible securities markets” for the Hercules Growth Fund (in addition to those established in the UK, or EEA/EU member states which are eligible markets for the purposes of COLL) as at the date of this Prospectus are as follows:

- The following specific markets:

<i>Country</i>	<i>Stock Exchange</i>
Australia	Australian Securities Exchange
Brazil	BM&FBOVESPA S.A.
Canada	TSX Venture Exchange Toronto Stock Exchange
Chile	Santiago Stock Exchange (Bolsa de Comercio de Santiago)
China	Shanghai Stock Exchange Shenzhen Stock Exchange
Croatia	Zagreb Stock Exchange
Egypt	Egyptian Exchange
Hong Kong	Hong Kong Exchanges and Clearing Company
India	BSE Limited
Indonesia	Indonesia Stock Exchange
Israel	Tel Aviv Stock Exchange

Japan	Tokyo Stock Exchange JASDAQ
Republic of Korea	Korea Exchange
Malaysia	Bursa Malaysia
Mexico	Mexican Stock Exchange (Bolsa Mexicana de Valores)
New Zealand	New Zealand Exchange Ltd
Peru	Lima Stock Exchange (Bolsa de Valores de Lima)
Philippines	Philippine Stock Exchange
Singapore	Singapore Exchange
South Africa	JSE Limited
Sri Lanka	Colombo Stock Exchange
Switzerland	SIX Swiss Exchange
Taiwan	Taiwan Stock Exchange
Thailand	Stock Exchange of Thailand
Turkey	Borsa Istanbul
United Kingdom	AIM
United States of America	New York Stock Exchange NASDAQ NYSE Liffe US

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

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

## 15. Past performance

Past performance is not a reliable indicator of future results. The price of shares and the income from them can fall as well as rise and you may not get back the amount originally invested.

The Fund was launched on 17 June 2011. Past performance is shown in Appendix 5.

## **16. Establishment of Collective Investment Schemes**

Any second schemes in which the Fund 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 Fund 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

Each Fund is classified as a “non-UCITS retail scheme” or a “NURS”.

### Prudent spread of risk

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

An aim of the restrictions on investment and borrowing powers set out in the COLL Sourcebook 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 Fund. There are also a number of investment rules requiring diversification of investment of the Fund, and so providing a prudent spread of risk.

The rules relating to spread of investments do not apply until 12 months after the later of the date on which the Company was authorised by the FCA and the date on which any initial offer period commenced, provided that the ACD aims to provide a prudent spread of risk.

### Types of investment

The property of a non-UCITS retail scheme may consist of any or all 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 is permitted for a non-UCITS retail scheme under the provisions of the COLL Sourcebook.



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

#### Investment and borrowing powers and restrictions

The object of the Company is to invest the property of the Company 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 Company may be invested are transferable securities, units in collective investment schemes, money market instruments, deposits, 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.

Each of the Funds is managed subject to its investment objective and policy, and this indicates the likely type of investments which will be held. The following paragraphs summarise the restrictions for non-UCITS retail schemes generally under the COLL Sourcebook.

- 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.

A Fund may invest in a transferable security only to the extent that that transferable security fulfils the following criteria:

- the potential loss which the Fund 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 where 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 Share 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*

A Fund may invest in any other investment which may be taken to be a transferable security for the purposes of investment by a Fund 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”?*

Each Fund will generally invest in “approved securities”, which are transferable securities which are admitted to, or dealt in on, a regulated market, as defined for the purposes of the COLL Sourcebook.

#### *Limited investment in unapproved securities*

Not more than 20% in the value of a Fund’s property is to consist of transferable securities which are not approved securities or which are 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 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 Company 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 each Fund (in addition to those established in the UK or EEA member states) as at the date of this Prospectus are set out in Appendix 1.

#### *Recently issued transferable securities*

Recently issued transferable securities may be held by a Fund 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.

The eligible securities markets for each Fund as at the date of this Prospectus are set out in Appendix 1.

- *Collective Investment Schemes*

Investments by a non-UCITS retail scheme 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*

A fund may invest in a collective investment scheme if that second scheme:

- (a) be a UK UCITS scheme or satisfies the conditions necessary for it to enjoy the rights conferred by the UCITS Directives amended, as implemented in the EEA, or
- (b) is a UK authorised fund which is a non-UCITS retail scheme, or
- (c) is a scheme recognised under the provisions 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 Shares redeemed in accordance with the scheme at a price which is related to the net value of the property to which the Shares 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 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 d).

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 d) 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, not more than 35% in value of the scheme property of a Fund 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 Funds of an umbrella scheme, each Fund is treated as if it were a separate scheme.)

### *Investment in other Funds of the Company and associated collective investment schemes*

A Fund may invest in another Fund of the Company and/or 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 a Fund or 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.

