

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

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

PROSPECTUS

OF

VT GARRAWAY INVESTMENT FUND SERIES II

(An open-ended investment company with variable  
capital incorporated with limited liability  
and registered in England and Wales  
under registered number IC25)

This document constitutes the Prospectus for VT Garraway Investment Fund Series II which has been prepared in accordance with the requirements of the Financial Conduct Authority.

This Prospectus is dated, and is valid as at 17 February 2020.

Copies of this Prospectus have been sent to the Financial Conduct Authority and the Depositary.

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## **PROSPECTUS OF VT GARRAWAY INVESTMENT FUND SERIES II**

An open-ended investment company with variable capital incorporated with limited liability and registered in England and Wales under authorised by the Financial Conduct Authority on 20 March 1999 with reference number IC25.

Copies of this prospectus have been sent to the Registrar of Companies, the Financial Conduct Authority and the Depositary.

Valu-Trac Investment Management Limited, the Authorised Corporate Director of the Company, is the person responsible for the information contained in this prospectus. To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case), the information in this document does not contain any untrue or misleading statement or omit any matters required by The Open-Ended Investment Companies Regulations 2001 to be included in it. Valu-Trac Investment Management Limited accepts responsibility accordingly.

No person has been authorised by the Company to give any information or 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 on as having been made by the Company. The delivery of this prospectus (whether or not accompanied by any reports) or the issue of Shares shall not, under any circumstances, create any implication that the affairs of the Company have not changed since the date hereof.

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

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

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

The provisions of the Company's Instrument of Incorporation are binding on each of its Shareholders (who are taken to have notice of them).

This prospectus has been approved for the purpose of section 21 of the Financial Services and Markets Act 2000 by Valu-Trac Investment Management Limited.

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

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

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

## DIRECTORY

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

VT Garraway Investment Fund Series II  
Level 13 Broadgate Tower, 20 Primrose Street, London, EC2A 2EW

### **Authorised Corporate Director**

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

### **Depository**

NatWest Trustee and Depository Services Limited  
Drummond House, 1 Redheughs Avenue, Edinburgh, EH12 9RH

### **Investment Managers**

Garraway Capital Management LLP  
200 Aldersgate Street, London EC1A 4HD

### **Registrar & Administrator**

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

### **Auditors**

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

1 DEFINITIONS

<b>“Accumulation Shares”</b>	Shares in respect of which income is accumulated and added to the capital property of a Fund.
<b>“ACD”</b>	Valu-Trac Investment Management Limited which acts as the authorised corporate director of the Company.
<b>“Administrator”</b>	Valu-Trac Investment Management Limited or such other entity as is appointed to act as Administrator to the Company from time to time.
<b>“Approved Bank”</b>	<p>In relation to a bank account opened by the Company:</p> <ul style="list-style-type: none"><li>(a) if the account is opened at a branch in the United Kingdom;<ul style="list-style-type: none"><li>(i) the Bank of England; or</li><li>(ii) the central bank of a member state of the OECD; or</li><li>(iii) a bank or a building society which offers, unrestrictedly, banking services; or</li><li>(iv) a bank which is supervised by the central bank or other banking regulator of a member state of the OECD; or</li></ul></li><li>(b) if the account is opened elsewhere:<ul style="list-style-type: none"><li>(i) a bank in (a); or</li><li>(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</li><li>(iii) a bank which is regulated in the Isle of Man or the Channel Islands; or</li></ul></li><li>(c) a bank supervised by the South African Reserve Bank.</li></ul>
<b>“Associates”</b>	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.
<b>“Auditor”</b>	Johnston Carmichael LLP, or such other entity as is appointed to act as auditor to the Company from time to time.
<b>“Business Day” or “Dealing Day”</b>	Any day on which banks are open for business in London and/or such other place or places and such other day or days as the ACD may determine.
<b>“Class” or “Classes”</b>	In relation to Shares, means (according to the context) all of the Shares related to a single Fund or a particular class or classes of Share related to a single Fund.
<b>“COLL”</b>	The appropriate chapter or rule in the FCA’s COLL Sourcebook
<b>“Company”</b>	VT Garraway Investment Fund Series II.

<b>“Conversion”</b>	The exchange where permissible of shares held from one Class in the Fund for shares of another class in the same Fund.
<b>“Dealing Day”</b>	Monday to Friday where these days are Business Days.
<b>“Depositary”</b>	NatWest Trustee and Depositary Services Limited.
<b>“Director” or “Directors”</b>	The directors of the Company from time to time (including the ACD).
<b>“EEA State”</b>	A member state of the European Union and any other state which is within the European Economic Area.
<b>“Efficient Portfolio Management” or “EPM”</b>	For the purposes of this Prospectus, means 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 fund with rules laid down in COLL.
<b>“Eligible Institution”</b>	One of certain eligible institutions being a BCD credit institution authorised by its home state regulator, as defined in the glossary of definitions in the FCA Handbook, or an ISD investment firm authorised by its home state regulator as defined in the glossary of definitions in the FCA Handbook.
<b>“the FCA”</b>	The Financial Conduct Authority or any other regulatory body which may assume its regulatory responsibilities from time to time.
<b>“the FCA Handbook”</b>	The FCA Handbook of Rules and Guidance, as amended from time to time.
<b>“the FCA Register”</b>	The public record, as required by section 347 of the Financial Services and Markets Act 2000 (the public record) of every: <ul style="list-style-type: none"> <li>(a) authorised person;</li> <li>(b) AUT;</li> <li>(c) ICVC;</li> <li>(d) recognised scheme;</li> <li>(e) recognised investment exchange;</li> <li>(f) recognised clearing house;</li> <li>(g) individual to whom a prohibition order relates;</li> <li>(h) approved person; and</li> <li>(i) person within such other class (if any) as the FCA may determine; except as provided by any transitional provisions.</li> </ul>
<b>“the FCA Rules”</b>	The rules contained in the Collective Investment Schemes sourcebook published by the FCA as part of the FCA Handbook.
<b>“Fund” or “Funds”</b>	A sub-fund or sub-funds of the Company as created from time to time. Each Fund forms part of the property of the Company but its assets are treated as separate from the Company and the other sub-funds and they are invested in accordance with the investment objective applicable to that Fund.

<b>“Home State”</b>	<p>(1) (in relation to a credit institution) the EEA State in which the credit institution has been authorised in accordance with the Banking Consolidation Directive.</p> <p>(2) (in relation to an investment firm):</p> <p>(a) where the investment firm is a natural person, the EEA State in which his head office is situated;</p> <p>(b) where the investment firm is a legal person, the EEA State in which its registered office is situated or, if under its national law it has no registered office, the EEA State in which its head office is situated.</p> <p>(3) (in relation to an insurer with an EEA right) the EEA State in which the registered office of the insurer is situated.</p> <p>(4) (in relation to a market) the EEA State in which the registered office of the body which provides trading facilities is situated or, if under its national law it has no registered office, the EEA State in which that body’s head office is situated.</p> <p>(5) (in relation to a Treaty firm) the EEA State in which its head office is situated, in accordance with paragraph 1 of Schedule 4 to the Financial Services and Markets Act (Treaty rights).</p>
<b>“ICVC”</b>	Investment Company with Variable Capital.
<b>“Income Shares”</b>	Shares in respect of which income is distributed to Shareholders.
<b>“Instrument of Incorporation”</b>	The instrument of incorporation of the Company as amended from time to time.
<b>“The International Tax Compliance Regulation”</b>	The International Tax Compliance Regulations – means SI 878/2015 implementing obligations arising under the following agreements and arrangements: European Union Council Directive 2011/16/EU (sometimes known as “the DAC”); the Multilateral Competent Authority Agreement on the Automatic exchange of Financial Account Information signed by the government of the UK on 29th October 2014 in relation to agreements with various jurisdictions to improve international tax compliance based on the standard for automatic exchange of financial account information developed by the Organisation for Economic Co-Operation and Development (sometimes known as “the CRS”); and the agreement reached between the government of the UK and the government of the USA to improve tax compliance (sometimes known as “the FATCA Agreement”).
<b>“Investment Managers”</b>	One or all of the Investment Managers referred to in the directory at the start of this prospectus.
<b>“IOSCO”</b>	International Organisation of Securities Commissions.
<b>“Larger Denomination Share”</b>	A Share issued by the Company as a larger denomination share.
<b>“Net Asset Value” or “NAV”</b>	The value of the property of the Company, a Fund or a Class (as the context may require) less the liabilities of the Company, (Fund or Class) concerned as calculated in accordance with the Instrument of Incorporation.
<b>“Net Asset Value per Share”</b>	The Net Asset Value of a Class in issue in respect of any Fund



<b>or “NAV per Share”</b>	divided by the number of Shares of the relevant Class in issue or deemed to be in issue in that Fund.
<b>“Non-Qualified Person”</b>	<p>Any person to whom a transfer of Shares (legally or beneficially) or by whom a holding of Shares (legally or beneficially) would or, in the opinion of the ACD, might:</p> <ul style="list-style-type: none"> <li>a) be in breach of any law (or regulation by a competent authority) of any country or territory by virtue of which the person in question is not qualified to hold such Shares; or</li> <li>b) require the Company or the ACD or the Investment Manager to be registered under any law or regulation whether as an investment fund or otherwise, or cause the Company to be required to apply for registration, or comply with any registration requirements in respect of any of its Shares, whether in the United States of America or any other jurisdiction; or</li> <li>c) cause the Company, its Shareholders, the ACD or the Investment Manager some legal, regulatory, taxation, pecuniary or material administrative disadvantage which the Company or its Shareholders might not otherwise have incurred or suffered.</li> </ul>
<b>“OECD”</b>	The Organisation for Economic Co-operation and Development.
<b>“OEIC”</b>	A company incorporated under the OEIC Regulations.
<b>“OEIC Regulations”</b>	The Open-Ended Investment Companies Regulations 2001 (as amended from time to time).
<b>“OTC”</b>	Over-the counter derivative: a derivative transaction which is not traded on an investment exchange.
<b>“Register of Shareholders”</b>	The register of shareholders kept by or on behalf of the Company pursuant to paragraph 1(1) of Schedule 3 to the OEIC Regulations.
<b>“Registrar”</b>	Valu-Trac Investment Management Limited or such other entity as is appointed to act as Registrar to the Company from time to time.
<b>“Regulated Activities Order”</b>	The Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 SI 2001/544.
<b>“the Regulations”</b>	The OEIC Regulations and the FCA Rules.
<b>“Scheme Property”</b>	The property of the Company or such part of it as is attributable to a particular sub-fund, as the context may require in each case, from time to time.
<b>“SDRT”</b>	Stamp Duty Reserve Tax.
<b>“Share” or “Shares”</b>	A share or shares in the Company (including Larger Denomination Shares and Smaller Denomination Shares).
<b>“Share Class” or “Class of Shares” or “Class”</b>	All of the Shares issued by the Company as a particular class of Shares relating to a single Fund.
<b>“Shareholder”</b>	A holder of Shares in the Company.
<b>“Smaller Denomination Share”</b>	A Share carrying one thousandth of the rights of a Larger

	Denomination Share.
<b>“Sourcebook”</b>	That part of the FCA Handbook which relates to authorised collective investment schemes.
<b>“Switch”</b>	The exchange where permissible of Shares of one Class or Fund for Shares of another Class or Fund.
<b>“UCITS”</b>	An undertaking for collective investment in transferable securities that are established in accordance with the UCITS Directive (as amended from time to time).
<b>“UCITS Directive”</b>	Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the co-ordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (as amended from time to time).
<b>“UK”</b>	United Kingdom of Great Britain and Northern Ireland.
<b>“Valuation Point”</b>	The point, whether on a periodic basis or for a particular valuation, at which the ACD carries out a valuation of the property of the Company or a Fund (as the case may be) for the purpose of determining the price at which Shares of a Class may be issued, cancelled or redeemed. The current Valuation Point is set out in Appendix IV for each Fund. The regular point maybe changed on reasonable notice given to the Shareholders and subject to the FCA Rules.
<b>“VAT”</b>	Value added tax.

In this Prospectus the words and expressions set out in the first column above shall have the meanings set opposite them unless the context requires otherwise. Words and expressions contained in this Prospectus but not defined herein shall have the same meanings as in the FCA Handbook unless the contrary is stated. All references to “Sterling” and “£” are to the currency of the United Kingdom. All references to “Dollars” and “\$” are to the currency of the United States of America.

## 2 THE COMPANY

- 2.1 The Company is an open-ended investment company with variable capital. The Company is incorporated in England and Wales with Registered Number IC25 and is authorised pursuant to Regulation 14 of the OEIC Regulations (PRN: 188718). The effective date of the authorisation order made by the Financial Conduct Authority was 30 March 1999.
- 2.2 The ACD is a company incorporated in England and Wales with Registered Number 02428648 and which is authorised and regulated by the FCA with the registered number 145168.
- 2.3 The minimum share capital of the Company is £1 and the maximum share capital is £100,000,000,000. The base currency for the Company is pounds sterling. The Shareholders are not liable for the debts of the Company. Shares in the Company are not listed on any investment exchange.
- 2.4 The Company is an umbrella UCITS scheme and consists of one Fund: VT Garraway Diversified Income Fund.
- 2.5 The assets of a Fund belong exclusively to that Fund and cannot 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. Under the OEIC Regulations, each Fund is a segregated portfolio of assets and those assets can only be used to meet the liabilities of, or claims against, that Fund. Whilst the provisions of the OEIC Regulations provide for segregated liability between Funds, where claims are brought by local creditors in foreign courts or under foreign law contracts, 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.
- 2.6 Subject to the Regulations and the Instrument of Incorporation, the ACD may establish additional Funds from time to time.
- 2.7 The address in the UK for service on the Company of notices or other documents required or authorised to be served on the Company is Mains of Orton, Orton, Moray, IV32 7QE.

### 3 THE FUNDS AND THEIR INVESTMENT OBJECTIVES AND POLICIES

- 3.1 Details of the investment objective, policy and certain terms relating to an investment in the Funds are set out in Appendix IV.
- 3.2 Each of the Funds is to be marketed to retail and institutional investors. The choice of specific Fund should be determined by the attitude to risk, wish for income or growth, intended investment time horizon and in the context of the investor's overall portfolio. Due of the nature of the investments held, the performance of the Funds may be volatile. The investor must be able to accept significant temporary losses, thus the Funds are suitable for investors who can afford to set aside capital for at least 5 years. Investors should seek professional advice before making investment decisions.
- 3.3 If the umbrella has more than one Fund in issue the ACD confirms that unit holders will at all times have the right to switch between the Funds in issue.

#### 4 ACCOUNTING PERIODS AND DISTRIBUTION OF INCOME

- 4.1 The Company's annual accounting period ends on 30 September in each year, with an interim accounting period ending on 31 March in each year.
- 4.2 Income will be distributed by bank transfer.
- 4.3 Allocation of income to holders of any Accumulation Shares that may be issued will be transferred to the capital property of each Fund at the end of the income allocation period and be reflected in the value of Shares on the first Business Day following the end of that income allocation period. Details of the allocation periods in respect of the Funds are set out in Appendix IV.
- 4.4 Any distribution of income that is unclaimed for a period of six years after having become due for payment, shall be forfeited and shall revert to the Fund to which such distribution relate and if the Fund is no longer in existence then to the Company.
- 4.5 Included in the price of Shares will be an income equalisation amount representing the value of income attributable to the Share in question accrued since the end of the last accounting period (interim or final as the case may be).
- 4.6 Grouping for equalisation is permitted under the Instrument of Incorporation and arises during the allocation period of the Funds. Shares purchased during the allocation period will carry an entitlement to equalisation which is the amount arrived at on an average basis of the accrued net income per Share included in the price of Shares issued or re-issued during the allocation period. An equalisation amount may be included as part of any income allocation to shareholders and represents a return of capital rather than income.

## 5 HOW DISTRIBUTABLE INCOME IS DETERMINED

- 5.1 The income available for distribution or accumulation in relation to a Fund is determined in accordance with the FCA Rules. In general terms, the income comprises all the sums deemed by the Company, after consultation with the Auditors of the Company, to be income in nature and received or receivable by the Company and attributable to the relevant Fund in respect of the accounting period concerned, after deducting charges and expenses paid or payable out of such income and after making such adjustments in relation to taxation and other matters. The allocation of income to each Share Class is made after allowing for the effect, including attributable taxation, of any charges or expenses made on bases which vary by Share Class.
- 5.2 Income relating to a Fund is allocated at each Valuation Point among Classes of Shares linked to that Fund in proportion to the value of each Share Class relative to the value of the entire Fund as at the immediately preceding Valuation Point including any share class creation and cancellation movements applied at the immediately preceding Valuation Point.

## 6 CHARACTERISTICS OF SHARES

### 6.1 Classes of Shares

Several Classes of Share may be issued in respect of each Fund, distinguished by their criteria for subscription and fee structure.

Classes are denominated in Sterling and Dollars.

The Classes of Share currently available for each Fund are set out in Appendix IV below.

The limits for minimum initial investment and minimum subsequent investment may be waived or reduced at the discretion of the ACD.

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

### 6.2 Income and Accumulation Shares

All references in this Prospectus to Income Shares and Accumulation Shares are to both net Income and net Accumulation Shares unless otherwise stated.

The Instrument of Incorporation allows gross Income and gross Accumulation Shares to be issued as well as net Income and net Accumulation Shares. Net Shares are Shares in respect of which income allocated to them is distributed periodically to the relevant Shareholders (in the case of Income Shares) or credited periodically to capital (in the case of Accumulation Shares), in either case in accordance with relevant tax law, net of any tax deducted or accounted for by the Company. Gross Shares are Income or Accumulation Shares where, in accordance with relevant tax law, distribution or allocation of income is made without any tax being deducted or accounted for by the Company. Currently gross Shares are not available in any Fund.

#### a) Income Shares

Holders of Income Shares are entitled to be paid the distributable income attributed to such Shares on the relevant interim and/or annual accounting date.

#### b) Accumulation Shares

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 date. This is reflected in the price of an Accumulation Share.

### 6.3 Bearer Shares

The Company does not issue bearer shares and only intends to issue registered shares.

6.4 Title to Shares

The title to Shares is evidenced by entries on the Register of Shareholders. Certificates for Shares will not be issued.

6.5 Shares with Different Denominations

In order to calculate fractional entitlements of less than one Larger Denomination Share, Shares are expressed in two denominations - Larger Denomination Shares and Smaller Denomination Shares.

- a) The Smaller Denomination Shares are whole Shares which carry a fraction of one thousandth of the rights of a Larger Denomination Share.
- b) Whenever the number of any such Smaller Denomination Shares shall reach one thousand, the ACD shall automatically consolidate the Smaller Denomination Shares into one Larger Denomination Share of the same Class.



