

**MORAY PLACE INVESTMENT COMPANY**

**PROSPECTUS**

**23 JULY 2018**

Prepared in accordance with the Collective Investment Schemes Sourcebook

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## IMPORTANT NOTES

**If you are in any doubt about the contents of this Prospectus, you should consult your financial adviser or contact Valu-Trac Investment Management Limited on 01343 880 344.**

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

This document constitutes the Prospectus for Moray Place Investment Company, which has been prepared in accordance with the Collective Investment Schemes Sourcebook.

This Prospectus is dated and is valid as at 15 May 2018

The Company is an investment company with variable capital incorporated with limited liability and registered in Scotland under registered number IC000934. It is a non-UCITS retail scheme as defined in COLL.

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

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

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

Distribution of this Prospectus in certain jurisdictions will require that this Prospectus be translated in the official languages of those jurisdictions. Where such translation is required, the translated version of this Prospectus shall only contain the same information and shall only have the same meaning as in this Prospectus.

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

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

The provisions of the Instrument of Incorporation are binding on each of its Shareholders (who are taken to have notice of them). A summary of such provisions is included in this Prospectus and a copy of the Instrument of Incorporation is available on request.

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 the ACD that this is the most recently published Prospectus. A copy of the most recently published Prospectus may also be found on the ACD's website at [www.valu-trac.com](http://www.valu-trac.com).

Except for the information about itself as Depositary contained in paragraphs 2.2 and 5.4 of this Prospectus, the Depositary is not a person responsible for the information contained in this Prospectus and accordingly does not accept any relevant responsibility under the COLL Sourcebook or otherwise.

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

## DEFINITIONS

Words and expressions defined in the FCA Handbook shall have the same meaning when used in this Prospectus unless the context otherwise requires. In addition, the following terms shall have the following meaning.

<b>ACD</b>	Valu-Trac Investment Management Limited, or such other entity as is appointed to act as the authorised corporate director of the Company from time to time.
<b>Act</b>	the Financial Services and Markets Act 2000 or any amendment, substitution or re-enactment.
<b>Administrator</b>	Valu-Trac Investment Management Limited, or such other entity as is appointed to act as the administrator of the Company from time to time.
<b>AIFM</b>	the legal person appointed on behalf of the Company and which (through this appointment) is responsible for managing the Company in accordance with the AIFM Directive and The Alternative Investment Fund Managers Regulations 2013, which at the date of this prospectus is the ACD.
<b>AIFM Directive</b>	the Alternative Investment Fund Managers Directive 2011/61/EU and any other implementing legislation at a UK or EU level.
<b>Auditor</b>	Johnston Carmichael LLP, or such other firm as is appointed to act as the auditor of the Company from time to time.
<b>bps</b>	basis points (one basis point being 0.01%).
<b>Business Day</b>	a day (other than a Saturday or Sunday) on which banks are open for normal business in London and on which the London Stock Exchange is open for the normal full duration of its trading hours.
<b>COLL</b>	refers to the relevant chapter or rule in the Collective Investment Schemes Sourcebook forming part of the FCA Handbook as amended from time to time.
<b>Company</b>	Moray Place Investment Company.
<b>Dealing Day</b>	the 1st and 15th days of each calendar month or, if any such day is not a Business Day, the immediately following Business Day.
<b>Depository</b>	National Westminster Bank Plc, or such other entity as is appointed to act as the depository of the Company from time to time.
<b>Director or</b>	the directors of the Company from time to time (including the



<b>Directors</b>	ACD).
<b>FCA</b>	the Financial Conduct Authority, of 12 Endeavour Square, London, E20 1JN or any successor or replacement regulator.
<b>FCA Handbook and FCA Rules</b>	the FCA Handbook of Rules and Guidance.
<b>FUND</b>	the investment funds sourcebook which forms part of the FCA Handbook.
<b>ICVC</b>	investment company with variable capital.
<b>Instrument of Incorporation</b>	the instrument of incorporation of the Company, as amended from time to time, registered by the Company in accordance with the OEIC Regulations and COLL.
<b>Investment Manager</b>	Hollis Capital Limited, or such other entity as is appointed to act as the investment manager of the Company from time to time.
<b>Net Asset Value or NAV</b>	the value of the Scheme Property of the Company less the liabilities of the Company as calculated in accordance with the Instrument of Incorporation.
<b>OCR</b>	the ongoing charges ratio of the Company (calculated in accordance with COLL 4, Annex 1).
<b>OEIC Regulations</b>	the Open-Ended Investment Companies Regulations 2001 as amended or re-enacted from time to time.
<b>Price</b>	the price per Share is the Net Asset Value per Share, including application of a redemption charge where applicable.
<b>Register</b>	the register of Shareholders of the Company.
<b>Registrar</b>	Valu-Trac Investment Management Limited, or such other entity as is appointed to act as the registrar of the Company from time to time.
<b>Regulations</b>	the OEIC Regulations and the FCA Handbook (including COLL and FUND).
<b>Scheme Property</b>	the property of the Company to be given for safekeeping to the Depositary in accordance with COLL and FUND.
<b>Share or Shares</b>	a share or shares in the Company (including larger denomination shares and smaller denomination shares).
<b>Shareholder(s)</b>	holder(s) of registered Shares in the Company.
<b>Switch</b>	the exchange of Shares in a class for Shares in another class.

**Valuation Point** the point, whether on a periodic basis or for a particular valuation, at which the ACD carries out a valuation of the Scheme Property for the purpose of determining the Price at which Shares of a class may be issued, cancelled, sold or redeemed.

## **1. THE COMPANY**

### **1.1. General**

The Company is an open-ended investment company, incorporated in Scotland under the OEIC Regulations. It is governed by the Regulations and its Instrument of Incorporation. The registered number of the Company is IC000934 and its FCA Product Reference Number is 573760.

The Company is a collective investment scheme as defined in the Act. It is authorised and regulated by the FCA. The Company is a non-UCITS retail scheme for the purposes of the FCA Rules.

The Company was authorised by the Financial Services Authority (the predecessor of the FCA) on 20 April 2012 and its Instrument of Incorporation was registered with the Registrar of Companies on the same date. The Company has an unlimited duration.

The Shareholders are not liable for the debts of the Company.

The address of the head office of the Company is Orton, Moray IV32 7QE. This is also the address where notices, or other documents, can be served.

The maximum size of the Company's issued share capital is £100 billion. The minimum size of the Company's issued share capital is £1,000.

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

The base currency of the Company is pounds Sterling.

The sole director of the Company is Valu-Trac Investment Management Limited, which acts as the authorised corporate director.

### **1.2. The Structure of the Company**

The Company is an ICVC and a non-UCITS retail scheme for the purposes of COLL. It is not structured as an umbrella and so does not comprise separate sub-funds.

### **1.3. Shares**

The classes of Shares currently offered by the Company comprise income Shares and accumulation Shares. Shareholders are entitled (subject to certain restrictions) to switch all or part of their Shares in a class for Shares in another class.

#### **Income Shares and Accumulation Shares**

Holders of income Shares are entitled to be paid the income attributed to such Shares on the Company's annual income allocation date.

Holders of accumulation Shares are not paid the income attributable to such Shares, but that income is automatically transferred to (and retained as part of) the capital

assets of the Company at the end of the relevant distribution period and is reflected in the price of the Shares.

### **Larger and Smaller Denomination Shares**

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

### **Registered Shares**

All Shares are in registered form. Certificates will not be issued in respect of Shares. Ownership of Shares will be evidenced by an entry in the Company's register of Shareholders. No bearer Shares may be issued by the Company.

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

### **1.4. Investment Objective and Policy**

The Company's objective is to protect and increase (in that order) the purchasing power of its investors' capital over the long term.

The Company will aim to meet its objective through long-only positions primarily in shares issued by established companies listed on recognised stock exchanges throughout the world. The Company may also invest in other transferable securities, including shares, corporate bonds, government and public securities and warrants, units in collective investment schemes (regulated and unregulated), money-market instruments, deposits and gold.

The Company will not "short" securities, will not invest in derivatives or immovables and will not borrow to invest. In exceptional circumstances, the Company may borrow to meet cashflow and liquidity constraints; such borrowings are not expected to exceed 90 days. In addition, the Company has no intention to engage in short-term trading activities.

The Company's portfolio will be constructed without reference to any index.

Investment of the assets of the Company must comply with COLL. The eligible securities markets on which the Company may invest are set out in Appendix C. A detailed statement of the general investment and borrowing restrictions applicable to the Company is set out in Appendix B of this Prospectus.

### **1.5. Typical Investor**

A typical investor in the Company will be a sophisticated individual investor, who will understand the risks involved in investing in shares and the associated risks which are set out in Section 12 of this Prospectus. A typical investor will be a high net

worth individual who has at least a five year investment horizon and is prepared to accept the higher market price volatility associated with investment in a primarily equity-based fund, such as the Company.

#### **1.6. Historical Returns Data**

Historical returns data for the Company is set out in Appendix A.

## 2. THE SERVICE PROVIDERS

### 2.1. The Authorised Corporate Director and AIFM

The Authorised Corporate Director and AIFM of the Company is Valu-Trac Investment Management Limited which is a private company limited by shares incorporated in England and Wales under the Companies Acts. The ACD was incorporated on 3 October 1989. The ultimate holding company of the Manager is Valu-Trac Limited, a company incorporated in Bermuda.

The ACD is responsible for managing and administering the affairs of the Company in compliance with COLL and FUND. The ACD is authorised and regulated by the Financial Conduct Authority of 12 Endeavour Square, London, E20 1JN.

The ACD's registered office is at:

Level 13 Broadgate Tower  
20 Primrose Street  
London  
EC2A 2EW

and its head office is at:

Orton  
Moray  
IV32 7QE

The ACD has an issued and paid up share capital of £1,173,295 ordinary shares of £1 each.

The ACD also acts as investment manager and/or authorised corporate director of the funds set out in Appendix D.

The directors of the ACD and their significant business activities not connected with the business of the ACD are also set out in Appendix D.

#### **Terms of Appointment**

The ACD was appointed from the effective date of the authorisation order made by the FCA in respect of the Company pursuant to an agreement dated 27 April 2012 between the Company and the ACD (the "**ACD Agreement**").

