

# **THE NAVIGATIO FUND**

## **PROSPECTUS**

**Prepared in accordance with the Collective Investment Schemes Sourcebook**

**1<sup>st</sup> May 2012**

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

Premier Portfolio Managers Limited, the Authorised Corporate Director of the Company, is the person responsible for the information contained in this Prospectus. To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained herein does not contain any untrue or misleading statement or omit any matters required by the Collective Investment Scheme Sourcebook to be included in it.

Premier Portfolio Managers Limited accepts responsibility accordingly.

## 1 PROSPECTUS OF THE NAVIGATIO FUND

An investment company with variable capital incorporated with limited liability and registered in England and Wales under registered number IC000382.

This document constitutes the Prospectus for THE NAVIGATIO FUND, which has been prepared in accordance with the Collective Investment Scheme Sourcebook.

This Prospectus is dated, and is valid as at **1<sup>st</sup> May 2012**.

Copies of this Prospectus have been sent to the FSA 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.

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

A "US Person", for the purposes of the above paragraph, is a person who is in either of the following two categories:

- (a) a person included in the definition of "US Person" under Rule 902 of Regulation S under the 1933 Act, or
- (b) a person excluded from the definition of a "Non-United States Person" as used in the US Commodity Futures Trading Commission ("CFTC") Rule 4.7.

For the avoidance of doubt, a person is excluded from this definition of US Person only if he or it does not satisfy any of the definitions of "US Person" only if he or it does not satisfy any of the definitions of "US Person" in Rule 902 and qualifies as a "Non-United States Person" under CFTC Rule 4.7.

"US Person" under Rule 902 generally includes the following:

- (a) any natural person resident in the United States;
- (b) any partnership or corporation organisation or incorporated under the laws of the United States;
- (c) any estate which any executor or administrator is a US Person;
- (d) any trust of which any trustee is a US Person;
- (e) any agency or branch of a non-US entity located in the United States;
- (f) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a US Person;
- (g) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organised, incorporated or (if an individual) resident in the United States; and
- (h) any partnership or corporation if:
  - i. organised or incorporated under the laws of any non-US jurisdiction; and
  - ii. formed by a US Person principally for the purpose of investing in securities not registered under the 1933 Act, unless it is organised on incorporated, and owned, by accredited investors (as defined in Rule 501(a) of Regulation D under the 1933 Act) who are not natural persons, estates or trusts.

The Depositary is not a person responsible for the information contained in this Prospectus and accordingly does not accept any responsibility therefore under COLL or otherwise.

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

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

This Prospectus is based on information, law and practice at the date hereof. The Company is only bound by the latest version of its Prospectus and therefore, before relying on any information contained in this document, investors should check with the ACD that this is the most recently published Prospectus.