## 7 SHAREHOLDER MEETINGS AND VOTING RIGHTS

- 7.1 The Company will not hold annual general meetings in addition to any other meetings whether general or otherwise that it may hold in that year.
- 7.2 Certain changes to this Prospectus or the Instrument of Incorporation require the prior approval of a Meeting of Shareholders, in accordance with the FCA Rules. When such approval is not required by the FCA Rules, the ACD may make changes to the Prospectus or the Instrument of Incorporation without the approval of Shareholders.
- 7.3 In certain circumstances, the FCA Rules require that a resolution be passed as an extraordinary resolution, which is a resolution passed by a majority of not less than three-quarters of the votes validly cast (whether on a show of hands or on a poll) for and against the resolution. In other cases, a resolution may be passed by a simple majority of the votes validly cast for and against the resolution.
- 7.4 At any Meeting of Shareholders a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before the declaration of the result of the show of hands) demanded by the Chairman, by the Depositary or, by at least two shareholders present in person or by proxy or, in the case of a body corporate, by a duly authorised representative.
- 7.5 On a show of hands every Shareholder who (being an individual) is present in person or by proxy shall have one vote.
- 7.6 On a poll the voting rights attached to each Share shall be such proportion of the voting rights attached to all Shares in issue in the Company as the price of the Share bears to the aggregate price(s) of all the Shares in issue as at the date referred to in paragraph 7.12 below.
- 7.7 The quorum at a Meeting of Shareholders shall be two Shareholders present in person or by proxy. The quorum for an adjourned meeting is one Shareholder present in person or by proxy.
- 7.8 A corporation being a Shareholder may authorise such person as it thinks fit to act as its representative at any Meeting of Shareholders and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as the corporation could exercise if it were an individual Shareholder.
- 7.9 The ACD shall be entitled to receive 14 days' notice of and attend at any such meeting but shall not be entitled to vote or be counted in the quorum therefore and accordingly, the Shares held or deemed to be held by the ACD shall not be regarded as being in issue.
- 7.10 Any Associate of the ACD shall not be entitled to vote at any such meeting except in respect of Shares which he holds on behalf of a person who, if himself the registered holder, would be entitled to vote, and from whom he has received voting instructions.
- 7.11 In the case of joint Shareholders the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint Shareholders and for

this purpose seniority shall be determined by the order in which the names stand in the Register of Shareholders.

- 7.12 The Shareholders entitled to receive notice of meetings shall be those Shareholders as at the close of business on the date which is seven days before the notice of the relevant meeting is sent out.

8 CLASS RIGHTS

- 8.1 The rights attached to a Class of Shares may only be amended by a class meeting of Shareholders of that Class of Shares. Any amendment to the Instrument of Incorporation that relates to a particular Class of Shares or particular Share Classes and does not prejudice the Shareholders of any other Share Class may be made by an extraordinary resolution passed at a class meeting.
- 8.2 The provisions regarding the conduct of meetings set out above shall apply to meetings of a Fund or a Share Class within a Fund, but by reference to the Shares of the Fund or Share Class concerned and the prices of Shares in such Fund or Share Class.

## 9 VALUATION

- 9.1 The Scheme Property is valued at each Valuation Point on each Dealing Day in order to determine the price at which Shares in the Funds may be purchased from or redeemed by the ACD and created or cancelled by the Company. There will only be a single price for any Share as determined from time to time by reference to a particular Valuation Point.
- 9.2 The ACD reserves the right to carry out an additional valuation to the Scheme Property if it considers it desirable to do so. The ACD shall inform the Depositary of any decision to carry out an additional valuation.
- 9.3 An outline of the basis on which the Scheme Property of a Fund is valued is as follows:
- 9.3.1 Units or shares in a collective investment scheme:
- 9.3.1.1 if a single price for buying and redeeming units or shares is quoted, at most recent such price; or
- 9.3.1.2 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
- 9.3.2 Transferable securities are valued at their quoted price or if the investment is one for which different prices are quoted according to whether it is being bought or sold then it will be valued at its mid-market price.
- 9.3.3 Any fiscal charges or commissions or other charges that have been paid or are payable on the acquisition or disposal of the investments above are excluded from their value.
- 9.3.4 Cash is valued at its nominal value.
- 9.3.5 Any other property of that Fund will be valued at what the ACD considers a fair value.
- 9.3.6 Deductions are made for anticipated tax liabilities and for an estimated amount in respect of other liabilities payable out of that Fund.
- 9.3.7 Contingent liability transactions will be valued using a method agreed between the ACD and the Depositary.
- 9.3.8 An amount is added in respect of estimated recoverable tax and any other amounts (including accrued income) due to be paid into that Fund.
- 9.4 Where the ACD has reasonable grounds to believe that the price obtained is unreliable or the most recent price available does not reflect the ACD's best estimate of the value of the relevant investment at the relevant Valuation Point or no price or no recent price exists, the ACD may use

a price which, in the opinion of the ACD reflects a fair and reasonable price for that investment (the fair value price).

- 9.5 The proportionate interests of each Share Class in the assets and income of a Fund shall be determined by the ACD as the proportion of the Scheme Property that is held by that Share Class at the end of the previous Dealing Day.
- 9.6 The proportion of assets and income allocated to each Share Class is made after allowing for the effect, including attributable taxation, of any charges and expenses made on bases which vary by Share Class.
- 9.7 The price per Share at which Shares are bought or are redeemed is the Net Asset Value per Share. Any initial charge, redemption charge, dilution levy or stamp duty reserve tax provision is payable in addition to that price.

## 10 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).

### 10.1 General

The investments of the Company are subject to normal market fluctuations and other risks inherent in investing in securities. There can be no assurance that any appreciation in the value of investments will occur. The value of investments and the income derived from them may fall as well as rise and investors may not recoup the original amount they invest in the Company. The difference at any one time between subscription and redemption prices for Shares means that any investment should be viewed as medium to long term. An investment should only be made by those persons who are able to sustain a loss on their investment. There is no certainty that the investment objective of the Funds will actually be achieved and no warranty or representation is given to this effect. The level of any yield for a Fund may be subject to fluctuations and is not guaranteed. There will be a variation in performance between funds with similar objectives due to the different assets selected.

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.

When investing in unregulated collective investment schemes, the fund is fully exposed to the risks involved in this type of investment without any redress to a regulator. The funds may also have a more limited transferability and volatility of movement than a regulated fund.

Past performance is no guide to the future. The value of Shares, and any income from them, can go down as well as up, particularly in the short term, meaning that an investment may not be returned in full.

The tax treatment of the Funds may change and such changes cannot be foreseen.

Where regular investments are made with the intention of achieving a specific capital sum in the future, this will normally be subject to maintaining a specified level of investment.

### 10.2 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. Currently there is no redemption charge levied on Shares.

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

Where a charge is normally deducted from the income of a Fund but the income generated is insufficient, the charge may then be deducted from the capital property of that Fund. In circumstances where a charge is taken out of the capital property of a Fund this may result in erosion of, or may constrain the growth of, that capital.

### 10.3 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.

#### 10.4 Suspension of Dealings in Shares

Investors are reminded that in certain circumstances their right to redeem Shares (including a redemption by way of switching) may be suspended (see "Suspension of Dealings" in section 16.2).

#### 10.5 Currency Exchange Rates

Currency fluctuations may adversely affect the value of a Sub fund's investments and the income thereon depending on the currency of denomination of the class of Shares held by an investor or an investor's currency of reference, currency fluctuations between the Share class currency, the investor's currency of reference, the base currency of the relevant Fund and the currencies in which the assets of that Fund are denominated may adversely affect the value of an investment in the Fund.

#### 10.6 Liabilities of the Company and the Funds

Each of the Funds has a specific portfolio to which its assets and liabilities are attributable. So far as the Shareholders are concerned each Fund is treated as a separate entity from any other Fund or any Funds of the Company that may be created in the future.

The assets of each Fund belong solely to that Fund and shall not be used to discharge the liabilities of or claims against the umbrella company or any other person or body or any other Fund. For the avoidance of doubt, any liability incurred on behalf of or attributable to any Fund shall be discharged solely from the assets of that Fund.

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

As explained in paragraph 2.5 where, under the OEIC Regulations, each Fund is a segregated portfolio of assets and those assets can only be used to meet the liabilities of, or claims against, that Fund. Whilst the provisions of the OEIC Regulations provide for segregated liability between Funds, where claims are brought by local creditors in foreign courts or under foreign law contracts, 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.

#### 10.7 Financial Derivative Instruments

The Investment Manager of the may employ more sophisticated derivatives in the pursuit of the investment objectives of the Fund, as stated in this Prospectus, and in accordance with its risk management policy.

The fund's use of derivatives will tend to be extensive in order to gain long and short exposure equivalent to physical equity positions and the Sub- Fund will nearly always take short positions to maintain balance and help achieve the investment objective.

In addition to investing in physical equities, the fund generally uses derivatives in order to create all individual short and some long equity positions via total return swaps which deliver the same investment returns as buying or selling the physical equity but usually with lower costs. This means that the risk of holding the physical equity positions and that of synthetically creating them via total return swaps should be broadly the same, although there will be additional counterparty risk and exposure as a result of the use of derivatives.

In order to achieve its investment objective, the Investment Manager generally uses derivatives (swaps) to obtain synthetic exposure to all short and some long equity positions. Derivatives (longs and shorts) are likely to represent a significant proportion of the Sub-Fund's gross exposure (which will itself typically be in a range of 175-275% of NAV but which may potentially be as high as 300%). This gross exposure means that investors will receive risk/return outcomes which are proportionately greater than if it was restricted to 100% of NAV. However, holdings in these derivatives will have the same underlying risk/return profile as if the exposure was in the equivalent physical equity.

The use of Financial Derivative Instruments for a Fund may expose a Fund to a number of specific risks, depending on the nature of the individual transaction, such as the following:

#### *Correlation*

Derivatives prices may be imperfectly correlated to the prices of the underlying securities, for example, because of transaction costs and interest rate movements. The prices of exchange traded derivatives may also be subject to changes in price due to supply and demand factors.

#### *Loss of Favourable Performance*

The use of derivatives to hedge or protect against market risk or to generate additional revenue by writing covered call options may reduce the opportunity to benefit from favourable market movements.

#### *Counterparty exposure and legal risk*

The use of OTC derivatives, such as forward contracts, swap agreements and contracts for differences, will expose the Fund to credit risk with respect to the counterparty involved and the risk that the legal documentation of the contract may not accurately reflect the intention of the parties. Measures taken to minimise counterparty and legal risk are detailed below.

#### *Liquidity*

Futures positions may be illiquid or difficult to close out because of limits imposed by the relevant exchange on daily price movements. OTC positions are, by definition, illiquid, but the Investment Manager will only enter into OTC transactions with counterparties which are contractually obliged to close out a position on request.

#### *Margin*

The Company will be obliged to pay margin deposits and option premiums to brokers in relation to futures and option contracts entered into for each Fund. While exchange traded contracts are generally guaranteed by the relevant exchange, the Fund may still be exposed to the fraud or insolvency of the broker through which the transaction is undertaken. The Investment Manager will seek to minimise this risk by trading only through high quality names.

#### *Market risk*

When the Investment Manager purchases a security or an option, the risk of the Fund is limited to the loss of its investment. In the case of a transaction involving futures, forwards, swaps, contracts for differences or writing options, the Fund's liability may be potentially unlimited until the position is closed.

#### *Currency Hedging*

Currency hedging, which may be undertaken using derivatives, may protect a Fund from adverse currency movements, but may also release or eliminate the benefit of favourable currency



movements. These can also be no guarantee that a decision to hedge any currency exposure will be effective or that the Investment Manager will exercise its discretion to hedge any particular currency exposure. In addition, it may be difficult to effectively hedge exposures in certain currencies either at a reasonable cost or on a practical basis.

#### *Conflicts of Interest*

Conflicts of interest may arise as a result of a Fund's trading with counterparties. Such parties may obtain information regarding a Fund's activities and strategies that could be used by such third parties to the detriment of a Fund.

### 10.8 Counterparty Risk in Over-the-Counter (OTC) Markets

The Company on behalf of a Fund may enter into transactions in over-the-counter markets, which will expose the Funds to the credit of its counterparties and their ability to satisfy the terms of such contracts. For example, the Company on behalf of the Funds may enter into agreements or use other derivative techniques, each of which expose the Funds 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 significant losses, including declines in the value of its investment during the period in which the Company 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. 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 cover any losses incurred.

### 10.9 Warrants

Whilst warrants may be utilised for the management of investment risk they can also be volatile. A warrant allows within a subscribed period the right to apply for shares, debentures, loan stock or government securities from the issuer of the underlying security. A small movement in the price of the underlying security results in a disproportionately large movement, favourable or unfavourable in the price of the warrant. Therefore the larger the fund holding in warrants the larger the risk of volatility.

### 10.10 Short Selling and Contracts for Differences

Short selling involves trading on margin and accordingly can involve greater risk than investments based on a long position. A short sale of a security involves the risk of a theoretically unlimited increase in the market price of the security, which could result in an inability to cover the short position and a theoretically unlimited loss. There can be no absolute guarantee that securities necessary to cover a short position will be available for purchase.

Contracts for differences ("CFD") (a form of option or future contract) carry these same risks. They are, however, only settled in cash as opposed to the underlying asset. CFD's can be options and futures on an index, the value of underlying assets, as well as currency and interest rate swaps. Transactions in CFD's may also have a contingent liability.

Contingent liability transactions which are margined may require ongoing payments against the purchase price, rather than the whole purchase price being paid at the commencement of an investment. Trading in futures, options or CFD's may sustain a total loss of the margin which is deposited with a broker. Under certain market conditions the Company may be required to pay additional margin at short notice. Any delay in completing this could result in the position being liquidated at a loss and the Company being liable for any resulting loss. Contingent liability transactions which are not traded on a recognised exchange may expose the Company to substantially greater risks.

#### 10.11 Smaller Companies

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

#### 10.12 Liquidity

Depending on the types of assets the 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. Accordingly, the Company's ability to respond to market movements may be impaired and the Fund may experience adverse price movements upon liquidation of its investments. Settlement of transactions may be subject to delay and administrative uncertainties.

#### 10.13 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.

#### 10.14 Counterparty and Settlement

The Company will be exposed to a credit risk on parties with whom it trades and will also bear the risk of settlement default. In the event of a bankruptcy or other default, the relevant Fund could experience both delays in liquidating the underlying securities and losses including a possible decline in value of the underlying securities during the period when the relevant Fund seeks to enforce its rights thereto. This will have the effect of reducing levels of capital and income in the Fund and lack of access to income during this period together with the expense of enforcing the Fund's rights.

#### 10.15 Inflation and Interest Rates

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

#### 10.16 Tax

Tax laws currently in place may change in the future which could affect the value of your investments.

#### 10.17 Insolvency

If a third party becomes insolvent the ACD will not be liable. Investors may claim through the Financial Services Compensation Scheme.

#### 10.18 SFTR

The ACD is subject to the provisions of the European Regulation on Reporting and Transparency of Securities Financing Transactions (the "SFTR"). The SFTR sets out certain disclosure requirements regarding the use of securities financing transactions (as defined in the SFTR) and total return swaps ("TRSs"), as set out below.

In order to achieve its investment objective, the Investment Manager may use TRSs to obtain synthetic exposure to single stock equities and equity indices. The limitations on the Fund's use of TRSs are explained in Appendix I.

Subject to the limitations referred to above, any assets of the Fund may be subject to TRSs. Up to 300% of the Fund's assets may be the subject of TRSs, with an expectation that at any time up to 300% of the Fund's assets may be subject to such arrangements.

TRSs will only be entered into with "approved counterparties" as defined in the FCA Handbook. Other than this restriction, there are no pre-specified restrictions on the legal status, country of origin or minimum credit rating of any counterparty in such transactions.

The types of acceptable collateral, as well as the diversification requirements, are explained in Appendix I. Any collateral obtained by the Fund pursuant to a TRS will be valued in accordance with the ACD's Fair Value (Valuation and Pricing) Policy.

The section entitled "Risk Factors" provides a description of the risks associated with the use of derivatives, including TRSs and counterparty risk.

The assets of the Fund that are subject to TRSs and any collateral received are held by the Depositary.

The reuse of collateral is limited by the FCA Rules to certain asset classes. Such reuse should not result in a change to the Fund investment objective nor increase substantially the Fund's risk profile. The Fund does not reuse collateral.

All of the revenues arising from TRSs, net of direct and indirect operational costs, will be retained by the Fund.

The ACD will disclose in the Company's annual report certain information regarding its use of TRSs.

#### 10.19 Investment in Equity and Equity-Related Securities

A Fund may invest in equity and equity-related securities traded on recognised stock exchanges and over-the-counter markets. Equity securities will be subject to risks associated with such investments, including fluctuations in market prices, adverse issuer or market information and the fact that equity and equity-related interests are subordinate in the right of payment to other corporate securities, including debt securities. The value of these securities varies with the performance of the respective issuers and movements in the equity markets generally. As a result, the Fund may suffer losses if it invests in equity securities of issuers where performance falls below market expectations or if equity markets in general decline or a Fund has not hedged against such a general decline. Futures and options on futures on equity securities and indices are subject to all the foregoing risks, in addition to the risks particularly associated with futures and derivative contracts.

#### 10.20 Economic and Political Factors in Emerging Markets

Investments in securities of issuers located in emerging market countries involve special considerations and risks, including the risks associated with high rates of inflation, the limited liquidity and relatively small market capitalisation of the securities markets in emerging market countries, relatively higher price volatility and large amounts of external debt and political, economic and social uncertainties, including the possible imposition of exchange controls or other foreign governmental laws or restrictions which may affect investment opportunities. In addition, with respect to certain emerging market countries there is the possibility of political or social instability or diplomatic developments that could affect investments in those countries. Moreover, individual emerging market country economies may differ favourably or unfavourably from the economies of

developed nations in such respects as growth of gross national product, rates of inflation, capital investments resources and self-sufficiency and the balance of payments position.

The economies of some emerging market countries have experienced considerable difficulties in the past. Although in certain cases there have been significant improvements in recent years, many such economies continue to experience significant problems, including high inflation and interest rates. Inflation and rapid fluctuations in interest rates have had and may continue to have very negative effects on the economies and securities markets of certain emerging market countries. The development of certain emerging market economies and securities markets will require continued economic and fiscal discipline, which has been lacking at times in the past, as well as stable political and social conditions. Recovery may also be influenced by international economic conditions, particularly those in the U.S. and by world prices for oil and other commodities. There is no assurance that economic initiatives will be successful. Certain of the risks associated with international investments and investing in smaller capital markets are heightened for investments in emerging market countries.

#### 10.21 Market Liquidity and Volatility

The securities markets in emerging market countries are substantially smaller, less liquid and more volatile than the major securities markets in the United States and Europe. A limited number of issuers in most, if not all, securities markets in emerging market countries may represent a disproportionately large percentage of market capitalisation and trading volume. Such markets may in certain cases, be characterised by relatively few market makers, participants in the market being mostly institutional investors including insurance companies, banks, other financial institutions and investment companies. The listed equity securities of many companies in many emerging markets are accordingly materially less liquid, subject to greater dealing spreads and experience materially greater volatility than those of OECD countries. Government supervision and regulation of many emerging markets and of quoted companies is also less developed than in many OECD countries. In addition, there may be a high measure of legal uncertainty concerning the rights and duties of market participants as compared to investments made through securities systems of established markets. The combination of price volatility and the less liquid nature of securities markets in emerging market countries may, in certain cases, affect a Fund's ability to acquire or dispose of securities at the price and time it wishes to do so, and consequently may have an adverse impact on the investment performance of the Fund.

#### 10.22 Information Standards

In addition to their smaller size, lesser liquidity and greater volatility, securities markets in emerging markets are less developed than the securities markets in the U.S. and Europe with respect to disclosure, reporting and regulatory standards are less publicly available information about the issuers of securities in these markets than is regularly published by issuers in the United States and Europe. Further, corporate laws regarding fiduciary responsibility and protection of stockholders may be considerably less developed than those in the United States and Europe. Issuers in emerging market countries may not be subject to the same accounting, auditing and financial reporting standards.

