

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

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

PROSPECTUS

OF

IM Matterley Investment Funds II

**(An open-ended investment company
incorporated with limited liability and
registered in England and Wales
under registered number IC000694)**

This document constitutes the Prospectus for IM Matterley Investment Funds II which has been prepared in accordance with The Collective Investment Schemes Sourcebook.

This Prospectus is dated, and is valid as at, 1 April 2011

Copies of this Prospectus have been sent to the FSA and the Depositary.

1	DEFINITIONS	1
2	DETAILS OF THE COMPANY	5
3	BUYING, REDEEMING AND SWITCHING SHARES	9
4	VALUATION OF THE COMPANY	22
5	RISK FACTORS	27
6	MANAGEMENT AND ADMINISTRATION.....	32
7	FEEES AND EXPENSES	37
8	SHAREHOLDER MEETINGS AND VOTING RIGHTS.....	42
9	TAXATION	44
10	WINDING UP OF THE COMPANY OR TERMINATION OF A FUND	48
11	GENERAL INFORMATION.....	50
	APPENDIX I.....	54
	FUND DETAILS	54
	APPENDIX II	56
	ELIGIBLE SECURITIES MARKETS AND ELIGIBLE DERIVATIVES MARKETS.....	56
	APPENDIX III	59
	INVESTMENT AND BORROWING POWERS OF THE COMPANY	59
	APPENDIX IV.....	78
	LIST OF OTHER AUTHORISED COLLECTIVE INVESTMENT SCHEMES OPERATED BY THE ACD	78
	APPENDIX V.....	79
	PAST PERFORMANCE AND INVESTOR PROFILE	79
	APPENDIX VI.....	80
	DIRECTORY.....	80

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

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

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

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

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

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

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

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

The Depositary and the Investment Manager are not responsible for the information contained in this Prospectus and accordingly do not accept any responsibility therefore under the Regulations or otherwise

1. DEFINITIONS

"ACD"	IFDS Managers Limited, the authorised corporate director of the Company
"ACD Agreement"	an agreement dated 25 March 2011 between the Company and the ACD
"Administrator"	International Financial Data Services (UK) Limited, or such other entity as is appointed to act as administrator to the Company from time to time
"Approved Bank"	<p>(in relation to a bank account opened by the Company):</p> <p>(a) if the account is opened at a branch in the United Kingdom:</p> <ul style="list-style-type: none">(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 <p>(b) if the account is opened elsewhere:</p> <ul style="list-style-type: none">(i) a bank in (a); or(ii) a credit institution established in an EEA State other than in the United Kingdom and duly authorised by the relevant Home State Regulator; or(iii) a bank which is regulated in the Isle of Man or the Channel Islands; or

	(iv) a bank supervised by the South African Reserve Bank
"Auditor"	Deloitte LLP, or such other entity as is appointed to act as auditor to the Company from time to time
"Class" or "Classes"	in relation to Shares, means (according to the context) all of the Shares related to a single Fund or a particular class or classes of Share related to a single Fund
"COLL"	refers to the appropriate chapter or rule in the COLL Sourcebook
"the COLL Sourcebook"	The Collective Investment Schemes Sourcebook issued by the FSA as amended from time to time
"Company"	IM Matterley Investment Funds II
"Cut Off Point"	the point prior to which orders to buy, sell or switch shares must be received by the Administrator in order for them to be actioned at the next Valuation Point and details of which are set out for each Fund (if relevant) in Appendix 1
"Dealing Day"	Monday to Friday (except for (unless the ACD otherwise decides) a bank holiday in England and Wales and any other days declared by the ACD to be a company holiday) and other days at the ACD's discretion
"Depositary"	State Street Trustees Limited, or such other entity as is appointed to act as Depositary
"Director" or "Directors"	the directors of the Company from time to time (including the ACD)
"EEA State"	a member state of the European Union and any other state which is within the European Economic Area

“Efficient Management” or “EPM”	Portfolio as defined in Paragraph 9 of Appendix III
“Eligible Institution”	one of certain eligible institutions as defined in the glossary of definitions to the FSA Handbook
“the FSA”	the Financial Services Authority or any other regulatory body which may assume its regulatory responsibilities from time to time
“the FSA Handbook”	the FSA Handbook of Rules and Guidance, as amended from time to time
“Fund” or “Funds”	a sub-fund of the Company (being part of the Scheme Property of the Company which is pooled separately) to which specific assets and liabilities of the Company may be allocated and which is invested in accordance with the investment objective applicable to such sub-fund
“Instrument of Incorporation”	the instrument of incorporation of the Company as amended from time to time
“Investment Manager”	Charles Stanley & Co Limited, the investment manager to the ACD in respect of the Company
“ISA”	an individual savings account under The Individual Savings Account Regulations 1998 (as amended)
“Net Asset Value” or “NAV”	the value of the Scheme Property of the Company or of any Fund (as the context may require) less the liabilities of the Company (or of the Fund concerned) as calculated in accordance with the Instrument of Incorporation
“OEIC Regulations”	the Open-Ended Investment Companies Regulations 2001 as amended or re-enacted from time to time
“Register”	the register of Shareholders of the Company

“Registrar”	International Financial Data Services Limited, or such other entity as is appointed to act as Registrar to the Company from time to time
“Regulated Activities Order”	the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544) as amended from time to time
“Regulations”	the OEIC Regulations and the FSA Handbook (including the COLL Sourcebook)
“Scheme Property”	the scheme property of the Company required under the COLL Sourcebook to be given for safekeeping to the Depositary
“SDRT”	stamp duty reserve tax
“Share” or “Shares”	a share or shares in the Company (including larger denomination shares, and smaller denomination shares equivalent to one thousandth of a larger denomination share)
“Shareholder”	a holder of registered Shares in the Company
“Switch”	the exchange where permissible of Shares of one Class or Fund for Shares of another Class or Fund
“US Persons”	a person who falls within the definition of “US Person” as defined in rule 902 of regulation 5 of the United States Securities Act 1933
“Valuation Point”	the point, 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 or a Fund (as the case may be) for the purpose of determining the price at which Shares of a Class may be issued, cancelled or redeemed. For details of the Valuation Point of a Fund please see Appendix I

"VAT"

value added tax

2. **DETAILS OF THE COMPANY**

2.1 **General**

2.1.1 IM Matterley Investment Funds II(the Company) is an investment company with variable capital incorporated in England and Wales under registered number IC000694 and authorised by the FSA with effect from 7 August 2008. The Company has an unlimited duration. The Company launched on 12 August 2008.

Shareholders are not liable for the debts of the Company.

The ACD is also the authorised corporate director of certain open-ended investment companies details of which are set out in Appendix IV.

2.1.2 **Head Office**

The head office of the Company is at IFDS House, St Nicholas Lane, Basildon, Essex SS15 5FS.

2.1.3 **Address for Service**

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

2.1.4 **Base Currency**

The base currency of the Company and each Fund is Pounds Sterling.

2.1.5 **Share Capital**

Maximum £100 billion

Minimum £1

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

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

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

2.2 **The Structure of the Company**

2.2.1 **The Funds**

The Company is structured as an umbrella company, in that different Funds may be established from time to time by the ACD with the approval of the FSA. On the introduction of any new Fund or Class, a revised prospectus will be prepared setting out the relevant details of each Fund or Class.

The Company is a non-UCITS retail scheme.

The assets of each Fund will be treated as separate from those of every other Fund and will be invested in accordance with the investment objective and investment policy applicable to that Fund. Investment of the assets of each of the Funds must comply with the COLL Sourcebook and the investment objective and policy of the relevant Fund. Details of the Funds, including their investment objectives and policies, are set out in Appendix I.

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

Each Fund has a specific portfolio to which that Fund's assets and liabilities are attributable. So far as the Shareholders are concerned, each Fund is treated as a separate entity.

Creditors of the Company may nevertheless look to all the assets of the Company for payment regardless of the Fund in respect of which that creditor's debt has arisen. Assets may be re-allocated to and from other Funds of the Company in the unlikely event that a Fund's assets are insufficient to meet its liabilities. In the event that any assets are so

reallocated, the ACD will advise Shareholders in the next succeeding annual or half yearly report to Shareholders.

Subject to the above, each Fund will be charged with the liabilities, expenses, costs and charges of the Company attributable to that Fund, and within each Fund charges will be allocated between Classes in accordance with the terms of issue of Shares of those Classes. Any assets, liabilities, expenses, costs or charges not attributable to a particular Fund may be allocated by the ACD in a manner which it believes is fair to the Shareholders generally. This will normally be pro rata to the Net Asset Value of the relevant Funds.

2.2.2 **Shares**

Classes of Shares within the Funds

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

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

Further Classes of Share may be established from time to time by the ACD with the approval of the FSA, the agreement of the Depositary and in accordance with the Instrument of Incorporation. On the introduction of any new Fund or Class, either a revised prospectus or a supplemental prospectus will be prepared, setting out the details of each Fund or Class.

The base currency for each new Class of Shares will be determined at the date of creation and set out in the prospectus issued in respect of the new Class of Shares.

The net proceeds from subscriptions to a Fund will be invested in the specific pool of assets constituting that Fund. The Company will maintain for each current Fund a separate pool of assets, each invested for the exclusive benefit of the relevant Fund. The Company as a whole will be responsible for all obligations, whichever Fund such liabilities are attributable to, unless otherwise agreed with specific creditors.

To the extent that any Scheme Property of the Company, or any assets to be received as part of the Scheme Property, or any costs, charges or

expenses to be paid out of the Scheme Property, are not attributable to one Fund only, the ACD will allocate such Scheme Property, assets, costs, charges or expenses between Funds in a manner which is fair to all Shareholders of the Company.

Shares in the Company are not currently listed on any investment exchange.

The Share Classes that may be issued and their criteria for subscription in respect of each Fund are set out in Appendix I. Details of which of the Share Classes are presently available in each Fund are set out in Appendix I.

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

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

The Instrument of Incorporation allows gross income and gross accumulation Shares to be issued as well as net income and net accumulation Shares. Net Shares are Shares in respect of which income allocated to them is distributed periodically to the relevant Shareholders (in the case of income Shares) or credited periodically to capital (in the case of accumulation Shares), in either case in accordance with relevant tax law, net of any tax deducted or accounted for by the Company. Gross Shares are income or accumulation Shares where, in accordance with relevant tax law, distribution or allocation of income is made without any tax being deducted or accounted for by the Company. Details of whether gross and/or net Shares are available in any Fund are set out in Appendix I. All references in this Prospectus are to net Shares unless otherwise stated.

Gross Shares are available only to investors who qualify for the gross payment of interest distributions or accumulations. These include companies, trustees of authorised unit trusts, OEICs, certain pension funds, charities and persons who are not ordinarily resident in the UK. For a complete list, please refer to Part 4 of the Authorised Funds (Tax) Regulations 2006 and Chapter 11, Part 15 of the Income Tax Act 2007.

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

Shareholders are entitled (subject to certain restrictions) to Switch all or part of their Shares in a Class or a Fund for Shares of another Class within the same Fund or for Shares of the same or another Class within a different Fund of the Company. Details of this switching facility and the restrictions are set out in paragraph 3.3 "Switching".

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

The dealing office of the Administrator is normally open from 9am to 5pm (London time) on each Dealing Day to receive requests by post or fax on 0870 700 2305 for the purchase, sale and switching of Shares. The Administrator may vary these times with the consent of the ACD. Requests to deal in Shares may also be made by telephone on 0844 931 0031 on each Dealing Day (at the ACD's discretion) between 9am and 5pm (London time) or through such other number as published from time to time. The initial purchase must, at the discretion of the ACD, be accompanied by an application form.

In addition, the ACD may from time to time make arrangements to allow Shares to be bought or sold on-line or through other communication media.

Telephone calls will be recorded. The ACD may also, at its discretion, introduce further methods of dealing in Shares in the future. At present, transfer of title by electronic communication is not accepted.

In respect of some Funds, deals must be received before the relevant Cut Off Point in order to be dealt with at the next Valuation Point. Deals received after the Cut Off Point will be dealt with at the Valuation Point or the next following Dealing Day. For details of the Valuation Point and, where relevant, the Cut Off Point of a Fund, please see Appendix I.

