

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

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**PROSPECTUS**

**OF**

**VT ASSET INTELLIGENCE FUND SOLUTIONS ICVC**

**(An open-ended investment company registered in England and Wales under registered  
number IC035155)**

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This document constitutes the Prospectus for VT Asset Intelligence Fund Solutions ICVC which has been prepared in accordance with the Collective Investment Schemes Sourcebook and Investment Funds Sourcebook.

This Prospectus is dated, and is valid as at, 14 December 2020

Copies of this Prospectus have been sent to the Financial Conduct Authority 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 and Wales under registered number IC016070. It is a non-UCITS retail scheme as defined in COLL, and also an umbrella company for the purposes of the OEIC Regulations.

Valu-Trac Investment Management Limited, the authorised corporate director ("ACD") and alternative investment fund manager 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.

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 this Prospectus and, if given or made, such information or representations must not be relied upon 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 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.

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 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.

US Persons are not permitted to subscribe for shares in the Funds. The shares in the Funds have not and will not be registered under the United States Securities Act 1933, the United States Investment Company Act 1940, or the securities laws of any 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 or for the account or benefit of any US Person, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the United States Securities Act 1933, United States Investment Company Act 1940 and similar requirements of such state securities law.

The UK government has enacted legislation enabling it to comply with its obligations in relation to international tax compliance including the United States provisions commonly known as "FATCA" and the Organisation for Economic Co-Operation and Development provisions known as the "CRS". As a result the ACD may need to disclose the name, address, taxpayer identification number and investment information relating to certain investors in the Company to HM Revenue & Customs, who will in turn exchange this information with their overseas counterparts in relevant jurisdictions.

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, each prospective shareholder is agreeing to provide information upon request to the ACD or its agent. If a shareholder does not provide the necessary information, the ACD will be required to report it to HM Revenue & Customs and may exercise its right to redeem completely the holding of an affected shareholder (at any time upon any or no notice).

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 and ACD cannot be bound by an out of date prospectus when a new version has been issued and investors should check with Valu-Trac Investment Management Limited that this is the most recently published prospectus.

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

**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.**

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 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.

**Target market for MiFID II purposes:** The Target Market for MiFID II purposes for each Sub-fund is set out in Appendix I.

## 1. DEFINITIONS

"**ACD**" means Valu-Trac Investment Management Limited, the authorised corporate director of the Company.

"**ACD Agreement**" means an agreement between the Company and the ACD.

"**AIFM**" means the legal person appointed on behalf of the Company and which (through this appointment) is responsible for managing the Company in accordance with the AIFM Directive and The Alternative Investment Fund Managers Regulations 2013, which is at the date of this prospectus, the ACD.

"**AIFM Directive**" means the Alternative Investment Fund Managers Directive 2011/61/EU and any other implementing legislation at a UK or EU level.

"**Approved Bank**" means (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;

as such definition may be updated in the glossary of definitions in the FCA Handbook from time to time.

"**Associate**" means any other person whose business or domestic relationship with the ACD or the ACD's associate might reasonably be expected to give rise to a community of interest between them which may involve a conflict of interest in dealings with third parties.

"**Auditor**" means Johnston Carmichael LLP, or such other entity as is appointed to act as auditor to the Company from time to time.

"**Base Currency**" means, unless otherwise specified in the case of a Fund, pounds sterling.

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

"**Class**" or "**Classes**" means in relation to Shares, means (according to the context) all of the Shares related to a Fund or a particular class or classes of Share related to a Fund.

"**Class Currency**" means the currency in which the Shares of a Class are designated.

"**COLL**" refers to the appropriate chapter or rule in the COLL Sourcebook.

"**the COLL Sourcebook**" means the Collective Investment Schemes Sourcebook issued by the FCA (and forming part of the FCA Handbook) as amended from time to time.

"**Company**" means VT Asset Intelligence Fund Solutions ICVC.

"**Conversion**" means the conversion of Shares in one class in a Fund to shares of another Class within the same Fund and "Convert" shall be construed accordingly;

"**Custodian**" means RBC Investor Services Trust, UK Branch or such other entity as is appointed to act as Custodian.

"**Dealing Day**" means Monday to Friday inclusive when these are Business Days and other days at the ACD's discretion.

"**Depository**" means NatWest Trustee and Depositary Services Limited, or such other entity as is appointed to act as Depository.

"**Director**" or "**Directors**" means the director(s) of the Company from time to time (including the ACD).

"**EEA State**" means a member state of the European Union and any other state which is within the European Economic Area.

"**Efficient Portfolio Management or EPM**" means for the purposes of this Prospectus, an investment technique where derivatives are used for one or more of the following purposes: reduction of risk, reduction of costs or the generation of additional capital or income for the Funds with a risk level which is consistent with the risk profile of the Funds and the risk diversification rules laid down in COLL.

**"Eligible Institution"** means one of certain eligible institutions as defined in the glossary of definitions to the FCA Handbook.

**"the FCA"** means the Financial Conduct Authority or any other regulatory body which may assume its regulatory responsibilities from time to time.

**"the FCA Handbook"** means the FCA Handbook of Rules and Guidance, as amended from time to time.

**"the Financial Services Register"** means the public record, as required by section 347 of the Financial Services and Markets Act 2000 and as defined in the glossary of definitions to the FCA Handbook.

**"FUND"** means the investment funds sourcebook which forms part of the FCA Handbook.

**"Fund or Funds"** means 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.

**"Home State"** has the meaning given to it in the glossary of definitions to the FCA Handbook.

**"Initial Offer Period"** means in respect of a newly-established fund, a period described under the heading 'Initial Offer Period' in the 'Important Information' section of this prospectus.

**"Instrument of Incorporation"** means the instrument of incorporation of the Company as amended from time to time.

**"Investment Manager"** means Asset Intelligence Portfolio Management Limited or such other entity as is appointed to act as the investment manager of the Company (or any Fund) from time to time.

**"MiFID II"** means the Markets in Financial Instruments Directive 2014/65/EU.

**"Net Asset Value" or "NAV"** means the value of the Scheme Property of the Company (or of any Fund as the context may require) less the liabilities of the Company (or of the Fund concerned) as calculated in accordance with the Instrument of Incorporation.

**"OEIC Regulations"** means the Open-Ended Investment Companies Regulations 2001 as amended or re-enacted from time to time.

**"OTC"** means over-the-counter: a derivative transaction which is not traded on an investment exchange.

**"Register"** means the register of Shareholders of the Company.

**"Registrar"** means Valu-Trac Investment Management Limited, or such other entity as is appointed to act as Registrar to the Company from time to time.



**"Regulated Activities Order"** means the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544) as amended from time to time.

**"Regulations"** means the OEIC Regulations and the FCA Handbook (including the COLL Sourcebook and FUND), as amended.

**"Scheme Property"** means the scheme property of the Company or a Fund (as appropriate) required under the COLL Sourcebook and FUND to be given for safekeeping to the Depositary.

**"SDRT"** means stamp duty reserve tax.

**"Share"** or **"Shares"** means a share or shares in the Company (including larger denomination shares, and smaller denomination shares equivalent to one thousandth of a larger denomination share).

**"Shareholder"** means a holder of registered Shares in the Company.

**"Switch"** means the exchange where permissible of Shares of one Class or Fund for Shares of another Class or Fund.

**"Valuation Point"** means the point on a Dealing Day whether on a periodic basis or for a particular valuation, at which the ACD carries out a valuation of the Scheme Property for the Company or Fund (as the case may be) for the purpose of determining the price at which Shares of a Class may be issued, cancelled or redeemed. The current Valuation Point is 12 noon London time on each Dealing Day.

**"VAT"** means value added tax.

*Words in the singular include the plural, and words in the plural include the singular, and words importing male persons include female persons and words importing female persons include male persons.*

*Reference to any law or statute shall mean such law or statute as amended to the date of this Prospectus, and shall include any subordinate legislation made pursuant to such law or statute.*

## 2. DETAILS OF THE COMPANY

### 2.1. General information

#### 2.1.1. General

VT Asset Intelligence Fund Solutions ICVC (the "**Company**") is an investment company with variable capital incorporated in England and Wales under the OEIC Regulations with registered number IC035155 and authorised by the Financial Conduct Authority (PRN:940231) pursuant to an authorisation order dated 3 December 2020. The Company has an unlimited duration.

The Company is a non-UCITS retail scheme and is an umbrella company (as defined in the OEIC Regulations). Each Fund would be a non-UCITS retail scheme if it had a separate authorisation order.

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.

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

Details of a typical investor in the Company/each Fund and historical performance data is set out in Appendix I.

#### 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      £1,000

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

### 2.1.6. **Marketing in EEA states**

In connection with marketing Shares in EEA States to other than the United Kingdom, there are currently no special arrangements in place for:

- (a) paying in that EEA State amounts distributable to Shareholders resident in that EEA State;
- (b) redeeming in that EEA State the Shares of Shareholders resident in the EEA State;
- (c) inspecting and obtaining copies in that EEA State of the Instrument of Incorporation, this Prospectus and the annual and half-yearly report; and
- (d) making public the price of Shares of each Class.

Accordingly, the provisions applicable to the marketing of the Shares in the Company in the UK shall also apply in these cases.

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.

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

### 2.2.1. **The Funds**

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

The Company is a non-UCITS retail scheme.

The Funds 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 any such purpose. While the provisions of the OEIC Regulations provide for segregated liability between sub-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 regulations 11A and 11B (segregated liability and cross-investment provisions) of the OEIC Regulations. Therefore, it is not possible to be certain that the assets of a Fund will always be completely insulated from the liabilities of another Fund of the Company in every circumstance.

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

COLL 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

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, but they will normally be allocated to all Funds pro rata to the Net Asset Value of the relevant Funds.

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

#### **2.2.2. Shares**

Shares of different Classes may from time to time be issued in respect of each Fund. The differences between Classes may be the minimum subscription, the minimum holding, the charges to be borne and/or the Class Currency, as detailed in Appendix I. In most cases either income Shares or accumulation Shares are offered. The Classes currently available in respect of each Fund are set out in Appendix I.

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

The net proceeds from subscriptions to a Fund will be invested in the specific pool of assets constituting that Fund. The Company will maintain for each current Fund a separate pool of assets, each invested for the exclusive benefit of the relevant Fund.

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.

To the extent that any Scheme Property, 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.

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. Also, each Class may have its own investment minima or other features, such as restricted access, at the discretion of the ACD.

Shareholders are entitled (subject to certain restrictions) to Switch or convert all or part of their Shares in a Class or a Fund for Shares of another Class within the same Fund or for Shares of the same or another Class within a different Fund of the Company. Details of this Conversion, Switching facility and the restrictions are set out in paragraph 3.4 "Conversion and Switching".

#### Registered Shares

All Shares are in registered form. Certificates will not be issued in respect of Shares. Ownership of Shares will be evidenced by an entry in the Company's register of Shareholders.

At least twice per year the ACD will send a statement to each person who holds shares or has held shares since the previous statement. Where shares are jointly held, statements are sent to the first named Shareholder. The statement will describe the current holding(s) of Shares at the date of the statement and any transactions in Shares since the date of the last statement. Individual statements will also be issued at any time on request by the registered Shareholder.

#### Larger and smaller denomination Shares

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

#### Class of Shares

The Instrument of Incorporation currently provides for Income and Accumulation shares which can be further classified in accordance with the Instrument.

#### Income and accumulation Shares

Each Fund may issue income and accumulation Shares in respect of each Class. Further details of the Shares presently available for each Fund, including details of their criteria for subscription and fee structure, 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 applying to the relevant Fund.

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

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

Shareholders are entitled (subject to certain restrictions) to Switch all or part of their Shares in a Class or a Fund for Shares of another Class within the same Fund or for Shares of the same or another Class within a different Fund of the Company. Details of this switching facility and the restrictions are set out in clause 3.4 "Conversion and Switching".

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

The dealing office of the ACD is normally open from 8.30 a.m. to 5.30 p.m. (London time) on each Business Day to receive requests for the purchase, sale, conversion and switching of Shares. The ACD may vary these times at its discretion. 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).

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

In its dealings in Shares of the 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 each of the Fund and the Company. The ACD is not accountable to Shareholders or the Depositary for any profit it makes from dealing in Shares as principal.

The ACD will make use of the revised 'delivery versus payment' (DvP) exemption as set out in the FCA Rules, 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 a Fund by close of business on the Business Day following 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 by close of business on the Business Day following receipt from the Depositary.

Accordingly under the exemption when investors are buying Shares the ACD will protect investor money in a client money account if it does not pass the investor's money onto the Depositary by the close of the Business Day following receipt. Similarly when Shareholders sell Shares, the ACD will protect their money in a client money account if it does not pass their money to them by the close of the Business Day following receipt from the Depositary.

Where the ACD believes that a reliable price cannot be established as at the Valuation Point, dealing in the relevant Fund may be suspended temporarily. See paragraph 3.11 (Suspension of dealings) for information regarding the possibility of a temporary suspension of dealing.

#### **3.1. Money laundering**

As a result of legislation in force in the UK to prevent money laundering, the ACD is responsible for compliance with anti-money laundering regulations. In order to implement these regulations, in certain circumstances investors may be asked to provide proof of identity when buying or redeeming Shares. 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 directly from the ACD or through a professional adviser or other intermediary. In addition, the ACD may from time to time make arrangements to allow Shares to be bought through other communication media. For details of dealing charges see paragraph 3.6 below. Application forms may be obtained from the ACD.

Valid applications to purchase Shares in a Fund will be processed at the Share price calculated, based on the Net Asset Value per Share (or the relevant proportion of the Net Asset Value), at the next Valuation Point following receipt of the application, except in the case where dealing in a Fund has been suspended as set out in paragraph 3.11.

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

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. Such instructions will only be executed by the ACD once they have been verified and confirmed and the ACD's processing procedure has been satisfactorily completed. Please note that the ACD will not be liable for any



losses or lost opportunities which may result from delays or rejections that arise from unclear instructions.