#### 10.23 Cyber Security Risk

The Company and its service providers are susceptible to operational and information security and related risks of cyber security incidents. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyber security attacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data or causing operational disruption. Cyber-attacks also may be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make services unavailable to intended users). Cyber security incidents affecting the Company, ACD, Investment

Manager, Administrator or Depository or other service providers such as financial intermediaries have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, including by interference with a Fund's ability to calculate its NAV; impediments to trading for a Fund's portfolio; the inability of Shareholders to transact business with the Fund; violations of applicable privacy, data security or other laws; regulatory fines and penalties; reputational damage; reimbursement or other compensation or remediation costs; legal fees; or additional compliance costs. Similar adverse consequences could result from cyber security incidents affecting issuers of securities in which a Fund invests, counterparties with which the Company on behalf of a Fund engages in transactions, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions and other parties. While information risk management systems and business continuity plans have been developed which are designed to reduce the risks associated with cyber security, there are inherent limitations in any cyber security risk management systems or business continuity plans, including the possibility that certain risks have not been identified.

#### 10.24 Risks Associated with Collateral Management

Where a Fund enters into an OTC derivative contract or a securities financing transaction, it may be required to pass collateral to the relevant counterparty or broker. Collateral that a Fund posts to a counterparty or a broker that is not segregated with a third-party custodian may not have the benefit of customer-protected "segregation" of such assets. Therefore in the event of the insolvency of a counterparty or a broker, the Fund may become subject to the risk that it may not receive the return of its collateral or that the collateral may take some time to be returned if the collateral becomes available to the creditors of the relevant counterparty or broker. In addition, the Fund is subject to the risk that it will be unable to liquidate collateral provided to it to cover the costs incurred as a result of the counterparty default. The Fund is also subject to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Where cash collateral received by a Fund is re-invested, a Fund will be exposed to the risk of a failure or default of the issuer of the relevant security in which the cash collateral has been invested.

Where collateral is posted to a counterparty or broker by way of a title transfer collateral arrangement or where the Company on behalf of a Fund grants a right of re-use under a security collateral arrangement which is subsequently exercised by the counterparty, the Company on behalf of a Fund will only have an unsecured contractual claim for the return of equivalent assets. In the event of the insolvency of a counterparty, the Fund shall rank as an unsecured creditor and may not receive equivalent assets or recover the full value of the assets. Investors should assume that the insolvency of any counterparty would result in a loss to the relevant Fund, which could be material. In addition, assets subject to a right of re-use by a counterparty may form part of a complex chain of transactions over which the Company or its delegates will not have any visibility or control.

Because the passing of collateral is effected through the use of standard contracts, a Fund may be exposed to legal risks such as the contract may not accurately reflect the intentions of the parties or the contract may not be enforceable against the counterparty in its jurisdiction of incorporation.

#### 10.25 Volatility

Volatility risk is the risk of a change of price of a portfolio as a result of changes in the volatility of its underlying securities is a major influencer of prices.

## 10.26 Specific Risks

### 10.26.1 Fixed Interest Securities

Fixed interest securities are particularly affected by trends in interest rates and inflation. If interest rates increase, capital values may fall and vice versa. Inflation will erode the real value of capital. In addition, Companies may not be able to honour repayment on bonds they issue.

### 10.26.2 Corporate Bonds

Bonds may be adversely affected by changes in interest rates and expectations of inflation. Corporate bonds are subject to credit, liquidity and duration risks as well as being subject to adverse changes in the financial position of an issuer of corporate bonds or in general economic conditions. These may impair the ability of the issuer to make payments of principal and interest or may cause the liquidation or insolvency of an issuer.

### 10.26.3 Illiquid Assets

Certain investments, such as illiquid, leveraged or high-yield instruments or and securities issued by small capitalisation and volatile market issuers, carry additional risk that should be considered before choosing investment manager or making investment decisions.

### 10.26.4 Valuation and fair value

Valuation in certain markets may, in times of severe stress, be generally a matter of a valuer's opinion, rather than fact. It may be difficult or impossible to realise an investment or fair value because the securities concerned may not be readily saleable in these extreme circumstances. Generally the securities will be listed and have quoted market values. When there is no (or limited) recognised or secondary market, for example, but not limited to bonds, CDS, swap and other derivative instruments, it may be difficult for you to obtain reliable information about the value of the investments or deal in the investments.

### 10.26.5 Derivatives

VT Garraway Diversified Income Fund can invest in derivatives. Derivatives are used to protect against potentially unfavourable currency and market movements. There is therefore a risk that gains may be restricted in a rising market and a risk of loss due to the potentially high volatility of derivative instruments. Gearing in certain derivative strategies means that a small deposit may lead to large losses or gains and that a relatively small movement can lead to proportionately much larger movements in the value of the investment.

If you are unsure about an investment decision, please speak to your financial adviser.

### 10.26.6 Currencies

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.

#### 10.26.7 Liquidity and Settlement Risks

The Company is exposed to a credit risk on parties with whom it trades and bears the risk of settlement default. Shareholders should note that some of the markets in which the Company may invest may be insufficiently liquid or highly volatile from time to time and this may result in fluctuations in the price of the Shares. In addition, market practices in relation to the settlement of certain securities transactions and the custody of assets could provide increased risks.

#### 10.26.8 Industry Risk.

To the extent the Fund invests in securities issued or guaranteed by companies in financial services and banking sectors, the Fund's performance will depend on the overall condition of those industries, which may be affected by the supply of short-term financing, changes in government regulation, rates and the overall economy.

#### 10.26.9 Leverage Risk

Leverage exists when the Fund purchases or sells an instrument or enters into a transaction without investing cash in an amount equal to the full economic exposure of the instrument or transaction and the Fund could lose more than it invested. Leverage created from borrowing or certain types of transactions or instruments, including derivatives, though unlikely, may impair the Fund's liquidity, cause it to liquidate positions at an unfavourable time, increase volatility or otherwise not achieve its intended objective.

#### 10.26.10 Management Risk

The investment performance of the Company is substantially dependent on the services of the Investment Managers. In the event of the death, disability, departure, insolvency or withdrawal of key personnel or the Investment Manager(s), the performance of the Company may be adversely affected.

#### 10.26.11 Prepayment Risk

An issuer's ability to prepay principal on a loan or debt security prior to maturity can limit the Fund's potential gains. Prepayments may require the Fund to replace the loan or debt security with a lower yielding security, adversely affecting the Fund's yield.

#### 10.26.12 Risks Associated with Financial Derivative Instruments

While the prudent use of financial derivative instruments ("FDI") can be beneficial, FDI also involve risks different from, and in certain cases greater than, the risks presented by more traditional investments. Each Fund may enter into transactions in OTC markets that expose it to the credit of its counterparty and its ability to satisfy the terms of such contracts. Where the Fund enters into FDI, it

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, a Fund could experience delays in liquidating the position and may incur a significant loss. There is also a possibility that ongoing derivative transactions will be terminated unexpectedly as a result of events outside the control of the Company, for instance, bankruptcy, supervening illegality, a substantial decline in the Net Asset Value 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 Company's policy to net exposures against its counterparties (see also Appendix I, Section 15).

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, a Fund's use of derivative techniques may not always be an effective means of, and sometimes could be counter-productive to, a Fund's investment objective. An adverse price movement in a derivative position may require cash payments of variation margin by a Fund that might in turn require, if there is insufficient cash available in the portfolio, the sale of a Fund's investments under disadvantageous conditions.

#### 10.26.13 Risks associated with Options

Each Fund may from time to time use both exchange-traded and over the counter options as part of its investment policy or for hedging purposes. These instruments are highly volatile, involve certain special risks and expose investors to a high risk of loss. Further, when used for hedging purposes there may be an imperfect correlation between these instruments and the investments or market sectors being hedged. Transactions in OTC derivatives may involve additional risk as there is no exchange or market on which to close out an open position. It may be impossible to liquidate an existing position, to assess or value a position or to assess the exposure to risk.

#### 10.26.14 Limited number of investments

The Fund's anticipates that they will be diversified. However, in the event of a material demand for redemptions, a Fund could be forced to sell liquid positions resulting in an over-weighting in a small number of illiquid investments. In such circumstances, the aggregate return of the Fund may be substantially and adversely affected by the unfavourable performance of a single investment.

#### 10.26.15 Net Asset Value

Whilst the Company may use the latest available published price in respect of each investment in order to calculate the Net Asset Value it reserves the right to use more recent valuations where this is considered appropriate. Such valuations may be based on an estimate of a more recent price of any unit or share in an underlying investment fund of other collective investment undertaking in



which a Fund invests obtained from or calculated on the basis of more recent information received from the underlying fund or undertaking or any of its service providers or agents. Subject to the FCA rules, in the event that a price or valuation estimate accepted by the Company in relation to an underlying investment subsequently proves to be incorrect or varies from a final published price no adjustment to the Net Asset Value or Shares in issue will be made unless the ACD deems it appropriate in the circumstances.

#### 10.27 Risk Factors Not Exhaustive

The investment risks set out in this Prospectus do not purport to be exhaustive and potential investors and Shareholders should be aware that an investment in the Company or any Fund may be exposed to risks of an exceptional nature from time to time.

### 11 EXPENSES PAYABLE BY THE SHAREHOLDER OR OUT OF THE SCHEME PROPERTY

Any fees or expenses payable by a Shareholder or out of the Scheme Property are set out in this section.

#### 11.1 Preliminary Charge

The ACD is permitted to make a preliminary charge on the sale of Shares to an investor. The current percentage rates of charge are shown in Appendix IV. The charge is calculated prior to the deduction of any dilution levy. See section 10.4.

The ACD may not increase the preliminary charge save in accordance with the FCA Rules.

#### 11.2 Redemption Charges

The ACD is permitted to make a charge on the proceeds of the Shares redeemed within three months of purchase. The current percentage rates of charges are shown in Appendix IV.

In relation to the imposition of a redemption charge as set out in Appendix IV, where Shares of the Class in question in the relevant Fund have been purchased at different times by a redeeming Shareholder, the Shares to be redeemed shall be deemed to be the Shares purchased first in time by that Shareholder.

In the event of a change to the rate or method of calculation of a redemption charge, details of the previous rate or method of calculation will be available from the ACD.

#### 11.3 Annual Management Charge

- 11.3.1 The ACD is entitled to an annual charge which accrues daily and is payable monthly. The accrued charge for each day is calculated by reference to the value of the Fund on the preceding day and is payable out of the property attributable to the Fund. It is paid within seven days of the month end. The annual charge is payable by the

Company from the scheme property attributable to the Fund and is paid to the ACD by way of remuneration for its duties and responsibilities to the Company as ACD. The charge is calculated separately in relation to each share linked to the Fund as a percentage rate per annum of the total value of the units of entitlement in the property of the Fund on the relevant valuation date.

- 11.3.2 This charge will be deducted from the income or capital property of the relevant Fund, as set out in Appendix IV.
- 11.3.3 Any increase in the above rates requires not less than 60 days' prior notice in writing to the shareholders before such increase may take effect. Also, the ACD is required to revise the Prospectus to reflect the new current rate and the date of its commencement.
- 11.3.4 The first accrual will be in respect of the period from the day on which the first valuation of the Funds is made to the end of that month and is based upon the first valuation point. The annual charge will cease to be payable (in relation to a Fund) on the date of commencement of its termination, and (in relation to the Company as a whole) on the date of the commencement of its winding up or, if earlier, the date of the termination of the ACD's appointment as such. The amount(s) accruing due on the last relevant valuation date before the event concerned will be adjusted accordingly.
- 11.3.5 The ACD may not increase any charge it takes from a Fund save in accordance with the FCA Rules
- 11.3.6 The Annual Management Charge is normally charged against the income of a Fund. If there is not enough income to pay the Annual Management Charge, then the Annual Management Charge would be taken from capital and it may therefore constrain capital growth

#### 11.4 Dilution

A Fund may suffer dilution (reduction) in the value of its property as a result of the costs incurred in dealing in its underlying investments and of any spread between the buying and selling prices of these investments. It is not, however, possible to predict accurately whether dilution will occur at any point in time. The ACD will review its dilution levy policy at regular intervals and may change them at any time in accordance with the FCA Rules.

In cases where a dilution levy is made the value of the capital of the property of a Fund will not be adversely affected by dilution. If charged, the dilution levy will be shown in addition to (but not part of) the price of Shares on their issue by the Company or sale by the ACD and as a deduction to the price of their Shares on their cancellation by the Company or redemption by the ACD. The ACD has no entitlement to the dilution levy, which will either be paid into the relevant Fund, in the case of an issue of shares by the Company or sale by the ACD or retained in a Fund in the case of a cancellation of Shares by the Company or a redemption by the ACD.

The need to charge a dilution levy will depend on the volume of net purchases or redemptions, as described below. The ACD may charge a discretionary dilution levy on any purchase or redemption of Shares if, in its opinion, the existing Shareholders (for purchases) or continuing Shareholders (for redemptions) might otherwise materially be adversely affected. A dilution levy must be imposed only in a manner, that so far as practicable, is fair to all Shareholders or potential Shareholders.

In particular, the dilution levy may be charged in the following circumstances:

- on a Fund experiencing large levels of net purchases (i.e. purchases less redemptions) relative to its size;
- on a Fund experiencing large levels of net redemptions (i.e. redemptions less purchases) relative to its size;
- on “large deals”. For these purposes, a large deal is defined as a purchase or a redemption in excess of £1 million (or the equivalent amount in US Dollars) or 5% of the value of the Scheme Property;
- in any other case where the ACD is of the opinion that the interests of existing/continuing Shareholders and potential Shareholders require the imposition of a dilution levy.

In order to reduce inconsistency in the application of any dilution levy, the ACD may take account of the trend of the Fund in question to expand or to contract; and the transactions in Shares at a particular Valuation Point.

Based on the expected level of transactions in the Company the estimated rate of any dilution levy is expected to be 0.5%. On this basis the ACD does not expect to require a dilution levy more frequently than once a month. This may alter due to Fund mergers or acquisitions.

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.

#### 11.5 Switching Fee

The ACD may charge a switching fee when Shares of a Fund are exchanged for Shares in another Fund not exceeding the maximum percentage rate of preliminary charge for the Shares in such other Fund. Please see Appendix IV for details.

12 EXPENSES

The expenses of the VT Garraway Diversified Income Fund are set out in Appendix V. Any reference to the Company or the Fund in Appendix V shall be construed as reference to the VT Garraway Diversified Income Fund.

## 13 FEES AND EXPENSES

### 13.1 Fees and expenses of the ACD

The Company will also pay to the ACD out of the Scheme Property any expenses incurred by the ACD or its delegates of the kinds described below ( "Other payments out of the Scheme Property of the Company"), including legal and professional expenses of the ACD and its delegates in relation to the proper performance of the ACD's duties under the ACD Agreement, or related to documents amending the ACD Agreement, all expenses incurred in preparing valuations of Scheme Property and publishing prices of Shares, all postage and communication costs incurred in the proper performance of duties under the ACD Agreement, and all expenses incurred in producing any prospectus, in distributing any prospectus, all expenses incurred producing the KIID and any expenses of the ACD in buying or selling Shares (but excluding any commissions or similar payments as the Company is prohibited from making under the FCA Rules).

FCA Rules require that the ACD applies remuneration policies and practices that are consistent with, and promote, effective risk management for certain categories of staff (namely those whose activities have a material impact on the risk profile of the ACD or the UCITS funds that it manages ("Code Staff"). The ACD, taking account of the principle of proportionality, has in place a remuneration policy (the "Remuneration Policy") which is reviewed at least annually.

The ACD considers the Remuneration Policy to be appropriate to the size, internal operations, nature, scale and complexity of the Fund and in line with the risk profile, risk appetite and the strategy of the Fund.

The Remuneration Policy will apply to the fixed and variable (if any) remuneration received by the Code Staff.

In respect of any investment management delegates, the ACD requires that:(i) the entities to which such activities have been delegated are subject to regulatory requirements on remuneration that are equally as effective as those applicable under the European Securities and Market's Authority's ("ESMA's") Guidelines on Sound Remuneration Policies under the UCITS Directive and AIFMD / Article 14 of the UCITS Directive; or (ii) appropriate contractual arrangements are put in place with entities to which such activities have been delegated in order to ensure that there is no circumvention of the remuneration rules set out in the ESMA Guidelines or the FCA Handbook.

The ACD's remuneration policy requires, amongst other items, that the remuneration practices within the ACD :

- are consistent with and promote sound and effective risk management;
- do not encourage risk taking and are consistent with the risk profiles of the funds which the ACD manages; and
- do not impair the ACD's ability to comply with its duty to act in the best interests of the funds which it manages.

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

### 13.1 Fees of the Investment Manager

The fees of the Investment Manager will be paid by the ACD out of its Annual Management Charge

### 13.2 Depositary's remuneration 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 the Company on the last Valuation Point of the preceding month except for the first accrual which is calculated by reference to the first Valuation Point of the Company. The rate of the periodic fee is 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 per annum
- £25 million to £50 million – 3.75 bps per annum
- £50 million to £100 million – 3.5 bps per annum
- thereafter – 3 bps per annum

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



14 OTHER PAYMENTS OUT OF THE SCHEME PROPERTY OF THE COMPANY

14.1 In accordance with the Regulations, the following payments may lawfully be made out of the Scheme Property of the Fund:

- 14.1.1 Broker's commission, fiscal charges and other disbursements which it is necessary to incur in effecting transactions for the Fund concerned and which are normally shown in contract notes, confirmation notes and difference accounts, as appropriate (this will include expenses incurred in acquiring and disposing of investments including legal fees and expenses, whether or not the acquisition or disposal is carried out) as well as the costs associated any stock lending transactions or other permitted transactions.
- 14.1.2 Interest on borrowings permitted under the FCA Rules (including under the Instrument of Incorporation) and charges incurred in effecting or terminating such borrowings or in negotiating or varying the terms of such borrowings.
- 14.1.3 Taxation and duties payable in respect of the property of the Fund or in respect of the issue or redemption or cancellation of Shares, including stamp duties or other taxes or duties in relation to the purchase of investments or the transfer to the Company of assets acquired in exchange for the issue of Shares or in relation to the redemption or cancellation of Shares.
- 14.1.4 Any costs incurred in modifying the Instrument of Incorporation or Prospectus, including costs incurred in respect of meetings of Shareholders convened for purposes which include the modification of the Instrument of Incorporation where the modification is necessary to implement changes in the law, or necessary as a direct consequence of any change in the law, or expedient having regard to any change in the law made or to remove obsolete provisions from the Instrument of Incorporation.
- 14.1.5 Any costs incurred in respect of meetings of Shareholders, or class meetings of Shareholders of a Fund, including meetings convened on a requisition by Shareholders or by the ACD.
- 14.1.6 Liabilities arising on amalgamation or reconstruction of the Company or any the Fund.
- 14.1.7 The audit fee of the Auditors of the Company and any proper expenses of such an auditor.
- 14.1.8 The periodic fees of the FCA in respect of the Company as may be prescribed under the Financial Services and Markets Act 2000 (as amended), or any relevant regulations made thereunder and any payments otherwise due by virtue of the FCA Rules or the corresponding fees of any regulatory authority in a country or territory outside the UK in which the Shares are or may be marketed.
- 14.1.9 The costs of printing and distributing any documents required by the FCA Rules and any costs incurred as a result of periodic updates or changes to such documents and any other administrative expenses.