The ACD Agreement provides that the appointment of the ACD may be terminated upon 3 months' written notice by either the ACD or the Company, although in certain circumstances the ACD Agreement may be terminated forthwith by notice in writing by the ACD to the Company, or by the Depositary or the Company to the ACD. Termination cannot take effect until the FCA has approved it and a new authorised corporate director approved by the FCA has been appointed.

The ACD is entitled to its pro rata fees and expenses to the date of termination and any additional expenses necessarily realised in settling or realising any outstanding obligations. No compensation for loss of office is provided for in the ACD

Agreement. The ACD Agreement provides indemnities to the ACD other than for matters arising by reason of (among other things) its fraud, negligence, bad faith, breach of duty, breach of contract or breach of trust in the performance of its duties and obligations.

The ACD may not deal as principal with applications to purchase and redeem shares and will not operate a box. Accordingly, the ACD will deal with applications to purchase and redeem shares only as agent of the Company and will account to the Company for any profit it makes on the issue or re-issue of shares or the cancellation of shares which it has redeemed.

The fees, charges and other consideration to which the ACD is entitled under the ACD Agreement are set out in Section 5.2.

The Company may by ordinary resolution remove the ACD before the expiration of its period of office, notwithstanding anything in the Instrument of Incorporation or in any agreement between the Company and the ACD. In addition, notice of termination of the ACD Agreement is deemed to have been given by the Company at the written direction of any Shareholder acting with the approval of Shareholders holding in aggregate not less than 75% of the Shares in issue at the relevant time. However, in any such case the removal will not take effect until the FCA has approved it and a new authorised corporate director approved by the FCA has been appointed.

Under the ACD Agreement, the ACD is entitled to delegate all of its functions to third parties, including without limitation, its investment management, administration and registrar functions. In the exercise of such powers, the ACD has delegated the investment management function to the Investment Manager as described in section 2.3 below. In accordance with COLL, the ACD may terminate these arrangements at any time with immediate effect where it is in the interests of the Shareholders to do so.

### **Conflicts of Interest**

The ACD and other companies within the ACD's group may, from time to time, act as investment manager or advisers to other funds or sub-funds which follow similar investment objectives to those of the Company. It is therefore possible that the ACD may in the course of its business have potential conflicts of interest with the Company or that a conflict exists between the Company and other funds managed by the ACD. The ACD will, however, have regard in such event to its obligations under the ACD Agreement and, in particular, to its obligation to act in the best interests of the Company so far as practicable, having regard to its obligations to other clients, when undertaking any investment business where potential conflicts of interest may arise. Where a conflict of interest cannot be avoided, the ACD will ensure that the Company and other collective investment schemes they manage are fairly treated.

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

situations arise the ACD will disclose these to Shareholders in the report and accounts or otherwise an appropriate format.

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

## **2.2. The Depositary**

The Depositary is National Westminster Bank Plc.

The Depositary is incorporated in England and Wales as a public limited company. Its registered and head office is at 135 Bishopsgate, London EC2M 3UR. 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 banking. The Depositary is authorised by the Prudential Regulation Authority and regulated by the FCA and the Prudential Regulation Authority. It is authorised to carry on its investment business in the UK by virtue of its authorisation and regulation by these regulators.

### **Duties of the Depositary**

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

### **Conflicts of interest**

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

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

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

Up-to-date information regarding (i) the Depositary's name, (ii) the description of its duties and any conflicts of interest that may arise between the Company, the shareholders or the ACD and the depositary, and (iii) the description of any safekeeping functions delegated by the Depositary, the description of any conflicts of



interest that may arise from such delegation, and the list showing the identity of each delegate and sub-delegate, will be made available to Shareholders on request.

### **Delegation of safekeeping functions**

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

The Depositary has delegated safekeeping of the Scheme Property to The Bank of New York Mellon SA/NV, London 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").

### **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.

### **Terms of Appointment**

The Depositary was appointed under an agreement between the Company, the Depositary and the ACD (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 5.4 below.

### 2.3. The Investment Manager

The ACD has appointed Hollis Capital Limited to provide investment management services in respect of the Scheme Property. The Investment Manager has the authority to make investment decisions on behalf of the Company and the ACD. The Investment Manager is a limited company incorporated in Scotland whose registered office is at 28 Walker Street, Edinburgh EH3 7HR. The Investment Manager is authorised and regulated by the Financial Conduct Authority.

#### Conflicts of interest

Hollis Capital's sole purpose is to manage the investment portfolio of the Company. Two of the Investment Manager's operating principles are that the interests of its only client are pre-eminent, and that it avoids conflicts of interest. A consequence of these operating principles is that the Investment Manager does not intend to have any other clients other than the Company.

#### Terms of Appointment

Under an agreement entered into on 23 April 2012 between the Investment Manager and the ACD (the "**Investment Management Agreement**"), the ACD has appointed the Investment Manager to exercise delegated powers of management in relation to the assets from time to time of the Company with a view to achieving the investment objectives and policy of the Company.

Under the Investment Management Agreement, the Investment Manager, acting as agent of the ACD, has been given complete discretion for the account of the Company to buy, sell, retain, exchange or otherwise deal in investments and other assets, make deposits, subscribe to issues and offers for sale and accept placings, underwritings and sub-underwritings of any investments, effect transactions on any markets, negotiate and execute counterparty and account opening documentation, take all routine or day to day decisions and otherwise act as the Investment Manager judges appropriate in relation to the management of the assets of the Company.

The Investment Management Agreement may be terminated on three months' written notice by the Investment Manager and, in certain cases, by either party without notice.

To the extent allowed by the Regulations, the Investment Management Agreement contains indemnities by the ACD in favour of the Investment Manager against (other than in certain circumstances) all costs, claims and demands suffered or incurred by the Investment Manager arising out of the proper performance of its duties under the Investment Management Agreement and also (in certain circumstances) exempts the Investment Manager from liability.

The fees, charges and other remuneration to which the Investment Manager is entitled under the Investment Management Agreement are set out in Section 5.3 below. Such fees, charges and other remuneration (plus VAT where applicable) will be paid by the ACD out of its remuneration under the ACD Agreement.

**2.4. The Administrator and Registrar**

The ACD also acts as the Administrator and the Registrar to the Company under the terms of the ACD Agreement.

**2.5. The Auditor**

The auditor to the Company is Johnston Carmichael LLP of Commerce House, South Street, Elgin IV30 1JE.

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

**2.6. Register of Shareholders**

The Register of Shareholders is maintained by the ACD at its office at Orton, Moray IV32 7QE and may be inspected at that address during normal business hours by any Shareholder or any Shareholder's duly authorised agent.

### 3. VALUATIONS AND PRICING

#### 3.1. Valuations

The price of a Share in the Company is calculated by reference to the Net Asset Value (or the relevant proportion of the Net Asset Value) of the Company. The Company has a regular Valuation Point of 4.30 p.m. on each Dealing Day and a deal cut-off point of 5.00 p.m. (London time) on the Business Day before any Dealing Day. For orders received after the cut-off point that relates to a Valuation Point, Shares will be issued or cancelled at a Price determined on the next Valuation Point. The ACD may create an additional Valuation Point for the Company at any time.

The value of the Scheme Property of the Company shall be the value of its assets less the value of its liabilities determined in accordance with the following provisions.

1. All the Scheme Property (including receivables) is to be included, subject to the following provisions.
2. The valuation of the property of the Company shall consist of two parts, one on an **issue basis** and one on a **cancellation basis** calculated in accordance with the following provisions.
  - 2.1. The valuation of property for that part of the valuation which is on an **issue basis** is as follows:
    - 2.1.1. Property which is not cash (or other assets dealt with in paragraph 3 below) shall be valued as follows and the prices used shall (subject as follows) be the most recent prices which it is practicable to obtain:
      - (a) units or shares in a collective investment scheme:
        - (i) if a single price for buying and selling units or shares is quoted, at that price plus any dealing costs (as defined below), any preliminary charge payable by the Company on the purchase of the units or shares, and any dilution levy or SDRT provision which would be added in the event of a purchase by the Company of the units or shares in question (except that, where the ACD, or an associate of the ACD, is also the manager or authorised corporate director of the collective investment scheme whose units or shares are held by the Company, the valuation must not include any preliminary charge payable in the event of a purchase by the Company of those units or shares); or
        - (ii) if separate buying (offer) and selling (bid) prices are quoted, at the buying price, less any expected discount plus any dealing costs (as defined below), but where the ACD, or an associate of the ACD, is also the manager or authorised corporate director of the collective investment scheme whose units or shares are

held by the Company, the issue price shall be taken instead of the buying price; or

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

(b) any other investment:

(i) the best available market dealing offer price on the most appropriate market in a standard size (plus any dealing costs, (as defined below)); or

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

(c) property other than that described in (a) and (b) above: at a value which, in the opinion of the ACD, is fair and reasonable (plus any dealing costs (as defined below)).

2.2. The valuation of property for that part of the valuation which is on a **cancellation basis** is as follows:

2.2.1. Property which is not cash (or other assets dealt with in paragraph 3 below) shall be valued as follows and the prices used shall (subject as follows) be the most recent prices which it is practicable to obtain:

(a) units or shares in a collective investment scheme:

(i) if a single price for buying and selling units or shares is quoted, at that price (less any dealing costs (as defined below), any redemption charge payable by the Company on the sale of the units or shares, (taking account of any expected discount) and any dilution levy which would be deducted in the event of a sale by the Company of the units or shares (except that, where the ACD, or an associate of the ACD, is also the manager or authorised corporate director of the collective investment scheme whose units or shares are held by the Company, any redemption charge payable in the event of a sale by the Company of those units or shares must not be deducted)); or

(ii) if separate buying (offer) and selling (bid) prices are quoted, at the selling price less any dealing costs (as defined below) and any redemption charge payable on

the sale of the units or shares taking account of any expected discount (except that, where the ACD, or an associate of the ACD, is also the manager or authorised corporate director of the collective investment scheme whose units or shares are held by the Company, the cancellation price shall be taken instead of the selling price; or

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

(b) any other investment:

(i) the best available market dealing bid price on the most appropriate market in a standard size (less any dealing costs (as defined below)); or

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

(c) property other than that described in (a) and (b) above: at a value which, in the opinion of the ACD, is fair and reasonable (less any dealing costs (as defined below)).