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

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

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

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

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

Settlement is due within four Business Days of the Valuation Point. An order for the purchase of Shares will only be deemed to have been accepted by the ACD once it is in receipt of cleared funds for the application. If settlement is not made within a reasonable period, then the ACD has the right to cancel any Shares issued in respect of the application. In the event of such a sale or realisation, the ACD shall be entitled to transfer such investments to such persons as it shall specify and, recover any shortfall from that original investor.

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

No interest will be paid on funds held prior to investment. Shares that have not been paid for cannot be redeemed.

Settlement must be made by electronic bank transfer to the bank account detailed on the application form.

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

### **3.2.3. Minimum subscriptions and holdings**

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

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

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

## **3.3. Redeeming Shares**

### **3.3.1. Procedure**

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

Valid instructions to the ACD to redeem Shares in a Fund will be processed at the Share price calculated, based on the Net Asset Value per Share, at the next Valuation Point following receipt of the instruction, except in the case where dealing in a Fund has been suspended as set out in paragraph 3.11.

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

For details of dealing charges see paragraph 3.6 below.

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

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

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

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

### **3.3.3. Minimum redemption**

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

### **3.3.4 Deferred redemption of Shares**

If requested redemptions of Shares on a particular Dealing Day exceed 10% of a Fund's value, redemptions of Shares of that Fund may be deferred to the next Dealing Day. Any such deferral would only be undertaken in such manner as to ensure consistent treatment of all Shareholders who had sought to redeem Shares at any Dealing Day at which redemptions were deferred, and so that all deals relating to the earlier Dealing Day were completed before those relating to a later Dealing Day were considered. The intention of the deferred redemption power is to reduce the impact of dilution on the Scheme Property. In times of high levels of redemption, deferred redemption provisions would enable the ACD to protect the interests of continuing Shareholders by allowing it to match the sale of property of the Company to the level of redemptions of Shares in that Fund.

## **3.4. Conversion and Switching**

Subject to any restrictions on the eligibility of investors for a particular Share Class, a Shareholder in a Fund may at any time:

- (i) Convert all or some of his Shares of one Class in a Fund for Shares in another Class in the same Fund; or
- (ii) Switch all or some of his Shares in a Fund for Shares in another Fund in the Company.

However, investors wishing to Convert or Switch into Gross Shares (if they are available) must first complete a Declaration of Eligibility and Undertaking which may be obtained from the ACD.

## ***Conversions***

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 below.

Conversions may not be effected at the next Valuation Point and may be held over and processed with Conversion instructions given by other Shareholders. If you would like information about when your Conversion will be processed please contact the ACD on 01343 880 344.

Conversions will not generally be treated as a disposal for capital gains tax purposes.

There is no fee on Conversions.

The number of Shares to be issued in the new Class will be calculated relative to the price of the Shares being converted from.

**Subject to any restrictions on the eligibility of investors for a particular Share Class, with the agreement of the Depositary the ACD may effect a mandatory conversion of all or some of a Shareholder's shares in one Share Class for shares of another Share Class if this is in the best interests of Shareholders.**

**A Shareholder who converts Shares in one Class for Shares in any other Class in the same Fund will not be given a right by law to withdraw from or cancel the transaction.**

## ***Switches***

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

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

The ACD may at its discretion make a charge on the Switching or Conversion of Shares between Funds or Classes. Any such charge on Switching does not constitute a separate charge payable by a Shareholder, but is rather the application of any redemption charge on the Original Shares and any initial charge on the New Shares, subject to certain waivers. For details of the charges on Switching currently payable, please see paragraph 3.6.3 "Charges on Conversion and Switching".

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

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

**Please note that under UK tax law a Switch of Shares in one Fund for Shares in any other Fund is treated as a redemption of the Original Shares and a purchase of New Shares and will, for persons subject to taxation, be a realisation of the Original Shares for the purposes of capital gains taxation, which may give rise to a liability to tax, depending upon the Shareholder's circumstances. However, as noted above, a Conversion of Shares in one Class in a Fund for Shares in another Class in the same Fund will not normally be treated as a realisation for UK tax purposes.**

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

### **3.5. Market timing**

The ACD may refuse to accept a new subscription in the Company or a switch from another Fund if, in the opinion of the ACD, it has reasonable grounds for refusing to accept a subscription or a switch from them. In particular, the ACD may exercise this discretion if it believes the Shareholder has been or intends to engage in market timing.

For these purposes, market timing activities include investment techniques which involve short term trading in and out of shares generally to take advantage of variation in the price of Shares between the daily valuation points in the Company. 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.

### **3.6. Dealing Charges**

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

#### **3.6.1. Initial charge**

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

The initial charge (which is deducted from subscription monies) is payable by the Shareholder to the ACD. The current initial charge (if any) of a Class may only be increased in accordance with the Regulations.

#### **3.6.2. Redemption Charge**

The ACD may make a charge on the redemption of Shares in each Class. The current redemption charge, if any, is calculated as a percentage of the redemption proceeds with such percentage, in respect of each Share Class in a Fund, being set out in Appendix I. The ACD may waive or discount the redemption charge at its discretion.

The redemption charge (which is deducted from redemption proceeds) is payable by the Shareholder to the relevant Fund. The ACD may only introduce or increase a redemption charge in accordance with the Regulations. Also, if such a charge was introduced in respect of a specific Class of Shares, it would not apply to Shares issued before the date of the introduction (i.e., those not previously subject to a redemption charge).

#### **3.6.3. Charges on Conversion and Switching**

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

The ACD's current policy is to only levy a charge on switching between Funds that is no more than the excess of the initial charge applicable to New Shares over the initial charge applicable to the Original Shares as specified in Appendix I. There is currently no charge for converting Shares in one Class of a Fund for shares in another class of the same Fund.

#### **3.6.4. Dilution Levy**

The actual cost of purchasing, selling or switching underlying investments in a Fund may deviate from the mid-market value used in calculating its Share price, due to dealing charges, taxes, and any spread between buying and selling prices of a Fund's underlying

investments. These dealing costs could have an adverse effect on the value of a Fund, known as "dilution". In order to mitigate the effect of dilution the Regulations allow the ACD to make a dilution levy on the purchase, redemption or Switch of Shares in a Fund. A dilution levy is a separate charge of such amount or at such rate as is determined by the ACD to be made for the purpose of reducing the effect of dilution. This amount is not retained by the ACD, but is paid into the relevant Fund.

The dilution levy is calculated by reference to the costs of dealing in the underlying investments of the relevant Fund including any dealing spreads, commission and transfer taxes.

The need to charge a dilution levy will depend on the volume of purchases and redemptions. It is not possible to predict accurately whether dilution would occur at any point in time.

The ACD's policy is that it may require a dilution levy on the purchase and redemption of Shares if, in its opinion, the existing Shareholders (for purchases) or remaining Shareholders (for redemptions) might otherwise be adversely affected. For example, the dilution levy may be charged in the following circumstances: where the Scheme Property of a Fund is in continual decline; on the Fund experiencing large levels of net purchases relative to its size; on "large deals" (typically being a purchase or redemption of Shares to a size exceeding 5% of the Net Asset Value of the relevant Fund); in any case where the ACD is of the opinion that the interests of existing or remaining Shareholders require the imposition of a dilution levy.

This policy is intended to mitigate the dilutive effect of Shareholder transactions on the future growth of the relevant Fund.

Based on future projections and on its experience of managing the Company the ACD is unlikely to impose a dilution levy unless it considers that the dealing costs relating to a Shareholder transaction are significant and will have a material impact on a Fund.

It is not possible to predict accurately whether dilution would occur at any point in time. The level of dilution is not fixed and may change from time to time to reflect the underlying market conditions and the composition of the portfolio. If a dilution levy is required then, based on future projections, the estimated rate or amount of such levy will ordinarily be up to 0.75%.

The ACD, in its absolute discretion, may waive or reduce the dilution levy. The ACD may alter its current dilution policy in accordance with the procedure set out in the Regulations.

**On the occasions that the dilution levy is not applied, there may be an adverse impact on the total assets of the relevant Fund which may otherwise constrain the future growth of that Fund. It should be noted that, as dilution is directly related to the inflows and outflows of monies from the Company, it is not possible to**

**predict accurately the exact amount of such a charge in advance on a particular transaction.**

#### **3.6.5. Stamp duty reserve tax ("SDRT")**

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 relevant Fund 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.

### **3.7. Transfers**

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

### **3.8. 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 acquired or held by any person in breach of the law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory or which would result in the Company incurring any liability to taxation which the Company is not able to recoup itself or otherwise suffering (in the ACD's absolute discretion) any other adverse consequence. In this connection, the ACD may, inter alia, reject in its discretion any application for the purchase, redemption, transfer or switching of Shares or require the conversion of shares in one class to another class.

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

- (a) are owned directly or beneficially in breach of any law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory; or
- (b) would result in the Company incurring any liability to taxation which the Company would not be able to recoup itself or suffering any other adverse consequence (including a requirement to register under any securities or investment or similar laws or governmental regulation of any country or territory); or



- (c) are held in any manner by virtue of which the Shareholder or Shareholders in question is/are not qualified to hold such Shares or if it reasonably believes this to be the case or the holding of such shares might cause the Company or its shareholders a pecuniary or administrative disadvantage or other adverse consequence which the Company might not otherwise incur or suffer;
- (d) are owned by a Shareholder who is registered in a jurisdiction (where a Fund is not registered or recognised by the relevant competent authority) whereby communication with that Shareholder by the ACD, on behalf of the Fund, might constitute a breach of the regulations in that jurisdiction (unless specific action is taken by the ACD to prevent such a communication constituting a breach),  
  
the ACD may give notice to the Shareholder(s) of the affected Shares requiring the transfer of such Shares to a person who is qualified or entitled to own them or that a request in writing be given for the redemption or conversion of such Shares in accordance with the COLL Sourcebook. If any Shareholder upon whom such a notice is served does not within 30 days after the date of such notice transfer his affected Shares to a person qualified to own them or submit a written request for their redemption to the ACD or establish to the satisfaction of the ACD (whose judgement is final and binding) that he or the beneficial owner is qualified and entitled to own the affected Shares, he shall be deemed upon the expiry of that 30 day period to have given a request in writing for the redemption or cancellation or conversion (at the discretion of the ACD) of all the affected Shares.

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

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

The ACD can effect compulsory conversions of Shares in certain circumstances, including as set out in 3.4.

### **3.9. Issue of Shares in exchange for in specie assets**

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

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

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

### **3.10. In specie redemptions**

If a Shareholder requests the redemption of Shares the ACD may, where it considers that deal to be substantial in relation to the total size of the Fund or in some way detrimental to the Fund, arrange for scheme property having the appropriate value to be transferred to the Shareholder (an 'in specie transfer'), in place of payment for the Shares in cash. Before the redemption is effected, the ACD will give written notice to the Shareholder of the intention to make an in specie transfer. The Scheme Property to be transferred (or, if agreed by the ACD and properly authorised by the Shareholder, the proceeds of sale of such Scheme Property) is subject to stamp duty reserve tax or stamp duty unless the Scheme Property is transferred pro-rata.

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

### **3.11. Suspension of dealings in the Company**

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

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

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

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

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

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

Suspension will cease as soon as practicable after the exceptional circumstances leading to the suspension have ceased but the ACD and the Depositary will formally review the suspension at least every 28 days and will inform the 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. On a resumption of dealings following suspension, the calculation of Share prices and dealing will take place at the Dealing Day and times stated in this Prospectus.

### **3.12. Liquidity Management**

The Company is managed so that the liquidity profile is aligned with its requirement to need redemption requests from Shareholders on each Dealing Day. In normal circumstances, redemption requests will be processed as set out in Clause 3.3. However, in exceptional circumstances, if there is insufficient liquidity in the Company to meet redemption requests, the ACD may need to temporarily suspend dealing in the Company (as further described in Clause 3.11)

The ACD may also address temporary liquidity constraints in relation to the Company by (i) borrowing cash (within the limits of Appendix III) to meet redemptions; or (ii) applying the in specie redemption provisions in Clause 3.10.

The ACD will manage and monitor liquidity risk in accordance with liquidity risk management procedures. The liquidity risk management procedures include the management, implementation and maintaining of appropriate liquidity limits for the Company and periodic stress testing of the liquidity risk of the Company under both normal and exceptional liquidity conditions to ensure that anticipated redemption requests can be met.

If the ACD's policy for managing liquidity should change then this will be set out in the annual report.

### **3.13. Governing law**

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

## **4. VALUATION OF THE COMPANY**

### **4.1. General**

The price of a Share is calculated by reference to the Net Asset Value of the Fund to which it relates. The Net Asset Value per Share of each Fund is currently calculated at 12 noon (London time) (this being the Valuation Point) on each Dealing Day.

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

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

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

### **4.2. Calculation of the Net Asset Value**

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

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

4.2.2. Scheme Property which is not cash (or other assets dealt with in paragraph 4.2.3 and 4.2.4 below) shall be valued as follows and the prices used shall (subject as follows) be the most recent prices which it is practicable to obtain:

- (a) Units or shares in a collective investment scheme:
  - (i) if a single price for buying and redeeming units or shares is quoted, at that price; or
  - (ii) if separate buying and redemption prices are quoted, at the average of the two prices provided the buying price has been reduced by any initial charge included therein and the

redemption price has been increased by any exit or redemption charge attributable thereto; or

- (iii) 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;

(b) exchange traded derivative contracts:

- (i) if a single price for buying and selling the exchange-traded derivative contract is quoted, at that price; or
- (ii) if separate buying and selling prices are quoted, at the average of the two prices;

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

(d) any other investment:

- (i) if a single price for buying and redeeming the security is quoted, at that price; or
- (ii) if separate buying and redemption prices are quoted, at the average of the two prices; or
- (iii) if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no recent price exists or if the most recent price available does not reflect the ACD's best estimate of the value, at a value which, in the opinion of the ACD, is fair and reasonable;

(e) Scheme Property other than that described in paragraphs 4.2.2(a) to 4.3.2(d) above, at a value which, in the opinion of the ACD, is fair and reasonable;

4.2.3. Cash and amounts held in current and deposit and margin accounts and in other time related deposits shall be valued at their nominal values.

