

# informed

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

Valu-Trac Investment Management 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. Valu-Trac Investment Management Limited accepts responsibility accordingly.

**PROSPECTUS**

**OF**

**VT Morningstar Informed Smartfund ICVC**

**(An open-ended investment company incorporated with limited liability and registered in England and Wales under registered number IC001012)**

**(A UCITS scheme)**

This document constitutes the Prospectus for **VT Morningstar Informed Smartfund ICVC** which has been prepared in accordance with the Collective Investment Schemes Sourcebook.

This Prospectus is dated 7 August 2019.

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

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## **Important Information**

**If you are in any doubt about the contents of this Prospectus you should consult your professional adviser.**

The Company is an investment company with variable capital incorporated with limited liability and registered in England under registered number IC001012. It is a UCITS scheme as defined in COLL, and also an umbrella company for the purposes of the OEIC Regulations.

The provisions of the Instrument of Incorporation are binding on each of the Shareholders and a copy of the Instrument of Incorporation is available on request from Valu-Trac Investment Management Limited.

No person has been authorised by the Company or the ACD 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 or the ACD. 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.

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 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 Valu-Trac Investment Management 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 Valu-Trac Investment Management Limited that this is the most recently published prospectus.

The Shares in the Company which are described in this Prospectus have not been and will not be registered under the United States Securities Act of 1933, the United States Investment Company Act of 1940 or the securities laws of any of the states of the United States of America and may not be directly or indirectly offered or sold in the United States of America to or for the account or benefit of any U.S. Person, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the United States Securities Act of 1933, the United States Investment Company Act of 1940 and similar requirements of such state securities laws.

Neither the Company nor the Funds have been or will be registered under the United States Investment Company Act of 1940, as amended. Investment in Shares by or on behalf of US Persons is not permitted.

Prospective investors should note that the ACD has the right to redeem a Shareholder's Shares in certain circumstances as set out in Section 3 of this Prospectus.

Due to US tax legislation, the Foreign Account Tax Compliance Act ("FATCA") which can affect financial institutions such as the Company, the Company may need to disclose the name, address, taxpayer identification number and investment information relating to certain U.S. investors who fall within the definition of Specified US Person in FATCA that own, directly or indirectly, an interest in certain entities, as well as certain other information relating to such interest to HM Revenue & Customs, who will in turn exchange this information with the Internal Revenue Service in the United States of America.

The extent to which the Company is able to report to HM Revenue & Customs will depend on each affected Shareholder in the Company, providing the Company or its delegate with any information that the Company determines is necessary to satisfy such obligations. By signing the application form to subscribe for Shares in the Company, each affected Shareholder is agreeing to provide such information upon request from the Company or its delegate. Shareholders are encouraged to consult with their own tax advisors regarding the possible implications of FATCA on their interest in the Company.

Except from the information about itself as Depositary contained in this Prospectus, the Depositary is not a person responsible for the information contained in this Prospectus and accordingly does not accept any responsibility therefore under the COLL Sourcebook or otherwise.

The ACD may transfer your personal information to countries located outside of the European Economic Area (the "EEA"). This may happen when the ACD's servers, suppliers and/or service providers are based outside of the EEA. The data protection laws and other laws of these countries may not be as comprehensive as those that apply within the EEA. In these instances the ACD will take steps to ensure that your privacy rights are respected. Details relevant to you may be provided upon request.

The ACD shall not divulge any confidential information concerning investors unless required to do so by law or regulation or as set out in this Prospectus or the ACD's Privacy Policy (available at [www.valu-trac.com](http://www.valu-trac.com) or otherwise on request). Shareholders and potential investors acknowledge that their personal data as well as confidential information contained in the application form and arising from the business relationship with the ACD may be stored, modified, processed or used in any other way by the ACD, its agents, delegates, sub-delegates and certain third parties in any country in which the ACD conducts business or has a service provider (even in countries that do not provide the same statutory protection towards investors' personal data deemed equivalent to those prevailing in the European Union) for the purpose of administering and developing the business relationship with the investor. Subject to applicable law, investors may have rights in respect of their personal data, including a right to access and rectification of their personal data and, in some circumstances, a right to object to the processing of their personal data. Further details are set out in the ACD's Privacy Policy.

The Money Laundering Regulations 2017, The Proceeds of Crime Act 2002, The FCA Senior Management Arrangements Systems & Controls Source book and Joint Money Laundering Steering Group guidance notes (which are updated from time to time) state that the ACD must check your identity and the source of the money invested. The checks may include an electronic search of information held about you on the electoral roll and using credit reference agencies. The credit reference agency may check the details you supply against any particulars on any database (public or otherwise) to which they have access and may retain a record of that information although this is only to verify your identity and will not affect your credit rating. They may also use your details in the future to assist other companies for verification purposes. If you apply for shares you are giving the ACD permission to ask for this information in line with the Data Protection legislation. If you invest through a financial adviser they must fill an identity verification certificate on your behalf and send it to the ACD with your application.

## 1. **DEFINITIONS**

<b>"ACD"</b>	Valu-Trac Investment Management Limited, the authorised corporate director of the Company;
<b>"ACD Agreement"</b>	an agreement dated 27 November 2015 between the Company and the ACD;
<b>"Annual Management Charge" or "AMC"</b>	the annual charges made by the ACD for the management of each Fund, as specified in Appendix I;
<b>"Approved Bank"</b>	(in relation to a bank account opened by the Company):  (a) if the account is opened at a branch in the United Kingdom:  (i) the Bank of England; or  (ii) the central bank of a member state of the OECD; or  (iii) a bank; or  (iv) a building society; or  (v) a bank which is supervised by the central bank or other banking regulator of a member state of the OECD; or  (b) if the account is opened elsewhere:  (i) a bank in (a); or  (ii) a credit institution established in an EEA State other than in

	the United Kingdom and duly authorised by the relevant Home State Regulator; or
	(iii) a bank which is regulated in the Isle of Man or the Channel Islands; or
	(iv) a bank supervised by the South African Reserve Bank;
<b>"Auditor"</b>	Johnston Carmichael LLP, or such other entity as is appointed to act as auditor to the Company from time to time;
<b>"Business Day"</b>	any day which is not a Saturday, Sunday or bank holiday in England or a day on which the London Stock Exchange is not open for the normal duration of its trading hours, and excluding any other day on which the ACD has notified the Depositary that it is not open for normal business or as otherwise agreed between the ACD and the Depositary;
<b>"Class" or "Classes"</b>	a class of Share(s);
<b>"COBS"</b>	the Conduct of Business sourcebook which forms part of the FCA Handbook;
<b>"COLL"</b>	refers to the appropriate chapter or rule in the COLL Sourcebook;
<b>"the COLL Sourcebook"</b>	the Collective Investment Schemes Sourcebook issued by the FCA as amended or replaced from time to time;
<b>"Company"</b>	VT Morningstar Informed Smartfund ICVC;
<b>"Convert"</b>	the conversion where permissible of Shares of one Class in a Fund for Shares in another Class in a Fund and "Conversion" shall be construed accordingly;
<b>"Dealing Day"</b>	each day that is a Business Day;
<b>"Depositary"</b>	NatWest Trustee and Depositary Services Limited, or such other entity as is appointed to act as depositary of the Company;
<b>"EEA State"</b>	a member state of the European Union and any other state which is within the European Economic Area;
<b>"Efficient Portfolio Management" or "EPM"</b>	as defined in paragraph 10 of Appendix III;

<b>"Eligible Institution"</b>	one of certain eligible institutions as defined in the glossary of definitions to the FCA Handbook;
<b>"FATCA"</b>	the provisions, enacted in the USA, commonly known as the Foreign Account Tax Compliance Act (as amended, consolidated or supplemented from time to time) including any regulations issued pursuant to it;
<b>"the FCA"</b>	means the Financial Conduct Authority or any other predecessor or successor entity from time to time;
<b>"the FCA Handbook"</b>	the FCA Handbook of Rules and Guidance, as amended from time to time;
<b>"Fund" or "Funds"</b>	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;
<b>"Initial Charge"</b>	the initial charge made by the ACD on the issue of Shares, as specified in Appendix I;
<b>"Instrument Incorporation"</b> <b>"Instrument"</b>	<b>of</b> the instrument of incorporation of the <b>or</b> Company as amended from time to time;
<b>"Investment Manager"</b>	Praemium Administration Limited, the investment manager to the ACD in respect of the Company;
<b>"Investment Adviser"</b>	Morningstar Investment Management Europe Limited
<b>"ISA"</b>	an individual savings account under The Individual Savings Account Regulations 1998 (as amended);
<b>"KIID"</b>	means the key investor information document prepared in accordance with COLL;
<b>"Net Asset Value" or "NAV"</b>	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;

<b>"OEIC Regulations"</b>	the Open-Ended Investment Companies Regulations 2001 as amended or replaced from time to time;
<b>"Register"</b>	the register of Shareholders of the Company;
<b>"Regulated Activities Order"</b>	the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544) as amended from time to time;
<b>"Regulations"</b>	the OEIC Regulations and the FCA Handbook (including the COLL Sourcebook);
<b>"Scheme Property"</b>	the scheme property of the Company required under the COLL Sourcebook to be given for safekeeping to the Depositary;
<b>"SDRT"</b>	stamp duty reserve tax;
<b>"Share" or "Shares"</b>	a share or shares in the Company (which has the rights attaching to it as set out in the Instrument of Incorporation and described in this Prospectus) and includes a fraction of a Share;
<b>"Shareholder"</b>	a holder of registered Shares in the Company;
<b>"Specified US Person"</b>	a Shareholder who falls within the definition of " <b>Specified U.S. Person</b> " for the purposes of FATCA;
<b>"Switch"</b>	the exchange where permissible of Shares of one Class or Fund for Shares of another Class or Fund and "Switching" shall be construed accordingly;
<b>"UCITS Directive"</b>	the European Parliament and Council Directive of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investments in transferable securities (UCITS) (No. 2009/65/EC) (as amended from time to time);
<b>"UCITS scheme"</b>	a collective investment scheme such as the Company which complies with the UCITS Directive and therefore has certain passporting rights under that directive;
<b>"US"</b>	the United States of America, its territories, possessions and all other areas subject to its jurisdiction;
<b>"US Persons"</b>	unless otherwise determined by the ACD:

- (i) a citizen or natural person resident of the US;
- (ii) a partnership, limited liability company, corporation or other entity organised in or under the laws of the US or any State or any entity taxed as such or required to file a tax return as such under the US Federal income tax laws or any entity having its principal place of business in the US;
- (iii) any estate or trust the executor, administrator, or trustee of which is a US Person as defined above, in the cases of a trust of which any professional fiduciary acting as a trustee is a US Person, a trustee who is not a US Person has sole or shared investment discretion with respect to trust assets and no beneficiary of the trust (and no settler if the trust is revocable) is a US Person and no income or beneficiaries of which are subject to US Federal income tax;
- (iv) any agency or branch of a foreign entity located in the US;
- (v) certain accounts held by a dealer or other fiduciary where the person exercising discretion over the account is a US Person;
- (vi) any partnership, corporation or other entity if (a) organised or incorporated under the laws of any foreign jurisdiction and (b) owned or formed by a US Person or Persons principally for the purpose of investing in securities not registered under the US Securities Act of 1933;
- (vii) any employee benefit plan unless such employee benefit plan is established and administered in accordance with the laws of a country other than the US and the customary practices and documentation of such country and is maintained primarily for the benefit of persons

substantially all of whom are non-resident aliens with respect to the US; and

- (viii) any other person or entity whose ownership of Shares or solicitation for ownership of Shares the ACD through its officers or directors shall determine may violate any securities laws of the US or any state or other jurisdiction thereof.

Except that a US Person shall not include corporations, partnerships or other entities which are organised or incorporated under the laws of any non-US Person as described above, unless such corporation, partnership or other entity was formed by such US Person principally for the purpose of investing in securities not registered under the US Securities Act of 1933, as amended;

**“Valuation Point”**

the valuation point fixed by the ACD in accordance with the Regulations for the purposes of valuation, pricing and dealings in relation to the Company which is generally 12.00pm on each Business Day;

**“VAT”**

UK value added tax.

Terms not defined above and appearing in the Glossary forming part of the FCA Handbook shall be interpreted in a manner consistent with the FCA Handbook.

**2. DETAILS OF THE COMPANY**

**2.1 General**

2.1.1 The Company is an investment company with variable capital incorporated in England and Wales under registered number IC001012 and authorised by the FCA with effect from 13<sup>th</sup> June 2014 (PRN: 621247). The Company has been certified by the FCA as complying with the conditions necessary for it to enjoy the rights conferred by the UCITS Directive. The Company has an unlimited duration.

Shareholders are not liable for the debts of the Company.

The ACD is also the authorised corporate director of certain other 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 Level 13, Broadgate Tower, 20 Primrose Street, London, EC2A 2EW and its principal place of business is at Orton, Moray IV32 7QE.

### 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 £100,000,000,000

Minimum £1

Shares have no par value. The Share capital of the Company at all times equals the sum of the Net Asset Value 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 the Conversion 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 **Constitution, objectives and operation of the Company and the Funds**

### 2.2.1 **Constitution and status**

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 FCA. On the introduction of any new Fund, a revised prospectus will be prepared setting out the relevant details of each Fund.

The Company is a UCITS scheme.

Each Fund aims to provide Shareholders with one of the following:

- capital stability;

- capital growth;
- income; or
- a combination of income and capital growth.

Further details of each of the Funds are given in Appendix I.

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

Investors should note that the Company's Funds are segregated portfolios of assets and, accordingly, the assets of a Fund belong exclusively to that Fund, and shall not be used or made available to discharge directly or indirectly the liabilities of, or claims against, any other person or body, including the Company or any other Fund, and shall not be available for any such purpose.

While the provisions of the OEIC Regulations provide for segregated liability between the Funds, the concept of segregated liability is relatively new and these provisions have yet to be tested in the Courts. Accordingly, where claims are brought by local creditors in foreign courts or under foreign law contracts, it is not yet known how those foreign courts will react to the OEIC Regulations. It is therefore not free from doubt that the assets of a Fund will always be "ring-fenced" from the liabilities of other Funds of the Company.

In certain circumstances the Company may sue and be sued in respect of a particular Fund and may exercise rights of set-off in relation to that Fund.

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 10,000 smaller denomination Shares to each larger denomination Share. Smaller denomination Shares represent what, in other terms, might be called fractions of a larger Share and have proportionate rights.

The ACD will arrange for the issue of Shares at the next Valuation Point at a price calculated in accordance with Section 4 below. All subscription proceeds shall be invested alongside the existing assets of the Company in accordance with the investment policy and objectives of the Fund to which the Shares relate.

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 FCA, the agreement of the Depositary and in accordance with the Instrument of Incorporation. On the introduction of any new Fund or Class, a revised 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. 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.

Details of which of the Share Classes are presently available in each Fund are set out in Appendix I.

A regular savings plan is available for all Funds. Details of the relevant Funds and Share Classes on which a regular savings plan is available 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 (if any) 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.

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 Convert all or part of their Shares in a Class for Shares of another Class within the same Fund or Switch for Shares of the same or another Class within a different Fund of the Company. Details of the conversion and switching facilities and the restrictions are set out in the paragraph headed "Conversion and Switching".

### **Accounting periods**

The annual accounting period ends each year on **21 June** (the "**accounting reference date**"). The interim accounting date for the Company is 21 December each year ("**interim accounting reference date**").

### **Income allocations**

The Funds are required to distribute income in accordance with the applicable law and the Regulations.

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 amount of income attributable to each Share is calculated monthly. Each Fund is required to have an annual income allocation date, such date to be no more than four months after the end of the annual accounting period. Each Fund may also have one or more interim income allocation dates, such date to be no more than four months after the end of the relevant interim accounting period. The Funds' annual income allocation date is 21 June each year (or if that day is not a Business Day, the next Business Day). The Funds' interim allocation date is 21<sup>st</sup> day of each month (other than **21 June**) or if that day is not a Business Day, the next Business Day.

Distributions payable to the holders of Shares will be paid to the first named Shareholder's nominated bank account. Shareholders may elect to have distributions reinvested rather than paid to them. If a distribution 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). Applications to claim distributions that have not been paid should be made to the ACD before this six year period has elapsed.

Following each annual accounting date, any final distributions will be declared by the ACD following preparation of accounts for the Company and each of its Funds.

### **Income equalisation**

The Company is permitted to operate income equalisation in accordance with the Regulations and the terms of the Instrument. An allocation of income (whether annual or interim) to be made in respect of each Share created or issued or sold during the accounting period in respect of which that income allocation is made may include a capital sum ("**income equalisation**") representing a best estimate of the amount of income included in the price of the Share.

The amount of income equalisation may be the actual amount of income in question or it may be an amount arrived at by taking the aggregate of the amounts of income included in the price 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.

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

Shares in each Fund may be bought, sold or Switched and a corresponding investment increased or decreased on any Business Day provided that a dealing request is received by the ACD before the relevant Valuation Point.

The dealing office of the ACD is normally open from 8.30 a.m. to 5.30 p.m. (London time) on each Business Day to receive requests for the purchase, sale and Switching of Shares.

Requests to deal in Shares may be made by sending clear written instructions (or an application form) to the ACD or by telephoning 01343 880 344 (or such other number as published from time to time). The initial purchase must, at the discretion of the ACD, be accompanied by an application form. In addition, the ACD may from time to time make arrangements to allow Shares to be bought or sold on-line or through other communication media (electronic or otherwise).

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

Shares will not currently be sold or issued in any currency other than pounds sterling.