- 14.1.10 Any costs incurred by the Company in publishing and circulation of the prices and yields of Shares (and other such information which the ACD is required by law to publish), including the costs of listing the prices of Shares in publications and information services selected by the ACD, in whatever medium.
- 14.1.11 Any expenses incurred in relation to company secretarial duties, including all costs incurred in preparing accounts and producing and despatching annual, half yearly and other reports of the Company.
- 14.1.12 Any costs incurred in producing and despatching dividend or other payments of the Company.
- 14.1.13 Any fees, expenses or disbursements of any investment, tax, legal or other professional adviser of the Company and those of the Company's sub-advisers.
- 14.1.14 All fees and expenses incurred in relation to the addition and initial organisation of any new Fund, the listing of Shares on any stock exchange, the registration of any Fund with any regulator (including the fees of any law firm or other adviser in connection thereto) any offer of Shares (including the preparation and printing of any prospectus and KIID Documents) and the distribution of the Prospectus and the creation, conversion and cancellation of Shares.
- 14.1.15 Any costs incurred in taking out and maintaining an insurance policy in respect of the ACD and the Company.
- 14.1.16 Expenses incurred by the Company in respect of any movable and immovable property in which the Company has an interest. Currently the Company does not intend to hold any such interests.
- 14.1.17 Fees and expenses in respect of establishing and maintaining the register of shareholders, including any sub-registers kept for the purpose of the administration of Individual Savings Accounts and other nominee services.
- 14.1.18 Any costs incurred by the Company associated with independent risk monitoring or daily "value at risk" or "VaR" calculations.
- 14.1.19 Any value added or similar tax relating to any charge or expense set out above.
- 14.1.20 Collateral management costs incurred in respect of any permitted transactions in derivatives and forwards.
- 14.1.21 Liabilities under a scheme of arrangement arising where the property of a body corporate or another collective investment scheme is transferred to the Depositary in consideration for the issue of Shares to the Shareholders in that body or to participants in that other scheme, provided that any liability arising after the transfer could have been paid out of that other property had it arisen before the transfer and, in the absence of any express

provision in the Instrument of Incorporation forbidding such payment, the ACD is of the opinion that proper provision was made for meeting such liabilities as were known or could reasonably have been anticipated at the time of transfer.

#### 14.2 Allocation of Assets, Charges and Expenses to Funds

All fees, duties, charges and expenses (other than any borne by the ACD) are charged to the Fund in which they were incurred. However, where they are not attributable to a particular Fund, they will be allocated among the Funds in a manner which the ACD considers is fair to the Shareholders generally. The costs of authorisation of any new Fund may be borne by that Fund at the discretion of the ACD.

15 PROTECTION OF FUND ASSETS

- 15.1 Each of the Funds has a specific portfolio to which its assets and liabilities are attributable. So far as the Shareholders are concerned each Fund is treated as a separate entity from any other Fund or any Funds of the Company that may be created in the future.
- 15.2 The assets of each Fund belong solely to that Fund and shall not be used to discharge the liabilities of or claims against the umbrella company or any other person or body or any other Fund. For the avoidance of doubt, any liability incurred on behalf of or attributable to any Fund shall be discharged solely from the assets of that Fund.
- 15.3 Each Fund will be charged with the liabilities, expenses, costs and charges of the Company attributable to that Fund and within the Funds charges will be allocated between Classes in accordance with the terms of issue of Shares of those Classes. Any assets, liabilities, expenses, costs or charges not attributable to a particular Fund may be allocated by the ACD in a manner which it believes is fair to the Shareholders generally. This will normally be pro rata to the Net Asset Value of the relevant Funds.

16.1 General

Shares in each Fund may be bought or sold on any Dealing Day between 9:00 am and 5:30pm (London time). Instructions to issue or redeem shares may be either in writing, by telephone, fax or by email. To confirm the transaction, a contract note or allocation letter will be issued by close of business on the next business day after the dealing date.

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).

A purchase or sale of Shares in writing, by telephone or electronic means is a legally binding contract.

Applications to purchase shares and requests to redeem shares should be either: addressed to Valu-Trac Investment Management Limited Mains of Orton, Orton, Moray, IV32 7QE.

If a shareholder wishes to deal with share electronically, they must agree in advance with the ACD:

- a) the electronic media by which dealing communications will be delivered;
- b) how such communications will be identified as conveying the necessary authority; and
- c) where the communication is delivered on behalf of a shareholder by person authorised by the FCA or equivalent body, an assurance must be provided that they have obtained the required appointment to do so, in writing, from the Shareholder.

Orders received and accepted by the ACD by the Valuation Point on a Dealing Day will be dealt with at the price calculated on that day. Orders received and accepted after that time will be dealt with at the price calculated on the next Dealing Day.

The ACD may defer redemptions at a particular Dealing Day to the next Dealing Day where the requested redemptions exceed 10% of a Fund's value. The ACD will ensure the consistent treatment of all Shareholders who have sought to redeem Shares at any Dealing Day at which redemptions are deferred. The ACD will pro-rata all such redemption requests to the stated level (i.e. 10% of a Fund's value) and will defer the remainder until the next Dealing Day. The ACD will also ensure that all deals relating to an earlier Dealing Day are completed before those relating to a later Dealing Day are considered.

A contract note giving details and, where appropriate, a notice of the applicant's right to cancel the transaction will be issued on the Business Day following the purchase or sale. Certificates will not be issued in respect of shares in a Fund as ownership is evidenced by entry on the Register.

In the case of a purchase of Shares, settlement will be required on receipt of the contract note. In the case of a redemption, the ACD will issue settlement monies within four working days of receipt of a form of renunciation (copies of which may be obtained from the ACD). Any form of renunciation must be signed by each of the holders of the relevant Shares.

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.

## 16.2 Suspension of Dealing

The ACD may, with the prior agreement of the Depositary, or will, if the Depositary so requires at any time, suspend the purchase and redemption of Shares in any of the Funds, without notice to Shareholders, and must formally review the suspension at least every 28 days and inform the FCA of the results of this review, if the ACD, or the Depositary, is of the opinion that, due to exceptional circumstances, there is good and sufficient reason to do so having regard to the interests of the Shareholders in the Fund concerned. If the redemption of Shares in a Fund is suspended, the obligations relating to the creation, cancellation, issue and redemption of Shares, contained in Chapter 6 of the FCA Rules, will cease to apply, in respect of the Fund concerned. The ACD will comply as much as it is practicable pertaining to the obligations relating to the valuation of Shares contained in Chapter 6.3 of the FCA Rules, in respect of the Fund concerned.

During any suspension, a Shareholder may withdraw his redemption notice provided that such withdrawal is in writing and is received before determination of the suspension. Any notice not withdrawn will be dealt with on the Dealing Day next following the end of the suspension.

If such a suspension occurs the recalculation of the price of the units will recommence on the next Valuation Point following the resumption of dealing. The ACD will ensure notification of the suspension is made to unitholders of the Fund concerned as soon as practicable after suspension commences.

## 16.3 Pricing

The ACD deals on a forward pricing basis. A forward price is the price calculated at the next Valuation Point after receipt of a request for a purchase or sale.

## 16.4 Publication of Prices of Shares

Prices of Shares are currently published daily on the ACD's website ([www.valu-trac.com](http://www.valu-trac.com)) or by telephone on 01343 880344 during normal business hours. The price shown will be that calculated at the previous Valuation Point and will not include any dilution levy that may apply, details of which will be available on request.

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.

#### 16.5 In Specie Redemption

The ACD may, in the event of a request for redemption in excess of 5% of the Scheme Property or £1 million (whichever is the lesser), arrange that in lieu of payment of the price of the Shares in cash, the Company shall cancel the Shares and transfer to that Shareholder property of the relevant Fund of the applicable value or, if required by the Shareholder, the net proceeds of the sale of the relevant property to him. The ACD must give written notice to the Shareholder concerned of its decision to exercise these powers before the cash payment would otherwise be due. The relevant Fund property to be transferred will be selected by the ACD in consultation with the Depositary and with a view to achieving no more advantage or disadvantage to the Shareholder requesting redemption of his Shares than to continuing Shareholders. The Company may retain out of the relevant Funds' property to be transferred property or cash of a value or amount equivalent to any stamp duty reserve tax to be paid in relation to the redemption of Shares. The ACD will review its in specie redemption policy at regular intervals and may change it at any time, in accordance with the FCA Rules.

#### 16.6 Restrictions and Compulsory Transfer and Redemption

The ACD may from time to time impose such restrictions as it may think necessary to ensure 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. In this connection, the ACD may reject in its discretion any application for the purchase, sale or exchanging of Shares.

If it comes to the notice of the ACD that any Shares are or may be owned or held legally or beneficially by a Non-Qualified Person ("affected Shares") the ACD may give notice to the registered holder(s) of the affected Shares requiring either the transfer of such Shares to a person who is not a Non-Qualified Person or a request in writing for the redemption or cancellation of such Shares in accordance with the FCA Rules. If any person upon whom such a notice is served does not, within 30 days after the date of such notice, transfer the affected Shares to a person who is not a Non-Qualified Person or establish to the satisfaction of the ACD (whose judgement is final and binding) that he and the beneficial owner are not Non-Qualified Persons, he shall be deemed upon the expiration of that 30 day period to have given a request in writing for the redemption or cancellation (at the discretion of the ACD) of all the affected Shares pursuant to the FCA Rules.

A person who becomes aware that he has acquired or holds affected Shares as described above shall forthwith, unless he has already received a notice from the ACD as above, either transfer the affected Shares to a person qualified to own them or give a request in writing for the redemption or cancellation of such Shares pursuant to the FCA Rules.

#### 16.7 Compulsory Redemption

The Shares in any Fund may be compulsorily redeemed or cancelled in accordance with the Instrument of Incorporation if the holding of any Shares by a Shareholder is, or is reasonably considered by the ACD to be, an infringement of any law or governmental regulations, or which would result in the Company incurring any liability to taxation or suffering any other adverse consequence.

#### 16.8 Anti-Money Laundering

Under current laws, firms conducting investment business are required to maintain procedures to combat money laundering. In order to implement these procedures, in certain circumstances Shareholders or potential Shareholders may be asked to provide some proof of identity. This may be either when shares are purchased or when Shares are encashed. In the latter case, where the ACD is required to seek proof of identity, proceeds cannot be paid until the ACD has received appropriate verification.

The ACD is legally obliged to verify your identity for anti-money laundering purposes. This may involve the ACD obtaining information about you from a credit reference agency, however, the ACD will use any information they obtain in this way only for verification of your identity, and not for any other purposes. The ACD reserves the right to reverse the transaction or to refuse to sell shares if it is not satisfied as to the identity of the applicant.

#### 16.9 Market Timing Policy

The ACD does not knowingly allow investments which are associated with market timing activities, as these may adversely affect the interests of all Shareholders.

In general, market timing refers to the investment behaviour of a person or group of persons buying, selling or switching Shares on the basis of predetermined market indicators. Market timing may also be characterised by transactions that seem to follow a timing pattern or by frequent or large transactions in Shares.

Accordingly, the ACD reserves the right to reject any application for switching and/or subscription of Shares from investors whom it considers to be associated with market timing activity. In this connection the ACD may combine Shares which are under common ownership or control for the purposes of ascertaining whether investors can be deemed to be involved in such activities.



The ACD will make use of the revised 'delivery versus payment' (DvP) exemption as set out in the FCA's Client Assets 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 the Company within one business day of receipt of money from the investor; or (ii) the ACD holds the money in the course of redeeming Shares provided that the proceeds of that redemption are paid to the relevant investor within one business day of 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 in the ICVC, 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.

#### Unclaimed Client Money

Any unclaimed client money held for at least six years without movement may be paid away to a registered charity or court in accordance with the FCA Rules. The ACD will take appropriate steps to contact the Investor and return the money, where possible.

## 18 HOW TO SWITCH BETWEEN FUNDS

- 18.1 A Shareholder may give notice to the ACD, in such form as the ACD shall from time to time determine, that he wishes to exchange all or some of his Shares of one Class or Fund (“the Original Shares”) for Shares of another Fund (“the New Shares”). Such exchanges can only take place if, following the exchange, the Shareholder’s holding of New Shares will satisfy the criteria and applicable minimum investment requirement of that Fund. An exchange may result in a chargeable event for capital gains tax purposes, as discussed in paragraph 16.6.
- 18.2 The ACD may impose restrictions on exchanges, but any restriction related to exchanges of Shares of different Funds must be on reasonable grounds relating to the circumstances of the Shareholder concerned.
- 18.3 The number of New Shares to be issued to the holder on a switch will be determined by reference to the respective prices of New Shares and Original Shares at the Valuation Point applicable at the time the Original Shares are redeemed and the New Shares are issued. The following formula will be applied:

$$N = O \times \frac{CP}{SP}$$

- Where:
- N is the number of New Shares to be issued or sold, rounded down to the nearest whole number of Smaller Denomination Shares
  - O is the number of Original Shares which the holder has requested to switch
  - CP is the price at which a single Original Share may be redeemed
  - SP is the price at which a single New Share may be purchased when the Shares are switched

- 18.4 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 FCA Rules.
- 18.5 The then prevailing preliminary charge on the New Shares will be payable on a switch but the ACD may at its discretion offer a discount on such preliminary charge. If a 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 a particular Fund, the ACD may, if it thinks fit, convert the whole of the Shareholder’s holding of Original Shares to New Shares or refuse to effect any switch of the Original Shares. No switch will be made during any period when the right of Shareholders to require the redemption of their Shares is suspended. The general provisions on procedures relating to redemption will apply equally to a switch.

Please note that a switch of Shares in one Fund for Shares in any other Fund is treated as a redemption and sale and will, for persons subject to United Kingdom taxation, be a realisation for the purposes of capital gains taxation. The disposal of Original Shares may give rise to a liability to tax, depending on the Shareholder's circumstances. This is not the case for a conversion from one Class to another, which is not considered to be a realisation for the purposes of capital gains taxation. A Shareholder who switches Shares in one Fund for Shares in any other Fund will not be given a right by law to withdraw from or cancel the transaction.

Subject to any restrictions on the eligibility of investors for a particular Share Class, a Shareholder in a Fund may at any time Convert all or some of his Shares held from one Class in the Fund (the "Original Shares") for Shares of another class in the same Fund (the "New Shares"). When Shares are converted, the number of New Shares will be determined by applying a conversion factor to the value of the Original Shares held to determine the number of New Shares to be issued.

**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.**

Telephone conversion 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 conversion is effected.

The ACD may at its discretion make a charge on the conversion of Shares between Funds or Classes. Any such charge on conversion 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 conversion currently payable, please see paragraph 23.2 "Charges on Conversion or Switching".

If a partial Conversion 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 conversion) or refuse to effect any Conversion of the Original Shares. Save as otherwise specifically set out, the general provisions on procedures relating to redemption will apply equally to a Conversion. 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. 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 conversion 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.

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

On the conversion and 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 conversion and switching is payable by the Shareholder to the ACD.

The ACD's current policy is to only levy a charge on conversion between share classes or 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. There is currently no charge for converting Shares in one Class of a Fund for Shares in another Class of the same Fund or for switching between Funds of the Company.

Shareholders should note that switches between Funds may also incur a dilution levy.

## 21 GENERAL INFORMATION

### 21.1 Reports and Accounts

The Annual Report in respect of the Company will be published within four months of the end of the annual accounting period which ends on 30 September. The half-yearly accounting period ends on 31 March and half-yearly reports will be made up to such date each year and published within two months. The accounts contained in the annual and half yearly reports will be prepared in accordance with the FCA Rules and the Statement of Recommended Practice for Financial Statements of Authorised Funds. A copy of the report and accounts will be available on request.

### 21.2 Inspection of Documents

Copies of the Instrument of Incorporation and Prospectus, (as amended), the material contracts referred to below at 21.4 any amending instrument and the most recent annual and half-yearly reports may be inspected and obtained free of charge during normal office hours from the ACD at the address stated in the Directory. Copies of service agreements between the Company and the ACD will be provided to a Shareholder on request.

### 21.3 Register of Shareholders

The Register of Shareholders for the Funds of the Company can be inspected at the offices of the ACD at Mains of Orton, Orton, Moray, IV32 7QE. Any notice or document required to be sent or served to Shareholders will be sent either by first class post to the address as most recently notified to the Company and as entered on the Register of Shareholders, or electronically to the email address most recently notified to the Company (where a Shareholder has consented to the receipt of documents and notices electronically), at the ACD's discretion.

### 21.4 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:

- a) the ACD Agreement between the Company and the ACD; and
- b) the Depositary Agreement between the Company and the Depositary.

Details of the above contracts are given in Appendix III.

### 21.5 Additional Permitted Subscriptions (APS)

As ISA manager, the ACD must offer APS valuations to, and support the surviving spouse with associated certification so that the surviving spouse may choose to exploit APS with another ISA manager.

The Fund does not accept APSs but allows the transfer out, in cash, of the holding if the deceased and the surviving spouse were “living together” at the date of death. The current process for a deceased investor is that on notification of a death the units are unwrapped and held until Valu-Trac Investment Management Limited have probate and instruction to confirm whether the units are to be sold. Third Party Information and Investing

#### 21.6 Third Party Information and Investing

Information provided by third parties and not Valu-Trac Investment Management Limited should not be relied upon when making investment decisions into our Funds as they may be incorrect and misleading.

## 22 TAXATION

### 22.1 General

The information below is a general guide based on current United Kingdom law and HM Revenue & Customs practice, which are subject to change. It summarises the tax position of the Funds and of investors who are United Kingdom resident individuals and hold Shares as investments. The regime for taxation of income and capital gains received by individual investors depends on the tax law applicable to their personal circumstances. 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.

### 22.2 The Funds

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

The Funds are generally exempt from United Kingdom tax on capital gains realised on the disposal of their investments. 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 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 Funds will make dividend distributions except where more than a certain percentage of a Fund's property has been invested throughout the distribution period in interest-paying investments, in which case it will make interest distributions.

### 22.3 Shareholders

#### 20.3.1 Income

The Funds will pay dividend distributions (which will be automatically retained in the relevant Fund in the case of accumulation Shares) with a tax credit. Individuals liable to income tax at basic, higher or additional rate may have a further liability to tax depending on the availability of other allowances and reliefs including the annual Dividend Allowance.

#### 20.3.2 Income equalisation

Where the Funds pay an interest distribution (which will be automatically retained in the Funds in the case of accumulation Shares) this will be net of the basic rate of tax. Non-taxpayers may reclaim the tax credits on interest distributions paid, and where the interest falls within the starting rate (on savings income) taxpayers may reclaim part of them. Higher and additional rate taxpayers will have a further income tax liability on the amount declared.



### 20.3.3 Tax Vouchers

A tax voucher will be issued, where relevant, at the time of distribution. This voucher should be retained for tax purposes as evidence for HM Revenue & Customs.

### 20.3.4 Capital Gains

Shareholders may be liable to capital gains tax on gains arising from the redemption, transfer or other disposal of Shares.

The rate of tax, and available reliefs, will be as applicable from time to time.

An exchange of Shares in one Fund of the Company for Shares in another Fund will normally be treated as a disposal for this purpose.

## 22.4 EU Savings Directive

This section applies only to investors who are resident outside the United Kingdom for tax purposes.

Shareholders who are individuals resident in a Member State of the European Union should be aware of the provisions of the EU Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments (the "Directive") pursuant to which income realised upon the sale or redemption of shares in undertakings for collective investments, as well as any income in the form of dividends or other distributions made by such undertakings for collective investment, may (depending upon the location, classification and investment portfolio of the undertaking) become subject to the reporting regime or withholding tax regime imposed by the Directive, if such payment is made by a paying agent established either in a Member State of the European Union or in certain other jurisdictions which have agreed to introduce an equivalent reporting or withholding tax regime in respect of such payments. The provisions of the Directive apply to payments made on or after 1 July 2005.