4.2.4. In determining the value of the Scheme Property, all instructions given to issue or cancel Shares shall be assumed (unless the contrary is shown) to have been carried out and any cash paid or received and all consequential action required by the Regulations or this Instrument of Incorporation shall be assumed (unless the contrary has been shown) to have been taken.

4.2.5. Subject to paragraphs 4.2.6 and 4.2.7 below, agreements for the unconditional sale or purchase of Scheme Property which are in existence but uncompleted

shall be assumed to have been completed and all consequential action required to have been taken. Such unconditional agreements need not be taken into account if made shortly before the valuation takes place and if, in the opinion of the ACD, their omission will not materially affect the final net asset amount.

- 4.2.6. Futures or contracts for differences which are not yet due to be performed and unexpired and unexercised written or purchased options shall not be included under paragraph 4.2.5.
- 4.2.7. All agreements are to be included under paragraph 4.2.5 which are, or ought reasonably to have been, known to the person valuing the Scheme Property assuming that all other persons in the ACD's employment take all reasonable steps to inform it immediately of the making of any agreement.
- 4.2.8. Deduct an estimated amount for anticipated tax liabilities (on unrealised capital gains where the liabilities have accrued and are payable out of the property of the Scheme; on realised capital gains in respect of previously completed and current accounting periods; and on income where the liabilities have accrued) including (as applicable and without limitation) capital gains tax, income tax, corporation tax, VAT, stamp duty, SDRT and any foreign taxes or duties.
- 4.2.9. Deduct an estimated amount for any liabilities payable out of the Scheme Property and any tax or duty thereon, treating periodic items as accruing from day to day.
- 4.2.10. Deduct the principal amount of any outstanding borrowings whenever repayable and any accrued but unpaid interest on borrowings.
- 4.2.11. Add an estimated amount for accrued claims for tax of whatever nature which may be recoverable.
- 4.2.12. Add any other credits or amounts due to be paid into the Scheme Property.
- 4.2.13. Add a sum representing any interest or any income accrued due or deemed to have accrued but not received and any stamp duty reserve tax provision anticipated to be received.
- 4.2.14. Currencies or values in currencies other than Sterling shall be converted at the relevant Valuation Point at a rate of exchange that is not likely to result in any material prejudice to the interests of Shareholders or potential Shareholders.
- 4.2.15. Any immovable property of the Company will be valued in accordance with COLL 5.6.20R

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

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

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

#### **4.4. Pricing basis**

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

#### **4.5. Publication of prices**

The prices of all Shares are 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 880344 during the ACD's normal business hours.

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

## **5. RISK FACTORS**

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

### **5.1. General**

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

Inflation will affect the future buying power of any investment. If the returns on an investment of a Fund have not beaten the rate of inflation, such investment will have less buying power in the future.

The entire market of a particular asset class or geographical sector may fall, having a more pronounced effect on funds heavily invested in that asset class or region. There will be a variation in performance between funds with similar objectives due to the different assets selected.

When the ACD determines that adverse market conditions exist, the Company (or Sub-fund) may adopt a temporarily defensive position and invest some or all of its assets in money market instruments and/or bank deposits. In pursuing a temporary defensive strategy, a Fund may forgo potentially more profitable investment strategies and, as a result, may not achieve its stated investment objective.

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

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

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

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



### **5.3. Dilution**

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.

### **5.4. Charges to capital**

Where the investment objective of a Fund is to treat the generation of income as a higher priority than capital growth, or the generation of income and capital growth have equal priority, or a fund is seeking total returns through a combination of capital growth and income all or part of the ACD's fee (and where appropriate fixed expenses) may be charged against capital instead of against income. The treatment of the ACD's fee (and where appropriate fixed expenses) may increase the amount of income (which may be taxable) available for distribution to Shareholders in the Fund concerned but will erode capital and may constrain capital growth. It may also have tax implications for certain investors.

### **5.5. Market Risk**

External factors can cause an entire asset class to decline in value. Prices and values of all shares or all bonds could decline at the same time. Some of the recognised exchanges on which each Fund may invest may prove to be illiquid or highly volatile from time to time and this may affect the price at which each Fund may liquidate positions to meet repurchase requests or other funding requirements.

### **5.6. 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.

### **5.7. 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. Exchange rate changes may also cause the value of underlying overseas investments of a Sub-fund and any income from them to go down as well as up.

The Net Asset Value per Share of a Fund will be computed in the Base Currency of the relevant Fund, whereas the investments held for the account of that Fund may be acquired in other currencies. The Base Currency value of the investments of a Fund designated in another currency may rise and fall due to exchange rate fluctuations in respect of the relevant currencies. Adverse movements in currency exchange rates can result in a decrease in return and a loss of capital. It may not be possible or practical to hedge against the consequent currency risk exposure and in certain instances the ACD may consider it desirable not to hedge against such risk. Accordingly, the investments

of each Fund may or may not be fully hedged into its Base Currency. Currency management transactions, while potentially reducing the currency risks to which a Fund would otherwise be exposed, involve certain other risks, including the risk of a default by a counterparty.

Where a Fund engages in foreign exchange transactions which alter the currency exposure characteristics of its investments, the performance of such Fund may be strongly influenced by movements in exchange rates as currency positions held by the Fund may not fully correspond with the securities positions held.

Investors should be aware that any currency hedging process may not give a precise hedge. Furthermore, there is no guarantee that the hedging will be totally successful.

#### **5.8. Share Currency Designation Risk**

Share Classes may be available which are designated in a currency other than the Base Currency. In such circumstances, adverse exchange rate fluctuations between the Class Currency and the Base Currency, or between the Class Currency and the underlying currency exposures resulting from the underlying investment decisions including the currency management transactions may result in a decrease in return and/or a loss of capital for Shareholders.

Any currency management transactions that are undertaken to control this risk may limit Shareholders of any Share Class from benefiting from opportunities if there was no currency management transactions and might expose investors to losses. Currency management transactions will expose investors to fluctuations in the Net Asset Value per Shares reflecting the gains/loss on and the costs of the relevant financial instruments.

Where currency management transactions provide exposure to currencies that are different from the Class Currency or the currency exposures arising from the underlying investments, the relevant Fund will be exposed to the risk that changes in the value of the currencies to which the Fund is exposed may not correlate with changes in the value of the currency in which the underlying securities are denominated, which could result in loss on both the currency management transactions and the Fund's securities.

#### **5.9. Derivatives**

The Investment Manager may employ derivatives with the aim of reducing the risk profile of a Fund, reducing costs or generating additional capital or income, in accordance with EPM and also for investment purposes. The use of derivatives and forward transactions for investment purposes may increase the risk profile of that Fund.

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

Investment in derivatives may result in gains or losses that are greater than the original amount invested.

Where a Fund enters into swap arrangements (including total return swaps) and derivative techniques, they will be exposed to the risk that the counterparty may default on its obligations to perform under the relevant contract. In the event of a bankruptcy or insolvency of a counterparty, the Funds could experience delays in liquidating the position and may incur significant losses. There is also a possibility that ongoing derivative transactions will be terminated unexpectedly as a result of events outside the control of the ACD, for instance, bankruptcy, supervening illegality or a change in the tax or accounting laws relative to those transactions at the time the agreement was originated. In accordance with standard industry practice, it is the ACD's policy to net exposures of each Fund against its counterparties.

Since many derivatives have a leverage component, adverse changes in the value or level of the underlying asset, rate or index can result in a loss substantially greater than the amount invested in the derivative itself. Certain derivatives have the potential for unlimited loss regardless of the size of the initial investment. If there is a default by the other party to any such transaction, there will be contractual remedies; however, exercising such contractual rights may involve delays or costs which could result in the value of the total assets of the related portfolio being less than if the transaction had not been entered into. The swap market has grown substantially in recent years with a large number of banks and investment banking firms acting both as principals and as agents utilising standardised swap documentation. As a result, the swap market has become liquid but there can be no assurance that a liquid secondary market will exist at any specified time for any particular swap. Derivatives do not always perfectly or even highly correlate or track the value of the securities, rates or indices they are designed to track. Consequently, the ACD's use of derivative techniques may not always be an effective means of achieving and sometimes could be counter productive to the Fund's investment objective. An adverse price movement in a derivative position may require cash payments of variation margin by the ACD that might in turn require, if there is insufficient cash available in the portfolio, the sale of the relevant Fund's investments under disadvantageous conditions.

For more information in relation to investment in derivatives, please see paragraphs 17 and 18 in Appendix III.

#### **5.10. 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 yield, 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. BBB is described as having adequate capacity to meet financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the bond issuer to meet its financial commitments.

#### **5.11. Counterparty and settlement**

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

#### **5.12. Concentration Risk**

Funds which invest in a narrow range of investments or in specialised sectors may be more volatile than those with a more broadly diversified portfolio.

#### **5.13. Tax**

Tax laws currently in place may change in the future which could affect the value of your investments. See the section headed 'Taxation' for further details about taxation of the Funds.

#### **5.14. Inflation and interest rates**

The real value of any returns that an investor may receive from the Company could be affected by interest rates and inflation over time.

#### **5.15. Custody**

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

#### **5.16. Liquidity**

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

Investments in certain Funds' portfolios may be or become illiquid. This means that, if the need arose, these investments might be difficult to sell and could result in realising less than the value of the investments reflected in the Net Asset Value of the portfolios, which would negatively affect fund performance.

Certain Funds may invest in instruments where the volume of transactions may fluctuate significantly depending on market sentiment. There is a risk that investments made by those Funds may become less liquid in response to market developments or adverse investor perceptions. In extreme market situations, there may be few willing buyers and the investments cannot be readily sold at the desired time or price, and those Funds

may have to accept a lower price to sell the investments or may not be able to sell the investments at all. Trading in particular securities or other instruments may be suspended or restricted by the relevant exchange or by a governmental or supervisory authority and a Fund may incur a loss as a result. An inability to sell a portfolio position can adversely affect those Funds' value or prevent those Funds from being able to take advantage of other investment opportunities.

Liquidity risk also includes the risk that a Fund will not be able to pay redemption proceeds within an allowable time period because of unusual market conditions, and unusually high volume of redemption requests, or other uncontrollable factors. To meet redemption requests, the Fund may be forced to sell investments, at an unfavourable time and/or conditions.

#### **5.17. Epidemics/Pandemics**

Occurrences of epidemics/pandemics (such as COVID-19), depending on their scale, may cause damage to national and local economies which will have an impact on investments. Global economic conditions may be disrupted by widespread outbreaks of infectious or contagious diseases, and such disruption may adversely affect funds, may increase volatility, impair liquidity and potential returns and make assets difficult to value. During such epidemics investment management practices that have worked well in the past, or are accepted ways of addressing certain conditions, could prove ineffective. Custody, trading and settlements may also be affected. As a result there may be a negative impact on the value of funds.

#### **5.18. Property Risk**

##### ***General***

A Fund may have indirect exposure to property which is less liquid than other asset classes such as bonds or equities.

Property values can go up as well as down and are affected by such factors as political factors, level of interest rates, economic growth, fluctuation in property yields, tenant default, supply and demand for residential property, changes in occupancy practices and changes in landlord and tenant law, planning or other property law. This may have an impact on the value of the investments of the Fund and it is possible that an investor will not get back all of his investments in the Fund.

#### **5.19. Legal and regulatory risks**

Legal and regulatory (including taxation) changes could adversely affect the Company and each Fund. Regulation (including taxation) of investment vehicles such as the Company is subject to change. The effect of any future legal or regulatory (including

taxation) change on the Company is impossible to predict, but could be substantial and have adverse consequences on the rights and returns of Shareholders.

#### **5.20. Lack of Operating History**

Each Fund is a sub-funds of the Company which is a newly incorporated entity and has no operating history. The past investment performance of the ACD, the Investment Manager or their affiliates may not be construed as an indicator of the future results of an investment in any Fund.

#### **5.21. Political risk**

The value of each Fund may be affected by uncertainties such as international political developments, civil conflicts and war, changes in government policies, changes in taxation, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in the laws and regulations of countries in which investments may be made. For example, assets could be compulsorily re-acquired without adequate compensation.

Events and evolving conditions in certain economies or markets may alter the risks associated with investments in countries or regions that historically were perceived as comparatively stable becoming riskier and more volatile. These risks are magnified in countries in emerging markets.

#### **5.22. Collective Investment Schemes/Funds**

A Fund may invest in other collective investment schemes or funds (including those managed by the Investment Manager). In such instances the Fund's performance will depend on the performance of the underlying collective investment scheme or fund.

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

A Fund may invest in underling funds which are priced at a premium to their prevailing asset value. The market value of a share in an underlying fund may vary considerably from its net asset value and the Fund may not be able to realise its investment at their prevailing net asset value.

The investments made by underlying funds will typically comprise assets, including property, which are not quoted and the value of which is inherently subjective and uncertain, particularly where there has been limited transactional activity in the underlying market. Valuations of such assets may not reflect actual realisable values

which may adversely impact the net asset value of the underlying fund (which in turn may adversely impact the value of a Fund's investment).

Any underlying funds in which a Fund invests may be reliant on third party service providers, including third party investment managers. A Fund's performance and returns to its investors may therefore be depend on the performance of the managers of the underlying funds, including their decisions as regard investment decisions, portfolio construction and monitoring, leverage and structuring (including tax structuring) and distribution policy.

A Fund may invest in underlying funds with no or limited operating history.