#### 3.1 **Anti-money laundering**

As a result of legislation in force in the UK to prevent money laundering, the ACD is responsible for compliance with anti-money laundering regulations. In order to implement these regulations, in certain circumstances investors may be asked to provide proof of identity when buying or redeeming Shares. This may involve an electronic check of information. Until satisfactory proof of identity is provided, the ACD reserves the right to refuse to issue Shares, pay the proceeds of a redemption of Shares, or pay income on Shares to the investor. In the case of a purchase of Shares where the applicant is not willing or is unable to provide the information requested within a reasonable period, the ACD also reserves the right to sell the Shares purchased and return the proceeds to the account from which the subscription was made. These proceeds may be less than the original investment. The ACD can use credit reference agencies (who will record that an enquiry has been made) and/or may check electronic databases. In the case of bodies corporate, trusts and other legal arrangements, it is also required to establish the identity of any trustees or other controllers who have greater than 25% control of the body corporate or property of the trust that are not named on the application. In addition, it is also required to establish the identity of any individuals who have a specified beneficial interest in the Shares. In the case of individuals it is required to establish the identity of any individuals who have a specified beneficial interest in the Shares that are not named on the application. The applicant retains legal title to the Shares and instructions will only be accepted from the applicant. The beneficial owner details are required for anti-money laundering purposes only. The ACD reserves the right to refuse any application to invest without providing any justification for doing so.

## 3.2

### **Buying Shares**

#### 3.2.1 **Procedure**

Shares may be bought through a professional adviser or other appropriate intermediary or other selected distributor. In addition, the ACD may from time to time make arrangements to allow Shares to be bought through other communication media. Please see Appendix 1 for restrictions (where applicable) on the availability of Shares.

Applications for Shares will only be processed if accompanied by the full price payable and are subject to satisfactory completion of identification procedures pursuant to anti-money laundering regulations. Currently the ACD accepts, where the relevant application form issued by the ACD expressly permits, direct debit or bank transfers made through Bankers Automated Clearing Services (BACS) as payment for Shares.

The ACD reserves the right to accept other means of payment and to reject any application in whole or part where empowered to do so by the Regulations.

Valid applications to purchase Shares in the Company will be processed at the Share price calculated, in accordance with the Regulations, at the next Valuation Point following acceptance of the application and receipt by the ACD of the price payable in cleared funds, except in the case where dealing in the Company has been suspended as set out in paragraph 3.3.8.

Investors will be issued Share(s) only after cleared monies have been received. Unless and until cleared funds are received for the monies payable as described the ACD will not complete its processing of the application without prejudice to its right to obtain any compensation for any loss it has directly or indirectly suffered as a result of the failure or delay of the investor to make settlement.

An instruction for the making of investments given in writing or on a signed application form generated online or given by an electronic means expressly approved by the ACD for the purpose, is a legally binding contract when accepted by the ACD.

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

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

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

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

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

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

### **3.2.3 Market timing**

The ACD may refuse to accept a new investment if, in the opinion of the ACD, it has reasonable grounds for refusing to accept an investment. In particular, the ACD may exercise this discretion if it reasonably believes the shareholder has been or intends to engage in market timing activities.

For these purposes, market timing activities include investment techniques which involve short term trading in and out of shares generally to take advantage of variations in the price of shares between the daily valuation points of the Fund. Short term trading of this nature may often be detrimental to long term Shareholders, in particular the frequency of dealing may lead to additional dealing costs which can affect long term performance.

Investments may be made into the Fund via nominee or similar omnibus accounts. For the purposes of monitoring and detecting potential market timing activity, the ACD's responsibilities will be restricted to the registered legal holder of shares rather than any underlying beneficial holder. The ACD will co-operate in helping to deter any potential market timing activities that the registered legal holder has detected in his monitoring of his underlying beneficial holders.

### **3.2.4 Confirmations the buyer will receive**

A confirmation giving details of the price of Share(s) bought will be issued no later than the end of the Business Day following the later of the 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.

### **3.2.5 Title to Shares**

Certificates are not issued to Shareholders in respect of Shares in the Company. Contract notes, and, where appropriate, cancellation notices will be provided to investors in accordance with the applicable regulations.

Ownership of Shares will be evidenced by the entry of names of holders on that Register. Tax vouchers in respect of periodic distributions on Shares will show the number of Shares held by the

recipient. Should any Shareholder require further evidence of title to Shares the ACD will, upon proof of identity and the payment of such fee as the ACD may reasonably require (if any) supply the Shareholder with a certified copy of the relevant entry in the Register relating to the Shareholder's Share(s).

Registration of Shares can only be completed by the ACD upon receipt of any required registration details. These details may be supplied in writing to the ACD or by returning to the ACD the properly completed registration form and copy of the confirmation. Shareholders should notify the ACD in writing of any changes to their registered name or address.

### **3.2.6 Right to cancel**

Where applicable, investors will receive notice of their right to cancel an order to subscribe for Shares at any time during the 14 days after the date on which they receive a cancellation notice from the ACD. If an investor wishes to exercise the right to cancel, they must return a signed instruction to the ACD by post. Investors should note that exercising their rights to cancel does not necessarily mean that they will receive back the amount that they invested. The amount to be returned will be either the amount invested or, if the price of a Share has fallen, an amount based on a Share price calculated after the ACD receives the cancellation notice from the investor.

### **3.2.7 Minimum investment and holdings**

Each Fund may have a minimum investment amount and/or a minimum holding value. Investment may be made by means of regular savings with a minimum monthly investment. The minimum amounts applicable to each Fund are specified in Appendix I.

The ACD may at its absolute discretion accept investments and/or holdings lower than the minimum amounts.

## **3.3 Redemptions**

### **3.3.1 Procedure**

Every Shareholder is entitled on any Business Day to redeem its Shares, which shall be purchased by the ACD dealing as principal. Whenever a Shareholder redeems a Share or Shares (or a fraction of a Share) the ACD will arrange for the cancellation of the Share or Shares (or a fraction of a Share) purchased by it and redeemed by the Shareholder.

Shareholders may redeem Shares by submitting a duly executed deed of transfer together with the purchase contract note.

Valid instructions to the ACD to redeem Shares will be processed at the Share price calculated in accordance with the Regulations at the next Valuation Point following receipt of the instruction, except in the case where dealing has been suspended as set out in paragraph 3.3.8.

An instruction to the ACD to redeem Shares, although irrevocable, may not be settled by 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.

When all or part of an investor's Shares (or a fraction of a Share) are sold, funds will be paid to the Shareholder by transfer to the Shareholder's nominated bank account (net of any applicable charges levied by the Shareholder's bank) no more than four Business Days after the Valuation Point at which the price is determined or, if later, the receipt by the ACD of the relevant completed withdrawal/Account closing instructions (or other sufficient written instructions). Instructions to make payments to third parties (other than intermediaries associated with the redemption) will not normally be accepted. Cheques will not be generally provided except in exceptional circumstances, but may be undertaken at the ACD's absolute discretion.

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

A confirmation note 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.

### **3.3.3 Minimum redemptions**

All or part of a Shareholder's holding may be redeemed but the ACD reserves the right to refuse a partial redemption request if either: a) the value of the Shares to be redeemed is less than the minimum stated in respect of the Fund in question; or b) a redemption of the amount requested would bring the value of the Shareholder's holding in that Fund below the minimum holding value for that Fund.

Each Fund may have a minimum permitted redemption amount and a minimum holding amount. The minimum amounts applicable to each Fund are specified in Appendix I.

The ACD may use its discretion to refuse a partial redemption at any time. Failure to do so immediately after a relevant redemption, Switch or transfer does not remove this right.

The ACD may, at its absolute discretion, accept redemptions lower than the minimum amounts.

### **3.3.4 Deferred redemptions**

In times of high volumes of redemptions (where redemptions of Shares exceed 10% of a Fund's value), to protect the interests of continuing Shareholders, the ACD may defer redemptions at a particular Valuation Point to the next Valuation Point. Subject to

sufficient liquidity being raised at the next Valuation Point all deals relating to the earlier Valuation Point will be completed before those relating to the later Valuation Point are considered.

### 3.3.5 **Transfers**

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

### 3.3.6 **Restrictions and compulsory transfer, conversion and redemption**

The ACD may from time to time take such action and/or impose such restrictions as it may think necessary for the purpose of ensuring that no Shares are 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 otherwise suffering (in the ACD's absolute discretion) any other adverse consequence. In this connection, the ACD may, subject to the Regulations, inter alia, reject in its absolute discretion any application for the sale, purchase, redemption, transfer or Switching of any Share or require the conversion of one class to another class.

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

- 3.3.6.1 are held 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;
- 3.3.6.2 which would (or would if other Shares were acquired or held in like circumstances) 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 regulations of any country or territory);
- 3.3.6.3 are held in any manner by virtue of which the Shareholder(s) in question is/are not qualified to hold such Shares or if it reasonably believes this to be the case;
- 3.3.6.4 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 communications constituting a breach),

or if the ACD is not satisfied that any Shares may not give rise to a situation discussed in 3.3.6.1 to 3.3.6.4, the ACD may give notice to the Shareholder(s) of the affected Shares requiring the transfer of such affected Share to a person who is qualified or entitled to own them or that a request in writing be given for the withdrawal of their entire investment represented by the affected Shares (by redemption, cancellation, conversion or otherwise of such affected Shares). 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 such a written request for withdrawal 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 expiration of that thirty day period to have given a request in writing for the redemption or cancellation or conversion (at the absolute discretion of the ACD) of all the affected Shares pursuant to the Regulations.

If a Shareholder becomes aware that they are holding or own an affected Share they must forthwith, unless they have already received a notice as set out above, either transfer all their affected Shares to a person qualified to own them or submit a request in writing to the ACD for the withdrawal of their entire investment represented by the affected Shares (by redemption, cancellation, conversion or otherwise).

If any affected Shares are redeemed or cancelled the redemption or cancellation will be effected in accordance with the Regulations.

### **3.3.7 In specie redemptions**

If a Shareholder wishes to realise some or all of their investment in a Fund, the ACD may, on the request of the Shareholder or where it considers the deal to be substantial in relation to the total size of the Fund concerned or in some way advantageous or detrimental to the Fund or otherwise at its absolute discretion, arrange that in place of payment in cash, the Depositary transfers Scheme Property to the Shareholder.

For this purpose, the ACD may consider a deal to be substantial if the relevant value to be redeemed constitutes 5% (or a lesser or higher percentage if considered appropriate) of the value of the relevant Fund.

Before the redemption proceeds of the Shares become payable, the ACD must 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.

The Depositary must also be satisfied that the transfer of the Scheme Property concerned would not be likely to result in any material prejudice to the interests of other Shareholders.

The ACD will select the property to be transferred or sold in consultation with the Depositary. They must ensure that the selection is made with a view to achieving no more advantage or disadvantage to the Shareholder requesting the redemption than to the continuing Shareholders.

### **3.3.8 Suspension of dealings**

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 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 suspension.

Where such suspension takes place, the ACD will publish details on its website [www.valu-trac.com](http://www.valu-trac.com) 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 FCA 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.

## **3.4 Conversion and Switching**

Subject to any restrictions on the eligibility of investors for a particular Share Class:

3.4.1 a Shareholder in a Fund may at any time:

3.4.1.1 convert all or some his shares of one Class in a Fund for another Class of Shares in the same Fund; or

3.4.1.2 Switch all or some of his Shares in one Fund for Shares in another Fund of the Company; or

- 3.4.2 with the agreement of the Depositary the ACD may effect a mandatory conversion of all or some of a Shareholder's shares in one Class for shares of another Class if this is in the best interests of Shareholders.

### **Conversions**

Subject to the above paragraph, where Shares in more than one Class are available, Conversions will be effected by the ACD recording the change of Share Class on the Register of the Company. If a Shareholder wishes to Convert Shares he should apply to the ACD in the same manner as for a sale (as set out above).

Conversions will be effected at the next Valuation Point following receipt of the instructions to Convert from a Shareholder.

Conversions will not be treated as a disposal for capital gains tax purposes and no stamp duty reserve tax will be payable on the Conversion.

There is no fee on Conversions.

### **Switches**

Subject to the qualifications below, a Shareholder may exchange all or part of their investment in one Fund for an investment in another Fund of the Company provided that in doing so, the Shareholder maintains at least the minimum holding in each of the Funds that they wish to invest or continue to invest in and the amount 'Switched' is not less than either the Minimum Withdrawal Amount from the Fund 'Switched from' or the Minimum Investment Amount in the Fund 'Switched to'. If a partial Switch would result in a Shareholder holding less than the minimum holding in either of the Funds concerned, the ACD may convert the whole of that Shareholder's investment into the new Fund or refuse to effect that partial Switch.

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

The ACD may at its absolute discretion make a charge on each Switch of an investment in one Fund for an investment in another and the application of any such charge will be reflected in the value of the new Share. At present, the ACD makes no charge for Switching between Funds.

A Shareholder wishing to Switch all or a fraction of their Share may give a notice (an "exchange notice") to the ACD in such form as the ACD may prescribe from time to time of his desire to convert some or all of his Share into a Share of a different Class (which "Switched to" Share may be in another Fund). A single exchange notice must only relate to a single Class of "Switched from" Share. The general provisions on procedures relating to redemption and issue of Shares will apply equally to a Switch. If an exchange notice is accepted, at the relevant Valuation Point, the ACD will arrange for the conversion by transferring such number (or fraction) of the "Switched to" Shares as would result from the immediate application of the proceeds of redemption of the "Switched from" Share (or fraction) for the purchase, at the same Valuation Point, of "Switched to" Shares (or fractions of them). Switching instructions must be received by the ACD before the Valuation Point on a Business Day to be dealt with at the prices at the Valuation Point on that Business Day, or such other Valuation Point as the

ACD, at the request of the Shareholder giving the instruction, may agree. Switching requests received after a Valuation Point will be held over until the next day which is a Business Day.

**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 conversion of Shares in one Class for Shares in another Class in relation to the same Fund will not normally be treated as a realisation for UK tax purposes.**

**A Shareholder Switching all or part of their investment in one Fund for an investment in another Fund of the Company will not be given a right by law to withdraw from the transaction after the Valuation Point immediately following receipt by the ACD of the instruction to Switch.**

#### 4. VALUATION AND PUBLICATION OF PRICES

##### 4.1 Valuations

Valuations of the property of the Funds for the purpose of the calculation of Share prices will be carried out in accordance with the rules for single-priced funds in COLL. The price of a Share is calculated by reference to the Net Asset Value of the assets comprising the Scheme Property of the Fund to which the Share relates. The Net Asset Value is determined (and all Shares are priced) at each Valuation Point.

Details of how the NAV of each Fund is calculated are set out in section 4.2 below and in Appendix VI.

If it is not possible to obtain a valuation for the whole or part of a Fund, or in exceptional circumstances where the ACD and Depositary decide there is good and sufficient reason, the Valuation Point may be moved to such a time as the ACD in consultation with the Depositary considers appropriate. In these circumstances, the ACD will publish details of the change to the Valuation Point on the ACD's website [www.valu-trac.com](http://www.valu-trac.com) immediately afterwards. If, in the opinion of the ACD, the valuations or prices obtained are unreliable or no recent trading price exists or does not reflect the ACD's best estimate of the value of the Scheme Property and/or the Shares, the ACD may substitute a value that, in the ACD's opinion is in accordance with the "fair value pricing" provisions described below.

##### Fair Value Pricing

Where the ACD has reasonable grounds to believe that:

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

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

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

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

- 4.1.6 the type of fund concerned;
- 4.1.7 the securities involved;
- 4.1.8 whether the underlying collective investment schemes may already have applied fair value pricing;
- 4.1.9 the basis and reliability of the alternative price used; and
- 4.1.10 the ACD's policy on the valuation of Scheme Property as disclosed in this Prospectus.

The ACD reserves the right to re-value any or all of the Funds at any time.

#### 4.2 **Pricing basis**

The ACD will make use of the revised 'delivery versus payment' (DvP) exemption as set out in the FCA Handbook, which provides for a one business day window during which money held for the purposes of settling a transaction in Shares is not treated as 'client money'. Specifically, under the DvP exemption, money received by the ACD from an investor, or money due to be paid to an investor by the ACD, need not be treated as client money if: (i) the ACD receives the money from an investor for the subscription of Shares and the money is passed to the Depositary for the purpose of creating Shares in the Company within one business day of receipt of money from the investor; or (ii) the ACD holds the money in the course of redeeming Shares provided that the proceeds of that redemption are paid to an investor within one business day of receipt from the Depositary.

All instructions for investing in or withdrawing from a Fund will be executed at the price calculated at the Valuation Point after receipt of the instruction. The ACD has elected that all deals are transacted on a forward pricing basis. Any initial charge, redemption charge of SDRT provision (if any) is payable in addition to the price or deducted from the proceeds, and is taken from the gross subscription or redemption money. The ACD will, on completion of each valuation, make available to the Depositary the price of Shares of each Class of each Fund and the amount of any dilution levy made in respect of the purchase or withdrawals of Shares.

#### 4.3 **Dilution**

The actual cost of purchasing, selling, Converting or Switching assets in a Fund may deviate from the value used to calculate Share prices due to dealing costs and expenses (including indirect costs that may be suffered by the Fund where

there is a difference between the mid-market valuation of the relevant assets used in determining the redemption price of the relevant Share and the price actually obtained for those assets by the Fund). These costs can have an adverse effect on Fund performance, known as "**dilution**".

Immediately following the issue of new Shares (and, in the case of AC Series Classes, where a Shareholder increases the value of their Share in a Class by making a further investment in a Fund) the relevant Proportion Account will be debited with a notional but precise allocation of the price paid by the Fund for the assets acquired or held by the relevant Fund and then credited to that Proportion Account. The dealing and other costs incurred by the Fund in acquiring those assets will also be notionally allocated to that Proportion Account.

In the same way, where a Shareholder reduces the value of their investment in a Fund by making a partial redemption of their Shares (and, in the case of AC Series Classes, where a Shareholder reduces the value of their Share in a Class by making a partial redemption of that Share) in that Fund the relevant Proportion Account will be debited with a notional but precise allocation of the dealing and other costs incurred by the Fund in realising assets held by the Fund that before the partial redemption of that Shareholder's investment had been notionally allocated to that Proportion Account.