In its dealings in Shares of the Funds the ACD is dealing as principal. The ACD may make a profit from dealing in Shares as principal. The ACD is not accountable to Shareholders for any profit it makes in dealing in Shares as principal.

3.1 **Buying Shares**

3.1.1 **Procedure**

Shares may be bought directly from the ACD or through a professional adviser or other intermediary. Any intermediary who recommends an

investment in the Company to Shareholders may be entitled to receive commission from the ACD. An ongoing commission, based on the value of Shares held may also be paid to qualifying intermediaries. For details of dealing charges see paragraph 3.4 below. Application forms may be obtained from the ACD.

Investors wishing to purchase gross Shares, where applicable, must complete a Declaration of Eligibility and Undertaking, which may be obtained from the ACD.

Valid applications to purchase Shares in a Fund (received before the Cut Off Point, if appropriate) will be processed at the Share price calculated, based on the Net Asset Value per Share, at the next Valuation Point following receipt of the application, except in the case where dealing in a Fund has been suspended as set out in paragraph 3.10.

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

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

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

Applicants who have received advice may have the right to cancel their application to buy Shares at any time during the 14 days after the date on which they receive a cancellation notice from the ACD. If an applicant decides to cancel the contract, and the value of the investment has fallen at the time the ACD receives the completed cancellation notice, they will not receive a full refund as an amount equal to any fall in value will be deducted from the sum originally invested. The ACD may extend cancellation rights to other investors but is under no obligation to do so.

3.1.2 **Documents the buyer will receive**

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

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

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

The Company has the power to issue bearer Shares but there are no present plans to do so.

3.1.3 **Regular Savings Plan**

The ACD may make available certain Classes of Shares of any Fund through the Regular Savings Plan (details of current Classes of Shares and Funds which are available are shown in Appendix I). To invest in this way, Shareholders must complete and return to the Administrator the relevant plan application form and direct debit form before contributions may begin. Monthly contributions may be increased, decreased (subject to maintaining the minimum level of contribution) or stopped at any time by notifying such party as the ACD may direct. If, however, payments are not made into the Regular Savings Plan for more than ten months and the Shareholder holds less than the minimum holding for that Class, then the ACD reserves the right to redeem that Shareholder's entire holding in that Class. Confirmations will not be issued to Shareholders investing through a Regular Savings Plan.

Contributions to the Regular Savings Plan will normally be collected on a monthly basis usually on the tenth of each month (or the next following Dealing Day) with Shares being allocated at the Share price ruling at the next following Valuation Point (subject to any applicable initial charge).

For Shares purchased through the Regular Savings Plan, the minimum monthly investment is stated in Appendix I.

Statements detailing all Share transactions will be sent out to all monthly savers at least on a six monthly basis.

3.1.4 **Minimum subscriptions and holdings**

The minimum initial subscription, subsequent subscription and holding levels for each Class of Share in a Fund are set out in Appendix I.

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

If following a redemption, Switch or transfer a holding in any Class of Share should fall below the minimum holding for that Class, the ACD has a discretion to effect a redemption of that Shareholder's entire holding in that Class of Share. The ACD may use this discretion at any time. Failure not to do so immediately after such redemption, Switch or transfer does not remove this right.

3.2 **Redeeming Shares**

3.2.1 **Procedure**

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

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

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

For details of dealing charges see paragraph 3.4 below.

3.2.2 **Documents a redeeming Shareholder will receive**

A confirmation giving details of the number and price of Shares redeemed will be sent to the redeeming Shareholder (or the first named Shareholder,

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

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

Such payment will be made within four business days of the later of (a) receipt by the ACD of the form of renunciation (or other sufficient written instructions) duly signed and completed by all the relevant Shareholders together with any other documentation and appropriate evidence of title, any required anti-money laundering related documentation, and (b) the Valuation Point following receipt by the ACD of the request to redeem.

3.2.3 **Minimum redemption**

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

3.2.4 **Regular Withdrawal Facility**

The ACD offers a Regular Withdrawal Facility. For further details on this facility and on which Funds and which Share Classes it is available, please see details in Appendix I.

3.3 Switching

Subject to any restrictions on the eligibility of investors for a particular Share Class, a Shareholder in a Fund may at any time Switch all or some of his Shares of one Class or Fund ("the Original Shares") for Shares of another Class or Fund ("the New Shares") in the Company. However, investors wishing to Switch into gross Shares (if they are available) must first complete a Declaration of Eligibility and Undertaking that may be obtained from the ACD. The number of New Shares issued will be determined by reference to the respective prices of New Shares and Original Shares at the Valuation Point applicable at the time the Original Shares are redeemed and the New Shares are issued.

The ACD may at its discretion make a charge on the switching of Shares between Funds or Classes. Any such charge on switching does not constitute a separate charge payable by a Shareholder, but is rather the application of any redemption charge on the Original Shares and any initial charge on the New Shares, subject to certain waivers. For details of the charges on switching currently payable, please see paragraph 3.4.3 "Charges on Switching".

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

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

Please note that under UK tax law a Switch of Shares in one Fund for Shares in any other Fund is treated as a redemption of the Original Shares and a purchase of New Shares and will, for persons subject to taxation, be a realisation of the Original Shares for the purposes of capital gains taxation, which may give rise to a liability to tax, depending upon the Shareholder's circumstances.

A Shareholder who Switches Shares in one Fund for Shares in any other Fund (or who Switches between Classes of Shares) will not be given a right by law to withdraw from or cancel the transaction.

3.4 **Dealing Charges**

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

3.4.1 **Initial Charge**

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

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

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

From the initial charge received, or out of other of its own resources, the ACD may pay a commission to relevant intermediaries.

3.4.2 **Redemption Charge**

The ACD may make a charge on the redemption of Shares in each Class. Please see Appendix I for details of which Funds apply a redemption charge.

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

There is currently no charge for redeeming Shares in any of the Classes.

3.4.3 **Charges on Switching**

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

There is currently no charge for switching between Funds or for switching Shares in one Class of a Fund for Shares in another Class of the same Fund.

3.4.4 **Dilution Adjustment**

The actual cost of purchasing, selling or switching assets and investments in the Funds may deviate from the mid-market value used in calculating its Share price, due to dealing charges, taxes, and any spread between buying and selling prices of that Fund's underlying investments. These costs could have an adverse effect on the value of a Fund, known as "dilution". In order to mitigate the effect of dilution the Regulations allow the ACD to adjust the sale and purchase price of Shares in the Funds to take into account the possible effects of dilution. This practise is known as making a "dilution adjustment" or operating swinging single pricing. The power to make a dilution adjustment may only be exercised for the purpose of reducing dilution in the Funds.

The price of each Class of Share in each Fund will be calculated separately but any dilution adjustment will in percentage terms affect the price of Shares of each Class identically.

The ACD reserves the right to make a dilution adjustment every day. The dilution adjustment is calculated using the estimated dealing costs of a Fund's underlying investments and taking into consideration any dealing spreads, commission and transfer taxes. The need to make a dilution adjustment will depend on the difference between the value of Shares being acquired and the value of Shares being redeemed as a proportion of the total value of that Fund. The measurement period will typically be a single day but, where a trend develops so that for a number of days in a row there is a surplus of acquisitions or redemptions on each and every day, the aggregate effect of such acquisitions or redemptions as a proportion of the total relevant Fund value will be considered.

Where a Fund is experiencing net acquisitions of its Shares the dilution adjustment would increase the price of Shares above their mid-market value. Where a Fund is experiencing net redemptions the dilution adjustment would decrease the price of Shares to below their mid-market value.

It is the ACD's policy to reserve the right to impose a dilution adjustment on purchases, sales and switches of Shares of whatever size and whenever made. In the event that a dilution adjustment is made it will be applied to all transactions in a Fund during the relevant measurement period and all transactions during the relevant measurement period will be dealt on the same price inclusive of the dilution adjustment.

The ACD's decision on whether or not to make this adjustment, and at what level this adjustment might be made in a particular case or generally, will not prevent it from making a different decision on future similar transactions.

On the occasions when a dilution adjustment is not applied if a Fund is experiencing net acquisitions of Shares or net redemptions there may be an adverse impact on the assets of that Fund attributable to each underlying Share, although the ACD does not consider this to be likely to be material in relation to the potential future growth in value of a Share. As dilution is directly related to the inflows and outflows of monies from the Fund it is not possible to accurately predict whether dilution will occur at any future point in time. Consequently it is also not possible to accurately predict how frequently the ACD will need to make a dilution adjustment.

The dilution adjustment will be applied to the mid price for the Shares resulting in a figure calculated up to six decimal places. The final digit in this figure will then be rounded either up or down in accordance with standard mathematical principles resulting in the final price for the Shares.

Prior to 1 April 2011, the Company operated a dilution levy rather than a dilution adjustment. A dilution levy was applied on 1 occasion in the Fund from its launch to 31 March 2011. A dilution levy is a charge made on investors when they subscribe or redeem to counteract the effect of dilution and which is paid back into the Fund.

It is envisaged (based on future projections) that a dilution adjustment will be made with a similar frequency.

The dilution adjustment for any one Fund may vary over time because the dilution adjustment for each Fund will be calculated by reference to the costs of dealing in the underlying investments of that Fund, including any dealing spreads, and these can vary with market conditions. A typical dilution adjustment may range from 0% to 0.8% when buying or selling Shares.

3.4.5 Stamp duty reserve tax ("SDRT")

SDRT is payable on certain dealings in Shares. SDRT is a tax charged at a rate of 0.5 per cent. in respect of agreements to transfer chargeable securities (which include Shares) for a consideration.

SDRT is charged on the surrender of Shares to the Company, with the Company liable for the SDRT. The SDRT due is calculated at the rate of 0.5 per cent. of the market value of the Shares surrendered. This charge is subject to reduction to the extent that:

- (i) the number of Shares surrendered to the Company in a prescribed two week period in which the redemption occurs exceeds the number of Shares of the same Fund issued in that period; or
- (ii) the Company invested in certain exempt investments in the two week period.

No SDRT charge arises in respect of certain pro rata in specie cancellations of a holder's Share.

The current policy is that all SDRT costs will be paid out of the Company's Scheme Property and charged to capital. SDRT will not be recovered from Shareholders.

However, the ACD reserves the right to require Shareholders to pay SDRT whenever it considers that the circumstances have arisen which make such imposition fair to all Shareholders or potential Shareholders. The ACD may impose an SDRT provision on large deals when no SDRT provision is imposed on smaller deals or which is larger than that imposed on smaller deals. A "large deal" is a transaction (or a series of transactions in one dealing period) by any person to buy, sell or exchange Shares at a total value of £15,000 or more. In the event there is a change in this policy the ACD will give prior notification of such change to Shareholders prior to it taking effect.

In the event there is a change in this policy the ACD will give prior notification of such change to Shareholders prior to it taking effect.

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

3.5 **Money Laundering**

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

The ACD is responsible for all matters relating to compliance with Money Laundering Regulations pertaining to the Company and investments in the Company, Fund or Funds.

3.6 **Transfers**

Shareholders are entitled to transfer their Shares to another person or body. All transfers must be in writing in the form of an instrument of transfer approved by the ACD for this purpose. Completed instruments of transfer must be returned to the ACD in order for the transfer to be registered by the ACD. The ACD may refuse to register a transfer unless any provision for SDRT due has been paid. Please note that gross Shares are available only to certain categories of investors, and that prospective investors in these Shares must complete a Declaration of Eligibility and Undertaking (which may be obtained from the ACD) and return it to the ACD before the gross Shares can be transferred.

3.7 **Restrictions and Compulsory Transfer and Redemption**

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

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

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

on behalf of the Fund, might constitute a breach of the regulations in that jurisdiction (unless specific action is taken by the ACD to prevent such a communication constituting a breach).

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

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

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

3.8 Issue of Shares in exchange for in specie assets

The ACD may arrange for the Company to issue Shares in exchange for assets other than cash, but will only do so where the Depositary has taken reasonable care to determine that the Company's acquisition of those assets in exchange for the Shares concerned is not likely to result in any material prejudice to the interests of Shareholders. Where the ACD considers the deal to be substantial in relation to the total size of the Fund it may require the investor to contribute in specie. The ACD may consider a deal in this context to be substantial if the relevant Shares constitute 5% (or a lesser or higher percentage if considered appropriate) of those in issue in the relevant Fund.