*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 or, 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 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 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, the Bank of England, or, if the EEA state, is a federal state, one of the members making up the federation; a regional or local authority of an EEA state; the European Central Bank or a central bank of an EEA state; 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 the 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, a Fund 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 UK or 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 UK or European Community law.

*Limited investment in unapproved money market instruments*

Not more than 20% in value of the scheme property of a Fund 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).

- Deposits

The Company may invest in deposits only if it is with an Approved Bank, and 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 a Fund 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.

A Fund 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 a Fund 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 Fund; and, where it is composed of assets in which the Fund 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 Fund;

- 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 non-UCITS retail schemes*

Subject to certain detailed restrictions, a transaction in derivatives or a forward transaction may be effected for a Fund 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 either:

- 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 Fund 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. Currently no derivatives markets have been designated as eligible derivatives markets for the Funds.

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 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 the ACD:

- carries out, at least daily, 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

- can enter into a further transaction to close out that transaction at any time at its fair value
  
- 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 a Fund 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 principal or notional principal created by the transaction to which the Fund 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 Fund is available to meet the Fund'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 Fund may not exceed the net value of the Fund. 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 Company 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 Fund, may be entered into only if:

- that property can be held for the account of the Fund; 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 a Fund 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 Fund by delivery of property or the assignment (or, in Scotland, assignation) of rights; and
- such property and rights are attributable to the Fund 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 a Fund invests in derivatives, the exposure to the underlying assets must not exceed the spread limits explained in “Spread requirements” below, save that where a Fund 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 a Fund 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.

No Fund can 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 Fund, 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 Fund's positions and their contribution to the overall risk profile of the Fund. This process must take into account the investment objectives and policy of the Fund.

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

Unless a Fund's investment policy (as specified in Appendix 1) states that the contrary is intended, the ACD does not intend to use derivatives except for the purposes of efficient portfolio management.

Transactions for efficient portfolio management 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 a Fund with an acceptably low level of risk. Specifically, these are:

- (a) transactions undertaken to reduce risk or cost in terms of fluctuations in prices, interest rates or exchange rates where the ACD reasonably believes that the transaction will diminish a risk or cost of a kind or level which is sensible to reduce; or
- (b) transactions for the generation of additional capital growth or income for a Fund by taking advantage of gains which the ACD reasonably believes are certain to be made (or certain, barring events which are not reasonably foreseeable) as a result of:
  - (i) pricing imperfections in the market as regards the property which a Fund holds or may hold; or
  - (ii) receiving a premium for the writing of a covered call option or a covered put option on property of a Fund which the ACD is willing to buy or sell at the exercise price on behalf of a Fund.

There is no limit on the amount or value of the property of the Fund 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 a Fund may engage include

derivatives (i.e. futures and options) 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 use of derivatives by a Fund for efficient portfolio management is not expected to have a material effect on the risk profile of a Fund.**

- **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.

#### Spread requirements

There are limitations on the proportion of the value of a Fund 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 a Fund’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 a Fund is to consist of units or shares in any one collective investment scheme; and
- (c) not more than 20% in value of a Fund’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 value of the Fund’s property;

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 the UK or of 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.

No more than 35% of a Fund’s property will be invested in such securities issued by any one body. Apart from this restriction, there is no limit on the amount which may be invested in such securities or in any one issue.

## 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 Fund 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.

**The ACD does not, however, intend to enter into warrants and, in any event, not more than 5% in value of the Fund's property will consist of 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 a fund, at the time when payment is required, without contravening the COLL Sourcebook as it is applicable to a fund.

#### *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 Fund and hence its investors by entering into stock lending transactions for the account of the Fund.

Stock lending involves a lender transferring securities to a borrower otherwise than by way of sale and the borrower transferring those securities, or securities of the same

type and amount, back to the lender at a later date. In accordance with market practice, a separate transaction by way of transfer of assets is 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 a Fund 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 a Fund 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 a Fund which may be the subject of stock lending transactions.

#### Power to underwrite or accept placings

The exposure of a Fund 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 Fund 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

Neither the Company nor the Depositary (on account of a Fund) may provide any guarantee or indemnity in respect of the obligation of any person. None of the property of a Fund 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 the scheme.

#### *Borrowing*

The Company on the instructions of the ACD may borrow money for the use of a Fund on terms that the borrowing is to be repayable out of the property of a Fund 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 relevant Fund 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 a Fund may be lent and, for the purposes of this prohibition, money is lent by a Fund 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 Company from providing an officer of the Company with funds to meet expenditure to be incurred by him for the purpose of the Company (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. Where transactions in derivatives or forwards transactions are used for the account of the Company in accordance with the COLL Sourcebook, this rule does not however prevent the Company or the Depositary at the request of the ACD from lending, depositing, pledging or charging the scheme property for margin requirements, or transferring scheme property under the terms of an agreement in relation to margin requirements provided the ACD reasonably considers that both the agreement and the margin arrangements made under it (including the level of margin) provide appropriate protection to shareholders.