In respect of AC Series Classes, the allocation of the price paid by the relevant Fund and associated dealing and other costs in this way following investments and partial redemptions by a Shareholder will avoid Shareholders suffering any dilutive effects of investment and partial redemptions by other Shareholders.

In respect of I Class Shares, it is not anticipated that there will be any dilutive effect to the relevant Fund as the cash resources required to deal will normally be generated by the ordinary course of the investment management of the Company.

However, in some circumstances it may be appropriate for the ACD to make a "**dilution levy**", where permitted to so in accordance with the Regulations. A dilution levy is a separate charge of such amount or at such rate as is determined by the ACD to be made for the purpose of reducing the effect of dilution. The amount is not retained by the ACD but is paid into the relevant Fund.

Although it does not currently envisage doing so, it is not possible to accurately predict when dilution may occur and therefore the ACD retains absolute discretion on whether and when to make a dilution levy.

The need to make a dilution levy will depend on the volume of investments and withdrawals by Shareholders (creation and or redemptions of Shares) and the size of the Fund. The ACD may make a discretionary dilution levy if, in its opinion, the remaining Shareholders might otherwise be adversely affected. In particular, a dilution levy may be made in the following circumstances:

- 4.3.1 if a Fund experiences large volumes of redemptions relative to its size;
- 4.3.2 on "large deals" in Shares (being any deal that exceeds £500,000 or, if smaller, 1% of the size of the Fund); and

- 4.3.3 in any other case where the ACD is of the opinion that the interests of Shareholders would be adversely affected if no dilution levy were made.

As the future need to make any dilution levy is directly related to the particular in-flows and out-flows of Shareholders' investment in the Funds and the size of the relevant Fund at the time it is not possible to accurately predict whether dilution will occur at any future point or how frequently the ACD would need to exercise its power to make such a dilution levy. The ACD believes that, based on future projections of values and numbers of Shares and the nature of the Funds, only in exceptional circumstances would it make a dilution levy. Based on future projections the estimated rate of dilution levy, if it were to be made, is 0.25%.

The ACD will only charge a dilution levy in a fair manner to reduce any effects of dilution that could materially prejudice any Share Class. If and when making such a dilution levy the ACD would do so by reference to the costs of dealing in the underlying investments of the Fund (including any dealing spreads) and its reasonable estimate of the difference between the Share price that would have been determined without applying the dilution levy and the Share price that would have been determined if the Fund's assets were valued on the best available market offer.

The prices of all Shares are published on the ACD's website ([www.valu-trac.com](http://www.valu-trac.com)). The prices of Shares may also be obtained by calling 01343 880 344 during the ACD's normal business hours.

As the ACD deals on a forward pricing basis, the price that appears in these sources will not necessarily be the same as the one at which investors can currently deal. The ACD may also, at its sole discretion, decide to publish certain Share prices in other third party websites or publications but the ACD does not accept responsibility for the accuracy of the prices published in, or for the non-publication of prices by, these sources for reasons beyond the control of the ACD.

#### 4.4 **Confirmations of transactions**

Confirmations of dealings in Shares will be given to investors in accordance with the requirements of the law and Regulations from time to time. Any written confirmations – for example contract notes, cancellation notices and any written statements and reports required by law and regulation to be provided to Shareholders - will be sent by the ACD by post or by email in accordance with the Regulations to Shareholders (or in the case where Shares are held jointly to the first named Shareholder). No Share certificates will be issued in relation to any investment in any Fund.

### 5. **RISK FACTORS**

Potential investors and Shareholders should regard investments in the various Funds available in the Company as long-term investments. The value of an investment, the future performance of each Fund and the income from them are not guaranteed and may go down as well as up, which may result in an investor realising an amount which is less than originally invested.

Before you make an investment decision, it is important to identify your investment objectives and the level or risk you are prepared to accept. This may be influenced by factors including (but not limited to):

- the timeframe over which you are expecting a return on your investment and your need for regular income versus longer-term capital growth;
- your level of comfort with volatility in returns;
- the general and specific risks associated with particular Sub-Funds; and
- risks associated with the structure through which your investments are made.

### 5.1 **Consult a financial adviser**

It is important for investors to obtain personal professional advice about their financial circumstances and needs, as well as the suitability of the Company and any Fund selection before applying to open a Company Account or select any Funds to invest in.

### 5.2 **General Risks**

All investments have an inherent level of risk. Investment risk may also result in loss of income or capital invested and possible delays in repayment. You could receive back less than you initially invested and there is no guarantee that you will receive any income.

Past performance is not a guide to future performance.

### 5.3 **Fund investment risk**

Share values are volatile and an investment in shares can perform poorly over the short to medium term. All Funds in the Company are expected to have exposure to shares.

Securities of smaller capitalisation companies may, from time to time, and especially in falling markets become less liquid and experience short-term price volatility. They may also be less financially secure than larger more established companies and depend on a small number of key personnel, which increases the risk of a company's failure if a product fails, management changes or there are other adverse developments.

The Fund profiles in this prospectus provide general guidance on the types of securities likely to be contained in each Fund.

### 5.4 **Regulatory risk**

This is the risk that a government or regulator may affect the value of securities that a Fund invests in by introducing regulatory or tax changes.

### 5.5 **Market risk**

Economic, technological, political or legislative conditions and even market sentiment can (and do) change and this can mean that changes in the value of investment markets can affect the value of the investments in a Fund.

## 5.6 **Effect of initial charge or redemption charge**

Where an initial charge or redemption charge is imposed, an investor who realises his Shares may not (even in the absence of a fall in the value of the relevant investments) realise the amount originally invested. In particular, where a redemption charge is payable, investors should note that the percentage rate at which the redemption charge is calculated is based on the market value rather than the initial value of the Shares. If the market value of the Shares has increased the redemption charge will show a corresponding increase. Currently there is no redemption charge levied on Shares.

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

## 5.7 **Dilution 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 require the payment of a dilution levy in addition to the price of Shares when bought or as a deduction when sold. Certain investment transactions can result in the payment of stamp duty reserve tax ("SDRT"). When such payment results in the diminution in value of the Shares, an additional charge may be levied in addition to the price of the Shares when issued or deducted when sold.

## 5.8 **Suspension of dealings in Shares**

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

## 5.9 **Liabilities of the Company**

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

## 5.10 **Currency exchange rates**

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

## 5.11 **Concentrated portfolio risk**

Portfolios with a small number of different holdings or with a high weighting given to a small number of stocks held in the portfolio may be considered to be "concentrated". The value of a concentrated portfolio may be more volatile than a portfolio with a larger number of more evenly weighted holdings and carries a greater exposure to the performance of those holdings in the portfolio with a high weighting.

## 5.12 **Foreign investment risk**

Exchange Rate fluctuation can affect the value of Funds that invest overseas. Investment in emerging markets can be subject to risks not normally associated

with developed markets. These risks may include instability of the economies of emerging markets, political uncertainties, illiquidity of the market, dealing difficulties, settlement and custody practices. The Fund profiles indicate which Funds are permitted to invest outside the UK.

### 5.13 **Emerging markets**

Investments in emerging markets may be more volatile than investments in more developed markets. Some of these markets may have relatively unstable governments, economies based on only a few industries and securities markets that trade only a limited number of securities. Many emerging markets do not have well developed regulatory systems and disclosure standards may be less stringent than those of developed markets.

The risks of expropriation, nationalisation and social, political and economic instability are greater in emerging markets than in more developed markets.

The following is a brief summary of some of the more common risks associated with emerging markets investment:

**Fraudulent Securities** – Given the lack of a regulatory structure it is possible that securities in which investments are made may be found to be fraudulent. As a result, it is possible that loss may be suffered.

**Currency Fluctuations** – Significant changes in the currencies of the countries in which investments are made in respect of the currency of denomination of the relevant Sub-fund may occur following the investment of the Company in these currencies. These changes may impact the total return of the Sub-fund to a significant degree. In respect of currencies of certain emerging countries, it is not possible to undertake currency hedging techniques.

**Settlement and Custody Risks** – Settlement and custody systems in emerging markets are not as well developed as those in developed markets. Standards may not be as high and supervisory and regulatory authorities not as sophisticated. As a result there may be risks that settlement may be delayed and that cash or securities could be disadvantaged.

**Investment and Remittance Restrictions** – In some cases, emerging markets may restrict the access of foreign investors to securities. As a result, certain equity securities may not always be available to a Sub-fund because the maximum permitted number of or investment by foreign shareholders has been reached. In addition, the outward remittance by foreign investors of their share of net profits, capital and dividends may be restricted or require governmental approval. The Company will only invest in markets in which it believes these restrictions to be acceptable. However, there can be no guarantee that additional restrictions will not be imposed.

**Accounting** – Accounting, auditing and financial reporting standards, practices and disclosure requirements applicable to companies in emerging markets differ from those applicable in more developed markets in respect of the nature, quality and timeliness of the information disclosed to investors and, accordingly, investment possibilities may be difficult to properly assess.

### 5.14 **Credit and fixed interest securities**

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

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

#### 5.15 **Derivative risk**

**A range of financial derivatives, for example futures and options, may be used to implement investment decisions and to manage risk in a Fund. An investment in derivatives can cause a Fund to make gains or incur losses. Derivative transactions may also involve the risk (including credit risk) that the counterparty on a transaction will be unable to honour its financial obligation to the Company. The Fund profiles will indicate which Funds are permitted to use derivatives.**

Although derivatives are permitted for the Company for investment purposes and derivative transactions may be used for the purposes of hedging or meeting the investment objectives of a Fund or both, the ACD does not currently intend to use the property of any Fund to invest in derivatives and forward transactions, other than for the purposes of efficient portfolio management (including hedging) which is not expected to have a detrimental effect on the risk profile of the Funds.

#### 5.16 **Fund risk**

There are risks associated with investing in investment fund vehicles (which include the Company) including that the relevant fund could be terminated, fees and charges could change, the ACD and/or Depositary could be replaced.

Like other collective investment schemes established for the pooling of investments and the efficient management of those investments on behalf of a significant number of participants, there is a risk that in the event that the value of funds under management in the Company is not of sufficient size, or if there is a large reduction in value over a short period of time, that the anticipated levels of efficiency may be adversely affected. The ACD has strategies and policies that are designed to reduce this risk. While the ACD cannot guarantee that this risk will be eliminated, the ACD will use its powers (for example its power to impose a dilution levy on redemptions in the event that the Fund were to reduce substantially in size) for the purpose of maintaining fair treatment of all Shareholders.

Investors in the Company will have detailed information made available to them through their Account. This high level of transparency and disclosure is made available through Praemium Limited's proprietary technology. This or equivalent technology may not be available to investors in the Company should Valu-Trac Investment Management Limited cease to be the authorised corporate director of the Company.

#### 5.17 **Tax risk**

The methods and rates of taxation of the Company, its Funds and of Shareholders as described in section 9 may not apply or be relevant to any particular Shareholder and may change in any event.

#### 5.18 **Inflation risk**

Inflation may affect the real value of a Shareholder's savings and investments which may reduce the buying power of the money they have saved and their investments.

#### 5.19 **Regular savings plan**

If a Shareholder is making regular monthly investments in a Fund with a view to saving for a specific objective, they should regularly review whether these savings will be sufficient to achieve their objective. Shareholders may not achieve their objective if they do not continue to invest regularly with a sufficient amount or if the investment does not appreciate sufficiently.

#### 5.20 **Risks associated with the UK leaving the European Union ("Brexit")**

In a referendum held on 23 June 2016, the UK voted to leave the European Union (informally known as "Brexit"). The formal process of implementing this decision exists in Article 50 of the Lisbon Treaty.

The political, economic and legal consequences of the referendum vote are not yet known. It is possible investments in the UK may be more difficult to value, to assess for suitability or risk, harder to buy or sell or subject to greater or more frequent rises and falls in value.

In the longer term, there is likely to be a period of uncertainty as the UK seeks to negotiate its exit from the European Union. The UK's laws and regulations concerning funds may in future diverge from those of the European Union. This may lead to changes in the operation of the Company or the rights of investors or the territories in which the Shares of the Company may be promoted and sold.

#### 5.21 **Cyber Security**

As the use of technology has become more prevalent in the course of business, funds have become more susceptible to operational and financial risks associated with cyber security, including: theft, loss, misuse, improper release, corruption and destruction of, or unauthorised access to, confidential or highly restricted data relating to the company and the Shareholders and compromises or failures to systems, networks, devices and applications relating to the operations of the Company and its service providers. Cyber security risks may result in financial losses to the Company and the Shareholders; the inability of the Company to transact business with the Shareholders; delays or mistakes in the calculation of the Net Asset Value or other materials provided to Shareholders; the inability to process transactions with Shareholders or the parties; violations of privacy and other laws,; regulatory fines, penalties and reputational damage; and compliance and remediation costs, legal fees and other expenses. The Company's service providers (including but not limited to the ACD and the Depository and their agents), financial intermediaries,

companies in which a Sub-fund invests and parties with which the Company engages in portfolio or other transactions also may be adversely impacted by cyber security risks in their own business, which could result in losses to the Company or the Shareholders. While measures have been developed which are designed to reduce the risks associated with cyber security, there is no guarantee that those measures will be effective, particularly since the Company does not directly control the cyber security defences or plans of its service providers, financial intermediaries and companies in which the Company invests or with which it does business.

## 5.22 **Segregated liability risk**

The Funds of the Company are segregated portfolios of assets and, accordingly, the assets of a Fund belong exclusively to that Fund and shall not be used to discharge directly or indirectly, the liabilities of, or claims against, any other person or body, including the Company, or any other Fund, and shall not be available for such purpose. Whilst the Instrument of Incorporation provides for segregated liability between Funds, the concept of segregated liability is relatively new. Accordingly, where claims are brought by local creditors in foreign courts or under foreign law contracts, it is not yet known how those foreign courts will react to the segregated liability provisions.

## 6. **MANAGEMENT AND ADMINISTRATION**

### 6.1 **Regulatory status**

The ACD is authorised and regulated by the Financial Conduct Authority of 12 Endeavour Square, London, E20 1JN.

The Depositary is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

### **Authorised Corporate Director**

#### 6.1.1 **General**

The ACD is Valu-Trac Investment Management Limited which is a private company limited by shares incorporated in England and Wales on 3 October 1989.

The directors of the ACD are:

Anne Aveline Laing  
Robert Peter Wharton Millar  
Martin John Henderson  
Douglas Halley  
Michael Barron

**Registered Office  
and Head Office:**

Registered Office:  
Level 13, Broadgate Tower, 20

Primrose Street, London, EC2A  
2EW

Head Office:  
Orton  
Moray  
Scotland  
IV32 7QE

**Share Capital:**

An issued share capital of  
£1,673,295 represented by  
1,673,295 ordinary shares of 100  
pence fully paid

**Ultimate Holding  
Company:**

Valu-Trac Limited, a company  
incorporated in Bermuda is the  
ultimate holding company 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.

The ACD has delegated the investment management of the Company to the Investment Manager (as further explained in paragraph 6.3 below).

**6.1.2 Terms of appointment**

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

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

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

Details of the fees payable to the ACD are set out in the paragraph 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 is the authorised corporate director of certain open-ended investment companies details of which are set out in Appendix IV.

### 6.1.3 **Remuneration Policy**

- 6.1.3.1 The FCA Rules require that the ACD applies remuneration policies and practices that are consistent with, and promote, effective risk management for certain categories of staff (namely those whose activities have a material impact on the risk profile of the ACD or the UCITS funds that it manages ("Code Staff")). The ACD, taking account of the principle of proportionality, has in place a remuneration policy (the "Remuneration Policy") which is reviewed at least annually.
- 6.1.3.2 The ACD considers the Remuneration Policy to be appropriate to the size, internal operations, nature, scale and complexity of the Funds and in line with the risk profile, risk appetite and the strategy of the Funds.
- 6.1.3.3 The Remuneration Policy will apply to the fixed and variable (if any) remuneration received by Code Staff.
- 6.1.3.4 In respect of any investment management delegates, the ACD requires that:(i) the entities to which such activities have been delegated are subject to regulatory requirements on remuneration that are equally as effective as those applicable under the European Securities and Market's Authority's ("ESMA's") Guidelines on Sound Remuneration Policies under the UCITS Directive and AIFMD / Article 14 of the UCITS Directive; or (ii) appropriate contractual arrangements are put in place with entities to which such activities have been delegated in order to ensure that there is no circumvention of the remuneration rules set out in the ESMA Guidelines or the FCA Handbook.
- 6.1.3.5 The ACD's remuneration policy requires, amongst other items, that the remuneration practices within the ACD :
- (a) are consistent with and promote sound and effective risk management;
  - (b) do not encourage risk taking and are consistent with the risk profiles of the funds which the ACD manages; and

(c) do not impair the ACD's ability to comply with its duty to act in the best interests of the funds which it manages.

6.1.3.6 Details of the Remuneration Policy, including a description of how remuneration and benefits are calculated, and the identities of persons responsible for awarding the remuneration and benefits, will be made available on the ACD's website ([www.valu-trac.com](http://www.valu-trac.com)) and a paper copy will be made available free of charge from the ACD upon request.

## 6.2 The Depositary

6.2.1 NatWest Trustee and Depositary Services Limited is the Depositary of the Company.

6.2.2 The Depositary is incorporated in England as a private limited company. Its registered and head office is at 250 Bishopsgate, London EC2M 4AA. The ultimate holding company of the Depositary is The Royal Bank of Scotland Group plc, which is incorporated in Scotland. The principal business activity of the Depositary is the provision of trustee and depositary services. The Depositary is authorised and regulated by the FCA. It is authorised to carry on investment business in the United Kingdom by virtue of its authorisation and regulation by the regulator.