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

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

3.9 **In specie redemptions**

If a Shareholder requests the redemption of Shares the ACD may, where it considers the deal to be substantial in relation to the total size of the Fund concerned or in some way detrimental to the Fund, arrange, having given prior notice in writing to the Shareholder, that, in place of payment for the Shares in cash, the Company transfers property or, if required by the Shareholder, the net proceeds of sale of the relevant property, to the Shareholder. Before the redemption proceeds of the Shares become payable, the ACD will give written notice to the Shareholder that the relevant property or the proceeds of sale of the relevant property will be transferred to that Shareholder so that the Shareholder can require the net proceeds of redemption rather than the relevant property if he so desires.

For this purpose, the ACD may consider a deal to be substantial if the relevant Shares constitute 5% (or a lesser or higher percentage if considered appropriate) of those in issue in the relevant Fund.

The Depositary must take reasonable care to ensure that the property concerned would not be likely to result in any material prejudice to the interests of Shareholders.

The ACD will select the property to be transferred or sold in consultation with the Depositary.

3.10 **Suspension of dealings in the Company or a Fund**

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

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

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

The ACD will notify Shareholders as soon as is practicable after the commencement of the suspension, including details of the exceptional circumstances which have led to the suspension, in a clear, fair and not misleading way and giving Shareholders details of how to find further information about the suspensions. Where such suspension takes place, the ACD will publish details on its website or other general

means, sufficient details to keep Shareholders appropriately informed about the suspension, including, if known, its possible duration. During the suspension none of the obligations in COLL 6.2 (Dealing) will apply but the ACD will comply with as much of COLL 6.3 (Valuation and Pricing) during the period of suspension as is practicable in light of the suspension.

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

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

3.11 **Governing law**

All deals in Shares are governed by English law.

4. **VALUATION OF THE COMPANY**

4.1 **General**

There is only a single price for Shares. The price of a Share is calculated by reference to the Net Asset Value of the Fund to which it relates. The Net Asset Value per Share of a Fund is currently calculated on each Dealing Day at the Valuation Point of the Fund. For details of the Valuation Point of a Fund please see Appendix I.

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

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

A request for dealing in Shares must be received by the Valuation Point on a particular Dealing Day in order to be processed on that Dealing Day. A dealing

request received after this time will be held over and processed on the next Dealing Day, using the Net Asset Value per Share calculated as at the Valuation Point on that next Dealing Day.

4.2 **Calculation of the Net Asset Value**

The value of the property of the Company or of a Fund (as the case may be) shall be the value of its assets less the value of its liabilities determined in accordance with the following provisions:

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

4.2.2 Property which is not cash (or other assets dealt with in paragraphs 4.2.2.6 or 4.2.3 below) shall be valued as follows and the prices used shall (subject as follows) be the most recent prices which it is practicable to obtain:

4.2.2.1 units or shares in a collective investment scheme:

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

(b) if separate buying and selling prices are quoted, at the average of the two prices provided the buying price has been reduced by any initial charge included therein and the selling price has been increased by any exit or selling charge attributable thereto; or

(c) if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no recent price exists or if the most recent price available does not reflect the ACD's best estimate of the value of the units or shares, at a value which, in the opinion of the ACD, is fair and reasonable;

4.2.2.2 exchange-traded derivative contracts:

(a) if a single price for buying and selling the exchange-traded derivative contract is quoted, at that price; or

(b) if separate buying and selling prices are quoted, at the average of the two prices;

4.2.2.3 over-the-counter derivative contracts shall be valued in accordance with the method of valuation as shall have been agreed between the ACD and the Depositary;

- 4.2.2.4 Any other investment:
- (a) if a single price for buying and redeeming the security is quoted, at that price; or
 - (b) if separate buying and redemption prices are quoted, at the average of the two prices; or
 - (c) if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no recent price exists or if the most recent price available does not reflect the ACD's best estimate of the value of the security, at a value which in the opinion of the ACD, is fair and reasonable;
- 4.2.2.5 Scheme Property other than that described in paragraphs 4.2.2.1, 4.2.2.2, 4.2.2.3 and 4.2.2.4, above, at a value which, in the opinion of the ACD, is fair and reasonable;
- 4.2.2.6 cash and amounts held in current and deposit accounts and in other time related deposits shall be valued at their nominal values.
- 4.2.3 In determining the value of the Scheme Property, all instructions given to issue or cancel Shares shall be assumed (unless the contrary is shown) to have been carried out and any cash payment made or received and all consequential action required by the Regulations or the Instrument of Incorporation shall be assumed (unless the contrary has been shown) to have been taken.
- 4.2.4 Subject to paragraphs 4.2.5 and 4.2.6 below, agreements for the unconditional sale or purchase of Scheme Property which are in existence but uncompleted shall be assumed to have been completed and all consequential action required to have been taken. Such unconditional agreements need not be taken into account if made shortly before the valuation takes place and if, in the opinion of the ACD, their omission will not materially affect the final net asset amount.
- 4.2.5 Futures or contracts for differences which are not yet due to be performed and unexpired and unexercised written or purchased options shall not be included under paragraph 4.2.4.
- 4.2.6 All agreements are to be included under paragraph 4.2.4 which are, or ought reasonably to have been, known to the person valuing the property assuming that all other persons in the ACD's employment take all reasonable steps to inform it immediately of the making of any agreement.

- 4.2.7 Deduct an estimated amount for anticipated tax liabilities at that point in time including (as applicable and without limitation) capital gains tax, income tax, corporation tax, VAT, stamp duty, SDRT and any foreign taxes or duties.
- 4.2.8 Deduct an estimated amount for anticipated tax liabilities (on unrealised capital gains where the liabilities have accrued and are payable out of the Scheme Property; on realised capital gains in respect of previously completed and current accounting periods; and on income where liabilities have accrued) including (as applicable and without limitation) capital gains tax, income tax, corporation tax, VAT, stamp duty and stamp duty reserve tax.
- 4.2.9 Deduct the principal amount of any outstanding borrowings whenever repayable and any accrued but unpaid interest on borrowings.
- 4.2.10 Add an estimated amount for accrued claims for tax of whatever nature which may be recoverable.
- 4.2.11 Add any other credits or amounts due to be paid into the Scheme Property.
- 4.2.12 Currencies or values in currencies other than Sterling shall be converted at the relevant Valuation Point at a rate of exchange that is not likely to result in any material prejudice to the interests of Shareholders or potential Shareholders.
- 4.2.13 Add a sum representing any interest or any income accrued due or deemed to have accrued but not received and any stamp duty reserve tax provision anticipated to be received.

4.3 **Price per Share in each Fund and each Class**

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

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

4.4 **Fair Value Pricing**

- 4.4.1 Where the ACD has reasonable grounds to believe that:

- 4.4.1.1 no reliable price exists for a security (including a unit/share in a collective investment scheme) at a Valuation Point; or
- 4.4.1.2 the most recent price available does not reflect the ACD's best estimate of the value of the security (including a unit/share in a collective investment scheme) at the Valuation Point;

it can value an investment at a price which, in its opinion, reflects a fair and reasonable price for that investment (the fair value price).

4.4.2 The circumstances which may give rise to a fair value price being used include:

- 4.4.2.1 no recent trade in the security concerned; or
- 4.4.2.2 suspension of dealings in an underlying collective investment scheme; or
- 4.4.2.3 the occurrence of a significant event since the most recent closure of the market where the price of the security is taken.

4.4.3 In determining whether to use such a fair value price, the ACD will include in their consideration but need not be limited to:

- 4.4.3.1 the type of authorised fund concerned;
- 4.4.3.2 the securities involved;
- 4.4.3.3 whether the underlying collective investment schemes may already have applied fair value pricing;
- 4.4.3.4 the basis and reliability of the alternative price used; and
- 4.4.3.5 the ACD's policy on the valuation of Scheme Property as disclosed in this Prospectus.

4.5 **Pricing basis**

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

4.6 **Publication of Prices**

The prices of all Share Classes are available at www.fundlistings.com or the Investment Management Association website: www.investmentuk.org. The prices of Shares may also be obtained by calling 0844 931 0031 during the ACD's normal business hours. As the ACD deals on a forward pricing basis, the price that appears in these sources will not necessarily be the same as the one at which investors can currently deal. The ACD may also, at its sole discretion, decide to publish certain Share prices on third party websites or publications but the ACD does not accept responsibility for the accuracy of the prices published in, or for the non-publication of prices by, these sources for reasons beyond the control of the ACD.

5. **RISK FACTORS**

Potential investors should consider the below risk factors before investing in the Company (or, in the case of specific risks applying to specific Funds, in those Funds). This list must not be taken to be comprehensive as there may be new risks that arise in the future which could not have been anticipated in advance. Also, the risk factors listed will apply to different Funds to different degrees, and for a given Fund this degree could increase or reduce through time.

5.1 **Market Risk**

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

5.2 **Effect of initial charge or redemption charge**

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

In particular, where a redemption charge is payable, investors should note that the percentage rate at which the redemption charge is calculated is based on the market value rather than the initial value of the Shares. If the market value of the Shares has increased the redemption charge will show a corresponding increase.

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

5.3 **Dilution adjustment and SDRT provision**

A Fund may suffer a reduction in the value of its Scheme Property due to dealing costs incurred when buying and selling investments. To offset this dilution effect the ACD may apply a dilution adjustment to the price payable on the purchase or redemption of their Shares. Where a dilution adjustment is not applied, the Fund in question may incur dilution which may constrain capital growth.

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

5.4 **Charges to capital**

Where the investment objective of a Fund is to treat the generation of income as a higher priority than capital growth, or the generation of income and capital growth have equal priority, all or part of the ACD's fee and other expenses may be charged against capital instead of against income. This treatment of the ACD's fee and other expenses will increase the amount of income (which may be taxable) available for distribution to Shareholders in the Fund concerned but may constrain capital growth. Currently none of the Funds charge the ACD fee and other expenses against capital but deduct from income instead.

5.5 **Suspension of dealings in Shares**

Investors are reminded that in certain circumstances their right to redeem Shares (including a redemption by way of switching) may be suspended (see "Suspension of dealings in the Company or a Fund" at Paragraph 3.10).

5.6 **Pricing and liquidity**

Where a Fund has exposure to alternative asset classes there is a risk that the price at which an asset is valued may not be realisable in the event of sale. This could be due to a mis-estimation of the asset's value or due to a lack of liquidity in the relevant market. As a result, at times, the ACD may have to delay acting on instructions to sell investments, and the proceeds on redemption may be materially less than the value implied by the Fund's price.

5.7 **Liabilities of the Company**

Although each Fund so far as possible will be treated as bearing the liabilities, expenses, costs and charges attributable to it, in the unlikely event that its assets are not sufficient to meet these the ACD may re-allocate assets, liabilities, expenses, costs and charges between the Funds of the Company in a manner which it believes is fair to the Shareholders generally. The ACD would normally

expect any such re-allocation to be effected on a pro rata basis having regard to the Net Asset Values of the relevant Funds. If there is any such re-allocation the ACD will advise Shareholders of it in the next succeeding annual or half yearly report to Shareholders.

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

5.8 Currency exchange rates

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

5.9 Smaller companies

Funds investing in smaller companies invest in transferable securities which may be less liquid than the securities of larger companies, as a result of inadequate trading volume or restrictions on trading. Securities in smaller companies may possess greater potential for capital appreciation, but also involve risks, such as limited product lines, markets and financial or managerial resources and trading in such securities may be subject to more abrupt price movements than trading in the securities of larger companies.

5.10 Sub investment grade bonds

The Funds may hold sub-investment grade bonds. Such bonds have a lower credit rating than investment grade bonds and carry a higher degree of risk.

5.11 Overseas bonds and currencies

From time to time, a Fund may invest in overseas bonds and currencies. These markets may respond to different influences to those that affect the underlying funds and accordingly carry a higher degree of risk.