The rules of the Directive are complex and their implementation will be effected by each Member State. Accordingly, Shareholders who are individuals or acting as nominees and who are resident in the European Union should consult their own tax advisers.

Shareholders to whom the Directive may be relevant should also be aware that the EU Commission is currently undertaking a review of the Directive, and that the proposals being considered as a part of that review include a possible extension of the types of funds or other undertakings for collective investment that are currently outside the scope of the Directive. It is not anticipated that the current proposals will have an impact on the Company.

## 22.5 Stamp Duty Reserve Tax

The SDRT charge on UK open-ended investment companies (OEICs) was abolished with effect from 30 March 2014. A principal SDRT charge of 0.5% has been retained to be made on the value

of non-pro rata in specie redemptions. This is a principal SDRT charge payable by the investor by reference to the value of chargeable securities redeemed in this type of transaction.

## 22.6 The International Tax Compliance Regulations

The Company is required to comply with The International Tax Compliance Regulations. The regulations transpose into UK law rules and obligations derived from European Union law and inter-governmental agreements entered into by the UK which are aimed at increasing transparency and reducing tax evasion. To be compliant with these regulations the Company must collect information about each investor's tax residence and in certain circumstances provide information about investors' Shareholdings to HM Revenue & Customs (HMRC). HMRC may in turn share this information with overseas tax authorities. Failure to comply with these tax regulations may result in penalties being imposed on the Company and, in the case of non-compliance with the rules relating to information sharing with the United States authorities, in the imposition of a 30% withholding tax on income due to the Company from investments and sales proceeds originating from the US. Therefore, where an investor fails to provide the information required by the Company to comply with its obligations to HMRC this may result in the ACD taking appropriate action against the Shareholder, including invoking the compulsory transfer and redemption provisions set out in paragraph 3.8. The ACD intends to procure compliance with the regulations but cannot give an assurance that this will be achieved. The underlying laws and agreements are a complex area of tax law and investors should consult their professional advisers on the implications these rules may have for them.

In light of the above, investors in the Fund will be required to provide certain information to the Fund to comply with the terms of the UK regulations.

## 23 WINDING-UP AND TERMINATION

### 23.1 Termination of a Fund

A Fund may be terminated:

21.1.1 if an extraordinary resolution of the Shareholders is passed to that effect; or

21.1.1.1 on the date of effect stated in any agreement by the FCA to a request by the ACD for the termination; or

21.1.1.2 by the ACD in its absolute discretion if one year from the date of the first issue of Shares or at any date thereafter, the net asset value of a Fund is less than £10 million; or

21.1.1.3 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

Eligible registered shareholders will be informed in writing if a Fund is terminated or if the Company has its authorisation revoked by the FCA.

Termination of a Fund commences upon the later of the time for termination of that Fund determined in accordance with the above circumstances and the time at which the FCA, having been supplied with a statement confirming the solvency of that Fund, approves, pursuant to the OEIC Regulations, the necessary changes to the Instrument of Incorporation and this Prospectus which would result from the termination of that Fund.

On the termination of a Fund (other than in accordance with an approved scheme of amalgamation or reconstruction) the ACD is required as soon as practicable after the termination to realise the property of relevant Fund and pay the liabilities of that Fund out of the proceeds.

Provided that there are sufficient liquid funds in a Fund's property available after making adequate provision for the expenses of the termination and the discharge of the liabilities remaining to be discharged, the ACD may arrange for the Depositary to make one or more interim distributions out of the property of that Fund to the Shareholders proportionately to the right to participate in the Fund's property attached to their respective Shares as at the date of the commencement of the termination. Distributions will be made by bank transfer.

When the ACD has caused all of a Fund's property to be realised and all of the liabilities known to the ACD to be met, the ACD shall arrange for the Depositary to make a final distribution, on or prior to the date on which the termination account is sent to Shareholders, of the balance remaining (net of a provision for any further expenses of the termination) to the Shareholders in the proportions stated above.

If a Fund is to be terminated in accordance with an approved scheme of amalgamation or reconstruction, the ACD is required to terminate that Fund in accordance with the resolution of holders approving such a scheme.

Where the Company and one or more Shareholders (other than the ACD) agree, the requirement to realise the property of a Fund shall not apply to that part of the property which is proportionate to the right of that or those Shareholders, and the ACD may distribute that part in the form of property, after making such adjustments or retaining such provision as appears appropriate to the ACD for ensuring that that or those Shareholders bear a proportionate share of the liabilities and expenses.

Where any sum of money (including unclaimed distributions) still stands to the account of the property of a Fund, the ACD shall instruct the Depositary to retain such sum in an account separate from any other part of the property of the Company in accordance with the FCA Rules. On a winding-up of the Company, the Depositary shall cease to hold those amounts as part of that account and they shall be paid by the Depositary into court in accordance with the OEIC Regulations.

## 23.2 Winding-up of the Company

The Company is to be wound-up:

- 23.2.1 if an extraordinary resolution of holders is passed to wind-up the Company; or
- 23.2.2 when the period (if any) fixed for the duration of the Funds by the Instrument of Incorporation expires or any event occurs, for which the Instrument of Incorporation provides that the Funds are to be wound up; or
- 23.2.3 on the date of effect stated in any agreement by the FCA in response to a request by the ACD for the winding up of the Company, albeit that such agreement is subject to there being no material change in any relevant factor prior to the date of the revocation.

The Company may only be wound-up under the FCA Rules if the Company is solvent and there is no vacancy in the position of the ACD. If the Company is insolvent, or there is such a vacancy, the Company may only be wound-up under Part V of the Insolvency Act 1986 as an unregistered company.

The liabilities of a Fund shall be met exclusively out of the property of that specific Fund. For clarity, the liability of a Fund shall not be met out of the property of any other Fund.

After making adequate provision for the expenses of the winding-up and the discharge of the liabilities of the Company remaining to be discharged, the ACD may arrange for the Depositary to make one or more interim distributions, and then a final distribution of the proceeds of the realisation of the property attributable or allocated to each Fund to the holders in each Fund, proportionately to the right to participate in the scheme property attached to their respective Shares.

If the Company is to be wound-up in accordance with an approved scheme of amalgamation or reconstruction, the ACD is required to wind-up the Company in accordance with a resolution of holders approving such scheme.

Where the Company and one or more Shareholders (other than the ACD) agree, the requirement to realise the property of the Company shall not apply to that part of the property which is proportionate to the right of that or those Shareholders, and the ACD may distribute that part in the form of property, after making such adjustments or retaining such provision as appears to the ACD appropriate for ensuring that that or those Shareholders bear a proportionate share of the liabilities and expenses.

If any sum of money is unclaimed or stands to the account of the Company at the date of its dissolution, the ACD shall arrange for the Depositary to pay such sum into court within one month after that date in accordance with the OEIC Regulations.

### 23.3 Business Changes

The ACD has the right to close any sub- Fund in accordance with the FCA's Handbook. In this context, the ACD will comply with the FCA's Handbook on client money discharge of fiduciary duty and allocated but unclaimed client money. The ACD will cease to hold or control custody assets in accordance with instructions received from clients and on the event of the closure of the sub-fund, the ACD will follow the FCA's Handbook on information concerning safeguarding of designated investments belonging to clients; these rules apply to both repayment and transfer to a third party.

### 23.4 Insolvency

If a third party becomes insolvent the ACD will not be liable. Investors may claim through the Financial Services Compensation Scheme. Further details can be found at [www.fscs.org.uk](http://www.fscs.org.uk).

## 24 ADDITIONAL INFORMATION

### 24.1 Management

Details regarding the management and administration of the Company are set out in Appendix III.

### 24.2 Complaints

Complaints may be brought in writing to Valu-Trac Investment Management Limited, Mains of Orton, Orton, Moray, IV32 7QE or by telephone to 01343 880344.

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, Harbour Exchange Square, London E14 9SR. A copy of the ACD's Guide to making a complaint is available upon request.

A customer may directly complain to the FOS prior to complaining to a firm, if the firm consents. We do not consent to this. Also Firms can consent to waive the time limits for a customer to refer a complaint to the FOS. We also do not consent to this.

Rights to compensation for Shareholders in the Company are those outlined in the Financial Services Compensation Scheme.

### 24.3 The Depositary

#### 24.3.1 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 The Royal Bank of Scotland Group plc, which is incorporated in Scotland. The principal business activity of the Depositary is the provision of trustee and depositary services. The Depositary is authorised and regulated by the FCA. It is authorised to carry on investment business in the United Kingdom by virtue of its authorisation and regulation by the regulator.

#### 24.3.2 Duties of the Depositary

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

#### 24.3.3 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 UCITS or a particular Fund and/or other funds managed by the ACD or other funds for which the Depositary acts as the depositary, trustee or custodian. The Depositary will, however, have regard in such event to its obligations under the Depositary Agreement and the Regulations and, in particular, will use reasonable endeavours to ensure that the performance of its duties will not be impaired by any such involvement it may have and that any conflicts which may arise will be resolved fairly and in the best interests of Shareholders collectively so far as practicable, having regard to its obligations to other clients.

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

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

#### 24.3.4 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"). A list of Sub-custodians is given in Appendix VII. Investors should note that the list of Sub-custodians is updated only at each Prospectus review. An updated list of Sub-custodians is maintained by the ACD at [www.valu-trac.com](http://www.valu-trac.com).

#### 24.3.5 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.

#### 24.3.6 Terms of Appointment

The Depositary was appointed under a depositary agreement between the ACD, the Company and the Depositary (the "Depositary Agreement").

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

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

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

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

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

Details of the fees payable to the Depositary are given in Section 13.

#### 24.3.7 Further conflicts

The ACD, the Investment Manager and their Associates may, from time to time, act as Investment Managers or advisers to other funds or sub-funds which follow similar investment objectives to those of the Funds. It is therefore possible that the ACD and/or the Investment Manager may in the course of their business have potential conflicts of interest with the Company or a particular Fund. 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.

The Depositary may, from time to time, act as the depositary of other open-ended investment companies with variable capital and as trustee or custodian of other collective investment schemes.



The FCA Rules contain provisions on conflict of interest governing any transaction concerning the Company which is carried out by or with any “affected person”, which means the Company, an Associate of the Company, the ACD, an Associate of the ACD, the Depositary, an Associate of the Depositary, any Investment Manager and any Associate of any Investment Manager.

These provisions, among other things, enable an affected person (a) to sell or deal in the sale of property to the Company or the Depositary for the account of the Company; (b) vest property in the Company or the Depositary against the issue of Shares in the Company; (c) purchase property from the Company (or the Depositary) acting for the account of the Company; (d) enter into a stocklending transaction in relation to the Company; or (e) provide services for the Company. Any such transactions with or for the Company are subject to best execution on exchange, or independent valuation or arm’s length requirements as set out in the FCA Rules. An affected person carrying out such transaction is not liable to account to the Depositary, the ACD, any other affected person, or to the holders of Shares or any of them for any benefits or profits thereby made or derived.

24.3.8 Investment of the property of the Company may be made on arm’s length terms through a member of an investment exchange (acting as principal) who is an affected person in relation to the ACD. Neither the ACD nor any such affected person will be liable to account to the Company or to the holders of Shares for any profit made or derived out of such dealings. In addition, the ACD is under no obligation to account to the Depositary or the Shareholders for any profit it makes on the issue or reissue of Shares or cancellation of Shares which it has redeemed.

The Investment Managers may, so long as they are permitted to do so by the Regulations and by law, effect transactions or arrange for the effecting of transactions through brokers with whom it has arrangements whereby the broker agrees to use a proportion of the commission earned on such transactions to discharge the broker's own costs or the costs of third parties in providing certain services to the Investment Manager as permitted under the FCA Rules. Specifically, the Investment Manager may agree that a broker shall be paid a commission in excess of the amount another broker would have charged for effecting such transaction so long as, in the good faith judgement of the Investment Manager concerned, the amount of the commission is reasonable in relation to the value of the brokerage and other services provided or paid for by such broker. Such services, which may take the form of research, analysis and advisory services, including (depending on the precise nature of the services) market price services, electronic trade confirmation systems or third party electronic dealing or quotation systems, may be used by the Investment Manager concerned in connection with transactions in which the Company may or may not participate.

## APPENDIX I

### INVESTMENT AND BORROWING POWERS AND RESTRICTIONS

The following provisions apply in respect of each Fund of the Company save where the context otherwise requires.

#### **1 GENERAL RULES OF INVESTMENT**

- a) The Scheme Property will be invested with the aim of achieving the investment objective of the Fund in question but subject to the limits set out in Chapter 5 of the FCA Rules. These limits apply to the Funds as summarised below.
- b) A Fund's investment policy may mean that at times, where it is considered appropriate, the Scheme Property will not be fully invested and that prudent levels of liquidity will be maintained which may at times be substantial or even (exceptionally) 100%.

#### **2 PRUDENT SPREAD OF RISK**

The ACD must ensure that, taking account of the investment objectives and policy of the Fund in question, the Scheme Property provides a prudent spread of risk.

#### **3 UCITS SCHEMES – GENERAL**

- a) The Scheme Property must, subject to its investment objective and policy and except where otherwise noted below or provided in the FCA Rules, only consist of any or all of:
  - i) transferable securities;
  - ii) approved money-market instruments;
  - iii) permitted units in collective investment schemes;
  - iv) permitted derivatives and forward transactions; and
  - v) permitted deposits.
- b) It is not intended that the Funds will have an interest in any immovable property or tangible moveable property.

#### **4 TRANSFERABLE SECURITIES**

- a) A transferable security is an investment falling which is any of the following:
  - i) a share;
  - ii) a debenture;
  - iii) an alternative debenture;

- iv) a government and public security;
  - v) a warrant; or
  - vi) a certificate representing certain securities.
- b) An investment is not a transferable security if the title to it cannot be transferred, or can be transferred only with the consent of a third party.
- c) In applying paragraph 4.b to an investment which is issued by a body corporate, and which is a share or a debenture, the need for any consent on the part of the body corporate or any members or debenture holders of it may be ignored.
- d) An investment is not a transferable security unless the liability of the holder of it to contribute to the debts of the issuer is limited to any amount for the time being unpaid by the holder of it in respect of the investment.
- e) A Fund may invest in a transferable security only to the extent that the transferable security fulfils the following criteria:
- i) the potential loss which a Fund may incur with respect to holding the transferable security is limited to the amount paid for it;
  - ii) its liquidity does not compromise the ability of the ACD to comply with its obligation to redeem units at the request of any qualifying Shareholder under the FCA rules;
  - iii) reliable valuation is available for it as follows:
    1. in the case of a transferable security admitted to or dealt in on an eligible market, where there are accurate, reliable and regular prices which are either market prices or prices made available by valuations systems independent from issuers;
    2. in the case of a transferable security not admitted to or dealt in on an eligible market, where there is a valuation on a periodic basis which is derived from information from the issuer of the transferable security or from competent investment research;
  - iv) appropriate information is available for it as follows:
    1. in the case of a transferable security admitted to or dealt in on an eligible market, where there is regular, accurate and comprehensive information available to the market on the transferable security or, where relevant, on the portfolio of the transferable security.
    2. in the case of a transferable security not admitted to or dealt in on an eligible market, where there is regular and accurate information available to

the ACD on the transferable security or, where relevant, on the portfolio of the transferable security.

- v) it is negotiable; and
  - vi) its risks are adequately captured by the risk management process of the ACD.
- f) Unless there is information available to the ACD that would lead to a different determination, a transferable security which is admitted to or dealt in on an eligible market shall be presumed:
- i) not to compromise the ability of the ACD to comply with its obligation to redeem units at the request of any qualifying Shareholder; and
  - ii) to be negotiable.
- g) No more than 5% of the Scheme Property may be invested in warrants.

## **5 CLOSED END FUNDS CONSTITUTING TRANSFERABLE SECURITIES**

- a) A unit or share in a closed end fund shall be taken to be a transferable security for the purposes of investment by a Fund, provided it fulfils the criteria for transferable securities set out in paragraph 4.e and either:
- i) where the closed end fund is constituted as an investment company or a unit trust:
    - 1. it is subject to corporate governance mechanisms applied to companies; and
    - 2. where another person carries out asset management activity on its behalf, that person is subject to national regulation for the purpose of investor protection; or
  - b) where the closed ended fund is constituted under the law of contract:
    - i) it is subject to corporate governance mechanisms equivalent to those applied to companies; and
    - ii) it is managed by a person who is subject to national regulation for the purpose of investor protection.

## **6 TRANSFERABLE SECURITIES LINKED TO OTHER ASSETS**

- a) A Fund may invest in any other investment which shall be taken to be a transferable security for the purposes of investment by a Fund provided the investment:
- i) fulfils the criteria for transferable securities set out in 4.e above; and

- ii) is backed by or linked to the performance of other assets, which may differ from those in which a Fund can invest.
- b) Where an investment in paragraph 6.a contains an embedded derivative component, the requirements of this section with respect to derivatives and forwards will apply to that component.

## **7 INVESTMENT IN MONEY MARKET INSTRUMENTS**

- a) 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.
- b) A money-market instrument shall be regarded as normally dealt in on the money market if it:
  - i) has a maturity at issuance of up to and including 397 days;
  - ii) has a residual maturity of up to and including 397 days;
  - iii) undergoes regular yield adjustments in line with money market conditions at least every 397 days; or
  - iv) has a risk profile, including credit and interest rate risks, corresponding to that of an instrument which has a maturity as set out in 7.b.i or 7.b.ii or is subject to yield adjustments as set out in 7.b.iii.
- c) 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 units at the request of any qualifying shareholder.
- d) 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:
  - i) enabling the ACD to calculate a net asset value in accordance with the value at which the instrument held in the portfolio could be exchanged between knowledgeable willing parties in an arm's length transaction; and
  - ii) based either on market data or on valuation models including systems based on amortised costs.
- e) 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.

## **8 TRANSFERABLE SECURITIES AND MONEY-MARKET INSTRUMENTS GENERALLY TO BE ADMITTED OR DEALT IN ON AN ELIGIBLE MARKET**

- a) Transferable securities and approved money-market instruments held within a Fund must be:
  - i) admitted to or dealt in on an eligible market as described in 9.c.i; or
  - ii) dealt in on an eligible market as described in 9.c.ii; or
  - iii) admitted to or dealt in on an eligible market as described in 9.d; or
  - iv) for an approved money-market instrument not admitted to or dealt in on an eligible market, within 10.a; or
  - v) recently issued transferable securities provided that:
    - 1. the terms of issue include an undertaking that application will be made to be admitted to an eligible market; and
    - 2. such admission is secured within a year of issue.
- b) However, a Fund may invest no more than 10% of its Scheme Property in transferable securities and approved money-market instruments other than those referred to in 8.a.