### *Duties of the Depositary*

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

### *Conflicts of interest*

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

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

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

Up to date information regarding (i) the Depositary's name, (ii) the description of its duties and any conflicts of interest that may arise between the Company, the shareholders or the ACD and the depositary, and (iii) the description of any safekeeping functions delegated by the Depositary, the description of any conflicts of interest that may arise from such delegation, and the list showing the identity of each delegate and sub-delegate, will be made available to Shareholders on request.

#### *Delegation of safekeeping function*

- 6.2.6 The Depositary is permitted to delegate (and authorise its delegate to sub-delegate) the safekeeping of Scheme Property.
- 6.2.7 The Depositary has delegated safekeeping of the Scheme Property to RBC Investor Services Trust, UK Branch. In turn, the Custodian has delegated the custody of assets in certain markets in which the Company may invest to various sub-delegates ("Sub-custodians"). A list of Sub-custodians is given in Appendix II Part II. Investors should note that the list of Sub-custodians is updated only at each Prospectus review. An updated list of Sub-custodians is maintained by the ACD at [www.valu-trac.com](http://www.valu-trac.com).

#### *Updated information*

- 6.2.8 Up-to-date information regarding the Depositary, its duties, its conflicts of interest, the delegation of its safekeeping functions and a list showing the identity of each delegate and sub-delegate will be made available to unitholders on request.
- 6.2.9 The Depositary was appointed under a depositary agreement between the ACD, the Company and the Depositary (the "Depositary Agreement").
- 6.2.10 Under the Depositary Agreement, the Depositary is free to render similar services to others and the Depositary, the Company and the ACD are subject to a duty not to disclose confidential information.
- 6.2.11 The powers, duties, rights and obligations of the Depositary, the Company and the ACD under the Depositary Agreement shall, to the extent of any conflict, be overridden by the FCA Rules.
- 6.2.12 Under the Depositary Agreement the Depositary will be liable to the Company for any loss of financial instruments held in custody or for any liabilities incurred by the Company as a result of the Depositary's negligent or intentional failure to fulfil its obligations.
- 6.2.13 However, the Depositary Agreement excludes the Depositary from any liability except in the case of fraud, wilful default, negligence or failure to exercise due care and diligence in the performance or non-performance of its obligations.
- 6.2.14 It also provides that the Company will indemnify the Depositary for any loss suffered in the performance or non-performance of its obligations except in the case of fraud, wilful default, negligence or failure to exercise due care and diligence on its part.

6.2.15 The Depositary Agreement may be terminated on 90 days' notice by the Company or the Depositary or earlier on certain breaches or the insolvency of a party. However, termination of the Depositary Agreement will not take effect, nor may the Depositary retire voluntarily, until the appointment of a new Depositary.

6.2.16 Details of the fees payable to the Depositary are given in paragraph 7.9.

## 6.3 **The Investment Manager**

### 6.3.1 **General**

Praemium Administration Limited is the investment manager (the "**Investment Manager**") to the ACD in relation to the Company. The Investment Manager is authorised and regulated by the FCA. Its principal activity is the provision of investment administration and investment management services.

### 6.3.2 **Terms of appointment**

Pursuant to an agreement (the "**Investment Management Agreement**") between the Investment Manager and the ACD, the Investment Manager provides general discretionary investment management services in respect of the Company and its Funds.

The Investment Manager has the authority to make decisions on behalf of the ACD in relation to the management, purchase, sale, retention, exchange or other dealings with assets, and has full discretion to make such investments on such markets as such times as the Investment Manager sees fit and otherwise to act as it shall deem appropriate, subject always to the provisions of the Instrument of Incorporation, this Prospectus and the Regulations and the investment objectives and policies of the Company and its Funds.

The ACD may terminate the Investment Management Agreement with immediate effect where, in the ACD's opinion, it is in the interests of the shareholders to do so, in accordance with the Regulations.

## 6.4 **The Investment Adviser**

### 6.4.1 **General**

The Investment Manager has appointed Morningstar Investment Management Europe Limited to be the investment adviser to the Investment Manager. The Investment Adviser is a company incorporated in England and Wales (company number 5732689) and authorised and regulated by the FCA (firm reference number 449468).

The Investment Adviser provides advisory services to the Investment Manager.

### 6.4.2 **Terms of appointment:**

The Investment Adviser was appointed by the Investment Manager in relation to an agreement that was originally entered into between OBSR Advisory Services Limited and the Investment Manager dated 1

September 2008; subsequently novated to the Investment Adviser pursuant to a Deed of Novation dated 6 February 2013; and updated by an agreement dated 8 October 2014 (the "**Model Provider Agreement**"). Under the terms of the Model Provider Agreement, the Investment Adviser is required to provide the Investment Manager with an investment model for the Fund, and is also required to keep the investment model under review in order to ensure that it continues to meet the investment objective and policy of the Fund. The Investment Adviser does not have the authority to deal on behalf of the ACD, the Investment Manager and/or the Fund; the investment management of the Fund is carried out through the provision and updating of the investment model.

Where permitted by the Regulations, the Investment Manager will follow the investment model provided when acquiring assets to hold in the Fund's portfolio. When the Investment Manager executes acquisitions or disposals of precise numbers of any assets held in the Fund's portfolio it will do so to give effect to the investment decisions of the Investment Adviser according to its current investment model to the extent compatible with the value of dealings in Shares (investments and withdrawals) to be effected, as well as the applicable investment and borrowing policy and powers.

The Model Provider Agreement may be terminated by either party serving not less than six months written notice to the other. The ACD may require the Investment Manager to terminate the Model Provider Agreement immediately in the event that: (a) it is requested to do so by the FCA; or (b) the ACD, the Investment Manager and the Depositary agree that to do so is in the best interests of investors

The ACD remains responsible to the Shareholders and the FCA for the management of the Scheme Property under the Regulations.

The Investment Adviser will be remunerated by the Investment Manager.

#### **6.5 Register of Shareholders**

The Register of Shareholders will be maintained by the ACD at the head office of the ACD 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 ACD.

#### **6.6 The Auditors**

The Auditors of the Company are Johnston Carmichael LLP, whose principal place of business is at Commerce House, South Street, Elgin, IV30 1JE.

#### **6.7 Conflicts of interest**

The ACD, the Investment Manager, the Investment Adviser and other companies within their respective groups may, from time to time, act as operators, managers or advisers to other funds or sub-funds which follow similar investment objectives to those of the Funds. It is therefore possible that the ACD, the Investment Manager and the Investment Adviser may in the course of its business have potential conflicts of interest with the Company or a particular

Fund. Each of the ACD, the Investment Manager and the Investment Adviser will, however, have regard in such event to its obligations under the ACD Agreement, the Investment Management Agreement and the Model Provider Agreement respectively and, in particular, to its obligation to act in the best interests of the Company so far as practicable, having regard to its obligations to other clients, when undertaking any investment business where potential conflicts of interest may arise. Where a conflict of interest cannot be avoided, the ACD will ensure that the Company and any other collective investment schemes it manages are fairly treated.

The ACD acknowledges that there may be some situations where the organisational or administrative arrangements in place for the management of conflicts of interest are not sufficient to ensure, with reasonable confidence, that risk of damage to the interests of the Company or its Shareholders will be prevented. Should any such situations arise the ACD will disclose these to Shareholders in an appropriate format.

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

The ACD, the Investment Manager and the Investment Adviser may operate, manage or advise respectively, other account/portfolios with similar investment objectives to the Funds.

## **7. FEES AND EXPENSES**

### **7.1 General**

The ACD and the Depositary are entitled to be reimbursed from the Company for all expenses that they properly incur or become liable for in connection with administering the Company and to be remunerated out of Scheme Property all as set out in this section 7.

All fees, expenses, duties and charges attributable to a Shareholder or payable out of Scheme Property are set out in this section 7.

### **7.2 What sort of ongoing costs and expenses may be paid out of the Company?**

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

- 7.2.1 transaction costs, including (without limitation) the fees and/or expenses incurred in acquiring, registering and disposing of investments, such as (for example) broker's commissions, fiscal charges and other disbursements which are necessarily incurred in effecting transactions for the Funds and normally shown on contract notes, confirmation notes and difference accounts as appropriate;
- 7.2.2 any costs incurred in or about the listing of Shares in the Company on any stock exchange, and the creation, conversion and cancellation of Shares;

- 7.2.3 any costs incurred by the Company in publishing the price of Shares (including any notional Share prices) in a national or any other newspaper or other form of media;
- 7.2.4 expenses incurred in producing, distributing and dispatching income and other payments to Shareholders;
- 7.2.5 expenses of the Company in connection with the fees of the auditors and tax, legal and other professional advisers of the Company;
- 7.2.6 any costs incurred in taking out and maintaining an insurance policy in relation to the Company and each of its Funds;
- 7.2.7 costs of convening and holding meetings of Shareholders and of associated documentation (including meetings of Shareholders in relation to any particular Fund, or any particular Class of such Shareholders) and costs incurred in respect of a meeting of Shareholders convened on a requisition by Shareholders, not including the ACD or Associate of the ACD;
- 7.2.8 costs of publishing and circulating details of valuations and prices;
- 7.2.9 any costs incurred in preparing, printing, translating, producing (including printing), updating, modifying and distributing the Instrument, this Prospectus, the KIID or any successor document (excluding the costs of distributing the KIID) or reports, accounts, statements, contract notes and other like documentation, or any other relevant documents required under the Regulations;
- 7.2.10 any liabilities arising on the unitisation, amalgamation or reconstruction of any of the Funds or the Company;
- 7.2.11 certain liabilities on amalgamation or reconstruction arising where the property of a body corporate or another collective investment scheme is transferred to the Depositary in consideration for the issue of shares to the shareholders in that body or to participants in that other scheme in accordance with the Regulations;
- 7.2.12 taxation and duties payable in respect of the Scheme Property of the Company, the Instrument of Incorporation or the issue of Shares;
- 7.2.13 interest on and charges incurred in connection with borrowings (if any) or in negotiating or varying the terms of such borrowings;
- 7.2.14 interest and charges incurred in connection with stock lending arrangements or repo contracts entered into in connection with the efficient management of a Fund;

- 7.2.15 any costs incurred which are associated with independent risk monitoring or daily "value at risk" calculations (as part of the risk monitoring process);
- 7.2.16 fees of the FCA and the corresponding periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which investment in any Fund of the Company is or may be lawfully marketed;
- 7.2.17 fees and expenses associated with administration of the Funds, maintaining Share registers, fund accounting, pricing of the Shares and valuation of the assets of the Funds;
- 7.2.18 any expense incurred in relation to company secretarial duties including the cost of maintenance of minute books and other documentation required to be maintained by the Company;
- 7.2.19 any payments otherwise due by virtue of changes to the Regulations;
- 7.2.20 any payment permitted by clause 6.7.15R of COLL;
- 7.2.21 the cost of any licences required, to enable the Funds to use, or quote, names which would normally be under copyright, in any country or territory, including the United Kingdom;
- 7.2.22 any payments otherwise due by virtue of the COLL Sourcebook or any other part of the Regulations; and
- 7.2.23 any applicable VAT (or similar value added tax) payable on the expenses and charges paid out of Scheme Property.

### 7.3 **Costs relating to Efficient Portfolio Management ("EPM")**

Certain direct and indirect operational costs and/or fees may arise from time to time as a result of EPM techniques being used for the benefit of the Company and/or the Funds. These costs and/or fees are regarded as transaction costs and, therefore, would fall within 7.2.1 above. Further details on the payment of costs and/or fees relating to EPM techniques will be set out in the annual report.

### 7.4 **The ACD's remuneration – the Annual Management Charge**

- 7.4.1 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.

#### 7.4.2 **Calculation of the AMC**

The AMC is calculated as a percentage of the net asset value of the assets held in each Fund at each Valuation Point. The charge shall accrue from day to day and shall be payable on the last Business Day of each month. The AMC shall be debited to the relevant Fund as appropriate

and paid from the income of that Fund. If there is insufficient income to cover the expenses, they will be charged to capital and the capital value of the Fund will be reduced accordingly. In addition the charges attributable to each Class of Share will then be reflected in the information provided to each Shareholder and reflected in the price of that Share.

#### 7.5 **Initial charge**

Under the terms of the Instrument of Incorporation, the ACD is entitled to make a charge on the issue of Shares and on any subsequent investments by Shareholders (that is, on making investments to increase the capital value of a Share).

The Initial Charge shall be the amount specified in Appendix I.

The Initial Charge shall be calculated as a percentage of the price of a Share (before application of any dilution levy or SDRT) and shall therefore be added to the Share price.

#### 7.6 **Switching charge**

Under the terms of the Instrument of Incorporation, the ACD is entitled to make a charge when Shareholders Switch from one Fund to another Fund. At present, the ACD does not make such a charge and has no current intention to do so. The ACD may introduce a Switch charge only in accordance with the Regulations and after the ACD has made available a revised Prospectus showing the new rate of charge and its commencement date. Such a charge would only apply to Switches occurring after the date of its introduction.

#### 7.7 **Redemption fees**

Under the terms of the Instrument of Incorporation, the ACD is entitled to make a charge on the redemption of Shares in the Funds. **At present, it does not make such a charge and has no current intention to do so.**

The ACD may introduce a redemption fee or vary the rate or method of calculation of any such withdrawal fee only in accordance with the Regulations and after the ACD has made available a revised Prospectus showing the new rate of charge and its commencement date. Such a charge would only apply to investments after the date of its introduction.

#### 7.8 **Expenses**

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

VAT is payable on the ACD's charges and expenses outlined above as applicable.

The current fees payable to the ACD may only be increased, or a new type of remuneration introduced, in accordance with the Instrument and the Regulations.

## 7.9 **Depository's remuneration**

The Depository receives for its own account a periodic fee which will accrue and is due monthly on the last Valuation Point in each calendar month in respect of that day and the period since the last Valuation Point in the preceding month and is payable within seven days after the last Valuation Point in each month. The fee is calculated by reference to the value of the Company on the last Valuation Point of the preceding month except for the first accrual which is calculated by reference to the first Valuation Point of the Company. The rate of the periodic fee shall be as agreed between the ACD and the Depository from time to time and is currently based on the value of each Sub-fund:

- Up to £25million – 4 bps per annum
- £25 million to £50 million – 3.75 bps per annum
- £50 million to £100 million – 3.5 bps per annum
- thereafter – 3 bps per annum

(plus VAT) subject to a minimum of £15,000 (plus VAT) per annum per Sub-fund.

These rates can be varied from time to time in accordance with the OEIC Regulations and the Rules.

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

Item	Range
Custody charges	0.0% to 0.12%

Transaction charges £0 to £40 per transaction

Transaction and custody charges vary from country to country depending on the markets and the type of transaction involved. Transaction charges accrue at the time the transactions are effected and are payable as soon as is reasonably practicable, and in any event not later than the last Business Day of the month when such charges arose or as otherwise agreed between the Depository and the ACD. Custody charges accrue and are payable as agreed from time to time by the ACD, the Depository and the Custodian.

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

The Depository will also be entitled to payment and reimbursement of all costs, liabilities and expenses properly incurred in the performance of, or arranging the performance of, functions conferred on it by the Instrument of Incorporation, the Regulations, or the general law.

On a winding up, redemption or termination of the Company, the Depository will be entitled to its pro rata fees, charges and expenses to the date of winding up,

redemption or termination (as appropriate) and any additional expenses necessarily realised in settling or receiving any outstanding obligations.

Any value added tax on any fees, charges or expenses payable to the Depositary will be added to such fees, charges or expenses.

Any of the Depositary's fees, charges and expenses described above may be payable to any person (including the ACD or any associate or nominee of the Depositary or of the ACD) who has had the relevant duty delegated to it by the Depositary pursuant to the Regulations.

#### **7.10 Administrator and Registrar fees**

The ACD is responsible for maintaining the Register of Shareholders and their Share(s). The ACD is also responsible for maintaining any relevant sub-plan registers (including any ISA plan registers) as well as for providing other administration services. Currently, no charges will be made for administration and registrar services in connection with the creation and redemption in the ordinary course.

Any administrator or registrar's fees will only be imposed in accordance with the Regulations and, subject to a cap of 0.1% annually, after notifying Shareholders of its commencement date.

#### **7.11 Allocation of fees generally**

All the above fees, expenses, duties and charges that are stated to be payable out of Scheme Property will be charged to the Fund in respect of which they were incurred. Where a fee, expense, duty or charge is not considered to be attributable to any one Fund (including any minimum fee applicable to or payable by the Company as a whole) the expense will normally be allocated to all Funds pro rata to the value of each Fund, although the ACD has absolute discretion to allocate these fees and expenses in a manner that it considers fair to Shareholders generally.

Expenses will be accounted for in accordance with the following policy:

- expenses will first be deducted from income generated by the relevant Fund and then if this is insufficient from capital.
- Where expenses are deducted from capital this policy may result in capital erosion or constrained capital growth.

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

The Company will not hold annual general meetings.

A meeting of Shareholders duly convened and held may, by extraordinary resolution require, authorise or approve any act, matter or document in respect of which any such resolution is required or expressly contemplated by the Regulations, but shall not have any other powers.

Shareholders will receive at least 14 days' written notice of any meeting and are entitled to be counted in the quorum and vote at any such meeting either in person or by proxy or in the case of a body corporate by a duly authorised representative. The quorum for a meeting is two Shareholders, present in person or by proxy. If a quorum is not present, then the original meeting can be adjourned to a date and time which is not less than seven days after the date. If after a reasonable time from the time set for an adjourned meeting there are not two Shareholders present in person or by proxy, the quorum for an adjourned meeting shall be one Shareholder entitled to be counted in a quorum present. At any meeting of Shareholders, an extraordinary resolution put to the vote will be decided on a show of hands unless the Chairman, the Depositary, or at least two Shareholders demand a poll. 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, shall have one vote. A Shareholder entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.