#### **5.23. Counterparty risk in over-the-counter markets**

A Fund may enter into transactions in over-the-counter markets, which will expose that Fund to the credit of its counterparties and their ability to wholly or partially satisfy the terms of such contracts. For example, a Fund may enter into agreements or use other derivative techniques, each of which expose a Fund to the risk that the counterparty may default on its obligations to perform under the relevant contract. In the event of a bankruptcy or insolvency of a counterparty, the relevant Fund could experience delays in liquidating the position and significant losses, including declines in the value of its investment during the period in which the relevant Fund seeks to enforce its rights, inability to realise any gains on its investment during such period and fees and expenses incurred in enforcing its rights. The Company may only be able to achieve limited or, in some circumstances no, recovery in such circumstances. There is also a possibility that the above agreements and derivative techniques are terminated due, for instance, to bankruptcy, supervening illegality or change in the tax or accounting laws relative to those at the time the agreement was originated. In such circumstances, investors may be unable to recover any losses incurred.

#### **5.24. 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 Depositary and their agents), financial intermediaries, companies in which a 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 a Fund 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 a Fund invests or with which it does business.

**5.25. Risks associated with the UK leaving the European Union ("Brexit")**

The UK formally left the European Union on 31 January 2020 (informally known as "Brexit"). However, the formal process of implementing Brexit is continuing and so there is likely to be a period of uncertainty as the UK seeks to negotiate the terms of its exit from the European Union.

The political, economic and legal consequences of Brexit are not yet fully 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.

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.



## 6. MANAGEMENT AND ADMINISTRATION

### 6.1. Regulatory Status

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

### 6.2. Authorised Corporate Director and AIFM

#### 6.2.1. General

The ACD and AIFM of the Company is Valu-Trac Investment Management Limited which is a private company limited by shares incorporated in England and Wales on 3 October 1989 with company number 02428648.

The directors of the ACD are:

- Anne Laing
- Martin Henderson
- Douglas Halley
- Michael Barron

The directors of the ACD and their significant business activities (if any) not connected with the business of the ACD are set out in Appendix IV.

**Registered office:** Level 13 Broadgate Tower, 20 Primrose Street, London, EC2A 2EW.

**Principal place of business:** Orton, Moray, IV32 7QE.

**Share capital:** It has a share capital of £1,673,295 ordinary shares of £1 each issued and paid up.

**Ultimate holding company:** Valu-Trac Limited, a company incorporated in Bermuda.

The ACD is responsible for managing and administering the Company's affairs in compliance with the COLL Sourcebook and FUND. 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 and FUND.

It has therefore delegated to the Investment Manager the function of managing and acting as the investment adviser for the investment and reinvestment of the assets of the Funds (as further explained in paragraph 6.4 below).

#### 6.2.2. Terms of appointment:

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

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

The ACD Agreement may be terminated by either party after 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 paragraph 7.2 "Charges payable to the ACD" below.

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

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

### **6.3. The Depositary**

#### **6.3.1. General**

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

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 NatWest Group plc, which is incorporated in Scotland. The principal business activity of the Depositary is the provision of trustee and depositary services. The Depositary 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.

#### **6.3.2. Duties of the Depositary**

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

#### **6.3.3. Conflicts of interest**

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

It is possible that the Depositary and/or its delegates and sub-delegates may in the course of its or their business be involved in other financial and professional activities which may on occasion have potential conflicts of interest with the Company, the Funds 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 and the Funds, 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.

#### **6.3.4. Delegation of safekeeping functions**

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

The Depositary has delegated safekeeping of the Scheme Property to RBC Investor Services Trust, UK Branch ("the Custodian"). 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").

#### **6.3.5. Updated information**

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 Shareholders on request.

#### **6.3.6. Terms of appointment**

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

Under the Depositary Agreement, the Depositary is free to render similar services to others and the Depositary, the Company and the ACD are subject to a duty not to disclose confidential information.

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

Under the Depositary Agreement the Depositary will be liable to the Company for any loss of financial instruments held in custody or for any liabilities incurred by the Company as a result of the Depositary's negligent or intentional failure to fulfil its obligations.

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

It also provides that the 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.

The Depositary Agreement may be terminated on 6 months' notice by the Company or the Depositary or earlier on certain breaches or the insolvency of a party. However, termination of the Depositary Agreement will not take effect, nor may the Depositary retire voluntarily, until the appointment of a new Depositary.

Details of the fees payable to the Depositary are given in paragraph 7.3.

#### **6.4. The Investment Manager**

The ACD has appointed the Investment Manager, Asset Intelligence Portfolio Management Ltd (registered number 11955590 and having its registered office at Granville Hall, Granville Road, Leicester, Leicestershire, England, LE1 7RU) to provide investment management services to the ACD. The Investment Manager is authorised and regulated by the Financial Conduct Authority.

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

The terms of the Investment Management Agreement between the ACD and the Investment Manager provide that the Investment Manager has authority to make

decisions on behalf of the ACD on a discretionary basis in respect of day to day investment management of the Scheme Property including authority to place purchase orders and sale orders. Subject to the agreement of the ACD, the Investment Manager may appoint sub-investment advisers to discharge some or all of these duties. The Agreement may be terminated by either party on not less than six months' written notice or earlier upon the happening of certain specified events.

The Investment Manager will receive a fee paid by the ACD out of its remuneration received each month from the Company as explained in paragraph 7.4 below.

**The Investment Manager has appointed T. Rowe Price International Ltd to provide it with investment advice and so act as sub-advisor in respect of the Sub-Funds.**

#### **6.5. The Registrar**

The ACD will also act as Registrar with responsibility for maintaining the Register. The Register will be kept at the offices of the ACD, where it can be inspected by Shareholders during normal business hours.

#### **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.

The Auditors are responsible for auditing the annual accounts of the Company and expressing an opinion on certain matters relating to the Company in the annual report including whether its accounts have been prepared in accordance with applicable accounting standards, the Regulations and the Instrument of Incorporation

#### **6.7. Sponsor**

The sponsor of the Company is Asset Intelligence Portfolio Management Limited whose principal place of business is at 340 Melton Road, Leicester, LE4 7SL.

#### **6.8. Conflicts of Interest**

The ACD, the Investment Manager and other companies within the ACD and/or the Investment Manager's group may, from time to time, act as investment manager 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 and/or the Investment Manager may in the course of its business have potential conflicts of interest with the Company (or a particular Fund) or that a conflict exists between the Company and other funds managed by the ACD. Each of the ACD and the Investment Manager will, however, have regard in such event to its obligations under the ACD Agreement and the Investment Management Agreement respectively and, in particular, to its obligation to act in the best interests of the Company so far as practicable, having regard to its obligations to other clients, when undertaking any investment business where potential conflicts of interest may arise. Where a conflict of interest cannot be avoided, the ACD and the Investment

Manager will ensure that the Company (or particular Fund as the case may be) and other collective investment schemes they manage are fairly treated.

**The Fund may invest in transferable securities and/or collective investment schemes in respect of which the ACD and/or Investment Manager and/or their respective associates may manage, advise or administer.**

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

Details of the ACD's conflicts of interest policy are available on its website at: [www.valu-trac.com](http://www.valu-trac.com).

## **7. FEES AND EXPENSES**

### **7.1. Ongoing**

Other costs, charges, fees or expenses, other than the charges made in connection with the subscription and redemption of Shares (see paragraph 3.6) payable by a Shareholder or out of Scheme Property are set out in this section.

The Company (or each Fund as the case may be) may, so far as the COLL Sourcebook and FUND allows, pay out of the Scheme Property all relevant costs, charges, fees and expenses including, but not limited to, the following:

- 7.1.1. the fees and expenses and other charges (including for the avoidance of doubt any performance fee) payable to the ACD, the Investment Manager (or adviser), the Registrar/Administrator and the Depositary;
- 7.1.2. broker's commission, fiscal charges (including stamp duty and/or stamp duty reserve tax) and other disbursements which are necessary to be incurred in effecting transactions for the Funds and normally shown in contract notes, confirmation notes and difference accounts as appropriate;
- 7.1.3. fees and expenses in respect of establishing and maintaining the register of Shareholders, including any sub-registers and any associated incurred expenses whether they are provided by the ACD, its associates or any other person;
- 7.1.4. any costs incurred in or about the listing of Shares in the Company on any Stock Exchange, and the creation, conversion and cancellation of Shares;
- 7.1.5. any costs incurred in establishing or maintaining any services or facilities for electronic dealing in shares;
- 7.1.6. any costs incurred by the Company in publishing the price of the Shares in a national or other newspaper or any other form of media;
- 7.1.7. any costs incurred in producing and dispatching any payments made by the Company or A Fund (as the case may be), or the yearly and half-yearly reports of the Company;
- 7.1.8. any fees, expenses or disbursements of any legal or other professional adviser of the Company or of the ACD or Investment Manager or investment adviser in relation to the Company;
- 7.1.9. any costs incurred in taking out and maintaining any insurance policy in relation to the Company and ACD;

- 7.1.10. any costs incurred in respect of meetings of Shareholders convened for any purpose (including meetings of Shareholders in any particular Fund, or any particular Class within a Fund);
- 7.1.11. any payment permitted by clause 6.7.15R of the COLL Sourcebook;
- 7.1.12. interest on borrowings and charges incurred in effecting or terminating such borrowings or in negotiating or varying the terms of such borrowings;
- 7.1.13. taxation and duties payable in respect of the Scheme Property or the issue or redemption of Shares;
- 7.1.14. the audit fees of the Auditors (including VAT) and any expenses of the Auditors;
- 7.1.15. the fees of the FCA, in accordance with FCA's Fee Manual, together with any corresponding periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which shares in the Company or any Fund are or may be marketed;
- 7.1.16. any expense incurred in relation to company secretarial duties including the cost of maintenance of minute books and other documentation required to be maintained by the Company;
- 7.1.17. any costs incurred in modifying the Instrument of Incorporation, Prospectus, KIIDs and other materials of the Company (including costs in respect of meetings of shareholders and/or directors convened for the purposes);
- 7.1.18. any costs incurred in printing reports, accounts, the Instrument of Incorporation, Prospectus and KIIDs of the Company, and any costs incurred as a result of periodic updates of such documents and any other administrative expenses;
- 7.1.19. any expense incurred in relation to each dealing transaction of Shares of the Company by way of example, including the cost of telephone, fax, postage and bank charges required to process a dealing transaction;
- 7.1.20. all fees and expenses of paying agents in countries other than the UK where shares in the Company are registered for retail sale;
- 7.1.21. the total amount of any cost relating to the authorisation and incorporation of any Fund and of its Initial Offer or issue of shares;
- 7.1.22. any other fee, cost, charge or expense otherwise due or permitted to be deducted from the Company under the Regulations and/or by virtue of a change to the Regulations;
- 7.1.23. any value added or similar tax relating to any charge or expense set out herein;



- 7.1.24. expenses properly incurred by the ACD in the performance of its duties as ACD of the Company, including without limitation any costs incurred in preparing, translating, producing (including printing), distributing and modifying, any instrument of incorporation any prospectus or key investor information document (apart from the cost of distributing the key investor information document), or reports, accounts, statements, contract notes and other like documentation or any other relevant document required under the Regulations;
- 7.1.25. such other expenses as the ACD resolves are properly payable out of the Fund's property;

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

VAT will be added to these fees, charges and expenses where appropriate and will be payable by the Company or relevant Fund.

#### Allocation of expenses

Expenses are allocated between capital and income in accordance with the Regulations. However, the approach for a given Fund is set out in Appendix I. **Deducting charges from capital may erode or constrain capital growth.**

Where expenses are deducted in the first instance from income, if and only if this is insufficient, the ACD and Depositary have agreed that all or part of the deductions will be made from capital (save for any charge made in respect of SDRT). If deductions were made from capital, this would result in capital erosion and constrain growth.

The ACD and the Depositary have agreed that the fees payable to the ACD and the Depositary will be apportioned as is set out in Appendix I in respect of each share class of each Fund.

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

### **7.2.1. Annual management charge**

In payment for carrying out its management duties and responsibilities the ACD is entitled to take an annual fee out of each Fund as set out in Appendix I. The annual management charge will accrue on a daily basis in arrears by reference to the Net Asset Value of the relevant Fund on the immediately preceding Dealing Day and the amount due for each month is payable on the last Dealing Day of each month.

The current annual management charges for each Fund is set out in Appendix I. The fees payable to the Investment Adviser(s) are payable by the ACD out of its own fee income.

### **7.2.2. Expenses**

The ACD is also entitled to all reasonable, properly documented, out of pocket expenses incurred in the performance of its duties as set out above, including stamp duty, stamp duty reserve tax on transactions in shares and expenses incurred in effecting regulatory changes to the Company or any Fund.

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

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

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

### **7.3. Depositary's fee and expenses**

The Depositary receives for its own account a periodic fee which will accrue daily 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 each Fund 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 Depositary from time to time and is currently based on the value of each Fund:

- Up to £25million – 4 bps (0.04%) per annum
- £25 million to £50 million – 3.75 bps (0.0375%) per annum
- £50 million to £100 million – 3.5 bps (0.035%)per annum
- thereafter – 3 bps (0.03%) per annum

(plus VAT) subject to a minimum of £15,000 (plus VAT) per annum per 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 Depositary shall also be entitled to be paid transaction and custody charges in relation to transaction handling and safekeeping of the Scheme Property as follows:

<i>Item</i>	<i>Range</i>
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 Depositary and the ACD. Custody charges accrue and are payable as agreed from time to time by the ACD, the Depositary and the Custodian.

Where relevant, the Depositary may make a charge for (or otherwise benefit from) providing services in relation to: distributions, the provision of banking services, holding money on deposit, lending money or engaging in stock lending or derivative transactions in relation to the 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 OEIC Regulations or the Rules.

The Depositary 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 OEIC Regulations, the Rules or the general law.

On a winding up, redemption or termination of the Company or a Fund, the Depositary 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 FCA Rules.

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

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

The Investment Manager is also entitled to be repaid out of the assets of the Company, all reasonable, properly documented, out of pocket expenses incurred in the proper performance of its duties.

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

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

All the above fees, duties and charges (other than those borne by the ACD) will be charged to the Fund in respect of which they were incurred. This includes any charges

and expenses incurred in relation to the Register of Shareholders, except that these will be allocated and charged to each class of Shares on a basis agreed between the ACD and the Depositary.