3. Cash and amounts held in current, deposit and margin accounts and in other time-related deposits shall be valued at their nominal values.
4. In determining the value of the Scheme Property, all instructions given to issue or cancel shares shall be assumed (unless the contrary is shown) to have been carried out and any cash payment made or received and all consequential action required by the Regulations or the Instrument of Incorporation shall be assumed (unless the contrary has been shown) to have been taken.
5. Subject to paragraphs 6 and 7 below, agreements for the unconditional sale or purchase of property which are in existence but uncompleted shall be assumed to have been completed and all consequential action required to have been taken. Such unconditional agreements need not be taken into account if made shortly before the valuation takes place and, in the opinion of the ACD, their omission shall not materially affect the final net asset amount.
6. All agreements are to be included under paragraph 5 which are, or ought reasonably to have been, known to the person valuing the property assuming that all other persons in the ACD's employment take all reasonable steps to inform it immediately of the making of any agreement.

7. An estimated amount for anticipated tax liabilities (on unrealised capital gains where the liabilities have accrued and are payable out of the property of the Company; on realised capital gains in respect of previously completed and current accounting periods; and on income where liabilities have accrued) including (as applicable and without limitation) capital gains tax, income tax, corporation tax, value added tax, stamp duty and stamp duty reserve tax shall be deducted.
8. An estimated amount for any liabilities payable out of the Scheme Property and any tax thereon treating periodic items as accruing from day to day shall be deducted.
9. The principal amount of any outstanding borrowings whenever payable and any accrued but unpaid interest on borrowings shall be deducted.
10. An estimated amount for accrued claims for tax of whatever nature which may be recoverable shall be added.
11. Any other credits or amounts due to be paid into the Scheme Property shall be added.
12. A sum representing any interest or any income accrued due or deemed to have accrued but not received and any stamp duty reserve tax provision anticipated to be received shall be added.
13. Currencies or values in currencies other than the base currency shall be converted at the relevant valuation point at a rate of exchange that is not likely to result in any material prejudice to the interests of Shareholders or potential Shareholders.
14. For the purposes of this section 3.1, "dealing costs" means any fiscal charges, commission or other charges payable in the event of the Company carrying out the transaction in question (but excluding any preliminary charge payable by the Company on the purchase of units or shares), assuming that the commission and charges (other than fiscal charges) which would be payable by the Company are the least that could reasonably be expected to be paid in order to carry out the transaction.

### **3.2. Price of Shares**

#### **Price per Share**

Shares are "dual priced". This means that the price of a Share of the relevant class for buying purposes (which is calculated on an issue basis) will differ from the price of a Share (of the relevant class) for selling purposes (which is calculated on a cancellation basis). In each case, the price is determined by reference to a particular Valuation Point. The price of a Share is calculated at or about the Valuation Point on each Dealing Day (to at least four significant figures) by:

- (i) taking the value of the Scheme Property (calculated on the relevant basis in accordance with the valuation provisions set out in Section 3.1) attributable to all Shares (of the relevant class) in issue; and

- (ii) dividing the result by the number of Shares (of the relevant class) in issue immediately before the valuation concerned.

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

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

### **Pricing Basis**

The Company deals on a forward pricing basis only. A forward price is the price calculated at the next Valuation Point after the issue or cancellation is agreed.

### **Publication of Prices**

The most recent price of Shares will be published on [www.fundlistings.com](http://www.fundlistings.com) and may also be obtained by calling the ACD on 01343 880 344. For reasons beyond the control of the ACD, a published price may not necessarily be the current price.



#### **4. DEALING IN SHARES AND LIMITATIONS**

The dealing office of the Registrar is open from 9.00 a.m. until 5.00 p.m. on each Business Day to receive requests for the purchase, sale and switching of Shares, which will be effected at the Price per Share determined at the next Valuation Point after the purchase, sale or switching is agreed. Requests to purchase, sell and switch Shares on a Dealing Day must be received by 5.00 p.m. on the Business Day prior to such Dealing Day. The Price per Share at which Shares are bought from and sold to the ACD is calculated as described in Section 3 of this Prospectus.

A redemption charge is applicable to any Share sold within five years of purchase. The Investment Manager believes that the management of the Company is more difficult and can incur unnecessary transaction costs if funds flow in and out. This is to the detriment of the continuing Shareholders. Thus, a redemption charge is applied to discourage short term trading in the Shares of the Company. The redemption charge is paid to the Company to compensate continuing Shareholders; it is not paid to the ACD or the Investment Manager.

##### **4.1. Buying Shares**

Shares can be bought by sending a completed application form to the Registrar or in exceptional circumstances by telephoning the Registrar on 01343 880 344 or by electronic means acceptable to the ACD.

The ACD will not process any application to purchase Shares until it has received by electronic transfer the relevant subscription monies in cleared funds and will settle any relevant transaction at the time the purchase Price of the relevant Shares is determined, unless the ACD decides otherwise.

Subject to its obligations under COLL, the ACD has the right to reject, on reasonable grounds, 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, by electronic transfer at the risk of the applicant. Among other things, the ACD reserves the right to reject an application for Shares received from an investor who does not appear to fit within the profile of the typical investor as described in Section 1.6 above.

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

Remittances should be in pounds Sterling. Other currencies will only be acceptable at the ACD's discretion.

A contract note giving details of the Shares purchased and the price used will be issued by the end of the second Business Day following the Valuation Point by reference to which the purchase price is determined, together with, where appropriate, a notice of the applicant's right to cancel.

Share certificates will not be issued. Ownership of Shares will be recorded by an entry on the Company's Register of Shareholders. Annual statements will show the number of Shares held by the recipient on which the dividend is paid. Individual

statements of a Shareholder's (or, when Shares are jointly held, the first-named holder's) Shares will also be issued at any time on request by the registered holder.

The minimum subscription, holding and redemption requirements in relation to the Shares are set out in Appendix A. However, the ACD may, by special arrangement and at its discretion, agree on an individual basis a lower amount in relation to the minimum transaction sizes.

#### **4.2. Selling Shares**

Every Shareholder has the right to sell his Shares to the Company on any Dealing Day unless the value of Shares which a Shareholder wishes to sell will mean that the Shareholder will hold Shares with a value less than the required minimum (as detailed in Appendix A), in which case the Shareholder may be required to sell his entire holding. The ACD also reserves the right to refuse a sale request if the value of the Shares to be sold is less than the minimum redemption amount set out in Appendix A or on any other reasonable grounds.

Requests to sell Shares may be made to the Registrar in writing to the Registrar at Orton, Moray IV32 7QE or by electronic means acceptable to the ACD.

A contract note giving details of the number and price of Shares sold will be sent to the selling Shareholder (the first-named, in the case of joint Shareholders) together (if sufficient written instructions have not already been given) with a form of renunciation for completion and execution by the Shareholder (and, in the case of a joint holding, by all the joint holders) no later than the end of the second Business Day following the Valuation Point by reference to which the sale Price is determined. Any relevant transaction will be settled at the time the sale Price is determined, unless the ACD decides otherwise.

The ACD will instruct its bank to transfer the redemption monies to any relevant Shareholder within four Business Days of the later of (a) the Valuation Point after the sale is agreed and (b) completion of appropriate anti-money laundering verification procedures where the Registrar considers necessary.

#### **4.3. Switching**

A holder of Shares in a class may at any time switch all or some of his Shares ("**Old Shares**") for Shares in another class ("**New Shares**"). The number of New Shares issued will be determined by reference to the respective prices of New Shares and Old Shares at the Valuation Point applicable at the time the Old Shares are cancelled and the New Shares are issued.

Switching may be effected by writing to the Registrar or by electronic means acceptable to the ACD. The Shareholder may be required to complete a switching form (which, in the case of joint Shareholders must be signed by all the joint holders). A switching Shareholder must be eligible to hold the Shares into which the switch is to be made.

No switch will be made during any period when the right of Shareholders to sell their Shares is suspended. The general provisions on selling Shares shall apply equally to a switch.

The ACD may adjust the number of New Shares to be issued to reflect the imposition of any charges or levies in respect of the issue of the New Shares or cancellation of the Old Shares as may be permitted pursuant to COLL.

*Under current tax law, a switch of Shares between different Share classes in the Company will not be deemed to be a realisation for the purposes of capital gains taxation.*

#### **4.4. Dealing Charges**

##### **No Preliminary Charge**

The ACD does not impose a preliminary charge on the issue of Shares.

##### **Redemption Charge**

The ACD imposes a charge on the sale of Shares held for less than five years. The Investment Manager believes that the management of the Company is more difficult and can incur unnecessary transaction costs if funds flow in and out. This is to the detriment of the continuing Shareholders. Thus, a redemption charge is applied to discourage short term trading in the Shares of the Company. The redemption charge is paid to the Company to compensate continuing Shareholders; it is not paid to the ACD or the Investment Manager. Details of the current redemption charge payable in respect of the Shares are provided in Appendix A.

The ACD may not increase the redemption charge unless it has given notice in writing to the Shareholders not less than 60 days before the proposed increase and has made available a revised Prospectus reflecting the increase and the date of its commencement.

##### **No Switching Charge**

There is no switching charge on any Switch of Shares and no preliminary or redemption charge is payable in respect of Shares that are bought or sold as part of a Switch.

#### **4.5. Other Dealing Information**

##### **Money Laundering**

Under legislation to prevent money laundering in the United Kingdom, persons conducting investment business are responsible for compliance with money laundering regulations. Investors may be asked to provide proof of identity when buying or selling Shares, and, in certain circumstances, it may be necessary for the ACD to re-verify an investor's identity and obtain any missing or additional information for this purpose. Until satisfactory proof of identity is provided, the ACD reserves the right to refuse to issue Shares, to register a transfer of Shares or to pay the proceeds of sale of Shares. The ACD will not be liable for any share price movements occurring during delays while money laundering checks are carried out.

### **Restrictions and Compulsory Transfer, Conversion and Redemption**

The ACD may from time to time take such action and/or impose such restrictions as it thinks necessary for the purpose of ensuring that no Shares are acquired or held by any person in circumstances (“**relevant circumstances**”):

- (a) which constitute a breach of the law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory; or
- (b) which might (or might if other shares were acquired or held in like circumstances) result in the Company incurring any liability to taxation or suffering any other adverse consequence (including a requirement to register under any securities or investment or similar laws or governmental regulation of any country or territory); or
- (c) which might (including by the actions of such person) cause the Company or its Shareholders a pecuniary or material administrative disadvantage or other adverse consequence which the Company might not otherwise incur or suffer; or
- (d) where the ACD determines, in its absolute discretion, that it is in the best interests of the Company or its Shareholders for such person not to acquire or hold shares (including shares of a particular class) in the Company;

and, in this connection, the ACD may, inter alia, reject at its discretion any application for the subscription for or sale, transfer or exchange of Shares or require the conversion of shares in one class to another class.