#### 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 Company which the Company is willing to buy or sell at the exercise price. The Company may also borrow up to 10% of its net asset value; as a result of actively invested borrowing the Company would display leveraged characteristics.

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

- i) The Company 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 Company through the use of derivatives must be covered by cash or readily realisable assets held by the Company. 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 Company 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 Company 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 Company 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*

At times it may be appropriate for a Fund not to be fully invested. A Fund may hold cash or "near cash" where this may reasonably be regarded as necessary in order to enable:

- (i) the pursuit of the Fund's investment objectives; or
- (ii) redemption of Shares; or
- (iii) efficient management of the Fund in accordance with its investment objectives;  
or
- (iv) other purposes which may reasonably be regarded as ancillary to the investment objectives of the Fund.

During the period of its initial offer of Shares, a Fund may consist of cash and near cash without limitation.

#### Risk management

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

This process must take into account the investment objectives and policy of the Fund. 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 will, on a Shareholder's request, provide supplementary information to that set out in this Prospectus relating to the quantitative limits applying in the risk management of a Fund, the methods used in this connection, and any recent development of the risk and yields of the main categories of investment of a Fund.

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 Fund 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 Fund 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 Fund.

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; or
- (b) if the exercise of rights conferred by an investment held by a Fund would involve a breach, the Company 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 Sub-funds 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 Sub-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:

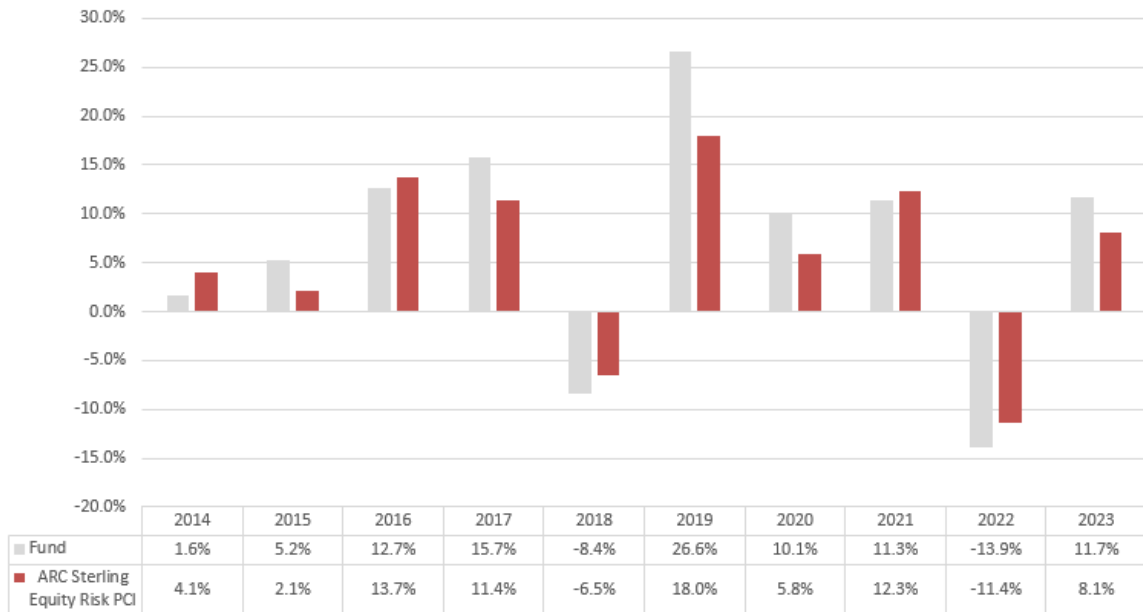
Authorised Unit Trusts	Investment Companies with Variable Capital
Dragon Trust	Bute Fund
Eagle Fund	Earlstone Fund
Evelyn Witch General Trust	Evelyn Partners Funds
Langham Trust	Evelyn Partners Investment Funds ICVC
Magnum Trust	Forest Fund ICVC
Marathon Trust	Ganymede Fund
Orchard Fund	GFS Investments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

## Appendix 5

### Historic Performance

The annual performance record of the Hercules Growth Fund is set out below:



Source: Fund - FE fundinfo 2024  
Benchmark - Morningstar

Basis: Bid to bid; net income reinvested, net of tax and charges. 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 6**

### Directory

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

Hercules Managed Funds  
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

Place of Business:  
NatWest Trustee & Depository Services Limited  
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

The Financial Conduct Authority (FCA)  
12 Endeavour Square  
London  
E20 1JN