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

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

**8. INSTRUMENT OF INCORPORATION**

The Instrument of Incorporation is available for inspection at the ACD's offices at Orton, Moray, IV32 7QE.

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

### **9.1. Class, Company and Fund Meetings**

The Company has dispensed with the holding of annual general meetings.

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

### **9.2. Requisitions of meetings**

The ACD may requisition a general meeting at any time.

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

### **9.3. Notice and quorum**

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

### **9.4. Voting rights**

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

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

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

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

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

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

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

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

"Shareholders" in this context means Shareholders on the date seven days before the notice of the relevant meeting was sent out but excludes holders who are known to the ACD not to be Shareholders at the time of the meeting.

#### **9.5. Variation of Class or Fund rights**

The rights attached to a Class or Fund may not be varied without the sanction of an extraordinary resolution passed at a meeting of Shareholders of that Class or Fund or otherwise in accordance with the COLL Sourcebook.

**10. TAXATION**



## **10.1. General**

The information below is a general guide based on current United Kingdom law and HM Revenue & Customs practice, all of which are subject to change. It is not intended to be exhaustive and there may be other tax considerations which may be relevant to prospective investors.

It summarises the tax position of the Company and of investors who are resident in the United Kingdom for tax purposes and hold Shares as investments. The regime for taxation of income and capital gains received by investors depends on the tax law applicable to their particular circumstances and/or the place where the Scheme Property is invested.

Prospective investors who are in any doubt about their tax position, or who may be subject to tax in a jurisdiction other than the United Kingdom, are recommended to take professional advice.

## **10.2. The Company**

Each Fund will be treated as a separate entity for United Kingdom tax purposes.

The Company is generally exempt from United Kingdom tax on capital gains realised on the disposal of its investments. However, in some cases, 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.

## **10.3. Shareholders**

### **10.3.1. Income distributions**

Any income distribution made by the Company, unless designated by the Company as an interest distribution, 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.

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.

### **10.3.2. 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.

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.

### **10.3.3 Income Equalisation**

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

## **10.4. 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.

Under the Automatic Exchange of Information (AEOI) Regime the Company is obliged to share certain information in relation to investors with HMRC which will be shared with other tax authorities. AEOI refers to US Foreign Account Tax Compliant Act

("FATCA") and associated inter-governmental agreements and OECD's Common Reporting Standard ("CRS") as applicable in participating jurisdictions.

Failure to comply with these requirements will subject a Fund to US withholding taxes on certain US-sourced income and gains under FATCA and various penalties as applicable in different participating jurisdictions for being non-compliant with CRS regulations.

Shareholders may be asked to provide additional information to the ACD to enable the Fund to satisfy these obligations. Failure to provide requested information under FATCA 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 Sub-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 Company 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, which is subject to change, 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. No liability is accepted by the ACD for such interpretation.**

## **11. 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 be terminated under the COLL Sourcebook instead of by the court provided that the Sub-Fund is solvent and the steps required by regulation 21 of the OEIC Regulations are complied with.

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 or Fund) either that the Company (or Fund as the case may be) will be able to meet its liabilities within 12 months of the date of the statement or that the Company (or Fund) will be unable to do so. The Company may not be wound up or a Fund terminated under the COLL Sourcebook if there is a vacancy in the position of ACD at the relevant time.

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

- 11.1.** if an extraordinary resolution to that effect is passed by Shareholders; or
- 11.2.** when the period (if any) fixed for the duration of the Company or a particular Fund by the Instrument of Incorporation expires, or any event occurs, on the occurrence of which the Instrument of Incorporation provides that the Company or a particular Fund is to be wound up or terminated (as appropriate) (for example, if the share capital of the Company or (in relation to any Fund) the Net Asset Value of the Fund is below £2 million, or if a change in the laws or regulations of any country means that, in the ACD's opinion, it is desirable to terminate the Fund);
- 11.3.** on the date stated in any agreement by the FCA in response to a request by the ACD for the winding up of the Company or a request for the termination of the relevant Fund;
- 11.4.** on the effective date of a duly approved scheme of arrangement which is to result in the Company or Fund ceasing to hold any Scheme Property; or
- 11.5.** on the date on which all of the Funds of the Company fall within 11.4 or have otherwise ceased to hold any Scheme Property, notwithstanding that the Company may have assets and liabilities that are not attributable to any particular Fund.

On the occurrence of any of the above:

- 11.6.** 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 relevant Fund (except in respect of the final calculation);
- 11.7.** the Company will cease to issue and cancel Shares in the Company or the relevant Fund and the ACD shall cease to sell or redeem Shares or arrange for the Company to issue

or cancel them for the Company or the relevant Fund (except in respect of a final cancellation);

- 11.8.** no transfer of a Share shall be registered and no other change to the Register of Shareholders shall be made without the sanction of the ACD;
- 11.9.** where the Company is being wound up or a Fund terminated, the Company shall cease to carry on its business except in so far as it is beneficial for the winding up of the Company or for the termination of the Fund;
- 11.10.** the corporate status and powers of the Company and subject to 11.6 to 11.9 above, the powers of the ACD shall continue until the Company is dissolved. The ACD must ensure that it keeps Shareholders appropriately informed about the winding up or termination including, if known, its likely duration.

The ACD shall, as soon as practicable after the winding up or termination commences, realise the assets and meet the liabilities of the Company or Fund and, after paying out or retaining adequate provision for all liabilities properly payable and retaining provision for the costs of winding up or 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 Scheme Property. The ACD must instruct the Depositary how the proceeds must be held prior to being utilised to meet liabilities or make distributions to Shareholders with a view to the prudent protection of creditors and Shareholders against loss. 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 Scheme 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 or termination of a Fund, the Company will be dissolved or the Fund terminated and any money (including unclaimed distributions) still standing to the account of the Company or Fund, will be paid into court by the ACD within one month of the dissolution or the termination.

Following the completion of a winding up of the Company or the termination of a Fund, the ACD must prepare a final account showing how the winding up or termination took place and how the Scheme Property was distributed. The Auditors of the Company shall make a report in respect of the final account stating their opinion as to whether the final account has been properly prepared. Within four months of the completion of the winding up or termination this final account and the auditors' report must be sent to the FCA and to each person who was a Shareholder (or the first named of joint Shareholders) immediately before the winding up or termination commenced.

As the Company is an umbrella company, with each Fund having segregated liability, any liabilities attributable or allocated to a particular Fund under the COLL Sourcebook shall be met out of the Scheme Property attributable or allocated to that particular Fund.

## **12. GENERAL INFORMATION**

### **12.1. Accounting periods**

The annual accounting period of the Company ends each year on 31 March (the accounting reference date). Details of the interim accounting periods are set out in Appendix I.

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

### **12.2. Notice to Shareholders**

All notices or other documents sent by the ACD to a Shareholder will be sent by normal post (or by email if the Shareholder agrees) to the last address (or email address as appropriate) notified in writing to the Company by the Shareholder.

### **12.3. Income allocations**

The interim and final allocation dates in respect of each Fund is set out in Appendix I

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

**Distributions for all Share Classes will be paid in the Base Currency (pounds sterling).**

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

The ACD may at its option carry out any authentication procedures that it considers appropriate to verify, confirm or clarify shareholder payment instructions relating to dividend payments. This aims to mitigate the risk of error and fraud for the Company, each Sub-fund, its agents or Shareholders. Where it has not been possible to complete any authentication procedures to its satisfaction, the ACD and transfer agent may, at its discretion, delay the processing of payment instructions until authentication procedures have been satisfied, to a date later than the envisaged dividend payment date.

If the ACD is not satisfied with any verification or confirmation, it may decline to execute the relevant dividend payment until satisfaction is obtained. Neither the ACD nor the Company shall be held responsible to the Shareholder or anyone if it delays execution or declines to execute dividend payments in these circumstances.



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

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

#### **12.4. Annual reports**

Annual reports of the Company will be published within four months of each annual accounting period and half yearly reports will be published within two months of each interim accounting period. The report containing the full accounts will be available upon request free of charge.

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

The following documents may be inspected free of charge during normal business hours on any Business Day at the offices of the ACD at Orton, Moray, IV32 7QE.

- 12.5.1. the Prospectus;
- 12.5.2. the most recent annual and half yearly reports of the Company;
- 12.5.3. the Instrument of Incorporation (and any amending documents); and
- 12.5.4. the material contracts referred to below.

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

#### **12.6. Material contracts**

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

- 12.6.1. the ACD Agreement between the Company, and the ACD;
- 12.6.2. the Investment Advisory Agreement between the Company, the ACD and the Investment Adviser; and

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

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

#### **12.7. Provision of investment advice**

All information concerning the Company and about investing in Shares of the Company is available from the ACD at Orton, Moray, IV32 7QE. Neither the ACD nor any of its officers, representatives or advisers shall be regarded as giving investment advice and persons requiring such advice should consult a professional financial adviser. All applications for Shares are made solely on the basis of the current prospectus of the Company, and investors should ensure that they have the most up to date version.

#### **12.8. Telephone recordings**

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

#### **12.9. Complaints**

Complaints may be brought in writing to Valu-Trac Investment Management Limited, Orton, Moray, IV32 7QE or by telephone to 01343 880 344.

In the event that an unsatisfactory response is provided, you can refer your complaint to the Financial Ombudsman Service at:

Financial Ombudsman Service  
Exchange Tower  
London  
E14 9SR

Please note that a copy of the ACD's guide to making a complaint is available upon request.

#### **12.10. Risk management**

The ACD will provide upon the request of a Shareholder further information relating to:

12.10.1. the quantitative limits applying in the risk management of the Company;

12.10.2. the methods used in relation to 12.10.1; and

12.10.3. any recent development of the risk and yields of the main categories of investment.

#### **12.11. Indemnity**

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

**12.12. Strategy for the exercise of voting rights**

The ACD has a strategy for determining when and how voting rights attached to ownership of the Scheme Property are to be exercised for the benefit of the Company. A summary of this strategy is available from the ACD on request or on the ACD's website at [www.valu-trac.com](http://www.valu-trac.com). Voting records and further details of the actions taken on the basis of this strategy in relation to the Company are available free of charge from the ACD on request.

**12.13. Best execution**

The ACD's order execution policy sets out the factors which the ACD expects the Investment Managers to consider when effecting transactions and placing orders in relation to the Company. This policy has been developed in accordance with the ACD's obligations under the Regulations to obtain the best possible result for the Company.

Details of the order execution policy are available on the ACD's website at [www.valu-trac.com](http://www.valu-trac.com).

**12.14. Information available to Shareholders**

The following information will be made available to Shareholders as part of the Company's periodic reporting and, as a minimum, in the annual report:

- (a) the percentage of the Company's assets which will be subject to special arrangements arising from their illiquid nature, including an overview of any special arrangements in place, the valuation methodology applied to assets which are subject to such arrangements and how management and performance fees will apply to these assets;
- (b) the current risk profile of the Company, and information on the risk management systems used by the ACD to manage those risks;
- (c) the total amount of leverage employed by the Company calculated in accordance with the gross and commitment methods; and
- (d) any material changes to the information above.

It is intended that Shareholders will be notified promptly of any material changes to the liquidity management systems and procedures such as the suspension of redemptions, the deferral of redemptions or similar special liquidity arrangements. It is intended that

any changes to the maximum level of leverage which the Company may employ will be provided to Shareholders without undue delay.

#### **12.15. Changes to the Company or Fund**

Where any changes are proposed to be made to the Company or a Fund the ACD will assess, with input from the Depositary, whether the change is fundamental, significant or notifiable in accordance with COLL 4.3. Changes to a Fund's investment objective and investment policy will usually be significant or fundamental, unless those changes are only for clarification purposes and do not result in any change in how the Fund is managed. Certain changes to a Fund may require approval by the FCA in advance.

If the change is regarded as fundamental, Shareholder approval will be required. If a change requires Shareholder approval, this will mean that Shareholders will need to approve the change at a meeting. The procedure for Shareholder meetings is described above at Section 9.

If the change is regarded as significant, not less than 60 days' prior written notice will be given to Shareholders. If the change is regarded as notifiable, Shareholders will receive suitable pre or post event notice of the change.

#### **12.16. Professional liability risks**

The ACD covers potential professional liability risks arising from its activities as the Company's AIFM through additional own funds.

#### **12.17. Fair treatment of investors**

Procedures, arrangements and policies have been put in place by the ACD, with appropriate oversight and input from the Depositary, to ensure compliance with the principles of fair treatment of investors. The principles of treating investors fairly include, but are not limited to:

- (a) acting in the best interest of the Company and of the investors;
- (b) executing the investment decisions taken for the account of the Company in accordance with the objectives, the investment policy and the risk profile of the Company;
- (c) ensuring that the interests of any group of investors are not placed above the interests of any other group of investors;
- (d) ensuring that fair, correct and transparent pricing models and valuation systems are used for the Company managed;
- (e) preventing undue costs being charged to the company and investors;
- (f) taking all reasonable steps to avoid conflicts of interests and, when they cannot be avoided, identifying, managing, monitoring and, where applicable,

disclosing those conflicts of interest to prevent them from adversely affecting the interests of investors; and

- (g) recognising and dealing with complaints fairly.

From time to time the ACD may afford preferential terms of investment to certain groups of investors. In assessing whether such terms are afforded to an investor, the ACD will ensure that any such concession is not inconsistent with its obligation to act in the overall best interests of the relevant Company and its investors.

In particular, the ACD will typically exercise its discretion to waive the initial charge or investment minima for investment in a Class for investors that are investing sufficiently large amounts, either initially or are anticipated to do so over time, such as platform service providers, institutional investors including fund of fund investors and fund-link investors. The ACD may also have agreements in place with such groups of investors which result in them paying a reduced annual management charge.

#### **12.18. Genuine diversity of ownership**

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

#### **12.19. Recognition and Enforcement of Judgements**

Council Regulation (EC) No 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (the “Brussels Regulation”) sets out a system for the allocation of jurisdiction and for the reciprocal enforcement of judgments between Member States of the European Union. Subject to the Brussels Regulation and the circumstances of a particular claim, holders residing outside of the UK may be able to bring a claim before their local court and have that judgment enforced in the UK.