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

To be passed an extraordinary resolution must be carried by a majority of not less than 75 per cent of the votes cast at a meeting.

"Shareholders" in this context means the persons who were entered on the register of Shareholders at close of business on a date to be determined by the ACD and stated in the notice of meeting that is a reasonable time before the notice of the relevant meeting is sent out. That date will also be the date by reference to which the votes that may be cast at the meeting will be determined.

Where an extraordinary resolution is required to conduct business at a meeting of Shareholders and every Shareholder is prohibited under COLL 4.4.8R(4) from voting, with the written agreement of the Depositary to the process, that extraordinary resolution may instead be passed with the written consent of Shareholders representing 75% of the value of the Fund(s) concerned.

## 9. TAX and SDRT

**The statements below are only intended as a general summary of UK tax law and practice as at the date of this Prospectus (which may change in the future) as applicable to individual and corporate investors who are the absolute beneficial owners of a holding in the Company. Their applicability will depend upon the particular circumstances of each investor. In particular, the summary may not apply to certain classes of investors (such as dealers in securities). Any prospective investor who is in any doubt as to his UK tax position in relation to the Company should consult his UK professional adviser.**

### 9.1 Taxation of the Company/Funds

As the Funds are sub-funds of an open-ended investment company to which the Authorised Investment Funds (Tax) Regulations 2006 apply, each Fund, and not the Company, is deemed to be a separate taxable entity.

The Funds are generally exempt from UK taxation in respect of capital gains realised on the disposal of investments held within them. However, any gains realised on holdings in non-reporting offshore funds will incur a tax charge on disposal.

Any dividend distribution received by the Company will not normally be charged to corporation tax provided that it falls within one of the exempt classes set out in the relevant legislation. The Company will be subject to corporation tax on most other types of income but after deducting allowable management expenses and the gross amount of any interest distributions. Where the Company suffers foreign tax on income received, this will normally be an irrecoverable tax expense.

The Company will make dividend distributions except where more than a certain percentage of its property has been invested throughout the distribution period in interest-paying investments, in which case it will make interest distributions.

### 9.2 Stamp Duty Reserve Tax

The charging of SDRT (at a rate of 0.5%) on the redemption of shares has now been abolished except from in relation to non-pro rata in specie redemptions.

The current policy is that all SDRT costs (if applicable) will be paid out of the Scheme Property of the Company and charged to capital and that SDRT will not be recovered from individual Shareholders. However, the ACD reserves the right to require individual Shareholders to pay SDRT whenever it considers that the circumstances have arisen which make such imposition fair to all Shareholders or potential Shareholders. Deductions of any such costs from capital may erode or constrain capital growth.

### 9.3 Taxation of the Investor

#### 9.3.1 Income distributions

Any income distribution made by the Company will be treated as if it were a dividend from a UK company. No deduction of UK income tax is made from a dividend distribution. From 6 April 2016, the tax credit on dividends paid by UK companies will be removed. Instead, the first £5,000 of dividend income paid to individuals will be exempt from income tax. Dividend income in excess of this

amount will be taxed at a rate of either 7.5% (for basic rate taxpayers), 32.5% (for higher rate taxpayers), or 38.1% for additional rate tax payers.

Corporate Shareholders within the charge to UK corporation tax receive this income distribution as franked investment income to the extent that the distribution relates to underlying franked investment income (before deduction of expenses, but net of UK corporation tax) for the period in respect of which the distribution is made. Any part of the distribution which is not received as franked investment income is deemed to be an annual payment from which income tax at the rate of 20% has been deducted. Any repayment of the tax deemed to have been deducted is restricted by reference to the Shareholder's proportion of the Company's UK corporation tax liability for the period

### **9.3.2 Capital gains**

Shareholders who are resident in the UK for tax purposes may be liable to capital gains tax or, where the Shareholder is a company, corporation tax in respect of gains arising from the sale, exchange or other disposal of Shares (including Switches between Funds but not Switches between Classes in respect of the same Fund).

Capital gains made by individual Shareholders on disposals from all chargeable sources of investment will be tax free if the net gain (after deduction of allowable losses) falls within an individual's annual capital gains exemption.

Shareholders chargeable to UK corporation tax must include all chargeable gains realised on the disposal of Shares in their taxable profits. The amount chargeable will be reduced by an indexation allowance.

Special provisions apply to a UK corporate Shareholder which invests in a bond fund (see above). Where this is the case, the corporate Shareholder's Shares in the Fund are treated for tax purposes as rights under a creditor loan relationship. This means that the increase or decrease in value of the Shares during each accounting period of the corporate Shareholder is treated as a loan relationship credit or debit, as appropriate and constitutes income (as opposed to a capital gain) for tax purposes and, as such, is taxed in the year that it arises.

The amount representing the income equalisation element of the Share price is a return of capital and is not taxable as income in the hands of Shareholders. This amount should be deducted from the cost of Shares in computing any capital gain realised on a subsequent disposal.

### **9.3.3 Reporting of tax information**

The Company and the ACD are subject to obligations which require them to provide certain information to relevant tax authorities about the Company, investors and payments made to them.

The International Tax Compliance Regulations, SI 2015/878 (which give effect in the UK to amendments made to the EU Directive on Administrative Cooperation, Directive 2011/16/EU, which replace the reporting obligations under the Taxation of Savings Income Directive 2003/48/EC) may require the disclosure to HMRC of details of payments of interest and other income (which may include distributions on redemption payments by collective investment funds) to

shareholders who are individuals or residual entities, and HMRC will pass such details to the EU member state where the shareholder resides.

The International Tax Compliance (Crown Dependencies and Gibraltar) Regulations 2014 imposed a separate reporting regime for investors from several of the UK's overseas territories: Jersey, Guernsey, Isle of Man and Gibraltar.

The International Tax Compliance Regulations 2015 give effect to reporting obligations under the OECD's Common Reporting Standard, which replaced the reporting regime for investors from the UK's overseas territories with effect from 1 January 2016 and extends it to investors from other jurisdictions.

The International Tax Compliance Regulations 2015 also give effect to an intergovernmental agreement between the US and the United Kingdom in relation to the US Foreign Account Tax Compliance Act ("FATCA"). FATCA is designed to help the Internal Revenue Service (the "IRS") combat US tax evasion. It requires financial institutions, such as the Fund, to report on US investors or US holdings, whether or not this is relevant. Failure to comply (or be deemed compliant) with these requirements will subject a Fund to US withholding taxes on certain US-sourced income and gains.

Provided the Fund complies with its obligations under the International Tax Compliance Regulations 2015 to identify and report US taxpayer information directly to HMRC, it should be deemed compliant with FATCA. HMRC will share such information with the IRS.

Shareholders may be asked to provide additional information to the ACD to enable the Fund to satisfy these obligations. Failure to provide requested information may subject a Shareholder to liability for any resulting US withholding taxes, US tax information reporting and/or mandatory redemption, transfer or other termination of the Shareholder's interest in a Fund.

To the extent a Fund is subject to withholding tax as a result of:

- a Shareholder failing (or delaying) to provide relevant information to the ACD;
- a Shareholder failing (or delaying) to enter into a direct agreement with the IRS;
- the Fund becoming liable under FATCA or any legislation or regulation to account for tax in any jurisdiction in the event that a Shareholder or beneficial owner of a Share receives a distribution, payment or redemption, in respect of their Shares or disposes (or be deemed to have disposed) of part or all of their Shares in any way;

(each a "Chargeable Event"),

the ACD may take any action in relation to a Shareholder's or beneficial owner's holding to ensure that such withholding is economically borne by the relevant Shareholder or beneficial owner, and/or the ACD and/or its delegate or agent shall be entitled to deduct from the payment arising on a Chargeable Event an amount equal to the appropriate tax. The action by the ACD may also include, but is not limited to, removal of a non-compliant Shareholder from the Fund or the ACD or its delegates or agents redeeming or cancelling such number of Shares held by the Shareholder or such beneficial owner as are required to meet the amount of tax. Neither the ACD nor its delegate or agent, will be obliged to

make any additional payments to the Shareholder or beneficial owner in respect of such withholding or deduction.

Each investor agrees to indemnify the Company, each Fund and/or the ACD and its delegates/agents for any loss caused by such investor arising to the Company, a Fund and/or ACD and/or its delegates/agents by reason of them becoming liable to account for tax in any jurisdiction on the happening of a Chargeable Event.

**The foregoing statements are based on UK law and HMRC practice as known at the date of this Prospectus and are intended to provide general guidance only. Shareholders and applicants for Shares are recommended to consult their professional advisers if they are in any doubt about their tax position.**

## 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 is to be terminated under the COLL Sourcebook, such winding up or termination may only be commenced following approval by the FCA. The FCA 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 is to be wound up or a particular Fund terminated (if appropriate); or
- 10.3 on the date stated in any agreement by the FCA 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; or
- 10.4 on the effective date of a duly approved scheme of arrangement which is to result in the Scheme ceasing to hold any scheme property; or
- 10.5 in the case of a Fund on the effective date of a duly approved scheme of arrangement which is to result in the Fund ceasing to hold any scheme property; or
- 10.6 on the date when all the Funds fall within 10.5 above or have otherwise ceased to hold any scheme property, notwithstanding the Scheme may have assets and liabilities that are not attributable to any particular Fund

On the occurrence of any of the above:

- 10.7 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;
- 10.8 the Company will cease to issue and cancel Shares in the Company, except in respect of the final cancellation, or the relevant Fund and the ACD shall cease to sell or redeem Shares or to arrange for the Company to issue or cancel them except in respect of the final cancellation for the Company or the relevant Fund;
- 10.9 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;

- 10.10 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; and
- 10.11 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 FCA 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 the Company or 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 FCA 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.

## 11. GENERAL INFORMATION

### 11.1 Annual and half-yearly reports

Annual reports and ACD's reports will be published online within four months of each annual accounting period and half-yearly reports will be published online within two months of each interim accounting period. Paper copies will also be available free of charge on request from the ACD. Shareholders may also elect to receive copies of the annual and half yearly reports by email.

### 11.2 Accounting reference date

The accounting reference date for the Company is 21 June.

### 11.3 No liability to account for profits

The ACD is not liable to account to any other affected person or to the Shareholders for any profits or benefits it makes or receives that are made or derived from or in connection with dealings in the Shares, any transaction in Scheme Property or the supply of services to the Company or any of its Funds.

### 11.4 How can documents relating to the Company be viewed or obtained?

ACD's Reports, the Prospectus, the KIID, the Instrument of Incorporation, the ACD Agreement and other material contracts can be inspected free of charge during normal working hours on any Business Day at the ACD's principal place of business at Orton, Moray, IV32 7QE and also at the Depositary's principle business office at 135 Bishopsgate, London EC2M 3UR.

Copies of the latest Interim and Annual ACD's Reports, the KIID, and the Prospectus will be sent on request by email free of charge.

A charge of £50 may be made for hard copies of the Instrument of Incorporation of the Company. A charge of £20 may be made for replacement copies of contract notes and other documentation which are provided in printed form at the request of Shareholders.

### 11.5 Changes to the Company

Where any changes are proposed to be made to the Company or a Fund the ACD will assess whether the change is fundamental, significant or notifiable in accordance with COLL 4.3. If the change is regarded as fundamental, approval of the relevant Shareholders will be required. If the change is regarded as significant, not less than 60 days' prior written notice will be given to relevant Shareholders. If the change is regarded as notifiable, relevant Shareholders will receive appropriate and suitable notice of the change.

### 11.6 Communications

The ACD may use email and other electronic media to communicate with Shareholders to the extent permitted by the law or the Regulations.

All notices or other documents that are required to be sent to a Shareholder by post shall be sent to the last address notified in writing to the Company by the Shareholder.

### 11.7 Complaints

Complaints concerning the operation or marketing of the Company should in the first instance be referred to the Compliance Officer at the ACD's offices whose address is set out on page 14. If a satisfactory final response has not been obtained the complaint may be referred to the Financial Ombudsman Service at Exchange Tower, London E14 9SR. A copy of the ACD's complaints procedure is available on request, free of charge upon request.

#### **11.8 Financial Services Compensation Scheme**

The Financial Services Compensation Scheme has been established under the rules of the FCA as a "rescue fund" for certain clients of firms authorised and regulated by the FCA which have gone out of business. The ACD will supply you with further details of the scheme on written request to its operating address. Alternatively, you can visit the scheme's website at [www.fscs.org.uk](http://www.fscs.org.uk) or by writing to the Financial Services Compensation Scheme, 10th Floor, Beaufort House, 15 St Botolph Street, London EC3A 7QU.

#### **11.9 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:

- 11.9.1 the ACD Agreement between the Company and the ACD;
- 11.9.2 the Depositary Agreement between the Company, the Depositary and the ACD; and
- 11.9.3 the Investment Management Agreement between the ACD and the Investment Manager.

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

#### **11.10 Provision of investment advice**

All information concerning the Company and about investing in Shares of the Company is available from the ACD, however, 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.

#### **11.11 Telephone recordings**

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

#### **11.12 Indemnity**

The Instrument of Incorporation contains provisions indemnifying the ACD, 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.

### 11.13 **Data protection**

Shareholder information will be stored and processed by computer systems so that the ACD can provide the services required. Such information may be passed on to third party service providers used by the ACD in relation to the Company. The use of personal information is covered by the ACD's registration as a "data controller" under the Data Protection Act 1998.

To assist in confirming a potential shareholder's identity, the ACD may make searches with credit reference agencies who will supply the ACD with credit information, as well as information from other sources such as the UK electoral register. Any information provided by shareholders will be used to enable the ACD to provide the services as set out in this Prospectus.

The ACD may wish to contact you for market research purposes and to provide you with information about the ACD's products and services from time to time. Shareholders may write to the ACD to request to be removed from the ACD's mailing list, correct their personal data or, upon payment of the appropriate fee, obtain a copy of their personal data held by the ACD.

### 11.14 **Governing law**

The Company, the Instrument, this Prospectus and any matters arising out of or in connection with a shareholder's investment in shares in the Company and the establishment, management and administration of the Company shall be governed by and construed in accordance with the laws of England and Wales. The rights of the shareholders and the construction and effect of the provisions of the Instrument and this Prospectus shall be subject to the exclusive jurisdiction of the courts of England and Wales.

## APPENDIX I

### FUND AND CLASS DETAILS

#### Part 1: Fund Details

Fund Name	VT Morningstar Informed Smartfund Cautious Strategy	VT Morningstar Informed Smartfund Balanced Strategy	VT Morningstar Informed Smartfund Growth Strategy
<b>Type of Fund:</b>	UCITS Scheme		
<b>PRN:</b>	635903	635904	635905
<b>Fund inception Date</b>	14 July 2014	14 July 2014	14 July 2014
<b>Investment objective</b>	To provide relatively stable returns over the medium term with the potential for some long-term capital growth	To provide a balance of income and capital growth over the medium to long term.	To provide long term capital growth with less fluctuations of returns than 'high growth' investment options
<b>Benchmark</b>	The Fund does not have a specific benchmark. However, the performance of the Fund can be assessed by considering whether the objective is achieved (i.e. whether income has been provided and if there is any capital growth over the medium to long term).	The Fund does not have a specific benchmark. However, the performance of the Fund can be assessed by considering whether the objective is achieved (i.e. whether there has been capital growth and income over the long term (5+ years)).	The Fund does not have a specific benchmark. However, the performance of the Fund can be assessed by considering whether the objective is achieved (i.e. whether there has been capital growth over the long term (5+ years)).

<b>Fund Name</b>	<b>VT Morningstar Informed Smartfund Cautious Strategy</b>	<b>VT Morningstar Informed Smartfund Balanced Strategy</b>	<b>VT Morningstar Informed Smartfund Growth Strategy</b>
<b>Risk Profile</b>	Low – Medium	Medium	Medium – High
<b>Eligible markets</b>	London Stock Exchange	London Stock Exchange	London Stock Exchange
<b>Other regular investment dealing arrangements</b>	UK Authorised CISs	UK Authorised CISs	UK and overseas CISs
<b>Can derivatives be used?</b>	Yes, but only for efficient portfolio management (including hedging) purposes. The ACD is not permitted to invest in derivatives for the purposes of meeting the investment objectives of the Sub-Fund.	Yes, but only for efficient portfolio management (including hedging) purposes. The ACD is not permitted to invest in derivatives for the purposes of meeting the investment objectives of the Sub-Fund.	Yes, but only for efficient portfolio management (including hedging) purposes. The ACD is not permitted to invest in derivatives for the purposes of meeting the investment objectives of the Sub-Fund.
<b>Is there a Performance Fee?</b>	No	No	No
<b>Benchmark Index</b>	N/A	N/A	N/A
<b>Can distributions be automatically reinvested?</b>	Yes	Yes	Yes
<b>Is a Regular Savings Plan available?</b>	Yes	Yes	Yes
<b>Dealing Frequency:</b>	Daily on a Dealing Day	Daily on a Dealing Day	Daily on a Dealing Day

## **Part 2: Class Details**

<b>Fund Name</b>	<b>VT Morningstar Informed Smartfund Cautious Strategy</b>	<b>VT Morningstar Informed Smartfund Balanced Strategy</b>	<b>VT Morningstar Informed Smartfund Growth Strategy</b>
<b>Type of Shares offered</b>	Income (all classes) Accumulation (Z class only)	Income (all classes) Accumulation (Z class only)	Income (all classes) Accumulation (Z class only)
<b>Minimum Fund Investment &amp; Holding</b>	£3,000	£3,000	£3,000
<b>Minimum withdrawal</b>	£1,000	£1,000	£1,000
<b>Minimum additional deposits</b>	£500 (£350 for regular contributions)	£500 (£350 for regular contributions)	£500 (£350 for regular contributions)
<b>Annual Management Charge</b>	F Class: 0.35% Z Class: 0.5%	F Class: 0.35% Z Class: 0.5%	F Class: 0.35% Z Class: 0.5%
<b>Initial Charge</b>	F Class: Nil Z Class: Nil	F Class: Nil Z Class: Nil	F Class: Nil Z Class: Nil

**Limited availability of F Class:**

Please note that F Class Shares are only available on the Praemium platform and must continue to be held on such platform (subject to your ability to convert such shares to another share class).