## 2 DEFINITIONS

'ACD'	Premier Portfolio Managers Limited, the authorised corporate director of the Company;
'COLL'	the Collective Investment Scheme Sourcebook made by the FSA pursuant to the Financial Services and Markets Act 2000, as amended from time to time;
'Class' or 'Classes'	in relation to Shares, means (according to the context) all of the Shares or a particular class or classes of Share;
'Company'	The Navigatio Fund;
'Dealing Day'	Monday to Friday (except for (unless the ACD otherwise decides) the last working day before Christmas and bank holidays in England and Wales) and other days at the ACD 's discretion;
'Depositary'	National Westminster Bank plc, the depositary of the Company;
'dilution levy'	is described on page 15;
'eligible institution'	one of certain credit institutions as defined in the First Banking Co-ordination Directive of the European Community (for example, a bank or a building society);
'Euro'	the currency of that name adopted under the Treaty of Rome;
'FSA'	the Financial Services Authority;
'Fund' or 'Funds'	a sub-fund of the Company (being part of the scheme property of the Company which is pooled separately) and to which specific assets and liabilities of the Company may be allocated and which are invested in accordance with the investment objective applicable to such sub-fund and 'Funds' shall be interpreted accordingly;
'In Specie'	a purchase or sale of Shares that is satisfied not by cash but by the transfer of securities or assets;
'Instrument'	the Company's Instrument of Incorporation, as amended, constituting and governing the Company;
'Investment Adviser'	Premier Fund Managers Limited;
'member State'	a member state of the European Community and any other state which is within the European Economic Area;
'Net Asset Value'	the value of the scheme property of the Company (or of any Fund as the context requires) less the liabilities of the Company (or of the Fund as the context requires) as calculated in accordance with the Company's Instrument of Incorporation;
'OEIC Regulations'	The Open Ended Investment Companies Regulations 2001;
'scheme property'	the property of the Company required under COLL to be given for safe-keeping to the Depositary;
'Share' or 'Shares'	a share or shares in the Company (including larger denomination Shares and fractions);
'Shareholder'	a holder of registered or bearer Shares in the Company;
'Sterling'	Pounds Sterling of the United Kingdom;
'switch'	the exchange of Shares of one Class or Fund for Shares of another Class or Fund;
'UCITS Directive'	a Council Directive of 20 <sup>th</sup> December 1985 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (as amended from time to time);
'UCITS Scheme'	a fund authorised by the FSA which complies with the conditions necessary for it to enjoy the rights conferred by the UCITS Directive; and
'VAT'	value added tax as provided for in the UK's Value Added Tax Act 1994 and similar sales and turnover taxes in other jurisdictions.

**3 DETAILS OF THE COMPANY**

The Navigatio Fund is an investment company with variable capital incorporated in England and Wales under registered number IC000382 and authorised by the FSA with effect from 30<sup>th</sup> March 2005.

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

The Head Office is Eastgate Court, High Street, Guildford, Surrey GU1 3DE, which is the address in the United Kingdom for service on the Company of notices or other documents required or authorised to be served on it.

Base Currency - The base currency of the Company is Sterling.

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

Operation of the Company is governed by the OEIC Regulations, COLL, the Company's Instrument and this Prospectus.

## 4 THE STRUCTURE OF THE COMPANY

### 4.1 THE FUNDS

The Company is a UCITS Scheme which complies with COLL and is structured as an umbrella Company so that different Funds may be established from time to time by the ACD with the approval of the FSA and the agreement of the Depositary. The Company currently has two Funds, details of which are set out below.

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

Each Fund would be a UCITS Scheme if it were a stand-alone fund directly authorised by the FSA.

The assets of each Fund will be treated as separate from those of the other Funds and will be invested in accordance with the investment objective and investment policy applicable to that Fund. Details of the Funds, including their investment objectives and policies are contained on page 8-9.

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

Creditors of the Company may nevertheless look to all the assets of the Company for payment regardless of the Funds in respect of which that creditor's debt has arisen. Assets may be reallocated to and from other Funds if it is necessary to do so to satisfy any creditor proceeding against the Company. This is generally referred to as "contagion". In the event that any assets are so reallocated, the ACD will advise Shareholders in the next succeeding annual or half yearly report to Shareholders.

Each Fund will be charged with the liabilities, expenses, costs and charges of the Company attributable to that Fund and within the Fund charges will be allocated between Classes in accordance with the terms of the issue of such Shares or such Classes. Any assets, liabilities, expenses, costs or charges not attributable to a particular Fund may be allocated by the ACD in a manner which is fair to the Shareholders generally but they will normally be allocated to all Funds pro-rata to the value of the net assets of the relevant Funds. The Company does not intend to acquire immovable or tangible moveable property.

Subject to the terms set out in this Prospectus, holders of shares in the Fund are entitled to receive the net income derived from the Fund and to redeem their shares at a price linked to the value of the property of the Fund. Shareholders do not have any proprietary interest in the underlying assets of the Fund.

#### ISAs

**It is intended that all Funds will satisfy the eligibility requirements to be qualifying investments for a stocks and shares component of an ISA.**

### 4.2 SHARES

The classes of Shares which the Company, in accordance with the Instrument, is permitted to issue in respect of each of the Funds, and the classes of Shares which are currently available are set out in Appendix 2.