5.12 Derivatives and volatility

The COLL Sourcebook permits the ACD to use certain techniques when investing in derivatives in order to manage a Fund's exposure to particular counterparties and in relation to the use of collateral to reduce overall exposure to over-the-counter ("OTC") derivatives; for example a Fund may take collateral from counterparties with whom they have an OTC derivative position and use that collateral to net off against the exposure they have to the counterparty under that OTC derivative position, for the purposes of complying with counterparty spread limits. The COLL Sourcebook also permits a Fund to use derivatives to effectively

short sell (agree to deliver the relevant asset without holding it in the scheme) under certain conditions. **Derivatives will be used in the Funds for the purposes of investment. Where the ACD invests in derivatives and forward transactions in the pursuit of a Fund's objectives, the Net Asset Value of that Fund may at times be volatile (in the absence of compensating investment techniques). However, it is the ACD's intention that the relevant Fund will not have volatility over and above the general market volatility of the markets of the Fund's underlying investments owing to the use of the derivatives and/or forward transactions in the pursuit of its objectives. It is not the ACD's intention that the use of derivatives and forward transactions in the pursuit of a Fund's objective will cause its risk profile to change.**

5.13 **Non-UCITS Retail Schemes (NURS)**

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

5.14 **Investing in other collective investment schemes**

Each Fund may invest in other regulated collective investment schemes. As an investor in another collective investment scheme, a Fund will bear, along with the other investors, its portion of the expenses of the other collective investment scheme, including management, performance and/or other fees. These fees will be in addition to the management fees and other expenses which a Fund bears directly with its own operations.

5.15 **Unregulated Collective Investment Schemes**

A Fund may invest, in total no more than 20% of the Scheme Property, in unregulated collective investment schemes which are generally considered to be a higher risk than investment in regulated schemes. An unregulated collective investment scheme is unlikely to be subject to regulations which govern how they are managed. For example, they can utilise higher risk investment techniques, they may borrow to invest, they can suspend calculation of net asset value preventing redemption or otherwise limit redemption, they may not adhere to internationally recognised accounting standards and functions such as pricing and custody may not be subject to any rules.

A Fund may also invest in unregulated collective investment schemes which are valued less frequently than the investing Fund. As a result, there is a risk that any

market movements will not be reflected in the daily price of the Fund and that investors may miss out on unrealised profits from underlying investments.

6. MANAGEMENT AND ADMINISTRATION

6.1 Regulatory Status

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

6.2 Authorised Corporate Director

6.2.1 General

The ACD is IFDS Managers Limited which is a private company limited by shares incorporated in England and Wales on 19 February 2001.

The directors of the ACD are:-

Simon Neil Hudson-Lund*
Paul Gerald Roberts*
Brian John Archer
Matthew Brown*
David Rossi
David Moffat
Christopher Roy Spencer

*Also directors of the Administrator and Registrar.

Patrick Cliffe is the Company Secretary.

Registered Office and Head Office:	IFDS House, St Nicholas Lane, Basildon, Essex SS15 5FS
Share Capital:	An issued share capital of £1 represented by 1 ordinary share of 100 pence fully paid.
Ultimate Holding Company:	State Street Corporation and DST Systems, Inc are the joint and equal ultimate holding companies of the ACD.

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

It has therefore delegated to the Investment Manager the function of managing and acting as the investment adviser for the investment and reinvestment of the assets of the Funds (as further explained in paragraph 6.4 below). It has also delegated to the Administrator and the Registrar certain functions relating to administration and the Company's register (as further explained in paragraphs 6.6 and 6.7 below). The ACD has delegated various operational and fund accounting functions to State Street Bank & Trust Company.

6.2.2 Terms of Appointment:

The appointment of the ACD has been made under an agreement dated 25 March 2011 (taking effect as of 1 April 2011) between the Company and the ACD, as amended from time to time, (the "ACD Agreement").

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

The ACD Agreement contains detailed provisions relating to the responsibilities of the ACD. It also excludes the ACD from any liability to the Company or any Shareholder. It also excludes the ACD from liability to the Company or any Shareholder for any error of judgment or loss suffered in connection with the subject matter of the ACD Agreement, unless arising as a direct consequence of recklessness, fraud, bad faith, wilful default or negligence in the performance or non-performance of its obligations and functions under the ACD Agreement. Any liability for defaults of a person to whom it has delegated certain functions is also limited to the extent permitted by the Regulations.

The Company has agreed to indemnify the ACD to the extent permitted by the COLL Sourcebook (for itself and its delegates) against claims and expenses that arise in respect of their duties, except where there is fault on its or their part of the kind referred to above.

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

The ACD (or its associates or any affected person) is also under no obligation to account to the Depositary, the Company or the Shareholders for any profit it makes on the issue or re-issue or cancellation of Shares which it has redeemed. The ACD may carry out or arrange for the carrying out of stock lending transactions in respect of the Funds. The ACD reserves the right to receive a fee in relation to stock lending, subject to giving Shareholders 60 days' written notice of the details of such fees.

The ACD Agreement is for an initial period of five years, and will continue after then unless and until terminated by resolution of the Company in general meeting on not less than 12 months' prior notice to the ACD, or earlier on certain types of breaches or the insolvency of a party.

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

6.3 The Depositary

6.3.1 General

The Depositary of the Company is State Street Trustees Limited. The Depositary is a private company limited by shares incorporated in England and Wales. Its registered office is at 20 Churchill Place, London E14 5HJ. The principal business activity of the Depositary is acting as a trustee and depositary of collective investment schemes. The Depositary is authorised and regulated by the Financial Services Authority. The address which should be used for correspondence is 525 Ferry Road, Edinburgh EH5 2AW.

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

6.3.2 Terms of Appointment:

The appointment of the Depositary has been made under an agreement dated 25 March 2011, as amended from time to time, between the Company, the ACD and the Depositary, which came into effect on 1 April 2011 (the "Depositary Agreement").

Subject to the COLL Sourcebook, the Depositary has full power under the Depositary Agreement to delegate (and authorise its delegate to sub-delegate) all or any part of its duties as depositary. The Depositary also acts as custodian of the Company. However it has delegated the custody of assets of the Company to State Street Bank & Trust Company.

The Depositary's Agreement may be terminated by not less than six months' written notice provided that no such notice shall take effect until the appointment of a successor to the Depositary.

To the extent permitted by the FSA Handbook, the Company will indemnify the Depositary (or its associates) against costs, charges, losses and liabilities incurred by it (or its associates) in the proper execution, or in the purported proper execution, or exercise (reasonably and in good faith) of the Depositary's duties, powers, authorities and discretions, except in the case of any liability for a failure to exercise due care and diligence in the discharge of its functions.

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

6.4 The Investment Manager

6.4.1 General

The ACD has appointed the Investment Manager, Charles Stanley & Co Limited, to provide investment management services to the ACD. The Investment Manager is authorised and regulated by the Financial Services Authority.

The Investment Manager's registered office is at Granville House, 25 Luke Street, London EC2A 4AR.

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

6.4.2 Terms of Appointment:

The Investment Manager was appointed by an agreement dated 29 October 2010 between the ACD and the Investment Manager.

In the exercise of the ACD's investment functions, the Investment Manager shall (subject to the overall policy and supervision of the ACD) have full power, authority and right to exercise the functions, duties, powers and discretions exercisable by the ACD under the Instrument of Incorporation or the Regulations to manage the investment of the Scheme Property of the Company. The Investment Manager has full power to delegate under the Investment Management Agreement.

The Investment Manager may also direct the exercise of rights (including voting rights) attaching to the ownership of the Company's Scheme Property.

The Investment Management Agreement dated 29 October 2010 may be terminated by either party on one year's notice following the fifth anniversary of the appointment of the ACD. The Investment Management Agreement may be terminated immediately if it is in the best interests of investors or by written notice given by either party on the happening of certain events involving any material breach or insolvency. It will also terminate automatically if the agreement appointing the ACD is terminated or if the ACD or the Investment Manager cease to be authorised to act as such.

The Investment Manager is entitled to a fee out of that paid to the ACD , as explained below in paragraph 7.

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

6.5 **The Administrator**

On behalf of the Company, the ACD has appointed the Administrator, International Financial Data Services (UK) Limited, to provide certain administration services. The Administrator's registered office is IFDS House, St Nicholas Lane, Basildon, Essex SS15 5FS.

6.6 **The Registrar**

6.6.1 **General**

On behalf of the Company, the ACD has also appointed International Financial Data Services Limited to act as registrar to the Company. The Registered office of the Registrar is IFDS House, St Nicholas Lane, Basildon, Essex SS15 5FS.

6.6.2 **Register of Shareholders**

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

The plan register (being a record of persons who subscribe for Shares through ISA plans) can also be inspected at the office of the Administrator.

6.7 **The Auditors**

The auditors of the Company are Deloitte LLP, whose address is Saltire Court, 20 Castle Terrace, Edinburgh EH1 2DB.

6.8 **Legal Advisers**

The Company is advised by Eversheds LLP of One Wood Street, London EC2V 7WS.

6.9 **Conflicts of Interest**

The ACD and other companies within the IFDS Group and the Investment Manager may, from time to time, act as managers or investment advisers to other funds or sub-funds which follow similar investment objectives to those of the Funds. It is therefore possible that the ACD and/or Investment Manager may in the course of their business have potential conflicts of interest with the Company or a particular Fund. The ACD and/or the Investment Manager will, however, have regard in such event to their obligations under the ACD Agreement and Investment Management Agreement (respectively) and, in particular, to their obligation to act in the best interests of the Company so far as practicable, having regard to their obligations to other clients, when undertaking any investment business where potential conflicts of interest may arise.

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

7. **FEES AND EXPENSES**

7.1 **General**

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

Each Fund formed after this Prospectus is superseded may bear its own direct establishment costs.

The Company or each Fund (as the case may be) may, so far as the COLL Sourcebook allows, also pay out of the property of the Company or each Fund (as the case may be) all relevant fees, costs, charges and expenses incurred by the Company or each Fund (as the case may be), which will include the following:

- 7.1.1 the charges and expenses payable to the ACD (which will include the fees and expenses payable to the Investment Manager and Fund Accountant;
- 7.1.2 fees and expenses in respect of establishing and maintaining the Register of Shareholders (and any plan sub-register) and related functions;

- 7.1.3 expenses incurred in acquiring, registering and disposing of investments;
- 7.1.4 expenses incurred in producing, distributing and dispatching income and other payments to Shareholders;
- 7.1.5 fees in respect of the publication and circulation of details of the Net Asset Value and prices;
- 7.1.6 the fees and expenses of the auditors and tax, legal and other professional advisers of the Company;
- 7.1.7 the costs of convening and holding Shareholder meetings (including meetings of Shareholders in any particular Fund, or any particular Class within a Fund);
- 7.1.8 costs incurred in taking out and maintaining any insurance policy in relation to the Company and/or its Directors;
- 7.1.9 expenses incurred in company secretarial duties, including the cost of minute books and other documentation required to be maintained by the Company;
- 7.1.10 the costs of preparing, updating and printing this Prospectus, the Simplified Prospectuses, the Instrument of Incorporation and contract notes and the costs of distributing this Prospectus and the Instrument of Incorporation (apart from the costs and expenses of distributing any Simplified Prospectus) and the costs of printing and distributing reports and accounts and any other administrative expenses related to this clause 7.1.10;
- 7.1.11 tax and duties payable by the Company;
- 7.1.12 interest on and charges incurred in borrowings;
- 7.1.13 any amount payable by the Company under any indemnity provisions contained in the Instrument of Incorporation or any agreement with any functionary of the Company;
- 7.1.14 fees of the FSA under the Financial Services and Markets Act 2000 and the corresponding periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which Shares are or may lawfully be marketed;
- 7.1.15 fees and expenses associated with administration of the Funds and pricing of the Shares;
- 7.1.16 any payments otherwise due by virtue of changes to the Regulations;

- 7.1.17 costs (apart from promotional payments) in respect of communications with actual or potential investors;
- 7.1.18 fees of any paying, representative or other agents of the Company or the ACD;
- 7.1.19 any costs in modifying the ACD Agreement and any other relevant document required under the Regulations; and
- 7.1.20 the fees of any stock lending agent and the fees of the ACD for arranging any stock lending, subject to giving Shareholders 60 days' prior written notice of the details of these fees;

VAT may be payable on these charges.

It is not currently proposed to seek a listing for the Shares on any stock exchange, but if a listing is sought in the future the fees connected with the listing will be payable by the Company.