## **9 ELIGIBLE MARKETS REGIME: PURPOSE**

- a) To protect investors the markets on which investments of a Fund are dealt in or traded on should be of an adequate quality (“eligible”) at the time of acquisition of the investment and until it is sold. The criteria for eligibility are set out in the FCA Handbook.
- b) Where a market ceases to be eligible, investments on that market cease to be approved securities. The 10% restriction on investing in non-approved securities applies and exceeding this limit because a market ceases to be eligible will generally be regarded as an inadvertent breach.
- c) A market is eligible for the purposes of the rules if it is:
  - i) a regulated market; or
  - ii) a market in an EEA State which is regulated, operates regularly and is open to the public.
- d) A market not falling within paragraph 9.c is eligible for the purposes of Chapter 5 of the FCA Rules if:
  - i) the ACD, after consultation and notification with the Depositary, decides that market is appropriate for investment of, or dealing in, the Scheme Property;
  - ii) the market is included in a list in the Prospectus; and
  - iii) the Depositary has taken reasonable care to determine that:
    - 1. adequate custody arrangements can be provided for the investment dealt in on that market; and
    - 2. all reasonable steps have been taken by the ACD in deciding whether that market is eligible.

- e) In paragraph 9.d.i, a market must not be considered appropriate unless it is regulated, operates regularly, is recognised, is open to the public, is adequately liquid and has adequate arrangements for unimpeded transmission of income and capital to or for the order of Shareholders.
- f) The Eligible Markets for the Company are set out in APPENDIX II.

## **10 MONEY-MARKET INSTRUMENTS WITH REGULAR ISSUER**

- a) In addition to instruments admitted to or dealt in on an eligible market, a Fund may invest in an approved money-market instrument provided it fulfils the following requirements:
  - i) the issue or the issuer is regulated for the purpose of protecting Shareholders and savings; and
  - ii) the instrument is issued or guaranteed in accordance with paragraph 11 (Issuers and guarantors of money-market instruments) below.
- b) The issue or the issuer of a money-market instrument, other than one dealt in on an eligible market, shall be regarded as regulated for the purpose of protecting Shareholders and savings if:
  - i) the instrument is an approved money-market instrument;
  - ii) appropriate information is available for the instrument (including information which allows an appropriate assessment of the credit risks related to investment in it), in accordance with paragraph 12; and
  - iii) the instrument is freely transferable.

## **11 ISSUERS AND GUARANTORS OF MONEY-MARKET INSTRUMENTS**

- a) A Fund may invest in an approved money-market instrument if it is:
  - i) Issued or guaranteed by any one of the following:
    1. a central authority of an EEA State, or, if the EEA State is a federal state, one of the members making up the federation;
    2. a regional or local authority of an EEA State;
    3. the European Central Bank or a central bank of an EEA State;
    4. the European Union or the European Investment Bank;
    5. a non-EEA State or, in the case of a federal state, one of the members making up the federation;
    6. a public international body to which one or more EEA States belong; or
  - ii) issued by a body, any securities of which are dealt with in on an eligible market; or
  - iii) issued or guaranteed by an establishment which is:
    1. subject to prudential supervision in accordance with the criteria defined by European Community law; or



2. subject to and complies with prudential rules considered by the FCA to be at least as stringent as those laid down by European Community law.
- b) An establishment shall be considered to satisfy the requirement in 11.a.iii.2 if it is subject to and complies with prudential rules, and fulfils one or more of the following criteria:
- i) it is located in the European Economic Area;
  - ii) it is located in an OECD country belonging to the Group of Ten;
  - iii) it had at least investment grade rating;
  - iv) on the basis of an in-depth analysis of the issuer, it can be demonstrated that the prudential rules applicable to that issuer are at least as stringent as those laid down by European Community law.

## **12 APPROPRIATE INFORMATION FOR MONEY-MARKET INSTRUMENTS**

- a) In the case of approved money-market instruments within 11.a.ii or issued by a body of the type referred to in 5.2.10EG of the FCA Rules, or which is issued by an authority within 11.a.i.2 or a public international body within 11.a.i.6 but is not guaranteed by a central authority within 11.a.i.1, the following information must be available:
- i) information on both the issue or the issuance programme, and the legal and financial situation of the issuer prior to the issue of the instrument, verified appropriately qualified third parties not subject to instructions from the issuer;
  - ii) updates of that information on a regular basis and whenever a significant event occurs; and
  - iii) available and reliable statistics on the issue or issuance programme.
- b) In the case of an approved money-market instrument issued or guaranteed by an establishment within 11.a.iii, the following information must be available:
- i) information on the issue or the issuance programme or on the legal and financial situation of the issuer prior to the issue of the instrument;
  - ii) updates of that information on a regular basis and whenever a significant event occurs; and
  - iii) available and reliable statistics on the issue or the issuance programme, or other data enabling and appropriate assessment of the credit risks related to investment in those instruments.
- c) In the case of an approved money-market instrument:
- i) within 11.a.i.1, 11.a.i.4 or 11.a.i.5; or

- ii) which is issued by an authority within 11.a.i.2 or a public international body within 11.a.i.6 and is guaranteed by a central authority within 11.a.i.1.
- d) information must be available on the issue or the issuance programme, or on the legal and financial situation of the issuer prior to the issue of the instrument.

### **13 SPREAD: GENERAL**

- a) This section does not apply to government and public securities.
- b) For the purposes of this section, companies in the same group for the purposes of consolidated accounts as defined in accordance with Directive 83/349/EEC or in the same group in accordance with international accounting standards are regarded as a single body.
- c) Not more than 20% in value of the Scheme Property of a Fund is to consist of deposits with a single body.
- d) Not more than 5% in value of the Scheme Property of a Fund is to consist of transferable securities or money market instruments issued by any single body.
- e) The limit of 5% in paragraph 13.4 is raised to 10% in respect of up to 40% in value of the Scheme Property of the a Fund. Covered bonds need to be taken into account for the purpose of applying the limit of 40%.
- f) The limit of 5% in paragraph 13.4 is raised to 25% in respect of covered bonds, provided that when a Sub-Fund invests more than 5% in covered bonds issued by a single body, the total value of the covered bonds held must not exceed 80% in value of the Scheme Property of a Fund.
- g) In applying paragraphs 13.d to 13.e certificates representing certain securities are treated as equivalent to the underlying security.
- h) The exposure to any one counterparty in an OTC derivative transaction must not exceed 5% in value of the Scheme Property of a Fund. This limit is raised to 10% where the counterparty is an approved bank.
- i) Not more than 20% in value of the Scheme Property of a Fund is to consist of transferable securities or money market instruments issued by the same group (as referred to in paragraph 13.b).
- j) The Sourcebook provides that not more than 20% in value of the Scheme Property of a Fund is to consist of the units of any one collective investment scheme. (see 16.a and 16.b)
- k) In applying the limits in paragraphs 13.c, 13.d, 13.e 13.g and 13.h and subject to 13.f not more than 20% in value of the Scheme Property of a Fund is to consist of any combination of two or more of the following:
  - i) transferable securities or money market instruments issued by; or

- ii) deposits made with; or
- iii) exposures from OTC derivatives transactions made with; a single body.

#### **14 SPREAD: GOVERNMENT AND PUBLIC SECURITIES**

- a) The above restrictions do not apply in respect of a transferable security or an approved money-market instrument (“such securities”) that is issued by
  - an EEA state;
  - a local authority of an EEA state;
  - a non-EEA state; or
  - a public international body to which one or more EEA states belong.
- b) Where no more than 35% in value of the Scheme Property of a Fund is invested in such securities issued by any one body, there is no limit on the amount which may be invested in such securities or in any one issue.
- c) The Company or a Fund may invest more than 35% in value of the Scheme Property in such securities issued by any one body provided that:
  - i) the ACD has before any such investment is made consulted with the Depositary and as a result considers that the issuer of such securities is one which is appropriate in accordance with the investment objectives of the relevant Fund;
  - ii) no more than 30% in value of the Scheme Property consists of such securities of any one issue;
  - iii) the Scheme Property includes such securities issued by that or another issuer, of at least six different issues; and
  - iv) the disclosures required by FCA have been made.
- d) No Funds currently invest more than 35% of their Scheme Property in government and public securities issued by any one body.

In relation to such securities:

  - i) issue, issuer and guarantor include guarantee, guaranteed and guarantor; and
  - ii) 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.
- e) Notwithstanding paragraph 13.a and subject to paragraphs 14.b and 14.c above, in applying the 20% limit in paragraph 13.k with respect to a single body, government and public securities issued by that body shall be taken into account.

## **15 COUNTERPARTY RISK AND ISSUER CONCENTRATION**

- a) The ACD must ensure that counterparty risk arising from an OTC derivative transaction is subject to the limits set out in paragraphs 13.h and 13.k above.
- b) When calculating the exposure of a Fund to a counterparty in accordance with the limits in 13.h, the ACD must use the positive mark-to-market value of the OTC derivative contract with that counterparty.
- c) An ACD may net the OTC derivative positions of a Fund with the same counterparty, provided:
  - i) it is able legally to enforce netting agreements with the counterparty on behalf of a Fund; and
  - ii) the netting agreements in 15.c.i do not apply to any other exposures that the Fund may have with that same counterparty.
- d) An ACD may reduce the exposure of the Scheme Property to a counterparty to an OTC derivative transaction through the receipt of collateral. Collateral received must be sufficiently liquid so that it can be sold quickly at a price that is close to its pre-sale valuation, however, cash is only accepted as collateral.
- e) The ACD must take collateral into account in calculating exposure to counterparty risk in accordance with the limits in paragraph 15.g when it passes collateral to the counterparty to an OTC derivative transaction on behalf of a Fund.
- f) Collateral passed in accordance with 15.e may be taken into account on a net basis only if the ACD is able legally to enforce netting arrangements with this counterparty on behalf of a Fund.
- g) An ACD of a Fund must calculate the issuer concentration limits referred to in paragraph 13 on the basis of the underlying exposure created through the use of OTC derivatives in accordance with the commitment approach.
- h) In relation to exposures arising from OTC derivative transactions, as referred to in paragraph 13.k, the ACD must include in the calculation any counterparty risk relating to the OTC derivative transactions.

## **16 INVESTMENT IN COLLECTIVE INVESTMENT SCHEMES**

- a) Up to 100% of the Scheme Property of VT Garraway Diversified Income Fund may be invested in units in other collective investment schemes (a “second scheme”) provided the Second Scheme satisfies all of the following conditions and provided that no more than 30% of the value of the Scheme Property is invested in Second Schemes within paragraphs 16.b.ii and 16.b.v, i.e.

It is a scheme which:

- i) complies with the conditions necessary for it to enjoy the rights conferred by the UCITS Directive;
- ii) be recognised under the provisions of s.272 of the Financial Services and Markets Act 2000 (individually recognised overseas schemes) that is authorised by the supervisory authorities of Guernsey, Jersey or the Isle of Man (provided the requirements of article 50(1)(e) of the UCITS Directive are met);
- iii) is authorised as a non-UCITS retail scheme (provided the requirements of article 50(1)(e) of the UCITS Directive are met); or
- iv) is authorised in another EEA state (provided the requirements of article 50(1)(e) of the UCITS Directive are met); or
- v) is authorised by the competent authority of an OECD member country (other than another EEA State) which has:
  - 1. signed the IOSCO Multilateral Memorandum of Understanding; and
  - 2. approved the Second Scheme's management company, rules and depository / custody arrangements; (provided the requirements of article 50(1)(e) of the UCITS Directive are met).
- b) It is a scheme which has terms which prohibit more than 10% in value of the Scheme Property consisting of units in collective investment schemes;
- c) For the purposes of this paragraph 16 each sub-fund of an umbrella scheme is to be treated as if it were a separate scheme.
- d) In accordance with 5.2.15R of the FCA Rules the Scheme Property may include units in collective investment schemes which are other sub-funds within the same umbrella (second sub-fund).
- e) In accordance with rule 5.2.16R of the FCA Rules the Scheme Property may include units in collective investment schemes managed or operated by (or, if it is an OEIC, has as its ACD) the ACD of the Company or an Associate of the ACD.
- f) A Fund must not invest in or dispose of units in another collective investment scheme (the second scheme), which is managed or operated by (or in the case of an OEIC, whose ACD is), the authorised fund manager of such authorised fund, or an associate of that ACD, or a second sub-fund unless:
  - i) the ACD of the Company is under a duty to pay to the Company by the close of business on the fourth Business Day next after the agreement to buy or to sell the amount referred to in paragraphs 16.g.iii;
  - ii) there is no charge in respect of the investment in or the disposal of units in the second scheme or second sub-fund;

- iii) on investment, either:
  - 1. any amount by which the consideration paid by the Company for the units in the second scheme or second sub-fund that exceed the price that would have been paid for the benefit of the second scheme or second sub-fund had the units been newly issued or sold by it; or
  - 2. if such price cannot be ascertained by the ACD, the maximum amount of any charge permitted to be made by the seller of units in the second scheme or second sub-fund;
  - 3. on disposal, the amount of any charge made for the account of the authorised fund manager or operator of the second scheme or second sub-fund or an Associate of any of them in respect of the disposal; and

g) in paragraphs 16.e to 16.g above:

- i) any addition to or deduction from the consideration paid on the acquisition or disposal of units in the second scheme or second sub-fund, which is applied for the benefit of the second scheme or second sub-fund and is, or is like, a dilution levy is to be treated as part of the price of the units and not as part of any charge; and
- ii) any switching charge made in respect of a switch of units in one sub-fund or separate part of the second scheme or second sub-fund for units in another sub-fund or separate part of that scheme is to be included as part of the consideration paid for the units.

## **17 INVESTMENT IN WARRANTS AND NIL AND PARTLY PAID SECURITIES**

A transferable security 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 Company, at the time when payment is required, without contravening the rules in Chapter 5 of the FCA Rules.

## **18 DERIVATIVES**

- a) The Company intends to use the Scheme Property of VT Garraway Diversified Income Fund to enter into transactions in derivatives, warrants and forward contracts. These may be used for the purposes of EPM and/or meeting the investment objectives (or both) of that Fund. In pursuing a Fund's investment objective the Investment Manager may make use of a variety of instruments in accordance with the FCA Rules.
- b) 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 19 below, and the transaction is covered, as required by paragraph 19.j.
- c) Where a Fund invests in derivatives, the exposure to the underlying assets must not exceed the limits set out in paragraphs 13 and 14 except for index based derivatives where the rules apply below.

- d) 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.
- e) A transferable security or an approved money-market instrument will embed a derivative if it contains a component which fulfils the following criteria:
  - i) by virtue of that component some or all of the cash flows that otherwise would be required by the transferable security or approved money-market instrument which functions as host contract can be modified according to a specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, and therefore vary in a way similar to a stand-alone derivative.
  - ii) its economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract; and
  - iii) it has significant impact on the risk profile and pricing of the transferable security.
- f) A transferable security or an approved money-market instrument does not embed a derivative where it contains a component which is contractually transferable independently of the transferable security or the approved money-market instrument. That component shall be deemed to be a separate instrument.
- g) Where a scheme invests in an index based derivative, provided the relevant index falls within paragraph 20, the underlying constituents of the index do not have to be taken into account for the purposes of paragraph 13 and 14.

## **19 PERMITTED TRANSACTIONS**

A transaction in a derivative or forward contract must:

- a) be in an approved derivative; or
- b) be in a future, an option or a contract for differences which must be entered into with a counterparty that is acceptable in accordance with the FCA Rules, must be on approved terms as to valuation and close out and must be capable of valuation; and
- c) have the underlying consisting of any or all of the following to which the Company is dedicated:
  - i) transferable securities;
  - ii) permitted money market instruments;
  - iii) permitted deposits;
  - iv) permitted derivatives;
  - v) permitted collective investment scheme units or shares;

- vi) financial indices;
  - vii) interest rates;
  - viii) foreign exchange rates;
  - ix) currencies; and
- d) an approved derivative must be effected on or under the rules of an eligible derivatives market;
  - e) must not cause a Scheme to diverge from its investment objectives as stated in the instrument of incorporation and the most recently published prospectus;
  - f) 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 provided that a sale is not to be considered as uncovered if the conditions in FCA rules are satisfied;
  - g) Any forward transaction must be made with an eligible institution or an approved bank.
  - h) A derivative includes an instrument which fulfils the following criteria:
    - i) It allows the transfer of the credit risk of the underlying independently from the other risks associated with that underlying;
    - ii) It does not result in the delivery or the transfer of assets other than referred to in FCA rules;
    - iii) In the case of an OTC derivative, it complies with paragraph 21;
  - i) Use of derivatives must be supported by a risk management process maintained by the ACD which takes account of the investment objective and policy of the Fund concerned.
  - j) The ACD must ensure that its global exposure relating to derivatives and forward transactions held in the Funds does not exceed the net value of the Scheme Property.

**20 FINANCIAL INDICES UNDERLYING DERIVATIVES**

- a) The financial indices referred to in paragraph 19.c are those which satisfy the following criteria:
  - i) the index is sufficiently diversified;
  - ii) the index represents an adequate benchmark for the market to which it refers; and
  - iii) the index is published in an appropriate manner.
- b) A financial index is sufficiently diversified if:
  - i) It is composed in such a way that price movements or trading activities regarding one component do not unduly influence the performance of the whole index;



- ii) where it is composed of assets in which a Fund is permitted to invest, its composition is at least diversified in accordance with the requirements with respect to spread and concentration set out in this section; and
  - iii) where it is composed of assets in which a Fund cannot invest, it is diversified in a way which is equivalent to the diversification achieved by the requirements with respect to spread and concentration set out in this section.
- c) A financial index represents an adequate benchmark for the market to which it refers if:
- i) it measures the performance of a representative group of underlyings in a relevant and appropriate way;
  - ii) it is revised or rebalanced periodically to ensure that it continues to reflect the markets to which it refers, following criteria which are publicly available; and
  - iii) the underlyings are sufficiently liquid, allowing users to replicate it if necessary.
- d) A financial index is published in an appropriate manner if:
- i) its publication process relies on sound procedures to collect prices, and calculate and subsequently publish the index value, including pricing procedures for components where a market price is not available; and
  - ii) material information on matters such as index calculation, rebalancing methodologies, index changes or any operational difficulties in providing timely or accurate information is provided on a wide and timely basis.
- e) Where the composition of underlyings of a transaction in a derivative does not satisfy the requirements for a financial index, the underlyings for that transaction shall where they satisfy the requirements with respect to other underlyings pursuant to 19.c, be regarded as a combination of those underlyings.

## **19 TRANSACTIONS FOR THE PURCHASE OF PROPERTY**

A derivative or forward transaction which will or could lead to the delivery of property for the account of a Fund may be entered into only if that property can be held for the account of that 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 FCA rules.

## **20 REQUIREMENTS TO COVER SALE**

No agreement by or 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.

## **21 OTC TRANSACTIONS IN DERIVATIVES**

- a) Any transaction in an OTC derivative under paragraph 19 must be:
  - i) in a future or an option or a contract for differences;

- ii) 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 whose Home State authorisation, permits it to enter into the transaction as principal off-exchange;
- iii) 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 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 a fair value;
- iv) capable of reliable valuation; a transaction in derivative 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:
  - 1. on the basis of an up to date market value which the ACD and Depositary have agreed is reliable; or
  - 2. if the value referred to in 23.a.iv.1 is not available, on the basis of a pricing model which the ACD and the Depositary have agreed uses an adequate recognised methodology; and
- v) 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:
  - 1. an appropriate third party which is independent from the counterparty of the derivative, at an adequate frequency and in such a way that ACD is able to check it; or
  - 2. a department within the authorised fund manager which is independent from the department in charge of managing the scheme property and which is adequately equipped for such a purpose.
- b) For the purposes of paragraph 23.a.iii is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

## **22 DERIVATIVE EXPOSURE**

- a) A Fund may invest in derivatives and forward transactions as long as the exposure to which a 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.
- b) Cover ensures that a Fund is not exposed to the risk of loss of property, including money to an extent greater than the net value of the Scheme Property. Therefore, a Fund must hold scheme

property sufficient in value or amount to match the exposure arising from a derivative obligation to which that Fund is committed.