If it comes to the notice of the ACD that any Shares (“**affected Shares**”) have been acquired or are being held in each case whether beneficially or otherwise in any of the relevant circumstances referred to in the previous paragraph or if it reasonably believes this to be the case the ACD may give notice to the holder of the affected Shares requiring the holder to transfer such Shares to a person who is qualified or entitled to own the same or to give a request in writing for the redemption or cancellation or conversion of such Shares in accordance with the FCA Rules. If any person upon whom such a notice is served pursuant to this clause does not within thirty days after the date of such notice transfer his shares to a person qualified to hold the same, or establish to the satisfaction of the ACD (whose judgement shall be final and binding) that he and any person on whose behalf he holds the affected Shares are qualified and entitled to hold the Shares, he shall be deemed upon the expiration of that thirty day period to have given a request in writing for the redemption or cancellation or conversion (at the discretion of the ACD) of the affected Shares pursuant to the FCA Rules.

A person who becomes aware that he has acquired or holds Shares whether beneficially or otherwise (“**affected Shares**”) in any of the relevant circumstances referred to above shall forthwith, unless he has already received a notice pursuant to the previous paragraph either transfer or procure the transfer of all the affected Shares to a person qualified to own the same or give a request in writing or procure that a request is so given for the redemption, conversion or cancellation of all the affected Shares pursuant to the FCA Rules.

### **Restrictions Applying to US Persons**

The Shares have not been and will not be registered in the United States of America under any applicable legislation and, subject to certain exceptions, may not be offered or sold in the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia or offered or sold to US persons.

The Company has not been and will not be registered in the United States of America under any applicable legislation. The ACD is registered with the Securities and Exchange Commission of the United States under the United States Investment Advisers Act of 1940.

### **'In Specie' Redemptions**

If a Shareholder requests the redemption or cancellation of Shares, the ACD may, where it considers the deal to be substantial in relation to the total size of the Company, arrange that in place of payment of the price of the Shares in cash, the Company cancels the Shares and transfers Scheme Property or, if required by the Shareholder, the net proceeds of sale of relevant Scheme Property, to the Shareholder.

Before the proceeds of the cancellation of Shares become payable, the ACD must give written notice to the Shareholder that the Scheme Property or the proceeds of sale of Scheme Property will be transferred to that Shareholder.

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

### **Issue of Shares in Exchange for 'In Specie' Assets**

The ACD may arrange for the Company to issue Shares in exchange for assets other than money, but will only do so where the Depositary is satisfied that the acquisition by the Company of those assets in exchange for the Shares concerned is not likely to result in any material prejudice to the interests of Shareholders or potential Shareholders.

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

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

### **Suspension of Dealings in the Company**

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

has required the ACD to suspend dealings in Shares, must immediately inform the FCA.

The ACD will ensure that a notification of the suspension is made to the Shareholders as soon as practicable after the suspension commences and will publish (on its website or by other general means) sufficient details to keep the Shareholders appropriately informed about the suspension including, if known, its likely duration.

The ACD and the Depositary will formally review the suspension at least every 28 days and will ensure that the suspension is only allowed to continue for as long as it is justified having regard to the interests of the Shareholders.

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

### **Large Redemptions**

In certain circumstances, effecting a large redemption of Shares at any one Valuation Point may significantly prejudice the interests of continuing Shareholders. This may be the case, for example, in the following circumstances:

- (1) where the ACD has received a large level of net redemption requests in respect of Shares at any one Valuation Point relative to the Net Asset Value of the Company (i.e. equal to or exceeding 10% of the Net Asset Value of the Company); or
- (2) where the ACD has received a large redemption request by a single shareholder or intermediary at any one Valuation Point (being equal to or exceeding 10% of the Net Asset Value of the Company); or
- (3) where the sale of property of the Company to meet any requested redemption of Shares would significantly disrupt the balance or composition of the underlying portfolio.

In any such circumstances, the ACD may, in its discretion, redeem the relevant Shares at a lower redemption price than the published redemption price, provided such lower redemption price is within the parameters prescribed by the FCA Rules.

A lower redemption price would be applied solely to the extent required to protect the interests of continuing Shareholders and in such manner as to ensure consistent and fair treatment of all Shareholders who have requested to redeem their Shares at the relevant Valuation Point.

To the extent reasonably practicable, the ACD shall consult prior to taking any of the above actions with any Shareholder who has requested to redeem his Shares at the relevant Valuation Point.

In determining whether to apply a lower redemption price, the ACD may consider a number of factors including the level of transaction costs within the particular market(s) in which the property of the Company is invested, the liquidity of the

underlying investments, the amount of investments to be bought or sold to meet the requested redemptions and the likely time that this will take, and the likelihood of an adverse impact on the value of investments as a result of any accelerated rate of disposal.

### **Liquidity Risk Management**

The Company is managed so that the liquidity profile is aligned with its requirement to meet redemption requests from Shareholders on each Dealing Day. In normal circumstances, redemption requests will be processed as set out above in Clause 4. However, in exceptional circumstances, if there is insufficient liquidity in the Company to meet redemption requests, the ACD may need to temporarily suspend dealing in the Company (as further described above).

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

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

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

### **Governing Law**

All deals in Shares are governed by Scots law. The Company itself is constituted under Scots law.

## 5. FEES, CHARGES AND EXPENSES

### 5.1. General

A core objective of the Company is to maintain a low ongoing charges ratio (OCR) relative to the industry average for actively managed collective investment companies.

At the ACD's discretion the Company may pay out of the property of the Company any fees, charges and expenses incurred by the Company, which will include the following:

- (a) the fees, charges and expenses payable to the ACD (which will include the annual management charge);
- (b) the fees, charges and expenses payable to the Administrator (if any) and to the Depositary;
- (c) broker's commissions, fiscal charges and other disbursements which are necessarily incurred in effecting transactions for the Company and normally shown on contract notes, confirmation notes and difference accounts as appropriate;
- (d) interest on and other charges relating to permitted borrowings;
- (e) any costs incurred in acquiring and disposing of investments;
- (f) any costs incurred in amending the Instrument of Incorporation including the removal of obsolete provisions;
- (g) any costs incurred in respect of any meeting of Shareholders convened on a requisition by holders not including the ACD or an associate of the ACD;
- (h) any fees in relation to a unitisation, amalgamation or reconstruction where the property of a body corporate (such as an investment company) or of another collective investment scheme is transferred to the Company in consideration for the issue of shares in the Company to shareholders in that body corporate or to participation in that other scheme, any liability arising after the transfer which, had it arisen before the transfer, could properly have been paid out of that other property provided that 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 the transfer;
- (i) any audit fee and any proper expenses of the Auditor;
- (j) any fee and any proper expenses of any professional advisers retained by the Company or by the ACD in relation to the Company;
- (k) any costs of printing and distributing annual and half yearly reports and any prospectus, including the costs incurred as a result of periodic updates of any prospectus, and other reports provided for Shareholders;



- (l) any costs of listing the prices of Shares in publication and information services selected by the ACD;
- (m) any costs of establishing and authorising the Company after its initial establishment;
- (n) any fees and expenses in respect of establishing and maintaining the Register of Shareholders and any sub-register of shareholders;
- (o) any costs incurred in producing and despatching any payment made by the Company;
- (p) any costs incurred in taking out and maintaining an insurance policy in relation to the Company;
- (q) the periodic fees of the FCA together with any corresponding periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which the Shares in the Company are or may be marketed;
- (r) any expense incurred in relation to company secretarial duties including the cost of maintenance of minute books and other documentation required to be maintained by the Company;
- (s) any costs associated with the admission of Shares to listings on any stock exchange and with the maintenance of that listing (including, for the avoidance of doubt, the fees levied by the exchange in questions as a condition of the admission to listing of the shares and the periodic renewal of that listing), any offer of Shares, including the preparation and printing of any prospectus and the creation, conversion and cancellation of shares associated with such prospectus;
- (t) any expense incurred with respect to the publication and circulation of details of the Net Asset Value of the Company;
- (u) any amount payable by the Company under any indemnity provisions provided for in the Instrument of Incorporation or any agreement to which the Company is party;
- (v) any costs associated with the authorisation of the Company in other jurisdictions;
- (w) taxation and other duties payable by the Company; and
- (x) any other fees, charges or expenses that may be payable by the Company in accordance with COLL, including such other fees, charges and expenses as the ACD resolves are properly payable out of the property of the Company.

Value Added Tax on any fees, charges or expenses will be added to such fees, charges or expenses and will be payable by the Company.

The liabilities, expenses, costs and charges of the Company (including any fee payable to the ACD) will be charged against the income of the Company.

## 5.2. ACD Annual Management Charge and Expenses

In consideration for carrying out its duties and responsibilities, the ACD is entitled to receive for its own account an annual management charge payable from the Scheme Property (the "**ACD Annual Management Charge**"). The ACD Annual Management Charge will accrue daily and be payable quarterly in arrears within 10 Business Days from the last Business Day of each quarter. The amount of ACD Annual Management Charge currently payable to the ACD is £20,000, indexed annually on 1 October in line with the Consumer Price Index, plus the Investment Management Fee, as set out in Appendix A.

The ACD is also entitled to be reimbursed all reasonable out of pocket expenses incurred in the performance of its duties, including stamp duty and stamp duty reserve tax on transactions in Shares and any costs incurred in pursuing a class action litigation in respect of securities which are or were part of the Scheme Property.

The ACD may not introduce a new category of remuneration for its services without obtaining prior approval of Shareholders by way of extraordinary resolution, and the ACD may not increase the current rate or amount of its remuneration payable out of the Scheme Property of the Company unless, not less than 60 days before the increase, the ACD gives notice in writing of the increase and the date of its commencement to all Shareholders and has made available a revised Prospectus reflecting the new rate and the date of its commencement.

## 5.3. Investment Management Fee

In consideration for carrying out its duties and responsibilities, the Investment Manager is entitled to receive for its own account an annual investment management fee (plus VAT where applicable) (the "**Investment Management Fee**") which is payable by the ACD out of the ACD Annual Management Charge. The Investment Manager's out-of-pocket expenses (plus VAT where applicable) are also payable by the ACD out of the ACD Annual Management Charge. The amount of Investment Management Fee currently payable to the Investment Manager is 50bps of NAV for the first £20m and 35bps thereafter, as set out in Appendix A.