#### **12.20. Shareholders' rights**

Shareholders are entitled to participate in the Company on the basis set out in this prospectus (as amended from time to time). Sections 12.9 (“Complaints”), 9 (“Shareholder Meetings and Voting Rights”), 12.4 (“Annual Reports”) and 12.5 (“Documents of the Company”) of this prospectus set out important rights about Shareholders’ participation in the Company.

Shareholders may have no direct rights against the service providers to the Company.

The ACD must ensure that this Prospectus does not contain any untrue or misleading statement or omit any matter required to be disclosed in the Prospectus by the FUND Sourcebook or the COLL Sourcebook. To the extent that a Shareholder incurs loss as a

consequence of an untrue or misleading statement or omission, the ACD may be liable to compensate that Shareholder subject to the ACD having failed to exercise reasonable care to determine that the statement was true and not misleading or that the omission was appropriate, in accordance with the FCA Handbook.

Shareholders have statutory and other legal rights which include the right to complain and may include the right to cancel an order or seek compensation.

Shareholders who are concerned about their rights in respect of the Company should seek legal advice.

#### **12.21. Financial Services Compensation Scheme**

The ACD is covered by the Financial Services Compensation Scheme. Shareholders may be entitled to compensation from the scheme if the ACD cannot meet its obligations. This depends on the type of business and the circumstances of the claim. Most types of investment businesses are covered for 100% of investments up to £85,000. Further information is available from:

The Financial Services Compensation Scheme  
10th Floor  
Beaufort House  
15 St Botolph Street  
London  
EC3A 7QU

Tel: 0800 678 1100

Website: [www.fscs.org.uk](http://www.fscs.org.uk)

#### **12.22. Governing law and jurisdiction**

The ACD treats a Shareholder's participation in the Company as governed by the law of England and Wales. The Courts of England and Wales will have exclusive jurisdiction to settle any disputes or claims which may arise out of, or in connection with, a Shareholder's participation in the Company.

**APPENDIX I**  
**SUB-FUND DETAILS**

**VT ASSET INTELLIGENCE DEFENSIVE FUND**

<b>Type of Scheme:</b>	NURS scheme
<b>PRN:</b>	940233
<b>Investment Objective:</b>	<p>The investment objective of the Fund is to deliver total returns (comprised of income and capital growth) over the long term (7 years) (net of fees and underlying fund charges). Capital is in fact at risk and there is no guarantee that a positive return will be achieved over a seven year, or any, period.</p>
<b>Investment Policy:</b>	<p>The Fund will seek to achieve its objective by investing predominantly (at least 80%) in range of collective investment vehicles (including exchange traded funds and funds managed and/or operated by the ACD, Investment Manager or sub-advisor) providing exposure to a variety of asset classes, primarily (at least 70%) bonds and other debt securities issued by governments (and associated agencies) as well as by companies but also equities. The debt securities will be mainly investment grade but may include, non-investment grade or be unrated. At any one time, a large proportion of the Fund may be invested in collective investment vehicles managed by the sub-advisor.</p> <p>The Fund may also invest directly in equities, debt securities, money market instruments, deposits, cash and near cash.</p> <p>The Fund may hold derivatives only for efficient portfolio management purposes.</p> <p>The Fund will not have any particular geographic, industry or economic sector focus and as such weightings in these may vary as required. There may be exposure to emerging markets(those markets whose economies are in an emerging growth phase and offer higher potential return with higher risks than developed market countries).</p>
<b>Derivatives:</b>	<p>The Fund may hold derivatives only for efficient portfolio management purposes. It is not intended that the use of derivatives for efficient portfolio management purposes will increase the risk profile of the Fund. The Fund may invest in other collective investment schemes which may themselves use derivatives for investment purposes.</p>
<b>Performance Comparator :</b>	<p>The Fund is not managed to or constrained by a benchmark, and nor does the ACD use a benchmark in order to assess performance.</p>

However, the performance of the Fund can be compared to that of the Bloomberg Barclays Global Aggregate Index (hedged to GBP).

The performance of the Fund can be compared against that of the index. This index has been selected as it is considered that this index most closely reflects the investments which the Fund will make (and its risk/return objectives) at the current time. For the avoidance of doubt, the Investment Manager is not bound or influenced by the index when making its decisions and can make investments that are not included in the index.

<b>Accounting date:</b>	Final: 31 March
	Interim: 30 September
<b>Distribution dates:</b>	Final: by 31 May
	Interim: by 30 November

<b>Shares Classes:<sup>1</sup></b>	Class R (Accumulation)
	Class I (Accumulation)

<b>Initial charge<sup>2</sup>:</b>	Class R: Nil	
	Class I: Nil	
<b>Redemption Charge:</b>	Nil	
<b>Switching Charge:</b>	Nil	
<b>Annual Management Charge:</b>		
	Class R	0.95% (per annum)
	Class I:	0.70% (per annum)

the above percentages being a percentage of the Net Asset Value of the Fund attributable to the relevant Class (plus VAT if applicable).

<b>Depository Fee:</b>	See section 7.3 of the Prospectus
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<sup>1</sup> Class I shares are only available to associates of the Investment Manager or otherwise at the discretion of the ACD.

<sup>2</sup> The initial charge may be waived at the discretion of the ACD.



**Charges taken from:** Income

**Investment minima<sup>3</sup>:**

Lump sum subscription	Class R: £500 Class I: Nil
Top-up	Class R: £250 Class I: Nil
Holding	Class R: £250 Class I: Nil
Redemption	N/A (provided minimum holding is maintained)
Switching	N/A (provided minimum holding is maintained)

**Initial price of Shares:** £1

**Past Performance:** As the Fund is to launch in 2020, no historical performance data is available prior to this date.

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.

**Performance Fee:** No.

**Profile of a Typical Investor/Target Market:** The Fund is available to a wide range of investors seeking to invest for the medium to long term who wish to gain access to a portfolio managed in accordance with a specific investment objective and policy. Investors must be prepared to accept

<sup>3</sup> The investment minima may be waived at the discretion of the ACD

**fluctuations in the value of capital including capital loss and accept the risks of investing in equity markets.**

**Different Classes of Share may be issued in respect of the Fund. The Classes currently available in respect of the Fund are set out above. The Fund can be marketed to all types of eligible investor subject to the applicable legal and regulatory requirements in the relevant jurisdiction(s). Investors should read the risk warnings set out in this Prospectus before investing.**

**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 Fund. Investors will be seeking a fund with moderate risk profile.

**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).

**\*\*The ACD may waive the minimum levels (and initial charge) at its discretion.**

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

- (a) under the gross method is 200%; and
- (b) under the commitment method is 200%.

### **Ongoing Charges**

The Investment Manager has, with the agreement of the ACD, undertaken that if the total OCF of the Fund exceeds 0.95% in respect of the Class R shares (or 0.70% in the case of the Class I Shares), the Investment Manager shall reimburse the Fund for an amount which, when deducted from the operating costs incurred by the Fund during the relevant accounting period, would result in the Fund having a total OCF equal to the stated annual management charge for each share class e.g. 0.95% in respect of the Class R shares or 0.70% in the case of the Class I Shares in the relevant accounting period.

Any amount to be reimbursed as stated above may be reimbursed by the Investment Manager in any one, or a combination of any or all, of the following methods as the Investment Manager may elect in its absolute discretion:

- (a) by repaying to the ACD or the Fund any fees, charges or other remuneration that the Investment Adviser has received in respect of the relevant accounting period or previous accounting periods in consideration for its services;
- (b) by making a cash payment to the ACD or the Fund as a reimbursement for operating costs incurred by the Fund during the relevant accounting period;
- (c) by waiving any fees, charges or other remuneration that the Investment Adviser has accrued in respect of the relevant accounting period or previous accounting periods in consideration for its services as Investment Adviser to the ACD of the Fund but in respect of which payment has not been received;
- (d) by waiving any fees, charges or other remuneration that the Investment Adviser reasonably expects to accrue in respect of future periods in consideration for its services as the Investment Manager of the Fund.

The ACD has undertaken to procure that the Fund receives promptly the full benefit of any such reimbursement, payment or waiver.

Any extraordinary cost, one-time expense, nonrecurring charge, underlying fund charge or any other cost, expense, charge or liability suffered or incurred by the Fund in respect of a reasonably unpredictable event or which is unlikely to occur again will not be included in total operating costs for the purpose of calculating the OCF of the Fund for the purposes of the above provisions.



## VT ASSET INTELLIGENCE GROWTH FUND

<b>Type of Scheme:</b>	NURS scheme
<b>PRN:</b>	940232
<b>Investment Objective:</b>	The objective of the Fund is to achieve capital growth over the long term (7 years) whilst also providing some income.
<b>Investment Policy:</b>	<p>The Fund will seek to achieve its objective by investing predominantly (at least 80%) in collective investment vehicles (including funds managed and/or operated by the ACD, Investment Manager or sub-advisor) which provide exposure to a variety of assets but mainly (i) equities; and (ii) debt securities (investment grade and sub-investment grade). Equity exposure within the portfolio (which is indirect) is typically expected to be around 80-90%. At any one time, a large proportion of the Fund may be invested in collective investment vehicles managed by the sub-advisor.</p> <p>The Fund may also invest directly in equities, debt securities, money market instruments, deposits, cash and near cash.</p> <p>The Fund may hold derivatives only for efficient portfolio management purposes.</p> <p>The Fund will not have any particular geographic, industry or economic sector focus and as such weightings in these may vary as required.</p>
<b>Derivatives:</b>	The Fund may hold derivatives only for efficient portfolio management purposes. It is not intended that the use of derivatives for efficient portfolio management purposes will increase the risk profile of the Fund. The Fund may invest in other collective investment schemes which may themselves use derivatives for investment purposes.
<b>Performance Comparator :</b>	<p>The Fund is not managed to or constrained by a benchmark, and nor does the ACD use a benchmark in order to assess performance.</p> <p>However, the performance of the Fund can be compared to that of the MSCI All Country World Index (net GBP).</p> <p>The performance of the Fund can be compared against that of the index. This index has been selected as it is considered that this index most closely reflects the investments which the Fund will make (and its risk/return objectives) at the current time. For the avoidance of doubt, the Investment Manager is not bound or influenced by the index</p>

when making its decisions and can make investments that are not included in the index.

**Accounting date:** Final: 31 March  
Interim: 30 September

**Distribution dates:** Final: by 31 May  
Interim: by 30 November

**Shares Classes:<sup>4</sup>** Class R (Accumulation)  
Class I (Accumulation)

**Initial charge<sup>5</sup>:** Class R: Nil  
Class I: Nil

**Redemption Charge:** Nil

**Switching Charge:** Nil

**Annual Management Charge:**

Class R	0.95% (per annum)
Class I:	0.70% (per annum)

the above percentages being a percentage of the Net Asset Value of the Fund attributable to the relevant Class (plus VAT if applicable).

**Depository Fee:** See section 7.3 of the Prospectus

**Charges taken from:** Income

**Investment minima<sup>6</sup>:**

<sup>4</sup> Class I shares are only available to associates of the Investment Manager or otherwise at the discretion of the ACD.

<sup>5</sup> The initial charge may be waived at the discretion of the ACD.

<sup>6</sup> The investment minima may be waived at the discretion of the ACD

Lump sum subscription	Class R: £500 Class I: Nil
Top-up	Class R: £250 Class I: Nil
Holding	Class R: £250 Class I: Nil
Redemption	N/A (provided minimum holding is maintained)
Switching	N/A (provided minimum holding is maintained)

**Initial price of Shares:** £1

**Past Performance:** As the Fund is to launch in 2020, no historical performance data is available prior to this date.

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.

**Performance Fee:** No.

**Profile of a Typical Investor/Target Market:** The Fund is available to a wide range of investors seeking to invest for the medium to long term who wish to gain access to a portfolio managed in accordance with a specific investment objective and policy. Investors must be prepared to accept fluctuations in the value of capital including capital loss and accept the risks of investing in equity markets.

Different Classes of Share may be issued in respect of the Fund. The Classes currently available in respect of the Fund are set out above. The Fund can be marketed to all types of eligible investor subject to the applicable legal and regulatory requirements in the relevant jurisdiction(s). Investors should read the risk warnings set out in this Prospectus before investing.

**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 high 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 Fund. Investors will be seeking a fund with moderate risk profile.

**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).

**\*\*The ACD may waive the minimum levels (and initial charge) at its discretion.**

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

- (c) under the gross method is 200%; and
- (d) under the commitment method is 200%.



## Ongoing Charges

The Investment Manager has, with the agreement of the ACD, undertaken that if the total OCF of the Fund exceeds 0.95% in respect of the Class R shares (or 0.70% in the case of the Class I Shares), the Investment Manager shall reimburse the Fund for an amount which, when deducted from the operating costs incurred by the Fund during the relevant accounting period, would result in the Fund having a total OCF equal to the stated annual management charge for each share class e.g. 0.95% in respect of the Class R shares or 0.70% in the case of the Class I Shares in the relevant accounting period.

Any amount to be reimbursed as stated above may be reimbursed by the Investment Manager in any one, or a combination of any or all, of the following methods as the Investment Manager may elect in its absolute discretion:

- (a) by repaying to the ACD or the Fund any fees, charges or other remuneration that the Investment Adviser has received in respect of the relevant accounting period or previous accounting periods in consideration for its services;
- (b) by making a cash payment to the ACD or the Fund as a reimbursement for operating costs incurred by the Fund during the relevant accounting period;
- (c) by waiving any fees, charges or other remuneration that the Investment Adviser has accrued in respect of the relevant accounting period or previous accounting periods in consideration for its services as Investment Adviser to the ACD of the Fund but in respect of which payment has not been received;
- (d) by waiving any fees, charges or other remuneration that the Investment Adviser reasonably expects to accrue in respect of future periods in consideration for its services as the Investment Manager of the Fund.