- c) A future is to be regarded as an obligation to which a Fund is committed (in that, unless closed out, the future will require something to be delivered, or accepted or paid for); a written option as an obligation to which a Fund is committed (in that it gives the right of potential exercise to another thereby creating exposure); and a bought option as a right (in that the purchaser can, but need not, exercise the right to require that writer to deliver and accept and pay for something).
- d) 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.

## **23 COVER**

- a) Where the FCA Rules allow a transaction to be entered into or an investment to be retained only (for example, investment in warrants and nil and partly paid securities and the general power to accept or underwrite) if possible obligations arising out of the investment transactions or out of the retention would not cause any breach of any limits in Chapter 5 of the FCA Rules, it must be assumed that the maximum possible liability of the Company under any other of those rules has also to be provided for.
- b) Where the FCA Rules permit an investment transaction to be entered into or an investment to be retained only if that investment transaction, or the retention, or other similar transactions, are covered:
  - i) it must be assumed that in applying any of those rules, the Company must also simultaneously satisfy any other obligation relating to cover;
  - ii) no element of cover must be used more than once; and
  - iii) the property and rights required to settle the obligation are owned by the Company.
- c) Where physical settlement is applicable to a derivative transaction, and the underlying asset of the transaction is highly liquid:
  - i) a Fund may substitute that underlying asset with another comparable asset; or
  - ii) a Fund may substitute that underlying asset with a liquid debt instrument or other highly liquid asset, provided these substitute assets are already owned by the relevant Fund.
- d) For the purposes of paragraph 26.c, an asset may be considered as highly liquid where the instrument can be converted into cash in no more than seven Business Days at a price which is close to the current valuation of the asset.

## **24 CALCULATION OF GLOBAL EXPOSURE**

- a) The ACD must calculate the global exposure of a Fund on at least a daily basis.
- b) The ACD must calculate the global exposure of any Fund it manages either as:
  - i) The incremental exposure and leverage generated through the use of derivatives and forward transactions (including embedded derivatives as referred to in paragraphs 18 and 19 (Derivatives: general), which may not exceed 100% of the net value of the Scheme Property; or
  - ii) The market risk of the Scheme Property.
- c) For the purposes of this section exposure must be calculated taking into account the current value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the positions.
- d) The ACD must calculate the global exposure of a Fund by using:
  - i) Commitment approach; or
  - ii) The value at risk approach.
- e) The ACD must ensure that the method selected above is appropriate, taking into account:
  - i) The investment strategy pursued by the Fund;
  - ii) Types and complexities of the derivatives and forward transactions used; and
  - iii) The proportion of the Scheme Property comprising derivatives and forward transactions.
- f) Where a Fund employs techniques and instruments including repo contracts or stock lending in accordance with paragraph 38 (Stock lending) in order to generate additional leverage or exposure to market risk, the ACD must take those transactions into consideration when calculating global exposure.

The Investment Manager has elected to use the Absolute Value at Risk Approach to measuring global exposure, as set out below, as the most appropriate measure of risk in the context of the use of FDIs for the Funds, as also set out in the RMP of the Investment Manager. Global exposure and leverage of each Fund is calculated on this basis.

For assessing global exposure of each Sub-Fund, absolute VaR shall not exceed 20% of the Sub-Fund's NAV (20 day 99%).

Absolute VaR is defined as the VaR of the Fund capped as a percentage of NAV. The absolute VaR of a Fund cannot be greater than 20% of the NAV with a confidence level of 99% on a one-tailed basis (holding period is 20 days).

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 maturing in no more than 12 months.

## **26 SIGNIFICANT INFLUENCE**

- a) The Company must not acquire transferable securities issued by a body corporate and carrying rights to vote (whether or not on substantially all matters) at a general meeting of that body corporate if:
  - i) immediately before the acquisition, the aggregate of any such securities held by the Company gives the Company power significantly to influence the conduct of business of that body corporate; or
  - ii) the acquisition gives the Company that power.
- b) For the purpose of paragraph 25.a, the Company is to be taken to have power significantly to influence the conduct of business of a body corporate if it can, because of the transferable securities held by it, exercise or control the exercise of 20% or more of the voting rights in that body corporate (disregarding for this purpose any temporary suspension of voting rights in respect of the transferable securities of that body corporate).

## **27 CONCENTRATION**

The Company:

- a) must not acquire transferable securities (other than debt securities) which:
  - i) do not carry a right to vote on any matter at a general meeting of the body corporate that issued them; and
  - ii) represent more than 10% of those securities issued by that body corporate;
- b) must not acquire more than 10% of the debt securities issued by any single body;
- c) must not acquire more than 25% of the units in a collective investment scheme;
- d) must not acquire more than 10% of the money market instruments issued by any single body; and
- e) need not comply with the limits in paragraphs 26.b to 26.d if, at the time of acquisition, the net amount in issue of the relevant investment cannot be calculated.

## **28 CASH AND NEAR CASH**

- a) Cash and near cash must not be retained in the Scheme Property of a Fund except to the extent that, where this may reasonably be regarded as necessary in order to enable:
  - i) the pursuit of the Fund's investment objectives; or

- ii) redemption of Shares; or
  - iii) efficient management of the Fund in accordance with its investment objectives; or
  - iv) other purposes which may reasonably be regarded as ancillary to the investment objectives of the Fund.
- b) During the period of the initial offer the Scheme Property may consist of cash and near cash without limitation.

## **29 GENERAL POWER TO BORROW**

- a) Each Fund may, in accordance with this paragraph, borrow money for the use of the Fund on terms that the borrowing is to be repayable out of the Scheme Property of the Fund. This power to borrow is subject to the obligation of the Company to comply with any restriction in the instrument constituting the Company.
- b) The Company may borrow under paragraph 28.a only from an Eligible Institution or an Approved Bank.
- c) The ACD must ensure that any borrowing is on a temporary basis and that borrowings are not persistent, and for this purpose the ACD must have regard in particular to:
  - i) the duration of any period of borrowing; and
  - ii) the number of occasions on which resort is had to borrowing in any period.
- d) In addition to complying with paragraph 28.c, the ACD must ensure that no period of borrowing exceeds three months, whether in respect of any specific sum or at all, without the prior consent of the Depositary; the Depositary's consent may be given only on such conditions as appear to the Depositary appropriate to ensure that the borrowing does not cease to be on a temporary basis only.
- e) The Company must not issue any debenture unless it acknowledges or creates a borrowing that complies with paragraph 28.a to 28.d.
- f) These borrowing restrictions do not apply to "back to back" borrowing for currency hedging purposes.

## **30 BORROWING LIMITS**

- a) The ACD must ensure that a Fund's borrowing does not, on any Business Day, exceed 10% of the value of the Scheme Property of the Fund.
- b) In paragraph 29.a, "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 the Scheme Property in the expectation that the sum will be repaid.

- c) For the Company, borrowing does not include any arrangement for the Company to pay to a third party (including the ACD) any set up costs which the Company is entitled to amortise and which were paid on behalf of the Company by the third party.

### **31 RESTRICTIONS ON LENDING OF MONEY**

- a) None of the money in the Scheme Property 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.
- b) Acquiring a debenture is not lending for the purposes of paragraph 30.a; nor is the placing of money on deposit or in a current account.
- c) Paragraph 30.a does not prevent the Company from providing an officer of the Company 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.

### **32 RESTRICTIONS ON LENDING OF PROPERTY OTHER THAN MONEY**

- a) The Scheme Property other than money must not be lent by way of deposit or otherwise.
- b) Transactions permitted by paragraph 36 are not lending for the purposes of paragraph 31.a.
- c) The Scheme Property must not be mortgaged.
- d) Nothing in these restrictions prevents the Company or 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 the Company in accordance with any other rules in Chapter 5 of the FCA Rules.

### **33 GENERAL POWER TO ACCEPT OR UNDERWRITE PLACINGS**

- a) Any power in Chapter 5 of the FCA Rules to invest in transferable securities may be used for the purpose of entering into transactions to which this section applies, subject to compliance with any restriction in the Instrument of Incorporation.
- b) This section applies, subject to paragraph 32.c, to any agreement or understanding:
  - i) which is an underwriting or sub-underwriting agreement; or
  - ii) which contemplates that securities will or may be issued or subscribed for or acquired for the account of a Fund.
- c) Paragraph 32.b does not apply to:
  - i) an option; or

- ii) a purchase of a transferable security which confers a right:
  - 1. to subscribe for or acquire a transferable security; or
  - 2. to convert one transferable security into another.
- iii) The exposure of a Fund to agreements and understandings within paragraph 32.b must, on any Business Day:
  - 1. be covered in accordance with the requirements of paragraph 19.e; and
  - 2. be such that, if all possible obligations arising under them had immediately to be met in full, there would be no breach of any limit in Chapter 5 of the FCA Rules.

#### **34 GUARANTEES AND INDEMNITIES**

- a) The Company or the Depositary for the account of the Company must not provide any guarantee or indemnity in respect of the obligation of any person.
- b) None of the Scheme Property may be used to discharge any obligation arising under a guarantee or indemnity with respect to the obligation of any person.
- c) Paragraphs 33.a and 33.b do not apply to in respect of the Company:
  - i) an indemnity falling within the provisions of regulation 62(3) (Exemptions from liability to be void) of the OEIC Regulations;
  - ii) an indemnity (other than any provision in it which is void under regulation 62 of the OEIC Regulations) given to the Depositary against any liability incurred by it as a consequence of the safekeeping of any of the Scheme Property by it or by anyone retained by it to assist it to perform its function of the safekeeping of the Scheme Property; and
  - iii) an indemnity given to a person winding up a scheme if the indemnity is given for the purposes of arrangements by which the whole or part of the property of that scheme becomes the first property of the Company and the holders of units in that scheme become the first Shareholders in the Company.

#### **35 EFFICIENT PORTFOLIO MANAGEMENT**

- a) Each Fund may, in addition to the ability to use derivatives for investment purposes as referred to above, utilise the Scheme Property of the Fund to enter into transactions for the purposes of efficient portfolio management (“EPM”). Permitted EPM transactions (excluding stocklending arrangements) are transactions in derivatives e.g. to hedge against price or currency fluctuations, dealt with or traded on an eligible derivatives market; off-exchange options or contracts for differences; or synthetic futures in certain circumstances. There is no limit on the amount or value of the Scheme Property of any Fund which may be used for EPM but the ACD must take



reasonable care to ensure that the transaction is economically appropriate to the reduction of the relevant risks (whether in the price of investments, interest rates or exchange rates) or to the reduction of the relevant costs and/or to the generation of additional capital or income with an acceptably low level of, risk. The exposure must be fully “covered” by cash and/or other property sufficient to meet any obligation to pay or deliver that could arise (see below).

- b) Permitted transactions are those that a Fund reasonably regards as economically appropriate to EPM, that is:
  - i) Transactions undertaken to reduce risk or cost in terms of fluctuations in prices, interest rates or exchange rates where the ACD reasonably believes that the transaction will diminish a risk or cost of a kind or level which it is sensible to reduce; or
  - ii) Transactions for the generation of additional capital growth or income for a Fund with a risk level which is consistent with the risk profile of a Fund as a result of:
    - 1. pricing imperfections in the market as regards the property which a Fund holds or may hold;
    - 2. receiving a premium for the writing of a covered call option or a covered put option on the property of a Fund which the Company is willing to buy or sell at the exercise price;
    - 3. Stock lending arrangements
    - 4. A permitted arrangement in this context may at any time be closed out.
- c) Transactions may take the form of “derivatives transactions” (that is, transactions in options, futures or contracts for differences) or forward currency transactions. A derivatives transaction must either be in a derivative which is traded or dealt in on an eligible derivatives market (and effected in accordance with the rules of that market), or be an off-exchange derivative which complies with the relevant conditions set out in the FCA Rules, or be a “synthetic future” (i.e. a composite derivative created out of two separate options). Forward currency transactions must be entered into with counterparties who satisfy the FCA Rules. A permitted transaction may at any time be closed out.
- d) Eligible derivatives markets are those which the ACD, after consultation with the Depositary, has decided are appropriate for the purpose of investment of or dealing in the Scheme Property with regard to the relevant criteria set out in the FCA Rules and the formal guidance on eligible markets issued by the FCA as amended from time to time.
- e) The Investment Manager may use one or more separate counterparties to undertake transactions on behalf of the Fund. The Fund may be required to pledge or transfer collateral paid from within the assets of the Fund to secure such contracts entered into for EPM including in relation to derivatives. There may be a risk that a counterparty will wholly or partially fail to

honour their contractual; arrangements under the arrangement with regards the return of collateral and any other payments due to the Fund.

- f) The eligible derivatives markets for each Fund are set out in Appendix II.

### **36 STOCK LENDING**

- a) A Fund (or the Depositary at the request of a Fund) may enter into stocklending arrangements for the purposes of EPM. Such arrangements must comply with the FCA Rules and the relevant requirements of the Taxation of Chargeable Gains Act 1992. Briefly, stocklending may be described as an arrangement where the Company delivers securities in return for which it is agreed that the securities of the same kind and amount should be redelivered back at a later date and, at the time of delivery, a Fund receives assets to cover against the risk of the future redelivery not being completed.
  
- b) This is provided that all terms of the agreement under which property is to be reacquired by the Depositary are in a form acceptable to the Depositary and are in accordance with good market practice, the counterparty (the person obliged to transfer the property under the stock lending agreement) is an authorised person or a person authorised by a home state regulator and collateral which is acceptable, adequate and sufficiently immediate is received. The collateral is only adequate if it is transferred to the Depositary, is at all times equal in value to the value of the property transferred, and is either in the form of cash, government and public securities, a certificate of deposit, a letter of credit or a readily realisable security. It must be transferred before or at the time of the transfer of the property, or at the latest at the close of business on the day of the transfer. The property transferred is part of the property of a Fund. The transfer, together with the amount of the collateral, is irrelevant to the value of the Scheme Property. Any agreement for transfer at a future date of property or of collateral may be regarded as an unconditional agreement for the sale or transfer of property.

## APPENDIX II

### ELIGIBLE MARKETS

Up to 10% of the Scheme Property may be invested in transferable securities which are not traded on or under the rules of an Eligible Market.

Set out below are the securities markets through which The Fund may invest or deal (subject to the investment objective and policy of each Fund).

- a) A “regulated market” as defined in the FCA Handbook; or
- b) A securities market established in any EEA State (which, as at the date of this Prospectus, includes, the UK, Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Estonia, Denmark, Finland, France, Germany, Hungary, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Spain, Sweden and Slovenia) which is regulated, operates regularly and is open to the public; or
- c) Channel Islands (CISX/Exchange); or
- d) The following markets

<b>COUNTRIES</b>	<b>MARKET</b>
AUSTRALIA	Australian Stock Exchange
CANADA	Toronto Stock Exchange
HONG KONG	Hong Kong Exchange
JAPAN	Osaka Securities Exchange Tokyo Over The Counter (Jasdaq)
MEXICO	Mexico Stock Exchange Chicago Board of Trade Chicago Board Options Exchange Chicago Mercantile Exchange Chicago Mercantile Exchange and Chicago Board of Trade (CME group)
UNITED STATES	Kansas Board of trade NASDAQ NASDAQ OMX BX NYSE Euronext (NYX) NYSE Arca Philadelphia Stock Exchnage NASDAQ OMX PHLX

The following are also eligible securities markets for the purposes of the funds:

1. the market organised by the International Securities Markets Association;

2. the National Association of Securities Dealers, Inc.;
3. the market in U.S. government securities conducted by primary dealers regulated by the Federal Reserve Bank of New York;
4. the over-the-counter market in the U.S. conducted by primary and secondary dealers regulated by the U.S. Securities and Exchange Commission and by the National Association of Securities Dealers, Inc. and by U.S. banking institutions regulated by the U.S. Comptroller of the Currency,
5. the Federal Reserve System or Federal Deposit Insurance Corporation;
6. trading in products that are covered by the Non-Investment Products Code;
7. the over-the-counter market in Japan regulated by the Securities Dealers Association of Japan;
8. AIM - the Alternative Investment Market in the UK, regulated by the London Stock Exchange;
9. the French Market for Titres de Creance Negotiable (over-the-counter market in negotiable debt instruments);
10. NASDAQ Europe;
11. the over-the-counter market in Canadian Government Bonds regulated by the Investment Dealers Association of Canada;
12. SESDAQ and KOSDAQ and the market in Irish government bonds conducted by primary dealers recognised by the National Treasury Management Agency of Ireland;

Set out below are the derivatives markets through which the Funds may deal (subject to the investment objective and policy of each fund):

- (A) the market organised by the International Securities Markets Association; the over-the-counter market in the U.S. conducted by primary and secondary dealers regulated by the Securities and Exchange Commission and by the National Association of Securities Dealers, Inc. and by banking institutions regulated by the U.S. Comptroller of the Currency, the Federal Reserve System or Federal Deposit Insurance Corporation; trading in products that are covered by the Non-Investment Products Code; the over-the-counter market in Japan regulated by the Securities Dealers Association of Japan;
- (B) AIM - the Alternative Investment Market in the UK, regulated by the London Stock Exchange;
- (C) the French Market for Titres de Creance Negotiable (over-the-counter Market in negotiable debt instruments);
- (D) the over-the-counter market in Canadian Government Bonds regulated by the Investment Dealers Association of Canada; and
- (E) American Stock Exchange,
- (F) Australian Stock Exchange,

- (G) Bolsa Mexicana de Valores,
- (H) Chicago Board of Trade,
- (I) Chicago Board Options Exchange,
- (J) Chicago Mercantile Exchange,
- (K) Copenhagen Stock Exchange (including FUTOP),
- (L) Eurex Deutschland,
- (M) Euronext Amsterdam,
- (N) OMX Exchange Helsinki,
- (O) Hong Kong Futures Exchange,
- (P) Irish Futures and Option Exchange (IFOX),
- (Q) Euronext Paris,
- (R) Kansas City Board of Trade,
- (S) Financial Futures and Options Exchange,
- (T) New York Stock Exchange,
- (U) EDX London,
- (V) OM Stockholm AB,
- (W) Osaka Securities Exchange,
- (X) NASDAQ OMX Futures Exchange,
- (Y) Philadelphia Stock Exchange,
- (Z) The National Association of Securities Dealers Automated Quotations System (NASDAQ)
- (AA) Tokyo Stock Exchange; TSX Group Exchange.

## APPENDIX III

### MANAGEMENT AND ADMINISTRATION

#### 1. Authorised Corporate Director

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

The directors of the ACD are:

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

No director is engaged in any significant business activity not connected with the business of the ACD.

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

**Principal Place of Business:** Mains of Orton, Orton, Moray, IV32 7QE

**Share Capital:** £1,673,295 ordinary shares of £1 each issued and paid up

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

#### 2. ACD Agreement

The ACD has been appointed under an agreement between the Company and the ACD ("the ACD Agreement"). Pursuant to the ACD Agreement, the ACD shall manage and administer the Company in accordance with the Regulations, the Instrument of Incorporation, the Prospectus and any relevant legislation or regulation applicable to the ACD. The ACD Agreement contains detailed provisions relating to the responsibilities of the ACD, including the management, investment and reinvestment of the property of each Fund in order to achieve the various investment objectives. The ACD may delegate its management and administration functions to third parties including Associates subject to the FCA Rules. The specific functions the ACD has delegated are set out below.