## **VT Morningstar Informed Smartfund Cautious Strategy**

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### **Investment Objective**

To provide relatively stable returns over the medium term with the potential for some long-term capital growth.

### **Investment Policy**

The Fund will seek to achieve its investment objective through investing in a diversified portfolio of collective investment schemes and other permitted investments that have a similarly diversified character such as investment companies and exchange traded funds (ETFs).

The portfolio will be comprised predominantly of cash and near cash, fixed interest securities and equity funds.

The ACD will use an asset allocation model to identify the mix of asset classes most appropriate to achieve the investment objective of this Fund, consistent with a low to medium risk profile. The ACD will select a range of investments that are suitable to achieve the asset mix recommended.

In order to provide diversification, the portfolio will typically be allocated across funds managed by a number of leading investment managers. While the ACD expects that the Fund's portfolio will be invested largely in other collective investment schemes, the Fund may also invest in other transferable securities, money market instruments, cash and near cash and deposits where appropriate to achieve its investment objective. The ACD may also utilise derivatives for the purposes of efficient portfolio management. Use may also be made of stock lending, borrowing and other investment techniques of efficient portfolio management. Investments in global shares and collective investment schemes will not be hedged back to the pound sterling (£).

The ACD must ensure that the Fund maintains sufficient cash for the purposes of maintaining liquidity. This portion of the Fund's assets must be represented by cash or similarly liquid assets (which may include money market instruments, deposits or units in collective investment schemes) at all times.

The Fund's portfolio and mix of asset classes will be rebalanced from time to time at the absolute discretion of the ACD, not less than once each calendar quarter.

### **Historic Performance Data**

This performance information is for Class Z shares and is net of tax and charges (subscription and redemption fees) but does not include the effect of any preliminary charge that may be paid on the purchase of an investment. Please note that all performance information is at 31 December 2017. For more up-to-date performance information, please contact the ACD.

<b>2015</b>	<b>2016</b>	<b>2017</b>
1.04%	8.19%	2.58%

**NOTE: PAST PERFORMANCE SHOULD NOT BE TAKEN AS A GUIDE TO THE FUTURE. THE VALUE OF INVESTMENTS AND INCOME FROM THEM CAN GO DOWN AS WELL AS UP AND INVESTORS MAY NOT GET BACK THE AMOUNT ORIGINALLY INVESTED.**

## **Target Market for MiFID II:**

**Type of clients:** retail, professional clients and eligible counterparties (subject to the applicable legal and regulatory requirements in the relevant jurisdiction).

**Clients' knowledge and experience:** investors with at least basic knowledge and experience of funds which are to be managed in accordance with a specific investment objective and policy.

**Clients' financial situation with a focus on ability to bear losses:** Investors must be prepared to accept fluctuations in the value of capital including capital loss and accept the risks of investing in equity markets, including having the ability to bear 100% capital loss.

**Clients' risk tolerance and compatibility of risk/reward profile of the product with the target market:** due to the volatility of markets and specific risks of investing in shares in a fund (including those set out in the risk warnings in this Prospectus), investors should have a moderate risk tolerance. They should be willing to accept price fluctuations in exchange for the opportunity of higher returns.

**Clients' objectives and needs:** investors should be seeking to invest for the medium to long term who wish to gain access to a portfolio managed in accordance with the specific investment objective and policy of the Sub-fund.

**Clients' who should not invest:** shares in the Company is deemed incompatible for investors which:

- are looking for full capital protection or full repayment of the amount invested and clients who want a guaranteed return (whether income or capital)
- are fully risk averse/have no risk tolerance
- need a fully guaranteed income of fully predictable return profile

**Distribution channel:** This product is eligible for all distribution channels (e.g. investment advice, portfolio management, non-advised sales and pure execution services)

## **VT Morningstar Informed Smartfund Balanced Strategy**

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### **Investment Objective**

To provide a balance of income and capital growth over the medium to long term.

### **Investment Policy**

The Fund will seek to achieve its investment objective through investing in a diversified portfolio of collective investment schemes and other permitted investments that have a similarly diversified character such as investment companies and exchange traded funds (ETFs).

The portfolio will be comprised predominantly of cash and near cash, fixed interest securities and equity funds.

The allocation of the portfolio will be approximately balanced between, on the one hand, collective investment schemes investing in growth assets (such as shares) to provide the potential for capital growth and, on the other, collective investment schemes investing in defensive assets (such as fixed interest securities and cash).

The ACD will use an asset allocation model to identify the mix of asset classes most appropriate to achieve the investment objective of this Fund, consistent with a medium risk profile. The ACD will select a range of investments that are suitable to achieve the asset mix recommended.

In order to provide diversification, the portfolio will typically be allocated across funds managed by a number of leading investment managers. While the ACD expects that the Fund's portfolio will be invested largely in other collective investment schemes, the Fund may also invest in other transferable securities, money market instruments, cash and near cash and deposits where appropriate to achieve its investment objective. The ACD may also utilise derivatives for the purposes of efficient portfolio management. Use may also be made of stock lending, borrowing and other investment techniques of efficient portfolio management. Investments in global shares and collective investment schemes will not be hedged back to the pound sterling (£).

The ACD must ensure that the Fund maintains sufficient cash for the purposes of maintaining liquidity. This portion of the Fund's assets must be represented by cash or similarly liquid assets (which may include money market instruments, deposits or units in collective investment schemes) at all times.

The Fund's portfolio and mix of asset classes will be rebalanced from time to time at the absolute discretion of the ACD not less than once each calendar quarter.

### **Historic Performance Data:**

This performance information is for Class Z shares and is net of tax and charges (subscription and redemption fees) but does not include the effect of any preliminary charge that may be paid on the purchase of an investment. Please note that all performance information is at 31 December 2017. For more up-to-date performance information, please contact the ACD.

<b>2015</b>	<b>2016</b>	<b>2017</b>
1.44%	11.56%	4.90%

**NOTE: PAST PERFORMANCE SHOULD NOT BE TAKEN AS A GUIDE TO THE FUTURE. THE VALUE OF INVESTMENTS AND INCOME FROM THEM CAN GO DOWN AS WELL**

**AS UP AND INVESTORS MAY NOT GET BACK THE AMOUNT ORIGINALLY INVESTED.**

**Target Market for MiFID II:**

**Type of clients:** retail, professional clients and eligible counterparties (subject to the applicable legal and regulatory requirements in the relevant jurisdiction).

**Clients' knowledge and experience:** investors with at least basic knowledge and experience of funds which are to be managed in accordance with a specific investment objective and policy.

**Clients' financial situation with a focus on ability to bear losses:** Investors must be prepared to accept fluctuations in the value of capital including capital loss and accept the risks of investing in equity markets, including having the ability to bear 100% capital loss.

**Clients' risk tolerance and compatibility of risk/reward profile of the product with the target market:** due to the volatility of markets and specific risks of investing in shares in a fund (including those set out in the risk warnings in this Prospectus), investors should have a moderate risk tolerance. They should be willing to accept price fluctuations in exchange for the opportunity of higher returns.

**Clients' objectives and needs:** investors should be seeking to invest for the medium to long term who wish to gain access to a portfolio managed in accordance with the specific investment objective and policy of the Sub-fund.

**Clients' who should not invest:** shares in the Company is deemed incompatible for investors which:

- are looking for full capital protection or full repayment of the amount invested and clients who want a guaranteed return (whether income or capital)
- are fully risk averse/have no risk tolerance
- need a fully guaranteed income of fully predictable return profile

**Distribution channel:** This product is eligible for all distribution channels (e.g. investment advice, portfolio management, non-advised sales and pure execution services)

## **VT Morningstar Informed Smartfund Growth Strategy**

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### **Investment Objective**

To provide long term capital growth with less fluctuation of returns than “high growth” investment options.

### **Investment Policy**

The Fund will seek to achieve its investment objective through investing in a diversified portfolio of collective investment schemes and other permitted investments that have a similarly diversified character such as investment companies and exchange traded funds (ETFs).

The investments will be selected to achieve a mix of growth and defensive assets. A greater proportion of the portfolio will be allocated to collective investment schemes investing in growth assets (such as shares and infrastructure securities) to provide the potential for capital growth, than to collective investment schemes investing in defensive assets (such as fixed interest and cash).

The ACD will use an asset allocation model to identify the mix of asset classes most appropriate to achieve the investment objective of this Fund, consistent with a medium to high risk profile. The ACD will select a range of investments that are suitable to achieve the asset mix recommended.

In order to provide diversification, the portfolio will typically be allocated across funds managed by a number of leading investment managers. While the ACD expects that the Fund's portfolio will be invested largely in other collective investment schemes, the Fund may also invest in other transferable securities, money market instruments, cash and near cash and deposits where appropriate to achieve its investment objective. The ACD may also utilise derivatives for the purposes of efficient portfolio management. Use may also be made of stock lending, borrowing and other investment techniques of efficient portfolio management. Investments in global shares and collective investment schemes will not be hedged back to the pound sterling (£).

The ACD must ensure that the Fund maintains sufficient cash for the purposes of maintaining liquidity. This portion of the Fund's assets must be represented by cash or similarly liquid assets (which may include money market instruments, deposits or units in collective investment schemes) at all times.

The Fund's portfolio and mix of asset classes will be rebalanced from time to time at the absolute discretion of the ACD, not less than once each calendar quarter.

### **Historic Performance Data:**

This performance information is for Class Z shares and is net of tax and charges (subscription and redemption fees) but does not include the effect of any preliminary charge that may be paid on the purchase of an investment. Please note that all performance information is at 31 December 2017. For more up-to-date performance information, please contact the ACD.

<b>2015</b>	<b>2016</b>	<b>2017</b>
2.19%	13.23%	7.93%

**NOTE: PAST PERFORMANCE SHOULD NOT BE TAKEN AS A GUIDE TO THE FUTURE. THE VALUE OF INVESTMENTS AND INCOME FROM THEM CAN GO DOWN AS WELL AS UP AND INVESTORS MAY NOT GET BACK THE AMOUNT ORIGINALLY INVESTED.**

**Target Market for MiFID II:**

**Type of clients:** retail, professional clients and eligible counterparties (subject to the applicable legal and regulatory requirements in the relevant jurisdiction).

**Clients' knowledge and experience:** investors with at least basic knowledge and experience of funds which are to be managed in accordance with a specific investment objective and policy.

**Clients' financial situation with a focus on ability to bear losses:** Investors must be prepared to accept fluctuations in the value of capital including capital loss and accept the risks of investing in equity markets, including having the ability to bear 100% capital loss.

**Clients' risk tolerance and compatibility of risk/reward profile of the product with the target market:** due to the volatility of markets and specific risks of investing in shares in a fund (including those set out in the risk warnings in this Prospectus), investors should have a moderate risk tolerance. They should be willing to accept price fluctuations in exchange for the opportunity of higher returns.

**Clients' objectives and needs:** investors should be seeking to invest for the medium to long term who wish to gain access to a portfolio managed in accordance with the specific investment objective and policy of the Sub-fund.

**Clients' who should not invest:** shares in the Company is deemed incompatible for investors which:

- are looking for full capital protection or full repayment of the amount invested and clients who want a guaranteed return (whether income or capital)
- are fully risk averse/have no risk tolerance
- need a fully guaranteed income of fully predictable return profile

**Distribution channel:** This product is eligible for all distribution channels (e.g. investment advice, portfolio management, non-advised sales and pure execution services)

## **2. Investor Profiles**

All funds target retail investors with at least a 3-5 year investment horizon and who are advised by professional financial advisers. Collectively, the funds provide a range suited to investors with varying appetite for risk/volatility (see SRI values).

## APPENDIX II

### PART I - ELIGIBLE SECURITIES MARKETS AND ELIGIBLE DERIVATIVES MARKETS

1. Eligible securities and derivatives markets are eligible for the purposes of the rules if they are listed below or a regulated market (as defined in the Regulations) or a market in an European Economic Area (EEA) state which is regulated, operates regularly and is open to the public or, following consultation with and notification to the Depositary, the ACD decides that market is appropriate for investment of or dealing in Scheme Property, it is included in a list in the prospectus and the Depositary has taken reasonable care to determine that adequate custody arrangements can be provided for the investment dealt in on that market and all reasonable steps have been taken by the ACD in deciding whether that market is eligible.

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

#### Eligible Securities Markets:

United States of America	NYSE Euronext New York The NASDAQ Stock Market (NASDAQ) NYSE Amex Equities The market in transferable securities issued by or on behalf of the United States of America conducted through those persons for the time being recognised and supervised by the Federal Reserve Bank of New York and known as primary dealers
Australia	Australian Securities Exchange (ASX)
Canada	Toronto Stock Exchange (TSX) TSX Venture Exchange
Hong Kong	Hong Kong Stock Exchange
India	National Stock Exchange of India (NSE)
Indonesia	Indonesian Stock Exchange
Japan	Tokyo Stock Exchange Nagoya Stock Exchange
Korea	Korea Exchange (KRX)
Malaysia	Bursa Malaysia Securities Bhd
Mexico	Bolsa Mexicana de Valores (BMV)
New Zealand	New Zealand Stock Exchange (NZX)

Philippines	Philippine Stock Exchange
Singapore	Singapore Exchange (SGX)
South Africa	JSE Limited
Switzerland	SIX Swiss Exchange (SWX)
Taiwan	Taiwan Stock Exchange
Thailand	The Stock Exchange of Thailand (SET)

**Eligible Derivatives Markets:**

United Kingdom	The London International Financial Futures and Options Exchange  (NYSE LIFFE)
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2. The Company does not currently intend to use Scheme Property to invest in derivatives and forward transactions under the COLL Sourcebook, other than for the purposes of efficient portfolio management techniques.

**PART II – List of Sub-custodians (as at the date of this Prospectus)**

<b>MARKET</b>	<b>SUBCUSTODIAN</b>
Argentina	Citibank N.A.
Australia	HSBC Bank Australia Limited
Austria	UniCredit Bank Austria AG
Bahrain	HSBC Bank Middle East Limited
Bangladesh	Standard Chartered Bank
Belgium	BNPParibas Belgium
Bermuda	HSBC Securities Services
Bosnia & Herzegovina	Hub through UniCredit Bank Austria
Botswana	Standard Chartered Bank Botswana Ltd
Brazil	BNP Paribas Securities Services
Bulgaria	UniCredit Bulbank AD
Canada	Royal Bank of Canada
Chile	Banco de Chile (Citibank N.A.)
China B Shares(Shanghai)	HSBC Bank (China) Company Limited
China B Shares(Shenzhen)	HSBC Bank (China) Company Limited
China A Shares	HSBC Bank (China) Company Limited
Colombia	Cititrust Colombia S.A.
Croatia	UniCredit Bank Austria AG
Cyprus	HSBC Bank plc
Czech Republic	UniCredit Bank Czech Republic and Slovakia, a.s
Denmark	Danske Bank A/S
Egypt	Citibank N.A. Egypt
Estonia	Swedbank
Finland	Nordea Bank AB (publ)
France	Deutsche Bank A.G.
Germany	Deutsche Bank A.G.
Ghana	Standard Chartered Bank Ghana Ltd.
Greece	HSBC Bank Plc Greece
Hong Kong	Standard Chartered Bank (Hong Kong) Limited Hong Kong Connect: Citibank, N.A., Hong Kong Branch
Hungary	UniCredit Bank Hungary Zrt.
Iceland(suspended market)	Islandsbanki hf

ICSD	Euroclear
India	The Hongkong and Shanghai Banking Corporation Limited
Indonesia	Standard Chartered Bank
Ireland	RBC Investor Services Trust
Israel	Citibank N.A. Tel Aviv Branch
Italy	BNP Paribas Securities Services
Japan	Citibank N.A., Tokyo Branch
Jordan	Standard Chartered Bank, Jordan Branch
Kazakhstan	JSC Citibank Kazakhstan
Kenya	Standard Chartered Bank Kenya
Kuwait	HSBC Bank Middle East Limited
Latvia	Swedbank AS
Lithuania	Swedbank AS
Luxembourg	Euroclear Bank
Malaysia	Standard Chartered Bank Malaysia Berhad
Mauritius	The Hongkong and Shanghai Banking Corporation Limited
Mexico	Citibanamex
Morocco	Société Générale Marocaine de Banques
Namibia	Standard Bank of South Africa
Nasdaq Dubai Ltd	HSBC Bank Middle East Limited
Netherlands	BNP Paribas Securities Services
New Zealand	The Hongkong and Shanghai Banking Corporation Limited
Nigeria	Citibank Nigeria Limited
Norway	DNB Bank ASA
Oman	HSBC Bank Oman S.A.O.G.
Pakistan	Deutsche Bank A.G.
Peru	Citibank del Perú S.A.
Philippines	Standard Chartered Bank
Poland	Bank Polska Kasa Opieki S.A.
Portugal	BNP Paribas Securities Services
Qatar	HSBC Bank Middle East Limited
Romania	BRD -Groupe Societe Generale
Russia	Societe Generale, Rosbank
Saudi Arabia	HSBC Saudi Arabia
Serbia	Hub through UniCredit Bank Austria AG
Singapore	DBS Bank Ltd
Slovak Republic	UniCredit Bank Czech Republic and Slovakia, a.s.
Slovenia	Hub through UniCredit Bank Austria AG
South Africa	Société Générale
South Korea	The Hong Kong and Shanghai Banking Corporation Limited
Spain	Banco Inversis S.A.
Sri Lanka	The Hongkong and Shanghai Banking Corporation Limited
Sweden	Skandinaviska Enskilda Banken AB (publ)
Switzerland	Credit Suisse AG
Taiwan	HSBC Bank (Taiwan) Limited
Thailand	Standard Chartered Bank (Thai) Pcl
Tunisia	Societe Generale Securities Service UIB Tunisia
Turkey	Citibank A.S.
UAE -Abu Dhabi	HSBC Bank Middle East Limited
UAE -Dubai	HSBC Bank Middle East Limited
UK	RBC Investor Services Trust
Ukraine	PJSC Citibank
Uruguay	Banco Itaú Uruguay S.A.
USA	The Bank of New York Mellon
Vietnam	HSBC Bank (Vietnam) Ltd
Zambia	Standard Chartered Bank Zambia PLC

## **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 UCITS 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 ACD or, where appropriate, the Investment Adviser 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.