The ACD has undertaken to procure that the Fund receives promptly the full benefit of any such reimbursement, payment or waiver.

Any extraordinary cost, one-time expense, nonrecurring charge, underlying fund charge or any other cost, expense, charge or liability suffered or incurred by the Fund in respect of a reasonably unpredictable event or which is unlikely to occur again will not be included in total operating costs for the purpose of calculating the OCF of the Fund for the purposes of the above provisions.

## APPENDIX II

### ELIGIBLE SECURITIES MARKETS AND ELIGIBLE DERIVATIVES MARKETS

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

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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## APPENDIX III

### INVESTMENT AND BORROWING POWERS OF THE COMPANY

#### 1. General rules of investment

The Scheme Property of each Fund will be invested with the aim of achieving the investment objectives of that Fund but subject to the limits set out in Chapter 5 of COLL ("COLL 5") which apply to non-UCITS retail schemes and this Prospectus . These limits apply to each Fund as summarised below. In the event of any conflict arising between the rules set out in COLL 5 and this Appendix B of the Prospectus, the rules set out in COLL 5 shall prevail and this Appendix B shall be construed and shall take effect accordingly.

#### 2. Prudent spread of risk

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

#### 3. Non-UCITS retail schemes - permitted types of Scheme Property

The Scheme Property of a Fund must, except where otherwise provided in COLL, only consist of any or all of:

- (a) transferable securities permitted under COLL 5.2.7 R and COLL 5.2.7A R;
- (b) Approved Money Market Instruments permitted under COLL 5.2.7F R to COLL 5.2.7I R;
- (c) units or shares in collective investment schemes permitted under COLL 5.6.10 R
- (d) deposits permitted under COLL 5.2.26 R;
- (e) derivatives and forward transactions permitted under COLL 5.6.13 R;
- (f) immovables permitted under COLL 5.6.18R to COLL 5.6.19R; and
- (g) gold (up to a limit of 10% in value of Scheme Property).

Warrants will be generally considered to be transferable securities and shares in exchange traded funds will be generally considered to be units in collective investment schemes for the purposes of COLL.

It is intended that the Funds may have an interest in moveable property for the direct pursuit of their business. It is not proposed that the Fund invest in immovable property.

#### 4. Eligibility of transferable securities and money market instruments for investment by a non-UCITS retail scheme

- 4.1. Transferable securities and money market instruments held within a Fund must:
- 4.1.1. be admitted to or dealt in on an eligible market within COLL 5.2.10 R; or
  - 4.1.2. be recently issued transferable securities which satisfy the requirements for investment by a UCITS scheme set out in COLL 5.2.8 R(3) (e); or
  - 4.1.3. be Approved Money Market Instruments not admitted to or dealt in on an eligible market which satisfy the requirements for investment by a UCITS scheme set out in COLL 5.2.10A R to COLL 5.2.10C R; or
- 4.2. subject to a limit of 20% in value of the Scheme Property of a Fund be:
- 4.2.1. transferable securities which are not within (1) above; or
  - 4.2.2. money market instruments which are liquid and have a value which can be determined accurately at any time.

Transferable securities held within a Fund must also satisfy the criteria in COLL 5.2.7A R, COLL 5.2.7C R and COLL 5.2.7E R for the purposes of investment by a UCITS scheme.

## **5. Approved Money-Market Instruments**

- 5.1. An approved money-market instrument is a money-market instrument which is normally dealt in on the money-market, is liquid and has a value which can be accurately determined at any time.
- 5.2. A money-market instrument shall be regarded as normally dealt in on the money-market if it:
- 5.2.1. has a maturity at issuance of up to and including 397 days;
  - 5.2.2. has a residual maturity of up to and including 397 days;
  - 5.2.3. undergoes regular yield adjustments in line with money-market conditions at least every 397 days; or
  - 5.2.4. has a risk profile, including credit and interest rate risks, corresponding to that of an instrument which has a maturity as set out in 5.2.1 or 5.2.2 or is subject to yield adjustments as set out in 5.2.3.
- 5.3. 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.

- 5.4. 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:
- 5.4.1. enabling the ACD to calculate a net asset value in accordance with the value at which the instrument held in the Scheme Property of a Fund could be exchanged between knowledgeable willing parties in an arm's length transaction; and
  - 5.4.2. based either on market data or on valuation models including systems based on amortised costs.
- 5.5. 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.

## **6. Eligible markets regime: purpose and requirements**

- 6.1. To protect investors, the markets on which investments of a scheme 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.
- 6.2. Where a market ceases to be eligible, investments on that market cease to be approved securities. The 20% restriction on investing in non approved securities applies.
- 6.3. A market is eligible for the purposes of the rules if it is:
- 6.3.1. a regulated market as defined in the FCA Handbook; or
  - 6.3.2. a market in an EEA State which is regulated, operates regularly and is open to the public.
  - 6.3.3. any market which satisfies the criteria below:
    - (a) the ACD, after consultation and notification with the Depositary, decides that market is appropriate for investment of, or dealing in, the Scheme Property;
    - (b) the market is included in a list in the Prospectus; and
    - (c) the Depositary has taken reasonable care to determine that:
      - (i) adequate custody arrangements can be provided for the investment dealt in on that market; and
      - (ii) all reasonable steps have been taken by the ACD in deciding whether that market is eligible.

In paragraph (c) (i) above, a market must not be considered appropriate unless it:

- (i) is regulated;
- (ii) operates regularly;
- (iii) is recognised as a market or exchange or as a self-regulating organisation by an overseas regulator;
- (d) is open to the public;
- (e) is adequately liquid; and
- (f) has adequate arrangements for unimpeded transmission of income and capital to or for the order of investors.

## **7. Spread: general**

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

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

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

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

7.3. The limit of 10% in 7.2 above is raised to 25% in value of the Scheme Property of a Fund in respect of Covered Bonds.

7.4. In applying the above paragraph 7.2, Certificates Representing Certain Securities are treated as equivalent to the underlying security.

7.5. The exposure to any one counterparty in an OTC derivative transaction must not exceed 10% in value of the scheme.

7.6. The exposure of an OTC derivative may be reduced to the extent that collateral is held in respect of it if the collateral meets the conditions specified in COLL 5.6.7 R (8).

7.7. OTC derivative positions with the same counterparty may be netted provided that the netting procedures comply with COLL 5.6.7 R (9).

7.8. All derivative transactions are deemed to be free of counterparty risk if they are performed on an exchange where the clearing house meets each of the conditions in COLL 5.6.7 R (10).

- 7.9. For the purposes of this section, a single body is:
- 7.9.1. in relation to transferable securities and money market instruments, the person by whom they are issued; and
  - 7.9.2. in relation to deposits, the person with whom they are placed.

**8. Spread: Government and public securities**

- 8.1. The above restrictions do not apply 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.

The restrictions in relation to such securities are set out below.

- 8.2. 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 such securities issued by any one body or of any one issue.
- 8.3. A Fund may invest more than 35% of its value in such securities issued by any one body provided that:
- 8.3.1. 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 a Fund;
  - 8.3.2. no more than 30% in value of the Scheme Property consists of such securities of any one issue;
  - 8.3.3. the Scheme Property includes such securities issued by that or another issuer, of at least six different issues; and
  - 8.3.4. the disclosures required by COLL 5.2.12 (4) have been made in the Instrument of Incorporation and the most recently published prospectus of the Fund.
- 8.4. In relation to such securities:
- 8.4.1. issue, issuer and guarantor include guarantee, guaranteed and guarantor; and
  - 8.4.2. an issue differs from another if there is a difference as to repayment date, rate of interest, guarantor or other material terms of the issue.



## **9. 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 the payment is required, without contravening the rules in COLL 5.

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

10.1. The Fund's investment policy permits investment in units or shares of collective investment schemes.

The Scheme Property of a Fund may (subject to the above restriction) be invested in units or shares in other collective investment schemes (a "second scheme") provided that the investment is permitted as set out below.

10.1.1. The second scheme must:

- (a) satisfy the conditions necessary for it to enjoy the rights conferred by the UCITS Directive; or
- (b) be authorised as a non-UCITS retail scheme; or
- (c) be a recognised scheme; or
- (d) be constituted outside the United Kingdom and the investment and borrowing powers of which are the same or more restrictive than those of a non-UCITS retail scheme; or
- (e) be a scheme not falling within paragraphs (a) to (d) above and in respect of which no more than 20% in value of the Scheme Property (aggregated with investment in any transferable securities which are not approved securities) is invested.

Furthermore, the second scheme must be a scheme which operates on the principle of the prudent spread of risk and must be prohibited from investing more than 15% in value of its property consisting of units or shares in collective investment schemes.

The participants in the second scheme must be entitled to have their units redeemed in accordance with the scheme at a price related to the net value of the property to which the units relate and determined in accordance with the scheme.

Where the second scheme is an umbrella, the provisions in the above two paragraphs apply to each Fund as if it were a separate scheme.

A Fund may invest in units or shares of a scheme that is managed or operated by (or, if it is an ICVC, has as its authorised corporate director) the ACD of the Company or by an associate of the ACD provided the conditions in COLL 5.2.16 R (Investment in other group schemes) are complied with.

## **11. Derivatives – general**

**Unless otherwise stated in the Prospectus, the Investment Manager may employ derivatives for the purposes of meeting the investment objectives of a Fund and may further employ derivatives for the purposes of hedging with the aim of reducing the risk profile of a Fund, or reducing costs, or generating additional capital or income, in accordance with Efficient Portfolio Management ("EPM")(including hedging).**

- 11.1. A transaction in derivatives or a forward transaction must not be effected for a Fund unless the transaction is of a kind specified in paragraph 13 (Permitted transactions (derivatives and forwards)) below, and the transaction is covered, as required by paragraph 18 (Cover for transactions in derivatives and forward transactions) of this Appendix.
- 11.2. Where a Fund invests in derivatives, the exposure to the underlying assets must not exceed the limits set out in the COLL Sourcebook in relation to COLL 5.6.7R (Spread: general (see also paragraph 7 above)) and COLL 5.6.8R (Spread: government and public securities (see also paragraph 8 above)) except for index based derivatives where the rules below apply.
- 11.3. Where a transferable security or approved money-market instrument embeds a derivative, this must be taken into account for the purposes of complying with this section.
- 11.4. Where a Fund invests in an index based derivative, provided the relevant index falls within COLL 5.6.23R (Financial Indices underlying derivatives), the underlying constituents of the index do not have to be taken into account for the purposes of COLL 5.6.7 and COLL 5.6.8 (as referred to above in paragraphs 7 and 8). The relaxation is subject to the ACD continuing to ensure that the property provides a prudent spread of risk.

## **12. Effective Portfolio Management ("EPM") (including hedging)**

The ACD may apply any EPM techniques which fulfil the following criteria:

- (a) they are economically appropriate in that they are realised in a cost-effective way;
- (b) they are entered into for one of the following specific aims;
  - (i) reduction of risk;

- (ii) reduction of cost; or
- (iii) generation of additional capital or income with a risk level which is consistent with the risk profile of the Fund and the risk diversification rules laid down in COLL.

EPM techniques (including hedging) employ the use of derivatives and/or forward transactions. Any derivative which a Fund acquires in relation to EPM must be fully covered from within the property of the Fund. The cover provided will depend on the nature of the exposure. Cover may be provided through the holding of certain classes of property (including cash, near cash, borrowings permitted to the Fund and transferable securities appropriate to provide cover for the exposure in question) and/or rights to acquire or dispose of property. Cover for a derivative may also be provided by entering into one or more countervailing derivatives.

The use of derivatives in a Fund for the purposes of EPM will not materially change the risk profile of the Fund. However, investment in derivatives can potentially expose a Fund to the risks as further detailed in the Prospectus.

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

- 13.1. A transaction in a derivative must be in an approved derivative; or be one which complies with COLL 5.2.20
- 13.2. A transaction in a derivative must have the underlying consisting of any one or more of the following to which a Fund is dedicated:
  - 13.2.1. transferable securities;
  - 13.2.2. Approved Money Market Instruments;
  - 13.2.3. deposits;
  - 13.2.4. derivatives;
  - 13.2.5. collective investment scheme units;
  - 13.2.6. financial indices;
  - 13.2.7. interest rates;
  - 13.2.8. foreign exchange rates;
  - 13.2.9. currencies; and
  - 13.2.10. permitted immovables and gold and all of the attributes thereof.

- 13.3. A transaction in an approved derivative must be effected on or under the rules of an eligible derivatives market.
- 13.4. A transaction in a derivative must not cause a Fund to diverge from its investment objectives as stated in the Instrument of Incorporation and the most recently published version of this Prospectus.
- 13.5. A transaction in a derivative must not be entered into if the intended effect is to create the potential for an uncovered sale of one or more, transferable securities, approved money-market instruments, units in collective investment schemes, or derivatives.
- 13.6. Any forward transaction must be with an Eligible Institution or an Approved Bank.
- 13.7. A derivative includes an instrument which fulfils the following criteria:
  - 13.7.1. it allows the transfer of the credit risk of the underlying independently from the other risks associated with that underlying;
  - 13.7.2. it does not result in the delivery or the transfer of assets other than those referred to in COLL 5.6.4 R (5) including cash;
  - 13.7.3. in the case of an OTC derivative, it complies with the requirements in COLL 5.2.23 R (OTC transactions in derivatives);
  - 13.7.4. its risks are adequately captured by the risk management process of the ACD, and by its internal control mechanisms in the case of risks of asymmetry of information between the ACD and the counterparty to the derivative, resulting from potential access of the counterparty to non-public information on persons whose assets are used as the underlying by that derivative.

#### **14. Transactions for the purchase or disposal of property**

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

#### **15. Requirement to cover sales**

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

- (a) the risks of the underlying financial instrument of a derivative can be appropriately represented by another financial instrument and the underlying financial instrument is highly liquid; or
- (b) the ACD or the Depositary has the right to settle the derivative in cash and cover exists within the Scheme Property of a Fund which falls within one of the following asset classes:
  - (i) cash;
  - (ii) liquid debt instruments (e.g. government bonds of first credit rating) with appropriate safeguards (in particular, haircuts); or
  - (iii) other highly liquid assets having regard to their correlation with the underlying of the Derivative, subject to appropriate safeguards (e.g. haircuts where relevant).