Further Share classes may be established in accordance with the Company's Instrument. The Company is permitted to issue bearer shares but there are no present plans to do so.

Each Share (accumulation and income Shares) are deemed to represent one undivided unit of entitlement in the property of a Fund. Subject to the terms set out in this Prospectus, holders of Shares in a Fund are entitled to receive the net income derived from the Fund and to redeem their Shares at a price linked to the value of the property of the Fund. Shareholders do not have any proprietary interest in the underlying assets of the Fund.

Holders of Net Income Shares are entitled to be paid the income attributed to such Shares on the relevant interim and annual allocation dates. In the case of Accumulation Shares, net income is not distributed but retained and accumulated for the benefit of Shareholders and this is reflected in the price of such Shares.

Each Class of Share may attract different charges and expenses and so monies may be deducted from Classes in unequal proportions. These are set out in Appendix 3. In these circumstances the proportionate interests of the Classes within a Fund will be adjusted accordingly.

Shareholders are entitled (subject to certain restrictions) to switch all or part of their Shares in a Class or a Fund for Shares in another Class within the same Fund or for Shares of the same or another Class within a different Fund. Details of this switching facility and the restrictions are set out on page 111.

The Company offers a regular savings facility in relation to all Funds. Details are set out in Appendix 2 and section 7.3.

### 4.3 INVESTMENT OBJECTIVES, POLICIES AND OTHER DETAILS OF THE FUNDS

Investment of the assets of each of the Funds must comply with COLL and the investment objective and policy of the relevant Fund. Details of these investment objectives and policies are set out below.

Derivatives may be used by each of the Funds for investment purposes and for the purposes of efficient portfolio management (including hedging). **This may mean that the net asset value of a particular Fund could be subject to volatility from time to time however, it is the ACD's intention that the Funds, owing to the portfolio composition or the portfolio management techniques used, will not have volatility over and above the general market volatility of the relevant markets or their underlying investments and therefore it is not anticipated that the use of derivative techniques will alter or change the risk profile of the relevant Funds.**

The eligible securities markets and eligible derivatives markets on which the Funds may invest are set out in Appendix 1. A summary of the investment and borrowing restrictions which apply to the Funds is set out in Appendix 4.

#### Concentration

The FSA's rules in COLL state that the Company must not at any time hold:

- (a) more than 10% of the transferable securities (other than debt securities) issued by a body corporate which do not carry rights to vote on any matter at a general meeting of that body;
- (b) more than 10% of the debt securities issued by one issuer;
- (c) more than 25% of the units in a collective investment scheme;
- (d) more than 10% of the money market instrument issued by a single body.

However the Company need not comply with the limits in (b) to (d) if, at the time of acquisition, the net amount in issue of the relevant investment cannot be calculated.

**Significant Influence**

The Company may only acquire transferable securities issued by a body corporate carrying rights to vote at a general meeting of that body provided that before the acquisition the aggregate number of such securities held by the Company does not allow it to exercise 20% or more of the votes cast at a general meeting of that body and the acquisition will not give the Company such power.

**Typical investor**

A typical investor in the Company will understand and appreciate the risks involved in investing in Shares of any of the Funds and the associated risks which are set out on page 23. A typical investor in any of the Funds will either be an institutional investor or a retail investor who will have received advice from an authorised Financial Adviser.

Historical performance data for each Fund is set out in the details of the relevant Funds on pages 8 to 9 and has been calculated in accordance with the FSA's Conduct of Business Sourcebook.

**5 NAVIGATIO EURO BALANCED FUND****5.1 INVESTMENT OBJECTIVE**

To provide long-term capital growth from a portfolio of European investments.

**5.2 INVESTMENT POLICY**

The Fund will achieve this by investing in units in collective investment schemes, and may also invest in equities, fixed interest securities, money market instruments and warrants.

It is intended that the assets of the Fund will be managed such that it is eligible for quotation within the Investment Management Association's Balanced Managed Sector.