##### **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.

### 1.3 **Transferable securities**

- 1.3.1 A transferable security is an investment falling within article 76 (Shares etc), article 77 (instruments creating or acknowledging indebtedness), article 77A (alternative debentures) 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.
- 1.3.2 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.
- 1.3.3 In applying paragraph 1.3.2 of this Appendix to an investment which is issued by a body corporate, and which is an investment falling within articles 76 (shares, etc), 77 (instruments creating or acknowledging indebtedness) or article 77A (alternative debentures) 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.
- 1.3.4 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.
- 1.3.5 A Fund may invest in a transferable security only to the extent that the transferable security fulfils the following criteria:
  - 1.3.5.1 the potential loss which the Fund may incur with respect to holding the transferable security is limited to the amount paid for it;
  - 1.3.5.2 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;
  - 1.3.5.3 reliable valuation is available for it as follows:
    - (a) 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;
    - (b) 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;
  - 1.3.5.4 appropriate information is available for it as follows:
    - (a) 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;
  - (b) 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;
- 1.3.5.5 it is negotiable; and
- 1.3.5.6 its risks are adequately captured by the risk management process of the ACD.
- 1.3.6 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:
  - 1.3.6.1 not to compromise the ability of the ACD to comply with its obligation to redeem Shares at the request of any qualifying Shareholder; and
  - 1.3.6.2 to be negotiable.
- 1.3.7 Up to 5% of the Scheme Property of a Fund may be invested in warrants.
- 1.3.8 A unit or share in a closed end fund shall be taken to be a transferable security for the purposes of investment by a Fund, provided it fulfils the criteria for transferable securities set out in paragraph 1.3.5 above and either:
  - 1.3.8.1 where the closed end fund is constituted as an investment company or a unit trust:
    - (a) it is subject to corporate governance mechanisms applied to companies; and
    - (b) where another person carries out asset management activity on its behalf, that person is subject to national regulation for the purpose of investor protection; or
  - 1.3.8.2 where the closed end fund is constituted under the law of contract:
    - (a) it is subject to corporate governance mechanisms equivalent to those applied to companies; and
    - (b) it is managed by a person who is subject to national regulation for the purpose of investor protection.
- 1.3.9 A Fund may invest in any other investment which shall be taken to be a transferable security for the purposes of investment by a Fund provided the investment:
  - 1.3.9.1 fulfils the criteria for transferable securities set out in 1.3.5 above; and

- 1.3.9.2 is backed by or linked to the performance of other assets, which may differ from those in which a Fund can invest.
  - 1.3.10 Where an investment in contains an embedded derivative component the requirements of this Section with respect to derivatives and forwards will apply to that component.
2. **UCITS schemes - general**
- 2.1 Subject to the investment objectives 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 approved money market instruments;
    - 2.1.3 permitted units or shares in permitted collective investment schemes;
    - 2.1.4 permitted derivatives and forward transactions;
    - 2.1.5 permitted deposits; and
    - 2.1.6 moveable and immoveable property that is essential for the direct pursuit of the Company's business in accordance with COLL 5.
  - 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; or
    - 2.2.2 dealt in on a market in an EEA State which is regulated, operates regularly and is open to the public; or
    - 2.2.3 admitted to or dealt in on an eligible market which has been designated an eligible market by the ACD in consultation with the Depositary (as described below); or
    - 2.2.4 a money-market instrument within COLL 5.2.10 AR(1) (is as described in paragraph 8.5 of investment in approved Money Market Instruments" below); or
    - 2.2.5 recently issued transferable securities provided that:
      - 2.2.5.1 the terms of issue include an undertaking that application will be made to be admitted to an eligible market; and
      - 2.2.5.2 such admission is secured within a year of issue.
  - 2.3 Not more than 10% in value of the Scheme Property of a Fund may consist of transferable securities, which do not fall within paragraph 2.2 or of approved money market instruments, which do not fall within COLL 5.2.10 AR(1) (i.e. as described in paragraph 9.5 of investment in approved Money Market Instruments" below).
  - 2.4 The requirements on spread of investments generally and in relation to investment in government and public securities do not apply during any

period in which it is not reasonably practical to comply, provided that the requirement to maintain prudent spread of risk in paragraph 1.1 of this Appendix is complied with.

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

- 3.1 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.
- 3.2 Where a market ceases to be eligible, investments on that market cease to be approved securities. The 10% restriction on investing in non-approved securities applies and exceeding this limit because a market ceases to be eligible will generally be regarded as an inadvertent breach.
- 3.3 A market is eligible for the purposes of the rules if it is:
  - 3.3.1 a regulated market as defined in the FCA Handbook; or
  - 3.3.2 a market in an EEA State which is regulated, operates regularly and is open to the public.
- 3.4 A market not falling within paragraph 3.3 of this Appendix is eligible for the purposes of COLL 5 if:
  - 3.4.1 the ACD, after consultation and notification with the Depositary, decides that market is appropriate for investment of, or dealing in, the Scheme Property of a Fund;
  - 3.4.2 the market is included in a list in the Prospectus; and
  - 3.4.3 the Depositary has taken reasonable care to determine that:
    - 3.4.3.1 adequate custody arrangements can be provided for the investment dealt in on that market; and
    - 3.4.3.2 all reasonable steps have been taken by the ACD in deciding whether that market is eligible.
- 3.5 In paragraph 3.4, a market must not be considered appropriate unless it is regulated, operates regularly, is recognised as a market or exchange or as a self-regulating organisation by an overseas regulator, is open to the public, is adequately liquid and has adequate arrangements for unimpeded transmission of income and capital to or for the order of investors.

### 4. **Spread: general**

- 4.1 This rule on spread does not apply to government and public securities.
- 4.2 For the purposes of this requirement companies included in the same group for the purposes of consolidated accounts as defined in accordance with Directive 83/349/EEC or in the same group in accordance with international accounting standards are regarded as a single body.
- 4.3 Not more than 20% in the value of the Scheme Property of a Fund is to consist of deposits with a single body.

- 4.4 Not more than 5% in value of the Scheme Property of a Fund is to consist of transferable securities (or certificates representing such securities) or approved money market instruments issued by any single body, except that the limit of 5% is raised to 10% in respect of up to 40% in value of the Scheme Property of a Fund (covered bonds need not be taken into account for the purposes of applying the limit of 40%).
- 4.5 The limit of 5% is raised to 25% in value of the Scheme Property of a Fund in respect of covered bonds provided that when a Fund invests more than 5% in covered bonds issued by a single body, the total value of covered bonds held must not exceed 80% in value of the Scheme Property.
- 4.6 The exposure to any one counterparty in an OTC derivative transaction must not exceed 5% in value of the Scheme Property of a Fund. This limit is raised to 10% where the counterparty is an Approved Bank.
- 4.7 Not more than 20% in value of the Scheme Property is to consist of the units or shares of any one collective investment scheme.
- 4.8 Not more than 20% in value of the Scheme Property may consist of transferable securities and approved money market instruments issued by the same group.
- 4.9 In applying the limits in paragraphs 4.3, 4.4 and 4.6 and subject to paragraph 4.5 not more than 20% in value of the Scheme Property of a Fund is to consist of any combination of two or more of the following:
- transferable securities (including covered bonds) or approved money market instruments issued by; or
  - deposits made with; or
  - exposures from OTC derivatives transactions made with,
- a single body.

## 5. **Counterparty risk and issuer concentration**

- 5.1 The ACD must ensure that counterparty risk arising from an OTC derivative is subject to the limits set out in paragraphs 4.6 and 4.9 above.
- 5.2 When calculating the exposure of a Fund to a counterparty in accordance with the limits in paragraph 4.6 the ACD must use the positive mark-to-market value of the OTC derivative contract with that counterparty.
- 5.3 An ACD may net the OTC derivative positions of a Fund with the same counterparty, provided they are able legally to enforce netting agreements with the counterparty on behalf of the Fund.
- 5.4 The netting agreements in paragraph 5.3 are permissible only with respect to OTC derivatives with the same counterparty and not in relation to any other exposures the Fund may have with that same counterparty.
- 5.5 The ACD may reduce the exposure of Scheme Property to a counterparty of an OTC derivative through the receipt of collateral. Collateral received must be sufficiently liquid so that it can be sold quickly at a price that is close to its pre-sale valuation.

- 5.6 The ACD must take collateral into account in calculating exposure to counterparty risk in accordance with the limits in paragraph 4.6 when it passes collateral to an OTC counterparty on behalf of a Fund.
- 5.7 Collateral passed in accordance with paragraph 5.6 may be taken into account on a net basis only if the ACD is able legally to enforce netting arrangements with this counterparty on behalf of that Fund.
- 5.8 The ACD must calculate the issuer concentration limits referred to in paragraph 4.9 on the basis of the underlying exposure created through the use of OTC derivatives pursuant to the commitment approach.
- 5.9 In relation to the exposure arising from OTC derivatives as referred to in paragraph 4.9, the ACD must include any exposure to OTC derivative counterparty risk in the calculation.

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

- 6.1 The following section applies in respect of a transferable security or an approved money-market instrument ("such securities") that is issued by:
  - (a) an EEA state;
  - (b) a local authority of an EEA state;
  - (c) a non-EEA state; or
  - (d) a public international body to which one or more EEA states belong.
- 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 FCA have been made.

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

- 7.1 Up to 100% of the value of the Scheme Property may be invested in units or shares in other collective investment schemes ("Second Scheme"), including schemes managed by either the ACD or the Investment Adviser or one of its

associates, provided that Second Scheme satisfies all of the following conditions and no more than 30% of the value of the Scheme Property is invested in Second Schemes within paragraph 7.1.1.2 to 7.1.1.5.

- 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 recognised under the provisions of s.272 of the Financial Services and Markets Act 2000 (subject to conditions); or
  - 7.1.1.3 be authorised as a non-UCITS retail scheme (provided that the requirements of Article 50(1)(e) of the UCITS Directive are met); or
  - 7.1.1.4 be authorised in another EEA State provided the requirements of Article 50(1)(e) of the UCITS Directive are met; or
  - 7.1.1.5 be authorised by the competent authority of an OECD member country (other than another EEA State) which has:
    - (a) signed the IOSCO Multilateral Memorandum of Understanding; and
    - (b) approved the Second Scheme's management company, rules and depositary/custody arrangements;(provided the requirements of article 50(1)(e) of the UCITS Directive are met).
- 7.1.2 In relation to the schemes mentioned at paragraphs 7.1.1.3 to 6.1.1.5 above, the requirements of Article 50(1)(e) of the UCITS Directive are that:
- 7.1.2.1 the scheme is authorised under laws which provide that it is subject to supervision considered by UCITS competent authorities to be equivalent to that laid down in community law and that co-operation between authorities is sufficiently assured;
  - 7.1.2.2 the level of protection for unitholders in the scheme is equivalent to that provided for unitholders in UCITS schemes and, in particular, the rules on asset segregation, borrowing, lending and uncovered sales of transferable securities and money market instruments are equivalent to the requirements of the UCITS Directive;
  - 7.1.2.3 the business of the scheme is reported in half-yearly and annual reports to enable an assessment to be made of the assets and liabilities income and operations over the reporting period;

- 7.1.2.4 no more than 10% in value of the scheme asset's, whose acquisition is contemplated, can, according to its funds rules or instrument of incorporation, be invested in aggregate units of other UCITS or other collective investment undertakings.
  - 7.1.3 Any scheme in which a Fund invests must have terms which prohibit more than 10% in value of the scheme property consisting of units in collective investment schemes.
  - 7.1.4 Investment may only be made in other collective investment schemes managed by the ACD or an associate of the ACD if the Prospectus of the investing Fund clearly states that it may enter into such investments and the rules on double charging contained in the COLL Sourcebook are complied with.
  - 7.1.5 Where the Second Scheme is an umbrella, the provisions in paragraphs 7.1.3 to 7.1.4 apply to each sub-fund as if it were a separate scheme.
- 7.2 The Scheme Property attributable to a Fund may include Shares in another Fund of the Company (the "Second Fund") subject to the requirements of paragraph 7.3 below.
- 7.3 A Fund may invest in or dispose of Shares of a "Second Fund" provided that:-
- 7.3.1 the Second Fund does not hold Shares in any other Fund of the Company;
  - 7.3.2 the requirements set out at paragraphs 7.5 and 7.6 below are complied with; and
  - 7.3.3 not more than 35% in value of the Scheme Property of the investing or disposing Fund is to consist of Shares in the Second Fund.
- 7.4 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.
- 7.5 Investment may only be made in a Second Fund or other collective investment schemes managed or operated by, or whose authorised corporate director is, the ACD of the Funds or one of its associates if the rules on double charging contained in the COLL Sourcebook are complied with,
- 7.6 If a substantial proportion of a Fund's assets are invested in other collective investment schemes including schemes managed by either the ACD, or where appropriate, the Investment Adviser or one of its associates, the maximum level of management fees that may be charged by an investee collective investment scheme to the Fund concerned will be 3%.

## 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 approved money market instruments**

- 9.1 A Fund may invest in approved money market instruments which are money market instruments normally dealt in on the money market, are liquid and whose value can be accurately determined at any time.
- 9.2 A money-market instrument shall be regarded as normally dealt in on the money market if it:
- (a) has a maturity at issuance of up to and including 397 days;
  - (b) has a residual maturity of up to and including 397 days;
  - (c) undergoes regular yield adjustments in line with money market conditions at least every 397 days; or
  - (d) has a risk profile, including credit and interest rate risks, corresponding to that of an instrument which has a maturity as set out in 9.2(a) or 9.2(b) or is subject to yield adjustments as set out in 9.2(c).
- 9.3 A money-market instrument shall be regarded as liquid if it can be sold at limited cost in an adequately short time frame, taking into account the obligation of the ACD to redeem Shares at the request of any qualifying Shareholder.
- 9.4 A money-market instrument shall be regarded as having a value which can be accurately determined at any time if accurate and reliable valuations systems, which fulfil the following criteria, are available:
- (a) enabling the ACD to calculate a net asset value in accordance with the value at which the instrument held in the Fund could be exchanged between knowledgeable willing parties in an arm's length transaction; and
  - (b) based either on market data or on valuation models including systems based on amortised costs.
  - (c) A money-market instrument that is normally dealt in on the money market and is admitted to or dealt in on an eligible market shall be presumed to be liquid and have a value which can be accurately determined at any time unless there is information available to the ACD that would lead to a different determination.
- 9.5 In addition to instruments admitted to or dealt in on an eligible market, a Fund may invest in an approved money-market instrument provided it fulfils the following requirements:
- (a) the issue or the issuer is regulated for the purpose of protecting investors and savings; and
  - (b) the instrument is issued or guaranteed in accordance with paragraph 9.7 below.

- 9.6 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:
- (a) the instrument is an approved money-market instrument;
  - (b) 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 paragraphs 9.9, 9.10 and 9.11 below; and
  - (c) the instrument is freely transferable.
- 9.7 A Fund may invest in an approved money-market instrument if it is:
- (a) issued or guaranteed by any one of the following:
    - (i) a central authority of an EEA State or, if the EEA State is a federal state, one of the members making up the federation;
    - (ii) a regional or local authority of an EEA State;
    - (iii) the European Central Bank or a central bank of an EEA State;
    - (iv) the European Union or the European Investment Bank;
    - (v) a non-EEA State or, in the case of a federal state, one of the members making up the federation;
    - (vi) a public international body to which one or more EEA States belong; or
  - (b) issued by a body, any securities of which are dealt in on an eligible market; or
  - (c) issued or guaranteed by an establishment which is:
    - (i) subject to prudential supervision in accordance with criteria defined by European Community law; or
    - (ii) subject to and complies with prudential rules considered by the FCA to be at least as stringent as those laid down by European Community law.
- 9.8 An establishment shall be considered to satisfy the requirement in paragraph 9.7 C(ii) if it is subject to and complies with prudential rules, and fulfils one or more of the following criteria:
- (a) it is located in the European Economic Area;
  - (b) it is located in an OECD country belonging to the Group of Ten;
  - (c) it has at least investment grade rating;
  - (d) on the basis of an in-depth analysis of the issuer, it can be demonstrated that the prudential rules applicable to that issuer are at least as stringent as those laid down by European Community law.

- 9.9 In the case of an approved money-market instrument within paragraphs 9.7 and 9.8 above or issued by a body of the type referred to in COLL 5.2.10EG, or which is issued by an authority within paragraph 9.7(a)(ii) or a public international body within paragraph 9.7(a)(vi)(a) but is not guaranteed by a central authority within 9.7(a)(i), the following information must be available:
- (a) information on both the issue or the issuance programme, and the legal and financial situation of the issuer prior to the issue of the instrument, verified by appropriately qualified third parties not subject to instructions from the issuer;
  - (b) updates of that information on a regular basis and whenever a significant event occurs; and
  - (c) available and reliable statistics on the issue or the issuance programme.
- 9.10 In the case of an approved money-market instrument issued or guaranteed by an establishment within paragraph 9.7(c), the following information must be available:
- (a) information on the issue or the issuance programme or on the legal and financial situation of the issuer prior to the issue of the instrument;
  - (b) updates of that information on a regular basis and whenever a significant event occurs; and
  - (c) available and reliable statistics on the issue or the issuance programme, or other data enabling an appropriate assessment of the credit risks related to investment in those instruments.
- 9.11 In the case of an approved money-market instrument:
- (a) within paragraphs 9.7(a)(i), 9.7(a)(iv) or 9.7(a)(v); or
  - (b) which is issued by an authority within paragraph 9.7(a)(ii) or a public international body within paragraph 9.7(a)(vi) and is guaranteed by a central authority within paragraph 9.7(a)(i);
  - (c) information must be available on the issue or the issuance programme, or on the legal and financial situation of the issuer prior to the issue of the instrument.