Expenses are allocated to income. Where there is insufficient income to meet expenses any remaining expenses will be allocated to capital which will constrain capital growth.

7.2 **Charges payable to the ACD**

7.2.1 **Annual Management Charge**

In payment for carrying out its duties and responsibilities the ACD is entitled to take an annual fee out of each Fund as set out in Appendix I. The annual management charge will accrue on a daily basis in arrears by reference to the Net Asset Value of the Fund on the immediately preceding Dealing Day and the amount due for each month is payable in respect of each calendar month as soon as practicable after the month end. The current annual management charges for the Funds (expressed as a percentage per annum of the Net Asset Value of each Fund) are set out in Appendix I.

7.2.2 **Registration Fees**

The ACD is entitled to receive a fee out of the Scheme Property for providing registration services, (including establishing and maintaining sub-registers where applicable), out of which the ACD will pay the fees of the Registrar. Such fee is payable quarterly. The Company currently has registration fees payable to the ACD in respect of assets under management per Fund at a rate of 0.025% per annum.

The above fees include ISA sub register fees.

7.2.3 Expenses

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

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

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

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

7.3 Depositary's fee and expenses

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

Assets under management per Fund per annum	Fee	Minimum Annual Fee
First £1bn	0.015%	£10,000 + vat per Fund per annum
Next £1bn	0.0125%	
Over £2bn	0.010%	

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

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

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

The current remuneration ranges from between 0.0075% to 0.50% per annum of the value of the Scheme Property, plus VAT (if any) calculated at an ad valorem rate determined by the territory or country in which the assets of the Funds are held. The current range of transaction charges is between £10 and £100 per transaction plus VAT (if any). Custody and transaction charges will be payable monthly in arrears.

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

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

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

7.4 Expenses not directly attributable to a particular Fund will be allocated between Funds. In each such case such expenses and disbursements will also be payable if incurred by any person (including the ACD or an associate or nominee of the Depositary or of the ACD) who has had the relevant duty delegated to it pursuant to the COLL Sourcebook by the Depositary.

7.5 **Investment Manager's fee**

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

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

7.6 **Allocation of fees and expenses between Funds**

All the above fees, duties and charges (other than those borne by the ACD) will be charged to the Fund in respect of which they were incurred. This includes any charges and expenses incurred in relation to the Register of Shareholders, except that these will be allocated and charged to each class of Shares on a basis agreed between the ACD and the Depositary.

Where an expense is not considered to be attributable to any one Fund, the expense will normally be allocated to all Funds pro rata to the value of the Net Asset Value of the Funds, although the ACD has discretion to allocate these fees and expenses in a manner which it considers fair to Shareholders generally.

Where income is insufficient to pay charges the residual amount is taken from capital.

8. **SHAREHOLDER MEETINGS AND VOTING RIGHTS**

8.1 **Class and Fund Meetings**

The Company has dispensed with the need to hold Annual General Meetings.

The provisions below, unless the context otherwise requires, apply to Class meetings and meetings of Funds as they apply to general meetings of the Company, but by reference to Shares of the Class or Fund concerned and the Shareholders and value and prices of such Shares.

8.2 **Requisitions of Meetings**

The ACD may requisition a general meeting at any time.

Shareholders may also requisition a general meeting of the Company. A requisition by Shareholders must state the objects of the meeting, be dated, be signed by

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

8.3 **Notice and Quorum**

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

8.4 **Voting Rights**

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

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

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

In the case of joint Shareholders, the vote of the senior who votes, whether in person or by proxy, must be accepted to the exclusion of the votes of the other joint Shareholders. For this purpose, seniority must be determined by the order in which the names stand in the Register.

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

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

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

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

9. **TAXATION**

9.1 **General**

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

9.2 **The Funds**

Each Fund is treated as a separate entity for United Kingdom tax purposes. The Funds are generally exempt from United Kingdom tax on capital gains realised on the disposal of investments (including interest-paying securities and derivatives) held within them.

Dividends from United Kingdom and non-United Kingdom companies are received by a Fund with a tax credit and no further tax is payable by the Fund on that income. The Funds will each be subject to corporation tax at 20% on most other types of income but after deducting allowable management expenses and the gross amount of any interest distributions. Where a Fund suffers foreign tax on income received, this may normally be treated as an expense or deducted from any United Kingdom tax payable on that income.

9.3 **Shareholders**

9.3.1 **Income - Equity Funds**

Funds which are so called “Equity” Funds for the purposes of tax will pay any distributable income as dividend distributions, (which will be automatically retained in the Fund in the case of accumulation Shares). Details of whether a particular Fund is an “Equity” Fund or a “Bond” Fund for tax purposes are set out in Appendix I. Dividend distributions will be

paid with a 10% tax credit. United Kingdom resident individuals liable to income tax on investment income at the basic rate will have no further liability to tax. Higher rate taxpayers will have to pay an additional amount of income tax as will additional rate taxpayers. Non-taxpayers may not reclaim the tax credits on dividend distributions paid.

Corporate Shareholders who receive dividend distributions may have to divide them into two (in which case the division will be indicated on the tax voucher). Any part representing dividends received from a company will be treated as dividend income (that is, franked investment income) and no further tax will be due on it. The remainder will be received as an annual payment after deduction of income tax at the basic rate, and corporate Shareholders may, depending on their circumstances, be liable to tax on the grossed up amount, with the benefit of the 20% income tax credit attached or to reclaim part of the tax credit as shown on the tax voucher.

Non United Kingdom resident Shareholders will generally not be entitled to reclaim any part of the tax credit on the dividend distribution from HM Revenue and Customs although it will normally satisfy their United Kingdom tax liability on that income. They may also be able to offset the tax credit against their liability to tax in their own country.

9.3.2 Income - Bond Funds

Funds which are so called "Bond" Funds for the purposes of tax currently pay interest distributions (which will be automatically retained in the case of accumulation Shares). Details of whether a particular Fund is an "Equity" Fund or a "Bond" Fund for tax purposes are set out in Appendix I. These distributions are made after income tax has been deducted and paid to HM Revenue and Customs. A tax voucher will be supplied to Shareholders showing the total interest distribution before the deduction of tax (gross interest), and where relevant the tax deducted and the amount of the interest distribution after tax has been deducted (net interest).

For individual Shareholders, the gross interest will be subject to United Kingdom tax at 10% in the case of taxpayers who are liable to income tax at the starting rate on investment income, 20% in the case of basic rate taxpayers or 40% in the case of higher rate taxpayers and 50% in the case of additional rate taxpayers. The tax deducted will satisfy in full the tax liability on the interest of Shareholders subject to basic rate income tax. For Shareholders who are starting rate income taxpayers part of the tax deducted will satisfy their liability and part may be reclaimed from HM Revenue and Customs. Shareholders who are higher (or additional) rate

taxpayers will have to pay further income tax. Non-taxpayers may reclaim the tax deducted from HM Revenue and Customs. Where Shares are held through ISAs their managers may reclaim any tax deducted.

Shareholders subject to United Kingdom corporation tax will be liable to tax on the gross interest but will receive credit for the 20% income tax deducted.

Non United Kingdom resident Shareholders may be entitled to a refund from HM Revenue and Customs of the tax deducted from their interest distributions (or a proportion of it). This will depend on their personal circumstances and the terms of any double taxation agreement between their country of residence and the United Kingdom.

Currently no Bond Funds are available within the Company.

9.3.3 Reporting requirements

The Company is required to report details of interest paid to residents of the European Union and certain other jurisdictions to HM Revenue and Customs each year and it may also be required to report details of interest paid to United Kingdom residents.

9.3.4 Income equalisation

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

9.3.5 Gains

Shareholders who are resident in the United Kingdom for tax purposes may, depending on their personal circumstances, be liable to capital gains tax or, if a corporate Shareholder, corporation tax on gains arising from the redemption, transfer or other disposal of Shares (but not on Switches between Classes within a Fund).

Corporate Shareholders in the "Bond" Funds who are subject to corporation tax must treat their Shareholding as a creditor relationship subject to a fair value basis of accounting.

Part of any increase in value of accumulation Shares represents the accumulation of income (including income equalisation but excluding tax

credit). These amounts may be added to the acquisition cost when calculating the capital gain realised on their disposal.

Individual Shareholders will find further information in HM Revenue and Customs Help Sheets for the capital gains tax pages of their tax returns.

10. **WINDING UP OF THE COMPANY OR TERMINATION OF A FUND**

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

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

The Company may be wound up or a Fund must be terminated under the COLL Sourcebook:

- 10.1 if an extraordinary resolution to that effect is passed by Shareholders; or
- 10.2 when the period (if any) fixed for the duration of the Company or a particular Fund by the Instrument of Incorporation expires, or any event occurs on the occurrence of which the Instrument of Incorporation provides that the Company or a particular Fund is to be wound up or terminated (if appropriate) (for example, if the share capital of the Company or (in relation to any Fund) the Net Asset Value of the Fund is below £10 million, or if a change in the laws or regulations of any country means that, in the ACD's opinion, it is desirable to terminate the Fund); or
- 10.3 on the date stated in any agreement by the FSA to a request by the ACD for the revocation of the authorisation order in respect of the Company or for the termination of the relevant Fund.

On the occurrence of any of the above:

- 10.4 COLL 6.2 (Dealing), COLL 6.3 (Valuation and Pricing) and COLL 5 (Investment and borrowing powers) will cease to apply to the Company or the relevant Fund;
- 10.5 the Company will cease to issue and cancel Shares in the Company or the relevant Fund and the ACD shall cease to sell or redeem Shares or arrange for the Company to issue or cancel them for the Company or the relevant Fund;
- 10.6 no transfer of a Share shall be registered and no other change to the Register of Shareholders shall be made without the sanction of the ACD;
- 10.7 where the Company is being wound up, the Company shall cease to carry on its business except in so far as it is beneficial for the winding up of the Company;

- 10.8 the corporate status and powers of the Company and subject to 10.4 to 10.7 above, the powers of the Depositary shall continue until the Company is dissolved.

The ACD shall, as soon as practicable after the Company or the Fund falls to be wound up or terminated (as appropriate), realise the assets and meet the liabilities of the Company and, after paying out or retaining adequate provision for all liabilities properly payable and retaining provision for the costs of winding up/termination, arrange for the Depositary to make one or more interim distributions out of the proceeds to Shareholders proportionately to their rights to participate in the property of the Company or the Fund. If the ACD has not previously notified Shareholders of the proposal to wind up the Company or terminate the Fund, the ACD shall, as soon as practicable after the commencement of winding up of the Company or the termination of the Fund, give written notice of the commencement to Shareholders. When the ACD has caused all of the property to be realised and all of the liabilities of the Company or the particular Fund to be realised, the ACD shall arrange for the Depositary to make a final distribution to Shareholders on or prior to the date on which the final account is sent to Shareholders of any balance remaining in proportion to their holdings in the Company or the particular Fund.

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

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

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

As the Company is an umbrella company, any liabilities attributable or allocated to a particular Fund under the COLL Sourcebook shall be met first out of the property attributable or allocated to that particular Fund. If the liabilities of a particular Fund are greater than the proceeds of the realisation of the property attributable or allocated to the Fund, the deficit shall be met out of the property attributable or allocated to the solvent Funds in respect of which the proceeds of realisation exceed liabilities and will be divided between those Funds in a manner which is fair to Shareholders in those solvent Funds.

11. GENERAL INFORMATION

11.1 Accounting Periods

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

11.2 Income Allocations

Some Funds may have interim and final income allocations and other Funds may have quarterly income allocations and some Funds may only have final income allocation dates (see Appendix I). For each of the Funds income is allocated in respect of the income available at each accounting date.

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

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

If a distribution made in relation to any income Shares remains unclaimed for a period of six years after it has become due, it will be forfeited and will revert to the relevant Fund (or, if that no longer exists, to the Company).

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

With the agreement of the Depositary individual amounts of income of £10 or less may not be paid.

The Company will operate grouping for equalisation. Each Class will operate its own equalisation account. Shares purchased during a distribution period are called Group 2 Shares. Shares purchased during any previous distribution period are called Group 1 Shares. Group 2 Shares contain in their purchase price an amount called equalisation which represents a proportion of the net income of the Fund that has accrued up to the date of purchase. The amount of equalisation is averaged across

all the Shareholders of Group 2 Shares and is refunded to them as part of their first distribution and is treated as a return of capital for tax purposes. Being capital, this is not liable to income tax but must be deducted from the cost of Shares for capital gains tax purposes.