## 5.4. Depositary's Fees, Charges and Expenses

The Depositary receives for its own account a periodic fee which will accrue due monthly on the last business day in each calendar month in respect of that day and the period since the last business day in the preceding month and is payable within seven days after the last business day in each month. The fee is calculated by reference to the value of the Company on the first Valuation Point in the preceding month except for the first accrual which is calculated by reference to the first Valuation Point of the Company.

The rate of the periodic fee shall be as agreed between the ACD and the Depositary from time to time and is currently based on the value of the Company:

- 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.

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

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>
Transaction charges	£0 - £40
Custody charges	0bps to 12bps

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 and the Depositary.

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 or lending money and may purchase or sell or deal in the purchase or sale of Scheme Property, provided always that the services concerned and any such dealing are in accordance with the provisions of the Regulations.

The 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, the Regulations or the general law.

On a winding up, redemption or termination of the Company, 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.

## 6. DETERMINATION AND DISTRIBUTION OF INCOME

### 6.1. Accounting Periods

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

### 6.2. Income Allocations

Allocations of income are made in each accounting period. The Company has an annual income allocation date of 30 November.

Distributions of income in respect of income Shares are paid on or before the Company's annual income allocation date in each year.

Allocation of income to holders of any accumulation Shares that may be issued will be transferred to the capital property of the Company at the end of the income allocation period and be reflected in the value of the relevant Shares on the first Dealing Day following the end of that income allocation period.

The amount available for allocation in an accounting period is calculated by:

- (a) taking the aggregate of the income received or receivable for the account of the Company for that period;
- (b) deducting the fees, charges and expenses of the Company paid or payable out of income for that accounting period; and
- (c) making such adjustments as the ACD considers appropriate (and after consulting the Auditor as appropriate) in relation to tax and certain other issues such as income equalisation, income unlikely to be received within 12 months following the relevant income allocation date, income which should not be accounted for on an accrual basis because of lack of information as to how it accrues, transfers between the income and capital account and any other adjustments which the ACD considers appropriate after consulting the Auditor.

Allocations of income are made in accordance with the proportionate interests of the classes within the Company.

If a distribution remains unclaimed for a period of six years after it has become due, it will be forfeited and will revert to the Company.

### 6.3. Income Equalisation

Equalisation will be applied to the Company. An allocation of income to be made in respect of each Share issued by the ACD during an accounting period in respect of which that income allocation is made may include a capital sum ("**income equalisation**") representing the ACD's best estimate of the amount of income included in the price of that Share.

The amount of income equalisation in respect of any Share may be the actual amount of income included in the issue price of the Share in question or it may be an amount arrived at by taking the aggregate of the ACD's best estimate of the amounts of income included in the price of Shares in that class issued or sold in the annual or interim period in question and dividing that aggregate by the number of those Shares and applying the resultant average to each of the Shares in question.

#### **6.4. Annual and Half-Yearly Reports**

Annual reports of the Company will be published within four months of each annual accounting period and half-yearly reports will be published within two months of each interim accounting period. Shareholders will be sent the reports for the Company.

## **7. SHAREHOLDERS' VOTING RIGHTS**

### **7.1. Calling of General Meetings**

The ACD may convene a general meeting at any time.

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

### **7.2. Notice and Quorum**

Shareholders will receive at least 14 days' notice of a Shareholders' meeting and are entitled to be counted in the quorum and vote at such meeting either in person or by proxy. The quorum for a meeting is two Shareholders, present in person or by proxy. If a quorum is not present after a reasonable time from the time of any adjourned meeting, the quorum for an adjourned meeting is one Shareholder present in person or by proxy. Notices of the meetings and adjourned meetings will be sent to the Shareholders at their registered address.

### **7.3. Voting Rights**

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

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

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

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

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

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

**7.4. Annual General Meeting**

The Company has elected not to hold an annual general meeting in each year.

## 8. WINDING UP OF THE COMPANY

The Company shall not be wound up except as an unregistered company under Part V of the Insolvency Act 1986 or under Chapter 7.3 of COLL.

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

The Company may be wound up under COLL:

- (a) if an extraordinary resolution to that effect is passed by Shareholders; or
- (b) if the period (if any) fixed for the duration of the Company by the Instrument of Incorporation expires, or any event occurs on the occurrence of which the Instrument of Incorporation provides that the Company is to be wound up (for example, if the share capital of the Company is below its prescribed minimum or if a change in the laws or regulations of any country means that, in the ACD's opinion, it is desirable to wind up the Company);
- (c) on the date of effect stated in any agreement by the FCA to a request by the ACD for the revocation of the authorisation order in respect of the Company; or
- (d) on the effective date of a duly approved scheme of arrangement which is to result in the Company ceasing to hold any property.

The Company may also be terminated in accordance with the terms of a scheme of amalgamation or reconstruction, in which case Shareholders will become entitled to receive shares or units in another regulated collective investment scheme in exchange for their Shares in the Company.

On the occurrence of any of the events in paragraphs (a) to (c) above:

- (i) COLL 6.2 (Dealing), COLL 6.3 (Valuation and Pricing) and COLL 5 (Investment and Borrowing Powers) will cease to apply to the Company;
- (ii) the Company will cease to issue and cancel Shares in the Company and the ACD shall cease to sell or redeem Shares or to arrange for the Company to issue or cancel them for the Company;
- (iii) no transfer of a Share shall be registered and no other change to the Register shall be made without the sanction of the ACD;
- (iv) the Company shall cease to carry on its business except in so far as it is beneficial for the winding up of the Company;



- (v) the corporate status and powers of the Company and, subject to the preceding provisions of (i) to (iv) above, the powers of the ACD shall remain until the Company is dissolved.

The ACD shall, as soon as practicable after the Company falls to be wound up, realise the assets and meet the liabilities of the Company and, after paying out or retaining adequate provision for all liabilities properly payable and retaining provision for the costs of winding up, provided that there are sufficient liquid funds available, arrange for the Depositary to make one or more interim distributions out of the proceeds to Shareholders proportionately to their rights to participate in the Scheme Property of the Company. In the case of the Company the ACD shall also publish notice of the commencement of the winding up of the Company in the Edinburgh Gazette. If the ACD has not previously notified Shareholders of the proposal to wind up the Company, the ACD shall, as soon as practicable after the commencement of winding up of the Company, give written notice of the commencement to Shareholders. When the ACD has caused all the Scheme Property to be realised and all the liabilities of the Company to be realised, the ACD shall arrange for the Depositary to make a final distribution to Shareholders on or prior to the date on which the final account is sent to Shareholders of any balance remaining in proportion to their holdings in the Company.

As soon as is reasonably practicable after the completion of the winding up of the Company, the ACD shall notify the FCA that it has done so.

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

Following the completion of a winding up of the Company, the ACD must prepare a final account showing how the winding up took place and how the Scheme Property was distributed. The auditor of the Company shall make a report in respect of the final account stating their opinion as to whether the final account has been properly prepared. This final account and the auditor's report must be sent to the FCA and to each Shareholder within four months of the termination of the winding up.

## **9. TAXATION**

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

### **9.1. Taxation of the Company**

#### **9.1.1. Income**

The Company is chargeable to corporation tax at the applicable rate, currently 20% on income net of allowable expenses (including the gross amount of interest distributions). Since 1 July 2009, dividends from both UK companies and most overseas companies are not taxable.

#### **9.1.2. Chargeable Gains**

The Company is exempt from corporation tax on chargeable gains.

### **9.2. Taxation of the Shareholders**

#### **9.2.1. Income**

The Company will pay dividend distributions.

Any income distribution made by the Company will be treated as if it were a dividend from a UK company. No deduction of UK income tax is made from a dividend distribution.

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

#### **9.2.2. Capital Gains**

Shareholders who are resident in the UK for tax purposes may be liable to capital gains tax or, where the Shareholder is a company, corporation tax in respect of gains arising from the sale, exchange or other disposal of Shares.

Capital gains made by individual Shareholders on disposals from all chargeable sources of investment will be tax free if the net gain (after

deduction of allowable losses) falls within an individual's annual capital gains exemption.

Shareholders chargeable to UK corporation tax must include all chargeable gains realised on the disposal of Shares in their taxable profits.

### **9.2.3. Inheritance Tax**

Shareholdings of an individual shareholder may become subject to an inheritance tax liability. During an individual's lifetime, any transfer of shareholdings at less than market value may be liable. Additionally, transfer following the death of the individual may also be liable. The charge to inheritance tax is not restricted to UK individuals. Reliefs and exemptions may apply to reduce or extinguish any liability to inheritance tax. Investors should seek professional advice if they are unclear on the inheritance tax consequences of investing in the Company.

### **9.3. Stamp Duty Reserve Tax (SDRT)**

The charging of SDRT has now been abolished except in very limited circumstances.

### **9.4. Reporting of Tax Information**

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

The International Tax Compliance Regulations, SI 2015/878 (which give effect in the UK to amendments made to the EU Directive on Administrative Cooperation, Directive 2011/16/EU, which replace the reporting obligations under the Taxation of Savings Income Directive 2003/48/EC) may require the disclosure to HMRC of details of payments of interest and other income (which may include distributions on redemption payments by collective investment funds) to shareholders who are individuals or residual entities, and HMRC will pass such details to the EU member state where the shareholder resides.

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

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

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

these requirements will subject a Fund to US withholding taxes on certain US-sourced income and gains.

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

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

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

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

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

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

The Company is a non-UCITS retail scheme and therefore outside the scope of the EU Savings Directive.

## **10. GENERAL INFORMATION**

### **10.1. Documents of the Company**

Copies of the Prospectus, the Instrument of Incorporation and the annual and half-yearly reports and the material contracts referred to below are kept and may be inspected at and obtained from the offices of the ACD at Orton, Moray IV32 7QE during normal office hours.

All notices or documents required to be served on Shareholders shall be served by post to the address of such Shareholder as evidenced on the Register of Shareholders.

### **10.2. Risk Management**

Upon the request of a Shareholder, the ACD shall provide certain information supplementary to this Prospectus which relates to:

- (a) the quantitative limits which apply in the risk management of the Company;
- (b) the methods used in relation to (a) above; and
- (c) any recent development of the risk and yields of the main categories of investment which apply to the Company.