In the asset classes referred to in (b) above, an asset may be considered as liquid where the instrument can be converted into cash in no more than seven business days at a price closely corresponding to the current valuation of the financial instrument on its own market.

## **16. OTC Transactions in derivatives**

16.1. Any transaction in an OTC derivative must be:

- 16.1.1. with an approved counterparty; a counterparty to a transaction in derivatives is approved only if the counterparty is an Eligible Institution or an Approved Bank; or a person whose permission (including any requirements or limitations), as published in the FCA Register or whose Home State authorisation, permits it to enter into the transaction as principal off-exchange;
- 16.1.2. on approved terms; the terms of the transaction in derivatives are approved only if, the ACD: carries out, at least daily, a reliable and verifiable valuation in respect of that transaction corresponding to its fair value and which does not rely only on market quotations by the counterparty and can enter into one or more further transactions to sell, liquidate or close out that transaction at any time, at its fair value; and
- 16.1.3. capable of reliable valuation; a transaction in derivatives is capable of reliable valuation only if the ACD having taken reasonable care determines that, throughout the life of the derivative (if the transaction is entered into), it will be able to value the investment concerned with reasonable accuracy:
  - (a) on the basis of an up-to-date market value which the ACD and the Depositary have agreed is reliable; or

- (b) if the value referred to in 24.1.3(a) is not available, on the basis of a pricing model which the ACD and the Depositary have agreed uses an adequate recognised methodology; and

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

- (a) an appropriate third party which is independent from the counterparty of the derivative at an adequate frequency and in such a way that the ACD is able to check it; or
- (b) a department within the ACD which is independent from the department in charge of managing a Fund and which is adequately equipped for such a purpose.

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

## **17. Derivative Exposure**

A Fund may invest in derivatives and forward transactions as long as the exposure to which the Fund is committed by that transaction itself is suitably covered from within its Scheme Property. Exposure will include any initial outlay in respect of that transaction.

Cover ensures that a scheme is not exposed to the risk of loss of property, including money, to an extent greater than the net value of the Scheme Property. Therefore, a Fund must hold Scheme Property sufficient in value or amount to match the exposure arising from a derivative obligation to which the Fund is committed.

Cover used in respect of one transaction in derivatives or forward transaction must not be used for cover in respect of another transaction in derivatives or a forward transaction.

## **18. Cover for transactions in derivatives and forward transactions**

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

Cash not yet received into the Scheme Property but due to be received within one month is available as cover. Property the subject of a stock lending transaction is only available for cover if the ACD has taken reasonable care to determine that it is obtainable (by return or re-acquisition) in time to meet the obligation for which cover is required.

The total exposure relating to derivatives held in a Fund may not exceed the net value of the Scheme Property.

**19. Investment in immovable property**

**The Fund shall not invest in immovable property**

**20. Investment in overseas property through an intermediate holding vehicle**

**The Fund shall not invest in immovable property.**

**21. Investment Limits for immovables**

**The Fund shall not invest in immovable property**

**22. Standing independent valuer and valuation**

**N/A The Fund shall not invest in immovable property**

**23. Stocklending**

23.1. The entry into stock lending transactions or repo contracts for the account of a Fund is not permitted.

**24. Cash and near cash**

24.1. Cash and near cash must not be retained in the Scheme Property except to the extent that this may reasonably be regarded as necessary in order to enable:

24.1.1. the pursuit of a Fund's investment objectives; or

24.1.2. redemption of units; or

24.1.3. efficient management of the Fund in accordance with its investment objectives;  
or

24.1.4. other purposes which may reasonably be regarded as ancillary to the investment objectives of the Fund.

24.2. During the period of the Initial Offer, the Scheme Property of a Fund may consist of cash and near cash without limitation.

**25. Borrowing powers**

25.1. The Fund may, on the instructions of the ACD and subject to COLL 5.5.5 R (Borrowing limits), borrow money from an Eligible Institution or an Approved Bank for the use of the Company on terms that the borrowing is to be repayable out of the Scheme Property.

- 25.2. The ACD must ensure that borrowing does not, on any business day, exceed 10% of the value of each Fund.
- 25.3. These borrowing restrictions do not apply to "back to back" borrowing for currency hedging purposes (i.e. borrowing permitted in order to reduce or eliminate risk arising by reason of fluctuations in exchange rates).
- 25.4. Borrowing includes, as well as borrowing in a conventional manner, any other arrangement (including a combination of derivatives) designed to achieve a temporary injection of money into a Fund in the expectation that the sum will be repaid.
- 25.5. The Company must not issue any debenture unless it acknowledges or creates a borrowing that complies with this section.

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

- 26.1. None of the money in the property of the Company may be lent and, for the purposes of this prohibition, money is lent by the Company if it is paid to a person ("the payee") on the basis that it should be repaid, whether or not by the payee.
- 26.2. Acquiring a debenture is not lending for the purposes of this section; nor is the placing of money on deposit or in a current account.
- 26.3. The above does not prevent the Company from providing an officer with funds to meet expenditure to be incurred by him for the purposes of the Company (or for the purposes of enabling him properly to perform his duties as an officer of the Company) or from doing anything to enable an officer to avoid incurring such expenditure.

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

- 27.1. The Scheme Property of a Fund other than money must not be lent by way of deposit or otherwise.
- 27.2. Stock lending transactions are not regarded as lending for this purpose.
- 27.3. The Scheme Property of a Fund must not be mortgaged.
- 27.4. Nothing in this section 27 prevents the Company or the Depositary at the request of the Company from lending, depositing, pledging or charging Scheme Property for margin requirements where transactions in derivatives or forward transactions are used for the account of a Fund.

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

Underwriting and sub underwriting contracts and placings may also, subject to certain conditions set out in COLL 5.5.8 R, be entered into for the account of the Company.

## **29. Guarantees and indemnities**



29.1. The Company or the Depositary on behalf of the Company must not provide any guarantee or indemnity in respect of the obligation of any person.

29.2. None of the property of the Company may be used to discharge any obligation arising under a guarantee or indemnity with respect to the obligation of any person.

Sections 29.1 and 29.2 above do not apply in the circumstances in COLL 5.5.9 R (3).

### **30. Leverage**

30.1. This section explains in what circumstances and how the ACD may use leverage in respect of the Company where the investment policy of the Company permits its use of leverage, the different leverage calculation methods and maximum level of leverage permitted.

30.2. Leverage when used in this prospectus means the following sources of leverage can be used when managing the Company:

30.2.1. cash borrowing, subject to the restrictions set out in paragraph 25 (“Borrowing Powers”) of this Annex;

30.2.2. financial derivative instruments and reinvestment of cash collateral in the context of securities lending, subject in each case to paragraphs 11 (“Derivatives – general”), 13 (“Permitted transactions (derivatives and forwards)”), 14 (“Transactions for the purchase of property”), 15 (“Requirement to cover sales”), 16 (“OTC transactions in derivatives”), 18 (“Cover for investments in derivatives and forward transactions”) and 25 (“Borrowing”) of this Annex.

30.3. The ACD is required to calculate and monitor the level of leverage of the Company, expressed as a ratio between the exposure of the Company and its Net Asset Value (Exposure/NAV), under both the gross method and the commitment method (so for the Company with no borrowing or derivative usage the leverage ratio would be 1:1).

30.4. Under the gross method, the exposure of the Company is calculated as follows:

30.4.1. include the sum of all assets purchased, plus the absolute value of all liabilities;

30.4.2. exclude cash and cash equivalents which are highly liquid investments held in the base currency of the Company, that are readily convertible to a known amount of cash, are subject to an insignificant risk of change in value and provide a return no greater than the rate of a three month high quality bond;

30.4.3. derivative instruments are converted into the equivalent position in their underlying assets;

30.4.4. exclude cash borrowings that remain in cash or cash equivalents and where the amounts payable are known;

30.4.5. include exposures resulting from the reinvestment of cash borrowings, expressed as the higher of the market value of the investment realised or the total amount of cash borrowed; and

30.4.6. include positions within repurchase or reverse repurchase agreements and securities lending or borrowing or other similar arrangements.

Under the commitment method, the exposure of the Company is calculated in the same way as under the gross method; however, where "hedging" offsets risk and "netting" eliminates risk, these values are not included.

30.5. The maximum level of leverage which the Company may employ, calculated in accordance with the gross and commitment methods, is stated in Appendix 1.

30.6. In addition, the total amount of leverage employed by the Company will be disclosed in the Company's annual report.

### **31. Schemes replicating an index**

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 aim of the investment policy of that scheme as stated in its most recently published prospectus is to replicate the performance or composition of an index, provided the index (i) has a sufficiently diversified composition; (ii) is a representative benchmark for the market to which it refers; and (iii) is published in an appropriate manner.

The limit above may be raised for a particular scheme to 35% in value of the Scheme Property, but only in respect of one body and where justified by exceptional market conditions.

**APPENDIX IV**

**LIST OF OTHER INTERESTS OF DIRECTORS AND OTHER AUTHORISED COLLECTIVE INVESTMENT SCHEMES OPERATED BY THE ACD**

<b>Directors of the ACD and their Significant Business Activities Not Connected with the business of the Company</b>	
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 Wales	and	IC001063	743815
Valu-Trac Investment Funds ICVC	Scotland		IC000953	581955
Valu-Trac Proprietary Funds ICVC*	Scotland		IC000986	605631
VT AI-FUNDS ICVC	England Wales	and	IC016426	913889
VT AJ Bell ICVC	England Wales	and	IC001082	769363
VT Cantab Funds ICVC	England Wales	and	IC001114	808050
VT Cape Wrath Focus Fund*	England Wales	and	IC001061	741524
VT Chelsea Managed ICVC	England Wales	and	IC001085	773989
VT Clear Peak Capital ICVC	England Wales	and	IC011866	841768
VT Contra Capital Funds ICVC	England Wales	and	IC021606	918272
VT Dominion Holdings ICVC*	England Wales	and	IC001093	778841
VT Downing Investment Funds ICVC	England Wales	and	IC000824	521374
VT Downing Investor Funds ICVC	England Wales	and	IC024590	921279
VT Esprit FS ICVC	England Wales	and	IC001105	794635
VT Garraway Investment Funds ICVC	England Wales	and	IC000935	573884
VT Garraway Investment Fund Series II	England Wales	and	IC000025	188718

VT Garraway Investment Fund Series III	England Wales	and	IC000584	472521
VT Garraway Investment Fund Series IV	England Wales	and	IC000534	465988
VT Gravis UK Listed Property (Feeder) Fund	England Wales	and	Unit Trust	913629
VT Gravis Funds ICVC	England Wales	and	IC001055	724240
VT Gravis Real Assets Fund	England Wales	and	IC016070	913626
VT Greystone ICVC	England Wales	and	IC000403	434235
VT Greystone Cautious Managed ICVC*	England Wales	and	IC000407	435265
VT Greystone Conservative Managed ICVC*	England Wales	and	IC000533	465365
VT Grosvenor Funds ICVC	England Wales	and	IC001077	762880
VT Halo Funds ICVC	England Wales	and	IC001018	629070
VT iFunds OEIC	England Wales	and	IC000868	536578
VT KMGIM Strategies ICVC	England Wales	and	IC016648	914127
VT Munro Smart-Beta Fund	England Wales	and	IC000551	467964
VT Plain English Finance Funds ICVC	England Wales	and	IC001096	782737
VT PortfolioMetrix GBP Funds ICVC	England Wales	and	IC035161	940234
VT Price Value Partners Funds ICVC	England Wales	and	IC001033	671132

VT Redlands Fund	England Wales	and	IC001043	694999
VT Redlands NURS ICVC*	England Wales	and	IC001089	776548
VT Reyker Funds	England Wales	and	IC001121	812559
VT RM Funds ICVC	England Wales	and	IC001108	800855
VT Rossie House Investment Management Funds ICVC*	England Wales	and	IC000991	607962
VT Seneca Investment Funds	England Wales	and	IC000342	407990
VT SG Defined Return Assets ICVC	England Wales	and	IC001097	784172
VT Smartfund ICVC	England Wales	and	IC001012	621247
VT Sorbus Vector Funds ICVC	England Wales	and	IC001059	731963
VT Tatton Oak ICVC	England Wales	and	IC000737	494501
VT Teviot Funds ICVC	England Wales	and	IC001094	780433
VT Thistledown ICVC	England Wales	and	IC001011	621244
VT Tyndall Funds ICVC	England Wales	and	IC001050	715282
VT Ursus Arctos Funds ICVC	Scotland		IC001004	613236
VT Vanneck Equity Fund	England Wales	and	IC001003	613235
VT Vanneck Funds ICVC	England Wales	and	IC001112	806954

VT Woodhill Investment Funds ICVC	England Wales	and	IC001009	618204
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**\* denotes a Non-UCITS Retail Scheme**

**\*\* denotes a Qualified Investor Scheme**

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## APPENDIX V

### DIRECTORY

**The Company and Head Office:**

Level 13 Broadgate Tower  
20 Primrose Street  
London  
EC2A 2EW

**Authorised Corporate Director:**

Valu-Trac Investment Management Limited  
Orton  
Moray  
IV32 7QE

**Depository:**

NatWest Trustee and Depository Services Limited  
House F, Floor 2  
175 Glasgow Road  
Gogarburn  
Edinburgh  
EH12 1HQ

**Investment Manager:**

Asset Intelligence Portfolio Management Limited  
Granville Hall  
Granville Road  
Leicester  
Leicestershire  
LE1 7RU

**Sub-Advisor:**

T. Rowe Price International Ltd  
60 Queen Victoria Street  
London  
EC4N 4TZ

**Auditors:**

Johnston Carmichael LLP  
Commerce House  
South Street  
Elgin  
IV30 1JE