The amount of income equalisation in respect of any Share applies shall be either the actual amount of income included in the issue price of that Share, or, an amount arrived at by taking the aggregate of the amounts of income included in the price in respect of Shares of that Class issued or sold to Shareholders in the annual or interim accounting period in question and dividing that aggregate amount by the number of such Shares and applying the resultant average to each of the Shares in question.

11.3 **Annual Reports**

The annual report of the Company will normally be published within two months of each annual accounting period although the ACD reserves the right to publish the annual report at a later date but not later than four months from the end of each annual accounting period and the half yearly report will be published within two months of each interim accounting period. The ACD has determined that the accounts contained in this report should be short reports and are available to any person free of charge on request. A report containing the full accounts is available to any person free of charge on request.

11.4 **Documents of the Company**

The following documents may be inspected free of charge during normal business hours on any business day at the offices of the ACD at IFDS House, St Nicholas Lane, Basildon, Essex SS15 5FS.

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

11.4.2 the Prospectus;

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

11.4.4 the material contracts referred to below.

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

11.5 **Material Contracts**

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

11.5.1 the ACD Agreement dated 25 March 2011 between the Company and the ACD; and

11.5.2 the Depositary Agreement dated 11 March 2011 between the Company the Depositary and the ACD.

11.5.3 the Investment Management Agreement dated 29 October 2010 between the Investment Manager and the ACD.

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

11.6 **Provision of Investment Advice**

All information concerning the Company and about investing in Shares of the Company is available from the ACD at PO Box 10818, Chelmsford CM99 2BL. The ACD is not authorised to give investment advice and persons requiring such advice should consult a professional financial adviser. All applications for Shares are made solely on the basis of the current prospectus of the Company, and investors should ensure that they have the most up to date version.

11.7 **Telephone Recordings**

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

11.8 **Complaints**

Complaints concerning the operation or marketing of the Company may be referred to the Complaints Officer of the ACD at PO Box 10818, Chelmsford CM99 2BL or, if you subsequently wish to take your complaint further, direct to the Financial Ombudsman Service at South Quay Plaza, 183 Marsh Wall, London E14 9SR.

11.9 **Indemnity**

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

11.11 **Notices**

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

APPENDIX I

FUND DETAILS

Name:	IM Matterley Undervalued Assets Fund	
Type of Fund:	Non-UCITS retail scheme	
Launch Date:	12 August 2008	
Investment objective:	The investment objective of the Fund is to achieve long-term capital growth.	
Investment policy:	The Fund aims to invest predominantly in securities of UK companies, either directly or indirectly, which the Investment Manager considers to be undervalued relative to its asset base and to the returns on capital the companies are generating. The Fund may also invest in other transferable securities, units or shares in collective investment schemes, money market instruments, deposits, cash, near cash and derivatives and forward transactions.	
Final accounting date:	30 September	
Interim accounting dates:	31 March	
Income distribution dates:	31 January (final) 31 May(interim)	
Valuation Point:	12 noon	
Dealing frequency:	on each Dealing Day	
Classes of Shares:	Class A	Class B
Type of Shares:	Accumulation	Accumulation
	Income	Income
Currency of denomination:	Pounds sterling	Pounds sterling
Initial charge:	5%	5%
Redemption charge:	Nil	Nil
Annual Management Charge:	1.25%	0.75%

Minimum initial investment:	£1,000	£100,000
Minimum subsequent investment:	£1,000	£25,000
Minimum holding:	0	0
Minimum redemption:	N/A (subject to the minimum subsequent investment being maintained)	N/A (subject to the minimum subsequent investment being maintained)
Regular savings:	£50 per month	N/A
Regular Withdrawal Facility:	Yes, minimum withdrawal per fund per year is £300 or 3% on a minimum qualifying investment of £10,000. This facility is not available if you are investing new money by direct debit in a savings scheme on a monthly basis.	Yes, minimum withdrawal per fund per year is £300 or 3% on a minimum qualifying investment of £10,000. This facility is not available if you are investing new money by direct debit in a savings scheme on a monthly basis.
ISA status:	Qualifying Investment for stocks and shares component	
Charges taken from income:	Yes	
Past performance:	Past performance information is set out in Appendix V	
Status of Fund for tax purposes:	The Fund is an Equity Fund for the purposes of tax.	
ISA eligibility	It is the ACD's intention that Fund will be managed so as to be an eligible for ISA investment	
Whether Shares will be issued in any other currency:	No	No

APPENDIX II

ELIGIBLE SECURITIES MARKETS AND ELIGIBLE DERIVATIVES MARKETS

All the Funds may deal through securities markets which are regulated markets (as defined in the glossary to the FSA Handbook) or markets established in an EEA State which are regulated, operate regularly and are open to the public.

Each Fund may also deal through the securities markets and derivatives markets indicated below:

For approved securities	
Market	IM Matterley Undervalued Assets Fund
American Stock Exchange	✓
ASX Ltd	✓
Channel Islands Stock Exchange (Guernsey/ Jersey)	✓
Hong Kong Stock Exchange	✓
Government of Canada Bond Market	✓
London Stock Exchange	✓

Montreal Exchange	✓
New York Stock Exchange	✓
Swiss Exchange (SWX)	✓
Toronto Stock Exchange	✓
TSX Venture Exchange	✓
Any stock exchange or regulated market which is located in a EU Member State who joined before 1st May 2004 and certain others who joined on 1 May 2004*	✓

*Any stock exchange or regulated market which is located in a member state which was Member of the EU before 1 May 2004 and certain others who joined on 1 May 2004 - Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Portugal, Spain, Sweden, Netherlands, UK, Czech Republic, Hungary, Lithuania, Poland and Slovakia.

For derivatives approved	IM Matterley Undervalued Assets Fund
Market	
ASX Ltd	✓

EUREX	✓
Euronext – LIFFE	✓
EDX London (Formerly OMLX)	✓
Montreal Stock Exchange	✓
Toronto Stock Exchange	✓

APPENDIX III

INVESTMENT AND BORROWING POWERS OF THE COMPANY

1. General

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

Normally, a Fund will be fully invested save for an amount to enable the pursuit of a Fund's investment objective, redemption of Shares, efficient management of the Fund in relation to its strategic objectives and other purposes which may be reasonably regarded as ancillary to the investment objectives of the Fund. This amount will vary depending upon prevailing circumstances and although it would normally not exceed 10% of the total value of each Fund, there may be times when the Investment Manager considers stock markets to be overpriced or that a period of instability exists which presents unusual risks. In such cases or during such periods, a higher level of liquidity may be maintained and, if considered prudent, the amount of fixed interest, cash or near cash instruments held would be increased. Unless market conditions were deemed unusually risky, the increased amount and period would not be expected to exceed 30% and six months respectively.

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

1.1 Prudent spread of risk

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

1.2 Cover

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

- 1.2.2 Where a rule in the COLL Sourcebook permits an investment transaction to be entered into or an investment to be retained only if that investment transaction, or the retention, or other similar transactions, are covered:
 - 1.2.2.1 it must be assumed that in applying any of those rules, the Fund must also simultaneously satisfy any other obligation relating to cover; and
 - 1.2.2.2 no element of cover must be used more than once.

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

- 2.1 Subject to the investment objective and policy of a Fund, the Scheme Property of a Fund must, except where otherwise provided in COLL 5 only consist of any or all of:
 - 2.1.1 transferable securities;
 - 2.1.2 money market instruments;
 - 2.1.3 units or shares in permitted collective investment schemes;
 - 2.1.4 permitted derivatives and forward transactions; and
 - 2.1.5 permitted deposits.
- 2.2 Transferable securities and money market instruments held within a Fund must (subject to paragraph 2.3 of this Appendix) be:
 - 2.2.1 admitted to or dealt on an eligible market as described below;
 - 2.2.2 be approved money market instruments not admitted or dealt in on an eligible market which satisfy the requirements for investment set out in COLL 5.2.10 to COLL 5.2.10 CR;
 - 2.2.3 recently issued transferable securities provided that:
 - 2.2.3.1 the terms of issue include an undertaking that application will be made to be admitted on an eligible market; and
 - 2.2.3.2 such admission is secured within a year of issue.
- 2.3 Transferable securities held within the Company must satisfy the criteria in COLL 5.2.7 AR, COLL 5.2.7 CR and COLL 5.2.7 ER for the purposes of investment by a UCITS scheme.
- 2.4 Not more than 20% in value of the Scheme Property is to consist of transferable securities, which are not approved securities (aggregated with the value of the Scheme Property which can be invested in unregulated collective investment

schemes as set out in COLL 5.6.2G (2)(b)) or money market instruments which are liquid and have a value which can be determined accurately at any time.

2.5 The requirements on spread of investments generally and in relation to investment in government and public securities do not apply until 12 months after the later of:

2.5.1 the date on which the authorisation order in respect of the Funds takes effect; and

2.5.2 the date the initial offer period commenced,

provided always that paragraph 1.1 above is complied with during any such period.

3. **Transferable Securities**

3.1 A transferable security is an investment falling within article 76 (Shares etc), article 77 (instruments creating or acknowledging indebtedness), article 77A (alternative finance investment bonds), article 78 (government and public securities), article 79 (instruments giving entitlement to investments) and article 80 (certificates representing certain securities) of the Regulated Activities Order.

3.2 An investment is not a transferable security if the title to it cannot be transferred, or can be transferred only with the consent of a third party.

3.3 In applying paragraph 3.1 of this Appendix to an investment which is issued by a body corporate, and which is an investment falling within articles 76 (shares, etc) or 77 (instruments creating or acknowledging indebtedness) of the Regulated Activities Order, the need for any consent on the part of the body corporate or any members or debenture holders of it may be ignored.

3.4 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.

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

3.5.1 the potential loss which the Fund may incur with respect to holding the transferable security is limited to the amount paid for it;

3.5.2 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 under the COLL Sourcebook;

3.5.3 reliable valuation is available for it as follows:

3.5.3.1 in the case of a transferable security admitted to or dealt in on an eligible market, where there are accurate, reliable

and regular prices which are either market prices or prices made available by valuation systems independent from issuers;

3.5.3.2 in the case of a transferable security not admitted to or dealt in on an eligible market, where there is a valuation on a periodic basis which is derived from information from the issuer of the transferable security or from competent investment research;

3.5.4 appropriate information is available for it as follows:

3.5.4.1 in the case of a transferable security admitted to or dealt in on an eligible market, where there is regular, accurate and comprehensive information available to the market on the transferable security or, where relevant, on the portfolio of the transferable security;

3.5.4.2 in the case of a transferable security not admitted to or dealt in on an eligible market, where there is regular and accurate information available to the ACD on the transferable security or, where relevant, on the portfolio of the transferable security;

3.5.5 it is negotiable; and

3.5.6 its risks are adequately captured by the risk management process of the ACD.

3.6 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 shall be presumed:

3.6.1 not to compromise the ability of the ACD to comply with its obligation to redeem units at the request of any qualifying shareholder; and

3.6.2 to be negotiable.

3.7 No more than 5% of the Scheme Property of a Fund may be invested in warrants.

4. **Eligible markets regime: purpose**

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

4.2 Where a market ceases to be eligible, investments on that market cease to be

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

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

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

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

4.4 A market not falling within paragraph 4.3 of this Appendix is eligible for the purposes of COLL 5 if:

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

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

4.4.3 the Depositary has taken reasonable care to determine that:

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

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

4.5 In paragraph 4.4, a market must not be considered appropriate unless it is regulated, operates regularly, is recognised, is open to the public, is adequately liquid and has adequate arrangements for unimpeded transmission of income and capital to or for the order of investors.

5. **Spread: general**

5.1 This rule on spread does not apply to government and public securities.

5.2 Not more than 20% in the value of the Scheme Property of a Fund is to consist of deposits with a single body.

5.3 Not more than 10% in value of the Scheme Property of a Fund is to consist of transferable securities or money market instruments issued by any single body subject to COLL 5.6.23R (Schemes replicating an index).