### **10.3. Complaints**

Complaints concerning the operation or marketing of the Company should be referred to the compliance officer of the ACD at Orton, Moray IV32 7QE in the first instance. If the complaint is not dealt with satisfactorily then it can be made directly to the Financial Ombudsman Service at Exchange Tower, London E14 9SR.

The ACD is covered by the Financial Services Compensation Scheme. Shareholders may be entitled to compensation from the scheme if the ACD cannot meet its obligations. This depends on the type of business and the circumstances of the claim. Most types of investment business are covered for 100% of investments up to £50,000.

Further information is available from:

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

Tel: 0800 678 1100

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

#### **10.4. 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, the ACD and the Depositary.

Details of the above contracts are given under the heading "The Service Providers" in Section 2 of this Prospectus.

In addition, the ACD and the Investment Manager have entered into the following contracts in respect of the Company:

- (c) the Investment Management Agreement between the ACD and the Investment Manager; and
- (d) a sponsorship agreement whereby, among other things, the ACD has agreed, subject to the Regulations and without prejudice to its duties as the authorised corporate director of the Company, to consider and act in accordance with any lawful and reasonable instructions the Investment Manager may give the ACD from time to time in respect of the Company.

#### **10.5. Telephone Recordings**

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

#### **10.6. Best Execution**

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

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

#### **10.7. Information available to Shareholders**

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

- (a) the percentage of the Company's assets which will be subject to special arrangements arising from their illiquid nature, including an overview of any special arrangements in place, the valuation methodology applied to assets which are subject to such arrangements and how management and performance fees will apply to these assets;

- (b) the current risk profile of the Company, and information on the risk management systems used by the ACD to manage those risks;
- (c) the total amount of leverage employed by the Company calculated in accordance with the gross and commitment methods; and
- (d) any material changes to the information above.

It is intended that Shareholders will be notified promptly of any material changes to the liquidity management systems and procedures such as the suspension of redemptions, the deferral of redemptions or similar special liquidity arrangements. It is intended that any changes to the maximum level of leverage which the Company may employ will be provided to Shareholders without undue delay.

### **10.8. Changes to the Company**

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

If the change is regarded as fundamental, Shareholder approval will be required. If a change requires Shareholder approval, this will mean that Shareholders will need to approve the change at a meeting. The procedure for Shareholder meetings is described above at Section 7.

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

### **10.9. Professional liability risks**

The ACD covers potential professional liability risks arising from its activities as the Company's AIFM through 'additional own funds' (adding more funds to its capital adequacy calculation).

### **10.10. Fair treatment of investors**

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

- (a) acting in the best interest of the Company and of the investors;
- (b) executing the investment decisions taken for the account of the Company in accordance with the objectives, the investment policy and the risk profile of the Company;
- (c) ensuring that the interests of any group of investors are not placed above the interests of any other group of investors;
- (d) ensuring that fair, correct and transparent pricing models and valuation systems are used for the Company managed;
- (e) preventing undue costs being charged to the company and investors;



- (f) taking all reasonable steps to avoid conflicts of interests and, when they cannot be avoided, identifying, managing, monitoring and, where applicable, disclosing those conflicts of interest to prevent them from adversely affecting the interests of investors; and
- (g) recognising and dealing with complaints fairly.

From time to time the ACD may afford preferential terms of investment to certain groups of investors. In assessing whether such terms are afforded to an investor, the ACD will ensure that any such concession is not inconsistent with its obligation to act in the overall best interests of the relevant Company and its investors. There is currently no preferential treatment of investors.

#### **10.11. Shareholders' rights**

Shareholders are entitled to participate in the Company on the basis set out in this prospectus (as amended from time to time). Sections 10.2 ("Complaints"), 7 ("Shareholder Meetings and Voting Rights"), 6.4 ("Annual Reports") and 10.1 ("Documents of the Company") of this prospectus set out important rights about Shareholders' participation in the Company.

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

The ACD must ensure that this Prospectus does not contain any untrue or misleading statement or omit any matter required to be disclosed in the Prospectus by the FUND Sourcebook or the COLL Sourcebook. To the extent that a Shareholder incurs loss as a consequence of an untrue or misleading statement or omission, the ACD may be liable to compensate that Shareholder subject to the ACD having failed to exercise reasonable care to determine that the statement was true and not misleading or that the omission was appropriate, in accordance with the FCA Handbook.

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

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

#### **10.12. Governing law and jurisdiction**

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

## **11. INSTRUMENT OF INCORPORATION**

### **11.1. Share Capital**

The Company may from time to time issue Shares of different classes and the ACD may from time to time create additional classes (whether or not falling within one of the classes in existence on incorporation).

### **11.2. Transfer of Shares**

A Shareholder is entitled (subject to as mentioned below) to transfer Shares by writing in any usual or common form or in any other form as may be approved by the ACD. The instrument of transfer, duly stamped if it is required to be stamped, must be lodged with the Registrar for registration. The transferor remains the holder until the name of the transferee has been entered into the register.

No instrument of transfer may be given in respect of more than one class of Shares.

In the case of a transfer to joint holders, the number of joint holders to whom a Share is to be transferred may not exceed four.

The ACD is not obliged to accept a transfer if it would result in the holder, or transferee, holding less than the minimum holding of Shares.

The Company or the Registrar may require the payment of such reasonable fee as the ACD and the Company may agree for the registration of any grant of probate, letters of administration or any other documents relating to or affecting the title to any share.

### **11.3. Removal of ACD**

The Company may by ordinary resolution remove the ACD before the expiration of its period of office, notwithstanding anything in the Instrument of Incorporation or in any agreement between the Company and the ACD, but the removal will not take effect until the FCA has approved it and a new ACD approved by the FCA has been appointed.

### **11.4. Proceedings at General Meetings**

The Depositary shall nominate the chairman of a general meeting. If the nominated chairman is not present or declines to take the chair, the Shareholders may choose one of their number to be the chairman.

The chairman of any quorate meeting may with the consent of the meeting adjourn the meeting from time to time (or without date) and from place to place, and if he is directed by the meeting to adjourn he must do so. No business can be transacted at an adjourned meeting which might not lawfully have been transacted at the meeting from which the adjournment took place.

The Shareholders have rights under COLL to demand a poll. In addition to these, a poll may be demanded by the chairman of the meeting or by the ACD on any resolution put to the vote of a general meeting.

Unless a poll is required, a declaration by the chairman that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book or computer record of proceedings will be conclusive evidence of that fact. If a poll is required, it shall be taken in such manner as the chairman may direct.

The chairman may take any action he considers appropriate for, for example, the safety of people attending a general meeting, the proper and orderly conduct of the general meeting or in order to reflect the wishes of the majority.

### **11.5. Corporations Acting by Representatives**

Any corporation which is a Shareholder may by resolution of its Directors or any governing body and in respect of any Share or Shares of which it is the holder authorise such individual as it thinks fit to act as its representative at any general meeting of the Shareholders. The individual so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise in respect of such Share or Shares if it were an individual Shareholder and such corporation shall be deemed to be present in person at any such meeting if an individual so authorised is so present.

### **11.6. Powers of a Shareholders' Meeting**

The ACD must, by way of an extraordinary resolution (i.e. a resolution notified and proposed as such and passed by a majority of not less than three-quarters of the votes validly cast), obtain prior approval from the Shareholders for any proposed change to the Company which, in accordance with COLL, is a fundamental change. Such a fundamental change is likely to include:

- (a) certain changes to the investment objective and policy of the Company;
- (b) the removal of the ACD;
- (c) any proposal for a scheme of arrangement.

Other provisions of the Company's instrument of incorporation and this Prospectus may be changed by the ACD without the sanction of a shareholders' meeting in accordance with COLL.

### **11.7. Indemnity**

The Instrument of Incorporation contains provisions indemnifying every Director, other officer and auditor against liability in certain circumstances and indemnifying the Depositary against liability in certain circumstances but not any liability in respect of failure by it to exercise due care and diligence or any liability which is recovered from another person.

## **12. RISK WARNINGS**

Potential investors should bear in mind that all investments carry risks and in particular should consider the following risk factors before investing in the Company.

### **12.1. General**

Past performance should not be seen as an indication of future performance. The investments of the Company are subject to normal market fluctuations and other risks inherent in investing in securities. Consequently, the value of Shares and the income derived from them can go down as well as up and as a result an investor may not get back the amount originally invested. This can be as a result of market movements and also variations on the exchange rates between currencies.

There is no assurance that any appreciation in value of investments will occur and no assurance that the investment objective of the Company will actually be achieved.

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

### **12.2. Key Person Risk**

Hollis Capital Limited, the Investment Manager of the Company, relies exclusively on Peter Hollis to provide investment management services for the Company and take investment decisions in relation to the Scheme Property. Loss of the services of Peter Hollis, either on a temporary or permanent basis, can adversely affect the provision by the Investment Manager of investment management services in respect of the Company.

In order to mitigate this risk, the Investment Manager has entered into a locum agreement with Troy Asset Management Limited, a firm authorised and regulated by the FCA (FCA authorisation number 195764), which is intended to provide continuity in the provision of investment management services in respect of the Company should the services of Peter Hollis, for any reason, cease to be available to the Investment Manager. The ACD will promptly notify the Shareholders of the occurrence of any such event.

### **12.3. Taxation**

Tax regulations and concessions are not guaranteed and can change at any time. The levels of tax benefits and liabilities arising from an investment in the Company will depend upon individual circumstances and may change in the future.

### **12.4. Suspension of Dealings in Shares**

Investors are reminded that in certain circumstances their right to redeem Shares may be suspended (see Section 4 of this Prospectus).

### **12.5. Currency Exchange Rates**

Currency fluctuations may adversely affect the value of an investment. Exchange rate changes may also cause the value of underlying overseas investments of the Company and any income from them to go down as well as up.

### **12.6. Market Risk**

External factors can cause an entire asset class to decline in value. Prices and values of all shares or all bonds could decline at the same time.

### **12.7. Smaller Companies**

Smaller companies' securities may be less liquid than the securities of larger companies as a result of inadequate trading volume or restrictions on trading. Smaller companies may possess greater potential for growth, but can also involve greater risks, such as limited product lines and markets, and financial or managerial resources. Trading in such securities may be subject to more abrupt price movements and greater fluctuations in available liquidity than trading in the securities of larger companies.