The ACD is entitled to receive preliminary and periodic charges as set out in the section of this Prospectus headed "Charges" at section 10.

The ACD Agreement may be terminated without compensation by either party giving to the other not less than 6 months' written notice. The ACD shall not voluntarily terminate its appointment unless the termination is coterminous with the commencement of the appointment of a successor authorised corporate director of the Company.

The appointment of the ACD shall also be terminated forthwith by written notice of either party to the other party if the ACD goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation), or a receiver is appointed to the ACD or an administrative order is made in relation to the ACD under the Insolvency Act 1986.

To the extent permitted by the FCA Rules, the Company has agreed to indemnify the ACD against all losses and liabilities incurred in acting as the ACD of the Company other than where there has been negligence, wilful default or fraud on the part of the ACD.

### 3. The Depositary

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 The Royal Bank of Scotland Group plc, which is incorporated in Scotland. The principal business activity of the Depositary is the provision of trustee and depositary services. The Depositary is authorised and regulated by the FCA. It is authorised to carry on investment business in the United Kingdom by virtue of its authorisation and regulation by the regulator.

Further details are set out in section 13.3.

### 4. The Investment Managers

The ACD has appointed Garraway Capital Management LLP as investment manager in respect of the assets of VT Garraway Diversified Income Fund.

The registered office of the Investment Manager (and its correspondence address) is 6th Floor, Becket House, 200 Aldersgate Street, London EC1A 4HD. Its principal business activity is investment management. The Investment Manager is authorised and regulated by the Financial Conduct Authority ("FCA"), with FCA Register Number 228990.

The Investment Management Agreement may be terminated with six months' notice however, in certain circumstances (such as where such termination is in the interests of the Shareholders) it may be terminated with immediate effect.

The principal activity of the investment managers is the provision of investment, management and advisory services.

### 5. The Administrator

The ACD will perform administration services itself.

### 6. The Auditor

The auditor of the Company is Johnston Carmichael.

## 7. 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 at Mains of Orton, Orton, Moray, IV32 7QE where it can be inspected by shareholders during normal business hours.



APPENDIX IV

FUNDS AND SHARE CLASSES

<b>Name</b>	<b>VT Garraway Diversified Income Fund</b>
<b>PRN</b>	638213
<b>Investment Objective and Policy</b>	<p>The investment objective of VT Garraway Diversified Income Fund is to generate income (whilst also seeking some capital growth).</p> <p>VT Garraway Diversified Income Fund will seek to achieve its objective primarily (at least 70%) through investment in collective investment schemes (which may include those managed and/or operated by the ACD or Investment Manager) and investment trusts which provide exposure to fixed interest securities. The fund may also invest directly in fixed interest securities and equities. The mix between, Government securities, investment grade and high yield assets may vary depending upon the Investment Manager's view of prevailing conditions and prudent spread of risk. Money market instruments, equities and cash deposits may also be held from time to time.</p> <p>The use of derivatives and/or hedging transactions is permitted in connection with the Efficient Portfolio Management of the Fund. In addition, the Fund may use derivatives and forward transactions for investment purposes.</p>
<b>Investor Profile</b>	<p>The Fund is suitable for investors seeking an above-average level of bond income that is also managed with a view to mitigating the losses periodically associated with investments in higher-risk bonds. The Fund can be used as an income-oriented solution in its own right or at the heart of a range of investment selections.</p>
<b>Valuation Point</b>	12 noon (UK time)
<b>Frequency of Dealing</b>	Daily
<b>Price Publication</b>	<a href="http://www.valu-trac.com">www.valu-trac.com</a>

**Share classes**

Class A and Class R, in each case as Accumulation Shares and as Income Shares

<b>Benchmark</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, many funds sold in the UK are grouped into sectors by the Investment Association (the “IA”) (the trade body that represents UK investment managers), to help investors to compare funds with broadly similar characteristics.</p> <p>In order to assess the Fund’s performance, investors may find it useful to compare the Fund against the performance of the IA OE £ Strategic Bond Sector which serves as a method of comparing the Fund’s performance with other funds which have broadly similar characteristics.</p>
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**Target Market for MiFID II:**

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

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

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

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

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

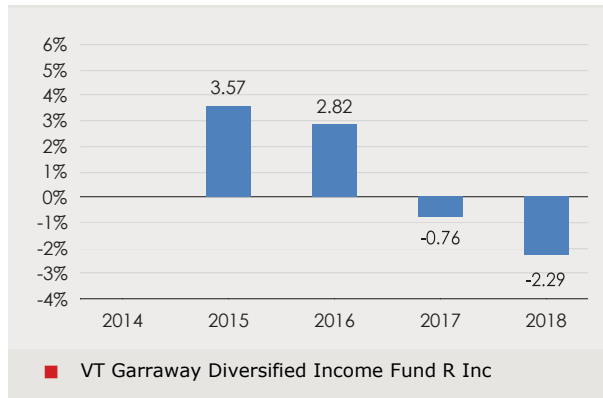
**Clients' who should not invest:** shares in the Company is deemed incompatible for investors which:

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

- need a fully guaranteed income of fully predictable return profile

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

Past Performance:



## Fund Details

Funds	VT Garraway Diversified Income Fund
Currency of Denomination	Sterling
Minimum Investment	£10,000 - Class R
Minimum Subsequent Investment	£1,000 - Class R
Minimum Holding	£10,000 - Class R
ACD's Preliminary Charge	0% but can be raised to 5.0% by giving 3 months' notice
Annual Management Charge (AMC)	0.45% - Class R
Charged to	Capital
Redemption Charge *	Up to 5%
Annual Income Allocation Date	30 September
Interim Income Allocation Date	31 March
Annual Income Distribution Date	30 November
Interim Income Distribution Date	31 December; 31 January; The last day of February; 31 March; 30 April; 31 May; 30 June; 31 July; 31 August; 30 September; 31 October; 30 November; (interims)
ISA Qualifying	Yes
Grouping Periods for Income Equalisation	Interim Accounting Periods
Income Shares	Yes
Accumulation Shares	Yes

The ACD may increase, reduce or waive the minimum initial and subsequent investment amounts, the minimum withdrawal and holding amounts and the Preliminary and Redemption Charges at its absolute discretion in any particular case or cases.

\*The Redemption Charge may be imposed on Shares redeemed within three months of purchase.

## APPENDIX V

### EXPENSES FOR VT GARRAWAY DIVERSIFIED FIXED INTEREST FUND

#### Fixed Expenses

Ordinary operating expenses incurred by the Company may be paid out of the Scheme Property. However, to protect the Shareholders from fluctuations in these expenses the ACD has agreed to fix the total amount of these expenses to be borne by each Class at the levels given in the table below. Fixed expenses will be calculated and accrued daily and deducted monthly, in arrears, from each Share Class. The ACD believes the level of fixed expenses charged to a Share Class may be more or less than the actual operating costs attributable to such Share Class in any given period and as a result more expenses could be recovered from the Share Classes.

The ACD will continue to bear any excess of the actual operating expenses of the Company above the levels of fixed expenses charged in accordance with the levels given. Conversely, the ACD will be entitled to retain any amount by which the levels of fixed expenses specified exceed the actual operating expenses incurred by the Company. In some instances, Shareholders will get less of the benefit than others from the ACD. The levels of fixed expenses to be borne by each Class will be reviewed in exceptional circumstances and, in any event, annually to ensure that they remain fair to Shareholders. These expenses include (but are not limited to) the following:

- (i) Registration fees to the Registrar;
- (ii) The fees of the FCA under the Regulations, or any corresponding periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which Shares are or may be marketed;
- (iii) Any costs incurred in modifying the Instrument of Incorporation or the Prospectus;
- (iv) Any costs incurred in respect of meetings of the Shareholders (including meetings of Shareholders in any particular Fund or Class);
- (v) The fees of the Auditors and the tax, legal and other professional advisers to the Company and to the ACD and the Depositary properly payable and any proper expenses of the Auditors, tax, legal and other professional advisers to the Company and to the ACD and the Depositary;
- (vi) The fees to the Depositary. The Depositary is entitled to a fee payable monthly from the Scheme Property for its services as depositary. In addition, where relevant the Depositary may also charge for all costs and expenses properly incurred by the Depositary in the performance of, or arranging the performance of, functions conferred on it as depositary by the Instrument, the COLL Sourcebook and by the general law. This includes its services in relation to distributions or engaging in derivative transactions in relation to the Funds;
- (vii) Fees in respect of the publication and circulation of details of the prices and yields of Shares, and other such information which the ACD is required by law to publish;

- (viii) The costs of printing and distributing reports, accounts, the Prospectus, and any costs incurred as a result of periodic updates of the Prospectus and any other administrative expenses;
- (ix) It is not currently proposed to seek a listing for the Shares on any stock exchange, but if a listing is sought in future, the fees connected with the listing;
- (x) Insurance which the Company may purchase and/or maintain for the benefit of and against any liability incurred by any directors of the Company in the performance of their duties; and
- (xi) Collateral management costs incurred in respect of any permitted transactions in derivatives and forwards.

#### **Other Expenses Payable out of the Scheme Property**

Other expenses incurred by the Company may be paid out of the Scheme Property (the expenses which are mitigated through the application and receipt of a dilution levy are practically met through the Scheme Property), including (but not limited to):

- (i) Broker's commission, fiscal charges and any other disbursements which are necessarily incurred in effecting transactions for the Company. This will include expenses incurred in acquiring and disposing of investments including legal fees and expenses, whether or not the acquisition or disposal is carried out;
- (ii) Interest on borrowings permitted under the Instrument of Incorporation or the Prospectus and charges incurred in effecting or terminating such borrowings or in negotiating or varying the terms of such borrowings;
- (iii) The costs associated with stock lending transactions or other permitted transactions;
- (iv) Taxation and duties payable in respect of the Scheme Property, including any stamp duty, stamp duty reserve tax (SDRT) or foreign transfer taxes on the purchase of investments, the Instrument of Incorporation, the Prospectus or the creation, issue, redemption or cancellation of Shares; and
- (v) Liabilities under a scheme of arrangement arising where the property of a body corporate or another collective investment scheme is transferred to the Depositary in consideration for the issue of Shares to the Shareholders in that body or to participants in that other scheme, provided that any liability arising after the transfer could have been paid out of that other property had it arisen before the transfer and, in the absence of any express provision in the Instrument of Incorporation forbidding such payment, the ACD is of the opinion that proper provision was made for meeting such liabilities as were known or could reasonably have been anticipated at the time of transfer.

These payments will be inclusive of Value Added Tax where applicable.

### Expenses by Share Class

<b>VT Garraway Diversified Fixed Interest Fund</b>		
<b>Share Classes</b>	<b>Current Fixed Expenses</b>	<b>OCF*</b>
<b>R Acc</b>	0.35%	1.16%
<b>A Acc</b>	0.35%	1.66%

Subject to a minimum fee of GBP £40,000 per annum.

Ongoing Charge Figure (OCF): The ongoing charge figure will include the cost of investment management and administration, plus other costs of running the fund, based on all chargeable expenses at expected future rates. The OCF is based on the historic AUM over the past 12 months.

Expenses will be reviewed on an annual basis and changes will be treated as 'significant' in accordance with the FCA Rules.

**APPENDIX VI**

LIST OF OTHER AUTHORISED COLLECTIVE INVESTMENT SCHEMES OPERATED BY THE ACD

The ACD acts as Authorised Corporate Director of the following Open-ended Investment Companies:

<b>Authorised collective investment schemes of which the ACD is the authorised corporate director</b>			
<b>Name</b>	<b>Place of registration</b>	<b>Registration number</b>	<b>Product Reference</b>
Alligator Fund ICVC	England and Wales	IC000203	407790
Moray Place Investment Company*	Scotland	IC000934	573760
The Beagle Fund*	England and Wales	IC000789	505177
The Discovery Fund	England and Wales	IC000365	413970
The Mulben Investment Funds	England and Wales	IC000816	516628
The Prestney Fund	England and Wales	IC000175	407766
The Teal Fund	England and Wales	IC000257	227831
The VT Cindabella Fund	England and Wales	IC001049	714901
The VT Oxeye Funds**	England and Wales	IC001063	743815
Valu-Trac Investment Funds ICVC	Scotland	IC000953	581955
Valu-Trac Proprietary Funds ICVC*	Scotland	IC000986	605631
VT AJ Bell ICVC	England and	IC001082	769363



	Wales		
VT Cantab Funds ICVC	England and Wales	IC001114	808050
VT Cape Wrath Focus Fund*	England and Wales	IC001061	741524
VT Chelsea Managed ICVC	England and Wales	IC001085	773989
VT Clear Peak Capital ICVC	England and Wales	IC011866	841768
VT Dominion Holdings ICVC*	England and Wales	IC001093	778841
VT Esprit FS ICVC	England and Wales	IC001105	794635
VT Garraway Investment Funds ICVC	England and Wales	IC000935	573884
VT Garraway Investment Fund Series II	England and Wales	IC000025	188718
VT Garraway Investment Fund Series III	England and Wales	IC000584	472521
VT Garraway Investment Fund Series IV	England and Wales	IC000534	465988
VT Gravis Funds ICVC	England and Wales	IC001055	724240
VT Greystone ICVC	England and Wales	IC000403	434235
VT Greystone Cautious Managed ICVC*	England and Wales	IC000407	435265
VT Greystone Conservative Managed ICVC*	England and Wales	IC000533	465365
VT Grosvenor Funds ICVC	England and Wales	IC001077	762880
VT Halo Funds ICVC	England and	IC001018	629070

	Wales		
VT iFunds OEIC	England and Wales	IC000868	536578
VT Morningstar Informed Smartfund ICVC	England and Wales	IC001012	621247
VT Munro Smart-Beta Fund	England and Wales	IC000551	467964
VT Plain English Finance Funds ICVC	England and Wales	IC001096	782737
VT Price Value Partners Funds ICVC	England and Wales	IC001033	671132
VT Redlands Fund	England and Wales	IC001043	694999
VT Redlands NURS ICVC*	England and Wales	IC001089	776548
VT Reyker Funds	England and Wales	IC001121	812559
VT RM Funds ICVC	England and Wales	IC001108	800855
VT Rossie House Investment Management Funds ICVC*	England and Wales	IC000991	607962
VT Seneca Investment Funds	England and Wales	IC000342	407990
VT SG Defined Return Assets ICVC	England and Wales	IC001097	784172
VT Sorbus Vector Funds ICVC	England and Wales	IC001059	731963
VT Tatton Oak ICVC	England and Wales	IC000737	494501
VT Teviot Funds ICVC	England and Wales	IC001094	780433
VT Thistledown ICVC	England and	IC001011	621244

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

*\* denotes a Non-UCITS Retail Scheme*

*\*\* denotes a Qualified Investor Scheme*

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## APPENDIX VII

### SUB CUSTODIANS

<b>MARKET</b>	<b>SUB-CUSTODIAN</b>	
Argentina	Citibank N.A. Argentina Branch	
Australia	HSBC Bank Australia Limited	
Austria	Raiffeisen Bank International	
Bahrain	HSBC Bank Middle East Limited	
Bangladesh	Standard Chartered Bank	
Belgium	Citibank Europe	
Bermuda	HSBC Securities Services	
Bosnia-Herzegovina: The Federation of Bosnia and Herzegovina	Raiffeisen Bank International AG (Sarajevo)	
Bosnia-Herzegovina: The Republika of Srpska (Banja Luka)		
Botswana	Standard Chartered Bank Botswana Ltd.	
Brazil	Citibank N.A. – Filial Brasileira (Brazilian Branch)	
Bulgaria	UniCredit Bulbank AD	
Canada	RBC	
Chile	Banco de Chile (Citibank N.A.)	
China	China- A Shares - Citibank (china) Co. Ltd China - Shanghai- Standard Chartered Bank (China) Limited China – Shenzhen - Standard Chartered Bank (China) Limited	
Colombia	Cititrust Colombia S.A.	
Croatia	UniCredit Bank Austria AG	
Cyprus	Citibank Europe plc, Greece Branch	
Czech Republic	Raiffeisen Bank International AG	
Denmark	Danske Bank A/S	
Egypt	Citibank	N.A.
Estonia	Swedbank	

Euroclear	Euroclear
Finland	Nordea Bank AB (publ)
France	Deutsche Bank AG
Germany	Citibank Europe PLC Dublin
Ghana	Standard Chartered Bank Ghana Ltd.
Greece	Citibank Europe PLC, Greece Branch
Hong Kong	Standard Chartered Bank (Hong Kong) Limited Citibank N.A., Hong Kong Branch (Shanghai HK Connect)
Hungary	Raiffeisen Bank International AG
India	The Hong Kong and Shanghai Banking Corporation Ltd
Indonesia	Standard Chartered Bank
Ireland	RBC Investor Services Trust
Israel	Citibank N.A. Tel Aviv Branch
Italy	BNP Paribas Securities Services
Japan	Citibank N.A., Tokyo Branch
Jordan	Standard Chartered Bank, Jordan Branch
Kazakhstan	JSC Citibank Kazakhstan
Kenya	Standard Chartered Bank Kenya
Kuwait	HSBC Bank Middle East Limited
Latvia	Swedbank AS
Lithuania	Swedbank AB
Luxembourg	Euroclear Bank
Malaysia	Standard Chartered Bank Malaysia Berhad
Mauritius	The Hong Kong and Shanghai Banking Corporation Limited
Mexico	Citibanamex
Morocco	Societe General Marocaine de Banques (SGMB)

Namibia	Standard Bank of South Africa
Netherlands	Citibank Europe
New Zealand	Citibank N.A. New Zealand Branch
Nigeria	Standard Chartered Bank, DIFC Branch
Norway	DNB Bank ASA
Oman	HSBC Bank Oman S.A.O.G.
Pakistan	Deutsche Bank A.G.
Peru	Citibank del Peru S.A.
Philippines	Standard Chartered Bank
Poland	Bank Polska Kasa Opieki S.A
Portugal	BNP Paribas Securities Services
Qatar	HSBC Bank Middle East Limited
Romania	BRD- Group Societe Generale
Russia	Societe Generale, Rosbank
Saudi Arabia	HSBC Saudi Arabia
Serbia	UniCredit Bank Austria AG
Singapore	Standard Chartered Bank (Singapore) Limited
Slovak Republic	Raiffeisen Bank International AG
Slovenia	Raiffeisen Bank International AG
South Africa	Standard Chartered Bank Johannesburg
South Korea	The Hong Kong and Shanghai Banking Corporation Limited
Spain	Banco Inversis S.A
Sri Lanka	The Hong Kong and Shanghai Banking Corporation Limited
Sweden	Skandinaviska Enskilda Banken AB (publ)
Switzerland	Credit Suisse AG
Taiwan*	HSBC Bank (Taiwan) Limited
Thailand	Standard Chartered Bank (Thai) Pcl

Tunisia	Societe Generale Securities Service UIB Tunisia
Turkey	Citibank A.S.
Ukraine	PJSC Citibank
United Arab Emirates-ADX	HSBC Bank Middle East Limited
United Arab Emirates-DFM	HSBC Bank Middle East Limited
United Arab Emirates-NASDAQ	HSBC Bank Middle East Limited
United Kingdom	RBC Investor Services Trust/Deutsche Bank A.G
United States	The Bank of New York Mellon
Uruguay	Banco Itaú Uruguay S.A.
Vietnam	HSBC Bank (Vietnam) Ltd
Zambia	Standard Chartered Bank Zambia PLC