5.4 The limit of 10% in 5.3 above is raised to 25% in value of the Scheme Property in respect of covered bonds.

- 5.5 In applying 4.3, certificates representing certain securities are to be treated as equivalent to the underlying security.
- 5.6 The COLL Sourcebook provides that not more than 35% in value of the Scheme Property is to consist of the units or shares of any one collective investment scheme.
- 5.7 The exposure to any one counterparty in an OTC derivative transaction must not exceed 10% in value of a Fund.
- 5.8 For the purpose of calculating the limit in 5.7, the exposure in respect of an OTC derivative may be reduced to the extent that collateral is held in respect of it if the collateral meets each of the following conditions:
- 5.8.1 it is marked-to-market on a daily basis and exceeds the value of the amount at risk;
 - 5.8.2 it is exposed only to negligible risks (e.g. government bonds of first credit rating or cash) and is liquid;
 - 5.8.3 it is held by a third party custodian not related to the provider or is legally secured from the consequences of a failure of a related party; and
 - 5.8.4 can be fully enforced by the Fund at any time.
- 5.9 For the purposes of calculating the limits in 5.7, OTC derivative positions with the same counterparty may be netted provided that the netting procedures:
- 5.9.1 comply with the conditions set out in Section 3 (Contractual netting (Contracts for novation and other netting agreements)) of Annex III to the Banking Consolidation Directive; and
 - 5.9.2 are based on legally binding agreements.
- 5.10 In applying this paragraph (Spread: general), all derivatives transactions are deemed to be free of counterparty risk if they are performed on an exchange where the clearing house meets each of the following conditions:
- 5.10.1 it is backed by an appropriate performance guarantee; and
 - 5.10.2 it is characterised by a daily mark-to-market valuation of the derivative positions and at least daily margining.

6. **Spread: government and public securities**

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

- 6.2 Where no more than 35% in value of the Scheme Property of a Fund is invested in such securities issued by any one body, there is no limit on the amount which may be invested in such securities or in any one issue.
- 6.3 The Company or any Fund may invest more than 35% in value of the Scheme Property of a Fund in such securities issued by any one body provided that:
- 6.3.1 the ACD has before any such investment is made consulted with the Depositary and as a result considers that the issuer of such securities is one which is appropriate in accordance with the investment objectives of the authorised Fund;
 - 6.3.2 no more than 30% in value of the Scheme Property consists of such securities of any one issue;
 - 6.3.3 the Scheme Property of a Fund includes such securities issued by that or another issuer, of at least six different issues;
 - 6.3.4 the disclosures in the Prospectus required by the FSA have been made.

7. **Investment in collective investment schemes**

- 7.1 Up to 10% of the value of the Scheme Property may be invested in units or shares in other collective investment schemes ("Second Scheme") provided that Second Scheme satisfies all of the following conditions.
- 7.1.1 The Second Scheme must:
 - 7.1.1.1 satisfy the conditions necessary for it to enjoy the rights conferred by the UCITS Directive; or
 - 7.1.1.2 be authorised as a non-UCITS retail scheme; or
 - 7.1.1.3 be recognised under the provisions of s.264, s.270 or s.272 of the Financial Services and Markets Act 2000; or
 - 7.1.1.4 be constituted outside the United Kingdom and have investment and borrowing powers which are the same or more restrictive than those of a non-UCITS retail scheme; or
 - 7.1.1.5 be a scheme not falling within paragraphs 6.1.1.1 to 6.1.1.4 and in respect of which no more than 20% in value of the Scheme Property (including any transferable securities which are not approved securities) is invested.
 - 7.1.2 The Second Scheme is a scheme which operates on the principle of the prudent spread of risk.

- 7.1.3 The Second Scheme has terms which prohibit more than 15% in value of the scheme property consisting of units or shares in collective investment schemes.
 - 7.1.4 The participants in the Second Scheme must be entitled to have their units or shares redeemed in accordance with the scheme at a price related to the net value of the property to which the units or shares relate and determined in accordance with the scheme.
 - 7.1.5 Where the Second Scheme is an umbrella, the provisions in paragraphs 7.1.2 to 7.1.4 apply to each sub-fund as if it were a separate scheme.
 - 7.1.6 Investment may only be made in other collective investment schemes managed by the ACD or an associate of the ACD if the rules on double charging contained in the COLL Sourcebook are complied with.
- 7.2 The Funds may, subject to the limit set out in 7.1 above, invest in collective investment schemes managed or operated by, or whose authorised corporate director is, the ACD of the Funds or one of its associates.

8. **Investment in Nil and Partly Paid Securities**

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

9. **Investment in money market instruments**

9.1 The Funds may invest up to 100% in money-market instruments which are within the provisions of 2.2 above or 9.2 below and subject to the limit of 20% limit referred to in 2.2 above, which are normally dealt in or on the money market, are liquid and whose value can be accurately determined at any time.

9.2 The In addition to instruments admitted to or dealt in on an eligible market, the Fund may invest in an approved money-market instrument provided it fulfils the following requirements:

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

9.2.2 the instrument is issued or guaranteed in accordance with COLL 5.2.10BR.

9.3 The issue or the issuer of a money-market instrument, other than one dealt in on an eligible market, shall be regarded as regulated for the purpose of protecting investors and savings if:

9.3.1 the instrument is an approved money-market instrument;

9.3.2 appropriate information is available for the instrument (including Information which allows an appropriate assessment of the credit risks related to investment in it), in accordance with COLL 5.2.10CR; and

9.3.3 the instrument is freely transferable.

10. **Efficient Portfolio Management**

10.1 The Funds may utilise property to enter into transactions for the purposes of Efficient Portfolio Management. There is no limit on the amount or value of the Scheme Property which may be used for EPM but the ACD must ensure that the transaction is economically appropriate in that they are realised in a cost effective way, they are entered into for one or more of the following specific aims: reduction of the relevant risks (whether in the price of investments, interest rates or exchange rates) or to the reduction of the relevant costs and/or to the generation of additional capital or income with a risk level which is consistent with the risk profile of the scheme and the risk diversification rules in COLL. The exposure must be fully “covered” by cash and/or other property sufficient to meet any obligation to pay or deliver that could arise. **The use of derivatives for EPM should not lead to an increase in risk to the Fund.**

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

- 10.2.1 Transactions undertaken to reduce risk or cost in terms of fluctuations in prices, interest rates or exchange rates where the ACD reasonably believes that the transaction will diminish a risk or cost of a kind or level which it is sensible to reduce; or
- 10.2.2 Transactions for the generation of additional capital growth or income for the 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:
 - 10.2.3 pricing imperfections in the market as regards the property which the Fund holds or may hold; or
 - 10.2.4 receiving a premium for the writing of a covered call option or a covered put option on property of the Fund which the Fund is willing to buy or sell at the exercise price, or
 - 10.2.5 Stock lending arrangements.

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

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

11. **Derivatives: General**

- 11.1 A transaction in derivatives or a forward transaction must not be effected for a Fund unless the transaction is of a kind specified in paragraph 10 (Permitted transactions (derivatives and forwards)) below, and the transaction is covered, as required by paragraph 19 (Cover for transactions in derivatives and forward transactions).
- 11.2 Where a Fund invests in derivatives, the exposure to the underlying assets must not exceed the limits set out in the COLL Sourcebook in relation to spread (COLL 5.2.11R Spread: general, COLL 5.2.12R Spread: government and public securities) except for index based derivatives where the rules below apply.
- 11.3 Where a transferable security or approved money-market instrument embeds a derivative, this must be taken into account for the purposes of complying with this section.

- 11.4 A transferable security or an approved money-market instrument will embed a derivative if it contains a component which fulfils the following criteria:
- 11.4.1 by virtue of that component some or all of the cash flows that otherwise would be required by the transferable security or approved money-market instrument which functions as host contract can be modified according to a specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, and therefore vary in a way similar to a stand-alone derivative;
 - 11.4.2 its economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract; and
 - 11.4.3 it has a significant impact on the risk profile and pricing of the transferable security or approved money-market instrument.
- 11.5 A transferable security or an approved money-market instrument does not embed a derivative where it contains a component which is contractually transferable independently of the transferable security or the approved money-market instrument. That component shall be deemed to be a separate instrument.
- 11.6 Where a Fund invests in an index based derivative, provided the relevant index falls within COLL 5.6.2R (Relevant Indices) the underlying constituents of the index do not have to be taken into account for the purposes of COLL 5.6.7R and COLL 5.6.8R.

Derivatives will be used in the Funds for the purposes of investment. Where the ACD invests in derivatives and forward transactions in the pursuit of a Fund's objectives, the net asset value of that Fund may at times be volatile (in the absence of compensating investment techniques). However, it is the ACD's intention that the Fund will not have volatility over and above the general market volatility of the markets of the Fund's underlying investments owing to the use of the derivatives and/or forward transactions in the pursuit of its objectives. It is not the ACD's intention that the use of derivatives and forward transactions in the pursuit of a Fund's objective will cause its risk profile to change.

12. Permitted transactions (derivatives and forwards)
 - 12.1 A transaction in a derivative must be:
 - 12.1.1 in an approved derivative; or
 - 12.1.2 be one which complies with paragraph 14 (OTC transactions in derivatives).
 - 12.2 A transaction in a derivative must have the underlying consisting of any one or more of the following to which the scheme is dedicated: transferable securities, money-market instruments, deposits, permitted derivatives under this paragraph, collective investment scheme units permitted under paragraph 6 (Investment in collective investment schemes), permitted immovables, gold, financial indices which satisfy the criteria set out in COLL 5.2.20R, interest rates, foreign exchange rates, and currencies.
 - 12.3 The exposure to the underlyings in 10.2 above must not exceed the limits in paragraph 4 and 5 above.
 - 12.4 A transaction in an approved derivative must be effected on or under the rules of an eligible derivatives market.
 - 12.5 A transaction in a derivative must not cause a Fund to diverge from its investment objectives as stated in the Instrument of Incorporation and the most recently published version of this Prospectus.
 - 12.6 A transaction in a derivative must not be entered into if the intended effect is to create the potential for an uncovered sale of transferable securities, money-market instruments, units in collective investment schemes, or derivatives, provided that a sale is not to be considered as uncovered if the conditions in paragraph 13.2 are satisfied.
 - 12.7 Any forward transaction must be with an Eligible Institution or an Approved Bank.
13. **Financial indices underlying derivatives**
 - 13.1 The financial indices referred to in 10.2 are those which satisfy the following criteria:
 - 13.1.1 the index is sufficiently diversified;
 - 13.1.2 the index represents an adequate benchmark for the market to which it refers; and
 - 13.1.3 the index is published in an appropriate manner.

13.2 A financial index is sufficiently diversified if its components adhere to the spread requirements in this section.

13.3 A financial index represents an adequate benchmark for the market to which it refers if its provider uses a recognised methodology which generally does not result in the exclusion of a major issuer of the market to which it refers.

13.4 A financial index is published in an appropriate manner if:

13.4.1 it is accessible to the public; and

13.4.2 the index provider is independent from the index replicating scheme.