### **12.8. Overseas and Emerging Markets**

Investment in overseas and in particular emerging markets may involve a higher than average risk due to the volatility of currency exchange rates, limited geographic focus, investment in a smaller number of issuers, political and economic instability and relatively illiquid markets.

Restrictions on foreign investment in overseas or emerging markets may preclude investment in certain securities by the Company and, as a result, limit investment opportunities for the Company. Substantial government involvement in, and influence on, the economy may affect the value of securities in certain overseas or emerging markets.

The reliability of trading and settlement systems in some overseas or emerging markets may not be equal to that available in more developed markets, which may result in delays in realising investment.

The lack of liquidity and efficiency in certain of the stock markets or foreign exchange markets in certain overseas or emerging markets may mean that from time to time the ACD may experience more difficulty in purchasing or selling holdings of securities than it would in a more developed market.

Companies traded in overseas or emerging markets may not be subject:

- (a) to accounting, auditing and financial reporting standards, practices in disclosure requirements comparable to those applicable to companies in major markets; or
- (b) to the same level of government supervision and regulation of stock exchanges as countries with more advanced securities markets. Accordingly,

certain overseas or emerging markets may not afford the same level of investor protection as would apply in more developed jurisdictions.

### **12.9. Interest Rate Risk**

Some of the Company's financial instruments may be interest bearing. As such, the Company will be exposed to interest rate risk due to fluctuations in the prevailing market rates.

### **12.10. Corporate Bonds**

Corporate bonds are subject to credit, liquidity, duration and interest rate risks. Adverse changes in the financial position of an issuer of corporate bonds or in general economic conditions may impair the ability of the issuer to make payments of principal and interest or may cause the liquidation or insolvency of an issuer. There can be no assurance as to the levels of default and/or recoveries that may be experienced with respect to corporate bonds.

Debt instruments held by the Company will be affected by general changes in interest rates that will, in turn, result in increases and decreases in the market value of those instruments. When interest rates decline, the value of the Company's investments in fixed rate debt obligations can be expected to rise and, when interest rates rise or are expected to rise, the value of those investments can be expected to decline.

### **12.11. Convertibles**

As convertibles are fixed interest or fixed dividend securities, they share in large part the same characteristics as normal debt securities and, accordingly, the risk factors set out above in the section entitled "Corporate Bonds" apply equally in relation to convertibles. However, in addition, as convertibles may be converted into equities at a future date, convertibles will be sensitive to the market value of the equities to which they relate (the market value of which may go down as well as up).

### **12.12. Sub Investment Grade Securities**

Where the Company invests in sub-investment grade securities, Shareholders should be aware that the value of their investment will fall should an issuer default or receive a reduced credit rating. In order to seek to receive a higher return, the Company may invest in bonds which carry a higher risk of default.

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

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

The political, economic and legal consequences of the referendum vote are not yet known. It is possible investments in the UK may be more difficult to value, to assess for suitability of risk, harder to buy or sell or subject to greater or more frequent rises and falls in value. There is likely to be a period of uncertainty as the UK seeks to negotiate its exit from the European Union. The UK's laws and regulations

concerning funds may in future diverge from those of the European Union. This may lead to changes in the operation of the Company or the rights of investors.

#### **12.14 Cyber Security**

As the use of technology has become more prevalent in the course of business, funds have become more susceptible to operational and financial risks associated with cyber security, including: theft, loss, misuse, improper release, corruption and destruction of, or unauthorised access to, confidential or highly restricted data relating to the company and the Shareholders and compromises or failures to systems, networks, devices and applications relating to the operations of the Company and its service providers. Cyber security risks may result in financial losses to the Company and the Shareholders; the inability of the Company to transact business with the Shareholders; delays or mistakes in the calculation of the Net Asset Value or other materials provided to Shareholders; the inability to process transactions with Shareholders or the parties; violations of privacy and other laws; regulatory fines, penalties and reputational damage; and compliance and remediation costs, legal fees and other expenses. The Company's service providers (including but not limited to the ACD and the Depositary and their agents), financial intermediaries, companies in which the Company invests and parties with which the Company engages in portfolio or other transactions also may be adversely impacted by cyber security risks in their own business, which could result in losses to the Company or the Shareholders. While measures have been developed which are designed to reduce the risks associated with cyber security, there is no guarantee that those measures will be effective, particularly since the Company does not directly control the cyber security defences or plans of its service providers, financial intermediaries and companies in which it invests or with which it does business.

## APPENDIX A: DETAILS OF THE COMPANY

<b>Investment objective and policy</b>	<p>The Company's objective is to protect and increase (in that order) the purchasing power of its investors' capital over the long term.</p> <p>The Company will aim to meet its objective through long-only positions primarily in shares issued by established companies listed on recognised stock exchanges throughout the world. The Company may also invest in other transferable securities, including shares, corporate bonds, government and public securities and warrants, units in collective investment schemes (regulated and unregulated), money-market instruments, deposits and gold.</p> <p>The Company will not "short" securities, will not invest in derivatives or immovables and will not borrow to invest. In exceptional circumstances, the Company may borrow to meet cashflow and liquidity constraints; such borrowings are not expected to exceed 90 days. In addition, the Company has no intention to engage in short-term trading activities.</p> <p>The Company's portfolio will be constructed without reference to any index.</p> <p>Investment of the assets of the Company must comply with COLL. The eligible securities markets on which the Company may invest are set out in Appendix C. A detailed statement of the general investment and borrowing restrictions applicable to the Company is set out in Appendix B of this Prospectus.</p>
<b>Launch Date</b>	15 May 2012
<b>Accounting Date</b>	30 September
<b>Income Allocation Date</b>	30 November
<b>Distribution Type</b>	Dividend
<b>Valuation Point</b>	4.30 p.m. on each Dealing Day
<b>Base Currency</b>	GBP
<b>Classes of Shares</b>	Income and accumulation
<b>Preliminary Charge</b>	Nil
<b>Redemption Charge</b>	<p>5% in respect of redemptions of Shares within 2 years from the date of purchase of such Shares.</p> <p>2% in respect of redemptions of Shares between 2 years and 5 years from the date of purchase of such</p>



	<p>Shares.</p> <p>Nil in respect of redemptions of Shares after 5 years from the date of purchase of such Shares.</p> <p>For the purposes of applying the redemption charge, where the redeeming Shareholder holds Shares which have been purchased on different dates, the Shares redeemed are deemed to be those purchased earliest in time.</p>								
<b>ACD Annual Management Charge</b>	<p>The ACD Annual Management Charge is equal to £20,000, indexed annually on 1 October* in line with the Consumer Price Index, plus the Investment Management Fee.</p> <p>Further information about the Annual Management Charge is set out in Section 5.2 of the Prospectus.</p>								
<b>Investment Management Fee</b>	<p>The Investment Management Fee is currently equal to 50 bps of the Net Asset Value of the Company on the first £20 million and 35 bps of the Net Asset Value of the Company thereafter.</p> <p>The Investment Management Fee is payable to the Investment Manager by the ACD out of the ACD Annual Management Charge.</p> <p>Further information about the Investment Management Fee is set out in Section 5.3 of the Prospectus.</p>								
<b>Depository and Custodian Fees and Charges</b>	See Section 5.4 of the Prospectus.								
<b>Other Fees, Charges and Expenses</b>	<p>At the ACD's discretion, the Company may pay out of the property of the Company other fees, charges and expenses, as detailed in Section 5.1 of the Prospectus.</p> <p>All fees, charges and expenses incurred by the Company will be charged to income.</p>								
<b>Investment Minima***</b>	<table> <tr> <td>Initial Lump Sum</td> <td>£200,000</td> </tr> <tr> <td>Holding</td> <td>£200,000</td> </tr> <tr> <td>Top-up</td> <td>£10,000</td> </tr> <tr> <td>Redemptions</td> <td>£10,000, subject to maintaining a holding of at least £200,000</td> </tr> </table>	Initial Lump Sum	£200,000	Holding	£200,000	Top-up	£10,000	Redemptions	£10,000, subject to maintaining a holding of at least £200,000
Initial Lump Sum	£200,000								
Holding	£200,000								
Top-up	£10,000								
Redemptions	£10,000, subject to maintaining a holding of at least £200,000								

\* The first review/increase being from 1 October 2015

\*\* Subject to the ACD's discretion. See Section 4.1 of the Prospectus

\*\*\* such figures can be waived at the discretion of the ACD – the minimum holding limit for any shareholders as at [1 July 2018] is £100,000.

## Historical Returns Data

The returns information is net of tax and ongoing charges.

The returns are percentage annual total returns for each calendar year.. For more up-to-date information, please contact the ACD.

Calendar Year	2013	2014	2015	2016	2017
Moray Place Investment Company	15.2%	9.1%	7.5%	31.2%	12.2%

Source: ACD data

**NOTE: PAST RETURNS ARE NOT NECESSARILY A GUIDE TO THE FUTURE. PLEASE SEE ABOVE FOR THE COMPANY'S OBJECTIVE AND THE PROSPECTUS FOR AN EXPLANATION OF INVESTOR PROFILES AND RISK CATEGORIES.**

## Leverage

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

- (a) under the gross method is 1:1; and
- (b) under the commitment method is 1:1.

## **APPENDIX B: THE COMPANY'S INVESTMENT AND BORROWING POWERS**

### **1. General rules of investment**

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

### **2. Prudent spread of risk**

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

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

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

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

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

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

Transferable securities and money market instruments held within the Company must:

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

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

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

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

Where a market ceases to be eligible, investments on that market cease to be approved securities. The 20% restriction on investing in non-approved securities applies.

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

- (a) a regulated market as defined in the FCA Handbook; or
- (b) a market in an EEA State which is regulated, operates regularly and is open to the public.
- (c) any market which satisfies the criteria below:
  - (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:
    - (a) adequate custody arrangements can be provided for the investment dealt in on that market; and
    - (b) all reasonable steps have been taken by the ACD in deciding whether that market is eligible.

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

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

#### **6. Spread: general**

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

- 1) Not more than 20% in value of the Scheme Property of the Company is to consist of deposits with a single body.