## 10. **Efficient Portfolio Management (EPM)**

- 10.1 The Funds may utilise property to enter into transactions for the purposes of Efficient Portfolio Management ("EPM"). 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:

10.2.2.1 pricing imperfections in the market as regards the property which the Fund holds or may hold; or

10.2.2.2 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

10.2.2.3 Stock lending arrangements.

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

10.3 Transactions may take the form of “derivatives transactions” (that is, transactions in options, futures or contracts for differences) or forward currency transactions. A derivatives transaction must either be in a derivative which is traded or dealt in on an eligible derivatives market (and effected in accordance with the rules of that market), or be an off-exchange derivative which complies with the relevant conditions set out in the FCA 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 FCA Rules. A permitted transaction may at any time be closed out.

## 11. Derivatives and forward transactions

**The ACD does not currently intend to use the property of any fund to invest in derivatives and forward transactions under the COLL sourcebook, other than for the purposes of efficient portfolio management (including hedging) as laid out in paragraph 10 of this Appendix.**

## 12. Risk management

12.1 The ACD uses a risk management process (including a risk management policy) in accordance with COLL 6.12, enabling it to monitor and measure at any time the risk of a Fund’s positions and their contribution to the overall risk profile of the Fund. Before using the process, the ACD will notify the FCA of the details of the risk management process. The following details of the risk management process must be regularly notified to the FCA and at least on an annual basis:

- 12.1.1 a true and fair view of the types of derivatives and forward transactions to be used within a Fund together with their underlying risks and any relevant quantitative limits.
- 12.1.2 the methods for estimating risks in derivative and forward transactions.
- 12.2 The ACD must notify the FCA in advance of any material alteration to the details above.
- 13. **Investments in deposits**
  - 13.1 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.
- 14. **Stock lending**
  - 14.1 The entry into stock lending or repo transactions 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.
  - 14.2 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.
  - 14.3 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.
  - 14.4 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:
    - 14.4.1 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;
    - 14.4.2 the counterparty is:
      - 14.4.2.1 an authorised person; or
      - 14.4.2.2 a person authorised by a Home State regulator; or
      - 14.4.2.3 a person registered as a broker-dealer with the Securities and Exchange Commission of the United States of America; or

- 14.4.2.4 a bank, or a branch of a bank, supervised and authorised to deal in investments as principal, with respect to OTC derivatives by at least one of the following federal banking supervisory authorities of the United States of America:
  - (a) the Office of the Comptroller of the Currency;
  - (b) the Federal Deposit Insurance Corporation;
  - (c) the Board of Governors of the Federal Reserve System; and
  - (d) the Office of Thrift Supervision, and
- 14.4.3 collateral is obtained to secure the obligation of the counterparty under the terms referred to in paragraph 20.4.1 and the collateral is:
  - 14.4.3.1 acceptable to the depositary;
  - 14.4.3.2 adequate; and
  - 14.4.3.3 sufficiently immediate.
- 14.4.4 The counterparty for the purpose of paragraph 20.4 is the person who is obliged under the agreement referred to in paragraph 20.4.1 to transfer to the depositary the securities transferred by the depositary under the stock lending arrangement or securities of the same kind.
- 14.4.5 20.4.3 does not apply to a stock lending transaction made through Euroclear Bank SA/NV's Securities Lending and Borrowing Programme.
- 14.5 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.
- 14.6 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.
- 14.7 There is no limit on the value of the Scheme Property of a Fund which maybe the subject of stock lending transactions.
- 15. **Schemes replicating an index**
  - 15.1 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 composition of a relevant index as defined below.
  - 15.2 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.

15.3 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.

15.4 The indices referred to above are those which satisfy the following criteria:

15.4.1 the composition is sufficiently diversified;

15.4.2 the index is a representative benchmark for the market to which it refers; and

15.4.3 the index is published in an appropriate manner.

## 16. **Cover and borrowing**

16.1 Cash obtained from borrowing, and borrowing which the ACD reasonably regards an Eligible Institution or an Approved Bank to be committed to provide, is available for cover under paragraph 21 (Cover for investment in derivatives) of this Appendix as long as the normal limits on borrowing (see below) are observed.

16.2 Where, for the purposes of this paragraph the Company borrows an amount of currency from an Eligible Institution or an Approved Bank; and keeps an amount in another currency, at least equal to such borrowing for the time on deposit with the lender (or his agent or nominee), then this applies as if the borrowed currency, and not the deposited currency, were part of the Scheme Property, and the normal limits on borrowing under paragraph 28 (Borrowing powers) of this Appendix do not apply to that borrowing.

## 17. **Calculation of global exposure**

17.1 The ACD must calculate the global exposure of a Fund on at least a daily basis.

17.2 The ACD must calculate the global exposure of any Fund it manages either as:

17.2.1 the incremental exposure and leverage generated through the use of derivatives and forward transactions (including embedded derivatives as referred to in paragraph 11 (Derivatives: general), which may not exceed 100% of the Net value of the Scheme Property; or

17.2.2 the market risk of the Scheme Property

17.3 For the purposes of this section exposure must be calculated taking into account the current value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the positions.

17.4 The ACD must calculate the global exposure of a Fund by using:

17.4.1 commitment approach; or

17.4.2 the value at risk approach.

- 17.5 The ACD must ensure that the method selected above is appropriate, taking into account:
  - 17.5.1 the investment strategy pursued by the Fund;
  - 17.5.2 types and complexities of the derivatives and forward transactions used; and
  - 17.5.3 the proportion of the scheme property comprising derivatives and forward transactions.
- 17.6 Where a Fund employs techniques and instruments including repo contracts or stock lending transactions in accordance with paragraph 3.36 (Stock lending) in order to generate additional leverage or exposure to market risk, the ACD must take those transactions into consideration when calculating global exposure.

## 18. **Cash and near cash**

- 18.1 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:
  - 18.1.1 the pursuit of the Fund's investment objectives; or
  - 18.1.2 the redemption of units or shares; or
  - 18.1.3 efficient management of the Fund in accordance with its investment objective; or
  - 18.1.4 other purposes which may reasonably be regarded as ancillary to the investment objective of the Fund.
- 18.2 During the period of the initial offer the Scheme Property may consist of cash and near cash without limitation.

## 19. **General**

- 19.1 It is envisaged that the Funds will normally be fully invested but there may be times that it is appropriate not to be fully invested when the ACD reasonably regards this as necessary in order to enable the redemption of units or shares, efficient management of the Fund or any one purpose which may reasonably be regarded as ancillary to the investment objective of the Fund.
- 19.2 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.
- 19.3 It is not intended that the Company have any interest in any immovable or moveable property for the direct pursuit of its business.
- 19.4 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.

**20. 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.

**21. Borrowing powers**

- 21.1 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.
- 21.2 Borrowing must be on a temporary basis, must not be persistent, and in any event must not exceed three months without prior consent of the Depositary, which may be given only on such conditions as appear appropriate to the Depositary to ensure that the borrowing does not cease to be on a temporary basis.
- 21.3 The ACD must ensure that borrowing does not, on any business day, exceed 10% of the value of the Fund.
- 21.4 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).

**22. Restrictions on lending of property other than money**

- 22.1 Scheme Property other than money must not be lent by way of deposit or otherwise.
- 22.2 Transactions permitted by paragraph 20 (Stock lending) are not to be regarded as lending for the purposes of paragraph 30.1.
- 22.3 The Scheme Property must not be mortgaged.
- 22.4 Where transactions in derivatives or forward transactions are used for the account of a Fund, nothing in this paragraph prevents the Company or the Depositary at the request of the Company from:
  - 22.4.1 Lending, depositing, pledging or charging Scheme Property for margin requirements; or
  - 22.4.2 Transferring Scheme Property under terms of an agreement in relation to margin requirements provided that the ACD 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 Shareholders.

**23. Restrictions on lending of money**

- 23.1 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.

23.2 Acquiring a debenture is not lending for the purposes of paragraph 29.1, nor is the placing of money on deposit or in a current account.

**24. Guarantees and indemnities**

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

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

24.3 Paragraphs 32.1 and 32.2 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.

**25. Concentration**

A UCITS Scheme:

25.1 must not acquire transferable securities other than debt securities which:

25.1.1 do not carry a right to vote on any matter at a general meeting of the body corporate that issued them; and

25.1.2 represent more than 10% of these securities issued by that body corporate;

25.2 must not acquire more than 10% of the debt securities issued by any single issuing body;

25.3 must not acquire more than 25% of the units or shares in a collective investment scheme;

25.4 must not acquire more than 10% of the money market instruments issued by any single body;

25.5 need not comply with the limits in paragraphs 31.2, 31.3 and 31.4 and of this Appendix if, at the time of the acquisition, the Net amount in issue of the relevant investment cannot be calculated.

**26. Significant Influence**

26.1 The Company must not acquire transferable securities issued by a body corporate and carrying rights to vote (whether or not on substantially all matters) at a general meeting of that body corporate if:

26.1.1 immediately before the acquisition, the aggregate of any such securities held by the Company gives that Company power significantly to influence the conduct of business of that body corporate; or

26.1.2 the acquisition gives the Company that power.

26.2 For the purposes of paragraph 34.1 the Company is to be taken to have power significantly to influence the conduct of business of a body corporate if

it can, because of the transferable securities held by it, exercise or control the exercise of 20% or more of the voting rights in that body corporate (disregarding for this purpose any temporary suspension of voting rights in respect of the transferable securities of that body corporate).

## APPENDIX IV

<b>Directors of the ACD and their significant business activities not connected with the business of the Company</b>			
R Peter W Millar	Sole proprietor of Valu-Trac Research; sole proprietor of Orton Estate and Orton Farms and Director of Spey Fishing Trust Ltd.		
Anne Laing	None		
Martin Henderson	None		
Douglas Halley	None		
Michael Barron	None		
<b>Authorised collective investment schemes of which the ACD is the authorised corporate director</b>			
<b>Name</b>	<b>Place of registration</b>	<b>Registration number</b>	<b>Product Reference</b>
Alligator Fund ICVC	England and Wales	IC000203	407790
Moray Place Investment Company*	Scotland	IC000934	573760
The Beagle Fund*	England and Wales	IC000789	505177
The Discovery Fund	England and Wales	IC000365	413970
The Mulben Investment Funds	England and Wales	IC000816	516628
The Prestney Fund	England and Wales	IC000175	407766
The Teal Fund	England and Wales	IC000257	227831
The VT Cindabella Fund	England and Wales	IC001049	714901
The VT Oxeye Funds**	England and Wales	IC001063	743815
Valu-Trac Investment Funds ICVC	Scotland	IC000953	581955
Valu-Trac Proprietary Funds ICVC*	Scotland	IC000986	605631
VT AJ Bell ICVC	England and Wales	IC001082	769363
VT Cantab Funds ICVC	England and Wales	IC001114	808050
VT Cape Wrath Focus Fund*	England and Wales	IC001061	741524
VT Chelsea Managed ICVC	England and Wales	IC001085	773989
VT Clear Peak Capital ICVC	England and Wales	IC011866	841768
VT Dominion Holdings ICVC*	England and Wales	IC001093	778841

VT Esprit FS ICVC	England and Wales	IC001105	794635
VT Garraway Investment Funds ICVC	England and Wales	IC000935	573884
VT Garraway Investment Fund Series II	England and Wales	IC000025	188718
VT Garraway Investment Fund Series III	England and Wales	IC000584	472521
VT Garraway Investment Fund Series IV	England and Wales	IC000534	465988
VT Gravis Funds ICVC	England and Wales	IC001055	724240
VT Greystone ICVC	England and Wales	IC000403	434235
VT Greystone Cautious Managed ICVC*	England and Wales	IC000407	435265
VT Greystone Conservative Managed ICVC*	England and Wales	IC000533	465365
VT Grosvenor Funds ICVC	England and Wales	IC001077	762880
VT Halo Funds ICVC	England and Wales	IC001018	629070
VT iFunds OEIC	England and Wales	IC000868	536578
VT Morningstar Informed Smartfund ICVC	England and Wales	IC001012	621247
VT Munro Smart-Beta Fund	England and Wales	IC000551	467964
VT Plain English Finance Funds ICVC	England and Wales	IC001096	782737
VT Price Value Partners Funds ICVC	England and Wales	IC001033	671132
VT Redlands Fund	England and Wales	IC001043	694999
VT Redlands NURS ICVC*	England and Wales	IC001089	776548
VT Reyker Funds ICVC	England and Wales	IC001121	812559
VT RM Funds ICVC	England and Wales	IC001108	800855
VT Rossie House Investment Management Funds ICVC*	England and Wales	IC000991	607962
VT Seneca Investment Funds	England and Wales	IC000342	407990
VT SG Defined Return Assets ICVC	England and Wales	IC001097	784172
VT Sorbus Vector Funds ICVC	England and Wales	IC001059	731963
VT Tatton Oak ICVC	England and Wales	IC000737	494501

VT Teviot Funds ICVC	England and Wales	IC001094	780433
VT Thistledown ICVC	England and Wales	IC001011	621244
VT Tyndall Funds ICVC	England and Wales	IC001050	715282
VT Ursus Arctos Funds ICVC	Scotland	IC001004	613236
VT Vanneck Equity Fund	England and Wales	IC001003	613235
VT Vanneck Funds ICVC	England and Wales	IC001112	806954
VT Woodhill Investment Funds ICVC	England and Wales	IC001009	618204

\* denotes a Non-UCITS Retail Scheme

\*\* denotes a Qualified Investor Scheme

Funds of which the ACD is investment manager	
The Newmarket Africa Master Fund Limited (a fund registered in the Cayman Islands)	OG-290374
The Newmarket Africa Fund Limited (a fund registered in the Cayman Islands)	OG-290372

## APPENDIX V

### DIRECTORY

#### The Company and Head Office:

VT Morningstar Informed Smartfund ICVC  
Level 13 Broadgate Tower, 20 Primrose Street, London, EC2A 2EW

#### Authorised Corporate Director:

Valu-Trac Investment Management Limited  
Orton, Moray IV32 7QE

#### Depositary:

NatWest Trustee and Depositary Services Limited

Drummond House1 Redheughs Avenue  
Edinburgh  
EH12 9RH

#### Investment Manager:

Praemium Administration Limited  
4th Floor, Suite 643-659 Salisbury House London Wall, London, England, EC2M 5QQ

#### Investment Adviser:

Morningstar Investment Management Europe Limited  
1 Oliver's Yard, London EC1Y 1HQ

#### Auditors:

Johnston Carmichael LLP  
Commerce House, South Street, Elgin, IV30 1JE



## **APPENDIX VI**

### **Determination of 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.

1. All the property (including receivables) is to be included, subject to the provisions in paragraphs 2 to 15 below.
2. Property which is not cash (or other assets dealt with in paragraph 3 below) or a contingent liability transaction shall be valued as follows and the prices used shall (subject as follows) be the most recent prices which it is practicable to obtain:
  - 2.1 units or shares in a collective investment scheme:
  - 2.2 if a single price for buying and selling units or shares is quoted, at that price; or
  - 2.3 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 redemption charge attributable thereto; or
  - 2.4 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, at a value which, in the opinion of the ACD, is fair and reasonable;
  - 2.5 any other transferable security:
  - 2.6 if a single price for buying and selling the security is quoted, at that price; or
  - 2.7 if separate buying and selling prices are quoted, at the average of the two prices; or
  - 2.8 if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no price exists, at a value which, in the opinion of the ACD, is fair and reasonable;
3. property other than that described in (2) above: at a value which, in the opinion of the ACD, represents a fair and reasonable mid-market price.
4. Cash and amounts held in current and deposit accounts and in other time-related deposits shall be valued at their nominal values.
5. Property which is a contingent liability transaction shall be treated as follows:
  - 5.1 if a written option, (and the premium for writing the option has become part of the scheme property), deduct the amount of the net valuation of premium receivable. If the property is an off-exchange derivative the method of valuation shall be agreed between the ACD and the Depositary;

- 5.2 if an off-exchange future, include at the net value of closing out in accordance with a valuation method agreed between the ACD and the Depositary;
- 5.3 if any other form of contingent liability transaction, include at the net value of margin on closing out (whether as a positive or negative value). If the property is an off-exchange derivative, the method of valuation shall be agreed between the ACD and the Depositary.
6. In determining the value of the Scheme Property, all instructions given to issue or cancel Shares shall be assumed to have been carried out (and any cash paid or received) whether or not this is the case.
7. 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 6.
8. 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, value added tax, stamp duty, stamp duty reserve tax and any foreign taxes or duties will be deducted.
9. An estimated amount for any liabilities payable out of the property and any tax thereon treating periodic items as accruing from day to day will be deducted.
10. The principal amount of any outstanding borrowings whenever payable and any accrued but unpaid interest on borrowings will be deducted.
11. An estimated amount for accrued claims for tax of whatever nature which the ACD and the Depositary consider likely to be recovered will be added.
12. Any other credits or amounts due to be paid into the property will be added.
13. A sum representing any interest or any income accrued due or deemed to have accrued but not received will be added.
14. Currencies or values in currencies other than base currency 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.