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

15. **Requirement to cover sales**

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

15.2 The above does not apply where:

15.2.1 the risks of the underlying financial instrument of a derivative can be appropriately represented by another financial instrument and the underlying financial instrument is highly liquid; or

15.2.2 the ACD or the Depositary has the right to settle the derivative in cash and cover exists within the Scheme Property of a Fund which falls within one of the following asset classes:

15.2.3 cash;

15.2.4 liquid debt instruments (e.g. government bonds of first credit rating) with appropriate safeguards (in particular, haircuts); or

- 15.2.5 other highly liquid assets having regard to their correlation with the underlying of the financial derivative instruments, subject to appropriate safeguards (e.g. haircuts where relevant).
- 15.3 In the asset classes referred to in paragraphs 13.2.1 and 13.2.2, an asset may be considered as liquid where the instrument can be converted into cash in no more than seven Business Days at a price closely corresponding to the current valuation of the financial instrument on its own market.
- 16. **OTC Transactions in Derivatives**
- 16.1 Any transaction in an OTC derivative under paragraph 10.1.2 must be:
 - 16.1.1 in a future or an option or a contract for differences;
 - 16.1.2 with an approved counterparty; A counterparty to a transaction in derivatives is approved only if the counterparty is an Eligible Institution or an Approved Bank; or a person whose permission (including any requirements or limitations), as published in the FSA Register or whose Home State authorisation, permits it to enter into the transaction as principal off-exchange;
 - 16.1.3 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 and which does not rely only on market quotations by the counterparty; and the ACD can enter into further transactions to sell, liquidate or close out that transaction at any time, at its fair value; and
 - 16.1.4 capable of reliable valuation; a transaction in derivatives is capable of reliable valuation only if the ACD having taken reasonable care determines that, throughout the life of the derivative (if the transaction is entered into), it will be able to value the investment concerned with reasonable accuracy:
 - 16.1.4.1 on the basis of an up-to-date market value which the ACD and the Depositary have agreed is reliable; or
 - 16.1.4.2 if the value referred to in 14.1.4.1 is not available, on the basis of a pricing model which the ACD and the Depositary have agreed uses an adequate recognised methodology; and
 - 16.1.5 subject to verifiable valuation: a transaction in derivatives is subject to verifiable valuation only if, throughout the life of the derivative (if the transaction is entered into) verification of the valuation is carried out by:

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

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

16.2 For the purposes of 14.1.3 above, "fair value" is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction.

17. **Risk management**

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

18. **Investments in deposits**

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

19. **Stock lending**

19.1 The entry into stock lending transactions and repo contracts for the account of the Fund is permitted for the generation of additional income for the benefit of the Fund, and hence for its investors.

19.2 The specific method of stock lending permitted in this section is in fact not a transaction which is a loan in the normal sense. Rather it is an arrangement of the kind described in section 263B of the Taxation of Chargeable Gains Act 1992, under which the lender transfers securities to the borrower otherwise than by way of sale and the borrower is to transfer those securities, or securities of the same type and amount, back to the lender at a later date. In accordance with good market practice, a separate transaction by way of transfer of assets is also involved for the purpose of providing collateral to the "lender" to cover him against the risk that the future transfer back of the securities may not be satisfactorily completed.

19.3 The stock lending permitted by this section may be exercised by the Fund when it reasonably appears to the Fund to be appropriate to do so with a view to generating additional income for the Fund with an acceptable degree of risk.

19.4 The Company or the Depositary at the request of Company may enter into a stock lending arrangement of the kind described in section 263B of the Taxation

of Chargeable Gains Act 1992 (without extension by section 263C), but only if all the terms of the agreement under which securities are to be reacquired by the Depositary for the account of the Fund, are in a form which is acceptable to the Depositary and are in accordance with good market practice, the counterparty is an authorised person or a person authorised by a home state regulator, and collateral is obtained to secure the obligation of the counterparty. Collateral must be acceptable to the Depositary, adequate and sufficiently immediate.

- 19.5 The Depositary must ensure that the value of the collateral at all times is at least equal to the value of the securities transferred by the Depositary. This duty may be regarded as satisfied in respect of collateral the validity of which is about to expire or has expired where the Depositary takes reasonable care to determine that sufficient collateral will again be transferred at the latest by the close of business on the day of expiry.
- 19.6 Any agreement for transfer at a future date of securities or of collateral (or of the equivalent of either) may be regarded, for the purposes of valuation under the COLL Sourcebook, as an unconditional agreement for the sale or transfer of property, whether or not the property is part of the property of the Fund.
- 19.7 There is no limit on the value of the Scheme Property which maybe the subject of stock lending transactions.

20. **Schemes replicating an index**

- 20.1 A Fund may invest up to 20% in value of the Scheme Property in shares and debentures which are issued by the same body where the stated investment policy is to replicate the performance or composition of a relevant index as defined below.
- 20.2 The 20% limit can be raised for a particular Fund up to 35% in value of the Scheme Property, but only in respect of one body and where justified by exceptional market conditions.
- 20.3 In the case of a Fund replicating an index the Scheme Property of a Fund need not consist of the exact composition and weighting of the underlying in the relevant index where deviation from this is expedient for reasons of poor liquidity or excessive cost to the scheme in trading in an underlying investment.
- 20.4 The indices referred to above are those which satisfy the following criteria:
- 20.4.1 the composition is sufficiently diversified;
 - 20.4.2 the index is a representative benchmark for the market to which it refers; and
 - 20.4.3 the index is published in an appropriate manner.

21. Cover for transactions in derivatives and forward transactions

- 21.1 A Fund may invest in derivatives and forward transactions as long as the exposure to which the Fund is committed by that transaction itself is suitably covered from within its Scheme Property of a Fund. Exposure will include any initial outlay in respect of that transaction.
- 21.2 Cover ensures that a Fund is not exposed to the risk of loss of property, including money, to an extent greater than the net value of the Scheme Property. Therefore, a Fund must hold Scheme Property sufficient in value or amount to match the exposure arising from a derivative obligation to which the Fund is committed. Detailed requirements for cover of a Fund are set out below.
- 21.3 A future is to be regarded as an obligation to which the Fund is committed (in that, unless closed out, the future will require something to be delivered, or accepted and paid for; a written option as an obligation to which the scheme is committed (in that it gives the right of potential exercise to another thereby creating exposure); and a bought option as a right (in that the purchaser can, but need not, exercise the right to require the writer to deliver and accept and pay for something).
- 21.4 Cover used in respect of one transaction in derivatives or forward transaction must not be used for cover in respect of another transaction in derivatives or a forward transaction.
- 21.5 A transaction in derivatives or forward transaction is to be entered into only if the maximum exposure, in terms of the principal or notional principal created by the transaction to which the scheme is or may be committed by another person is covered globally.
- 21.6 Exposure is covered globally if adequate cover from within the Scheme Property is available to meet the scheme's total exposure, taking into account the value of the underlying assets, any reasonably foreseeable market movement, counterparty risk, and the time available to liquidate any positions.
- 21.7 Cash not yet received into the Scheme Property but due to be received within one month is available as cover.
- 21.8 Property the subject of a stock lending transaction is only available for cover if the ACD has taken reasonable care to determine that it is obtainable (by return or re-acquisition) in time to meet the obligation for which cover is required.
- 21.9 The global exposure relating to derivatives may not exceed the net value of the Scheme Property.

22. **Cash and near cash**

22.1 Cash and near cash must not be retained in the Scheme Property of a Fund except to the extent that, where this may reasonably be regarded as necessary in order to enable:

22.1.1 the pursuit of the Fund's investment objectives; or

22.1.2 the redemption of units or shares; or

22.1.3 efficient management of the Fund in accordance with its investment objective; or

22.1.4 other purposes which may reasonably be regarded as ancillary to the investment objective of the Fund.

22.2 During the period of the initial offer the Scheme Property may consist of cash and near cash without limitation.

23. **General**

23.1 Where a Fund invests in or disposes of units or shares in another collective investment scheme which is managed or operated by the ACD or an associate of the ACD, the ACD must pay to the Fund by the close of business on the fourth business day the amount of any preliminary charge in respect of a purchase, and in the case of a sale, any charge made for the disposal.

23.2 A potential breach of any of these limits does not prevent the exercise of rights conferred by investments held by the Fund but, in the event of a consequent breach, the ACD must then take such steps as are necessary to restore compliance with the investment limits as soon as practicable having regard to the interests of Shareholders.

24. **Underwriting**

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

25. **Borrowing powers**

25.1 The ACD may, on the instructions of the Fund and subject to the COLL Sourcebook, borrow money from an Eligible Institution or an Approved Bank for the use of the Fund on terms that the borrowing is to be repayable out of the Scheme Property.

25.2 The ACD must ensure that borrowing does not, on any business day, exceed 10% of the value of the Fund.

25.3 These borrowing restrictions do not apply to “back to back” borrowing for currency hedging purposes (i.e. borrowing permitted in order to reduce or eliminate risk arising by reason of fluctuations in exchange rates).

26. Restrictions on lending of property other than money

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

26.2 Transactions permitted by paragraph 12 (Stock lending) are not to be regarded as lending for the purposes of paragraph 19.1.

26.3 Where transactions in derivatives or forward transactions are used for the account of the authorised fund nothing in this paragraph prevents the Depositary at the request of the ACD from:

26.3.1 lending, depositing, pledging or charging Scheme Property for margin requirements; or

26.3.2 transferring scheme property under the terms of an agreement in relation to margin requirements, provided that the authorised fund manager reasonably considers that both the agreement and the margin arrangements made under it (including in relation to the level of margin) provide appropriate protection to unitholders.

27. Restrictions on lending of money

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

27.2 Acquiring a debenture is not lending for the purposes of paragraph 20.1, nor is the placing of money on deposit or in a current account.

28. Guarantees and indemnities

28.1 The Depositary, for the account of a Fund, must not provide any guarantees or indemnity in respect of the obligation of any person.

28.2 Scheme Property may not be used to discharge any obligation arising under a guarantee or indemnity with respect to the obligation of any person.

28.3 Paragraphs 21.1 and 21.2 do not apply to any indemnity or guarantee given for margin requirements where derivatives or forward transactions are being used or an indemnity given to a person winding up a body corporate or other scheme in circumstances where share assets are becoming part of the Scheme Property by way of unitisation.

APPENDIX IV

LIST OF OTHER AUTHORISED COLLECTIVE INVESTMENT SCHEMES OPERATED BY THE ACD

The ACD is also the authorised corporate director of the following open-ended investment companies:

IFDS Omnis Investments ICVC
IFDS Apollo Multi Asset Management Funds
IFDS Frontier ICVC
The IM Thoroughbred Funds ICVC
IFDS Prism Capital Management ICVC
IM WHEB Asset Management Funds
IFDS Brown Shipley Investment Company
IFDS Brown Shipley MultiManager Investment Company
IM Octopus Investment Funds
IM Russell ICVC
IM Distinction Multi-Asset Funds
IM Octopus Investments Specialist ICVC
IM Verbatim Funds
The IFDS Capital Balanced Fund
IM Matterley Investment Funds
IM SC Davies Funds
IM Truestone OEIC
IM CAF Investment Fund
IM CAERUS Portfolio Funds

APPENDIX V

PAST PERFORMANCE AND INVESTOR PROFILE

1. Historic performance:

Please note that annual performance has been calculated from 31 December to 31 December. Performance has been calculated on a mid to mid basis, income reinvested net of tax and charges.

Source: Smith & Williamson Fund Administration Limited

Name of Fund and Share Class	2009	2010	Launch to 31 December 2010
IM Matterley Undervalued Assets Fund - Class A Shares Acc	38.93%	29.09%	34.98%

Name of Fund and Share Class	2009	2010	Launch to 31 December 2010
IM Matterley Undervalued Assets Fund - Class B Shares Acc	39.58%	29.79%	36.02%

2. Investor profiles

The IM Matterley Undervalued Assets Fund is suitable for investment by all types of investor. Although the IM Matterley Undervalued Assets Fund is available to all retail investors, its suitability for investors will depend on the investor's own requirements and their attitude to risk. Investors should be aware of and understand the risks associated with the Fund before investing; the risks associated with the IM Matterley Undervalued Assets Fund is detailed under 'Risk Factors'. If you have any doubt as to whether the investment is suitable for you, please consult a financial adviser.

APPENDIX VI

DIRECTORY

The Company and Head Office:

IM Matterley Investment Funds II
IFDS House, St Nicholas Lane, Basildon, Essex SS15 5FS

Authorised Corporate Director:

IFDS Managers Limited
IFDS House, St Nicholas Lane, Basildon, Essex SS15 5FS

Depository:

State Street Trustees Limited
20 Churchill Place, London E14 5HJ

Custodian:

State Street Bank & Trust Company
20 Churchill Place, London E14 5HJ

Investment Manager:

Charles Stanley & Co Limited
Granville House
25 Luke Street
London EC2A 4AR

Administrators:

International Financial Data Services (UK) Limited
IFDS House, St Nicholas Lane, Basildon, Essex SS15 5FS

Fund Accountants:

State Street Bank & Trust Company
20 Churchill Place, London E14 5HJ

Registrar:

International Financial Data Services Limited
IFDS House, St Nicholas Lane, Basildon, Essex SS15 5FS

Legal Advisers to the Company:

Eversheds LLP

One Wood Street, London EC2V 7WS

Auditors:

Deloitte LLP

Saltire Court, 20 Castle Terrace, Edinburgh EH1 2DB