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

- 2) Not more than 10% in value of the Scheme Property of the Company is to consist of transferable securities or money market instruments issued by any single body, subject to COLL 5.6.23 R(schemes replicating an index).
- 3) The limit of 10% in 2) above is raised to 25% in value of the Scheme Property of the Company in respect of Covered Bonds.
- 4) In applying the above paragraph 2), Certificates Representing Certain Securities are treated as equivalent to the underlying security.
- 5) Not more than 15% in value of the Scheme Property of the Company is to consist of units of any one collective investment scheme. Where the second scheme is an umbrella, this provision applies to each sub-fund as if it were a separate scheme.
- 6) For the purposes of this section, a single body is:
  - a) in relation to transferable securities and money market instruments, the person by whom they are issued; and
  - b) in relation to deposits, the person with whom they are placed.

#### **7. Spread: Government and public securities**

The following section applies in respect of a transferable security or an approved money-market instrument (“such securities”) that is issued by:

- (a) an EEA state;
- (b) a local authority of an EEA state;
- (c) a non-EEA state; or
- (d) a public international body to which one or more EEA states belong.

Where no more than 35% in value of the Scheme Property of the Company is invested in such securities issued by any one body, there is no limit on the amount which may be invested in such securities or in such securities issued by any one body or of any one issue.

The Company may invest more than 35% of its value in such securities issued by any one body provided that:

- (a) 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 Company;
- (b) no more than 30% in value of the Scheme Property consists of such securities of any one issue;
- (c) the Scheme Property includes such securities issued by that or another issuer, of at least six different issues; and

- (d) the disclosures required by COLL 5.2.12 (4) have been made in the Instrument of Incorporation and the most recently published prospectus of the Company.

In relation to such securities:

- (a) issue, issued and issuer include guarantee, guaranteed and guarantor; and
- (b) 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.

#### **8. Investment in nil and partly paid securities**

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

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

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

Up to 15% of the value of the Scheme Property of the Company may be invested in units or shares in other collective investment schemes (a "second scheme") provided that the investment is permitted as set out below.

The second scheme must:

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

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

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

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

The Company may invest in units or shares of a scheme that is managed or operated by (or, if it is an ICVC, has as its authorised corporate director) the ACD of the Company or by an

associate of the ACD provided the conditions in COLL 5.2.16 R (Investment in other group schemes) are complied with.

**10. Derivatives**

The Company does not invest in derivatives.

**11. Investment in immovable property**

The Company does not invest in immovable property.

**12. Stock lending**

The Company does not enter into stock lending arrangements or repo contracts.

**13. Cash and near cash**

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

- (a) the pursuit of the Company's investment objectives; or
- (b) redemption of units; or
- (c) efficient management of the Company in accordance with its investment objectives; or
- (d) other purposes which may reasonably be regarded as ancillary to the investment objectives of the Company.

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

**14. Borrowing powers**

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

The ACD must ensure that borrowing does not, on any business day, exceed 10% of the value of the Company. However, the Company intends only to incur borrowings in exceptional circumstances for short-term cashflow management, expected not to exceed 90 days.

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

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 Company in the expectation that the sum will be repaid.

The Company must not issue any debenture unless it acknowledges or creates a borrowing that complies with this section.

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

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

Acquiring a debenture is not lending for the purposes of this section; nor is the placing of money on deposit or in a current account.

The above does not prevent the Company from providing an officer with funds to meet expenditure to be incurred by him for the purposes of the Company (or for the purposes of enabling him properly to perform his duties as an officer of the Company) or from doing anything to enable an officer to avoid incurring such expenditure.

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

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

Stock lending transactions are not regarded as lending for this purpose.

The Scheme Property of the Company must not be mortgaged.

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

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

## **18. Guarantees and indemnities**

- a. The Company or the Depositary on behalf of the Company must not provide any guarantee or indemnity in respect of the obligation of any person.
- b. None of the property of the Company may be used to discharge any obligation arising under a guarantee or indemnity with respect to the obligation of any person.

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

## **19. Leverage**

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

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

- (a) cash borrowing, subject to the restrictions set out in paragraph 14 (“Borrowing Powers”) of this Annex;
- (b) financial derivative instruments and reinvestment of cash collateral in the context of securities lending, subject in each case to paragraph 14 (“Borrowing”) of this Annex.

The ACD is required to calculate and monitor the level of leverage of the Company, expressed as a ratio between the exposure of the Company and its Net Asset Value



(Exposure/NAV), under both the gross method and the commitment method (so for the Company with no borrowing or derivative usage the leverage ratio would be 1:1).

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

- (a) include the sum of all assets purchased, plus the absolute value of all liabilities;
- (b) exclude cash and cash equivalents which are highly liquid investments held in the base currency of the Company, that are readily convertible to a known amount of cash, are subject to an insignificant risk of change in value and provide a return no greater than the rate of a three month high quality bond;
- (c) derivative instruments are converted into the equivalent position in their underlying assets;
- (d) exclude cash borrowings that remain in cash or cash equivalents and where the amounts payable are known;
- (e) include exposures resulting from the reinvestment of cash borrowings, expressed as the higher of the market value of the investment realised or the total amount of cash borrowed; and
- (f) include positions within repurchase or reverse repurchase agreements and securities lending or borrowing or other similar arrangements.

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

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

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

**APPENDIX C: ELIGIBLE SECURITIES MARKETS**

The Company may deal through the securities markets indicated below.

Any authorised and regulated market in the UK and the European Economic Area which fulfils the requirements of the eligible markets regime as set out in COLL 5.
<p>Australia</p> <ul style="list-style-type: none"> <li>- Australian Securities Exchange</li> </ul>
<p>Brazil</p> <ul style="list-style-type: none"> <li>- BM&amp;F Bovespa S.A.</li> </ul>
<p>Canada</p> <ul style="list-style-type: none"> <li>-Montreal Exchange</li> <li>-Toronto Stock Exchange</li> <li>- TSX Venture Exchange</li> </ul>
<p>Chile</p> <ul style="list-style-type: none"> <li>- Santiago Stock Exchange</li> </ul>
<p>China</p> <ul style="list-style-type: none"> <li>- Shenzhen Stock Exchange</li> <li>- Shanghai Stock Exchange</li> </ul>
<p>Hong Kong</p> <ul style="list-style-type: none"> <li>- Hong Kong Exchanges</li> </ul>
<p>India</p> <ul style="list-style-type: none"> <li>- National Stock Exchange of India (NSEI)</li> <li>- Bombay Stock Exchange (BSE)</li> </ul>
<p>Indonesia</p> <ul style="list-style-type: none"> <li>- Indonesia Stock Exchange</li> </ul>
<p>Japan</p> <ul style="list-style-type: none"> <li>-Tokyo Stock Exchange</li> <li>- Nagoya Stock Exchange</li> <li>- Osaka Securities Exchange</li> </ul>

- Hercules Standard - Sapporo Securities Exchange - JASDAQ Securities Exchange - Tokyo Stock Exchange Mothers - Fukuoka Stock Exchange
Korea - Korea Exchange
Malaysia - Bursa Malaysia Berhad
Mexico - Mexican Stock Exchange
New Zealand - New Zealand Stock Exchange
Philippines - The Philippine Stock Exchange
Singapore - SGX
South Africa - JSE Securities Exchange
Switzerland - SWX Europe Limited
Taiwan - Taiwan Stock Exchange
Thailand - Stock Exchange of Thailand
Turkey - Istanbul Stock Exchange
USA

- NASDAQ
- New York Stock Exchange
- NYSE MKT LLC
- OTC Bulletin Board operated by NASD TRACE
- NYSE Arca
- NASDAQ OMX PHLX
- NASDAQ OMX BX
- Chicago Stock Exchange
- National Stock Exchange
- The OTC Market in US Government Securities conducted by primary dealers selected by the Federal Reserve Bank of New York

## APPENDIX D: INTERESTS OF THE ACD

<b>Directors of the ACD and their Significant Business Activities Not Connected with the business of the Company</b>	
R Peter W Millar	Sole proprietor of Valu-Trac Research; sole proprietor of Orton Estate and Orton Farms and Director of Spey Fishing Trust Ltd.
Anne Laing	None
Martin Henderson	None
Douglas Halley	None

<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
The Beagle Fund*	England and Wales	IC000789	505177
The Mulben Investment Funds	England and Wales	IC000816	516628
The Prestney Fund	England and Wales	IC000175	407766
The Teal Fund	England and Wales	IC000257	227831
The VT Cindabella Fund	England and Wales	IC001049	714901
The VT Oxeye Funds**	England and Wales	IC001063	743815
Valu-Trac Investment Funds ICVC	Scotland	IC000953	581955
Valu-Trac Proprietary Funds ICVC*	Scotland	IC000986	605631
VT AJ Bell ICVC	England and Wales	IC001082	769363
VT Allium Portfolio Funds*	England and Wales	IC000884	538701
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 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 Gravis Funds ICVC	England and Wales	IC001055	724240
VT Greystone ICVC	England and Wales	IC000403	434235
VT Greystone Cautious Managed ICVC*	England and Wales	IC000407	435265
VT Greystone Conservative Managed ICVC*	England and Wales	IC000533	465365
VT Grosvenor Funds ICVC	England and Wales	IC001077	762880
VT Halo Funds ICVC	England and Wales	IC001018	629070
VT iFunds OEIC	England and Wales	IC000868	536578
VT Morningstar Informed Smartfund ICVC	England and Wales	IC001012	621247
VT Munro Smart-Beta Fund	England and Wales	IC000551	467964
VT Odd Funds ICVC	England and Wales	IC001050	715282
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 RM Funds ICVC	England and Wales	IC001108	800855
VT Rossie House Investment Management Funds ICVC*	England and Wales	IC000991	607962
VT SG Defined Return Assets ICVC	England and Wales	IC001097	784172
VT Sorbus Vector Funds ICVC	England and	IC001059	731963

	Wales		
VT Tcam Investment Funds	England and Wales	IC000052	190667
VT Teviot Funds ICVC	England and Wales	IC001094	780433
VT Thistledown ICVC	England and Wales	IC001011	621244
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

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



**DIRECTORY**

**The Company and Head Office:**  
Moray Place Investment Company  
Orton  
Moray IV32 7QE

**Authorised Corporate Director and Alternative Investment Fund Manager:**  
Valu-Trac Investment Management Limited  
Orton  
Moray IV32 7QE

**Investment Manager:**  
Hollis Capital Limited  
28 Walker Street  
Edinburgh EH3 7HR

**Registrar and Administrator:**  
Valu-Trac Investment Management Limited  
Orton  
Moray IV32 7QE

**Depositary:**  
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Trustee & Depositary Services  
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**Auditor:**  
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