Subject to the above, the Fund may invest in any asset class and adopt any investment technique or strategy permitted under the rules in COLL as such rules are applied to UCITS Schemes and in accordance with the investment and borrowing powers applicable to UCITS Schemes as summarised in Appendix 4 to this Prospectus. The Fund may invest in derivatives and forward transactions for investment purposes as well as for the purposes of efficient portfolio management (including hedging).

**5.3 LAUNCH DATE**

20<sup>th</sup> April 2007

**5.4 CLASSES OF SHARE AVAILABLE**

- Net Euro Accumulation Shares
- Net Sterling Accumulation Shares

**5.5 HISTORICAL PERFORMANCE DATA**

March 2011 – March 2012	March 2010 – March 2011	March 2009 – March 2010	March 2008 – March 2009	March 2007 – March 2008
-6.15%	4.67%	41.99%	-23.04%	-

Notes:

Source: Financial Express Analytics, total return, bid to bid, data to 31<sup>st</sup> March 2012, taken on 3<sup>rd</sup> April 2012.

The data above allows for net distributions having been reinvested.

Past performance should not be seen as an indication of future performance.

As this fund was launched on 4<sup>th</sup> April 2007, no historical performance data is available prior to this data.

On 26<sup>th</sup> August 2008, the investment policy of the Fund was amended to the above policy with the approval of a resolution of Shareholders who, at the time, had shares in the Fund.

**6 NAVIGATIO EURO CONSERVATIVE FUND****6.1 INVESTMENT OBJECTIVE**

To provide long term capital growth from a portfolio of global investments.

**6.2 INVESTMENT POLICY**

The Fund will achieve this by investing in units in collective investment schemes and may also invest in equities, fixed interest securities, money market instruments and warrants.

Whilst the Fund will invest on a global basis in accordance with its investment objective, investors should note that the Fund will be denominated in Euros.

Subject to the above, the Fund may invest in any asset class and adopt any investment technique or strategy permitted under the rules in COLL as such rules are applied to UCITS Schemes and in accordance with the investment and borrowing powers applicable to UCITS Schemes as summarised in Appendix 4 to this Prospectus. The Fund may invest in derivatives and forward transactions for investment purposes as well as for the purposes of efficient portfolio management (including hedging).

**6.3 LAUNCH DATE**

20<sup>th</sup> April 2007

**6.4 CLASSES OF SHARE AVAILABLE**

- Net Euro Accumulation Shares
- Net Sterling Accumulation Shares

**6.5 HISTORICAL PERFORMANCE DATA**

March 2011 – March 2012	March 2010 – March 2011	March 2009 – March 2010	March 2008 – March 2009	March 2007 – March 2008
-7.37%	4.47%	33.76%	-18.23%	-

**Notes:**

Source: Financial Express Analytics, total return, bid to bid, data to 31<sup>st</sup> March 2012, taken on 3<sup>rd</sup> April 2012.

The data above allows for net distributions having been reinvested.

Past performance should not be seen as an indication of future performance.

As this fund was launched on 4<sup>th</sup> April 2007, no historical performance data is available prior to this data.

On 26<sup>th</sup> August 2008, the investment policy of the Fund was amended to the above policy with the approval of a resolution of Shareholders who, at the time, had shares in the Fund.

## 7 BUYING AND SELLING

The dealing office of the ACD is open from 9.00 am until 5.30 pm on each Dealing Day to receive requests for the issue, redemption and switching of Shares.

### 7.1 BUYING SHARES

#### Procedure

Shares can be bought either by sending or faxing a completed application form to Premier Portfolio Managers Ltd, PO Box 3733, Royal Wootton Bassett, Swindon, SN4 4BG, by telephoning 0845 605 6363, by faxing 0207 643 3906 or by electronic means acceptable to the ACD (see 'Electronic Communications' below). Application forms may be obtained by calling 0845 605 6363.

Subject to its obligations under COLL, the ACD has the right to reject, on reasonable grounds relating to the circumstances of the applicant, any application for Shares in whole or part, and in this event the ACD will return any money sent, or the balance of such monies, at the right of the applicant.

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

Remittances should be in pounds Sterling in respect of the Sterling share classes, and in Euros in respect of the Euro share classes.

Other currencies will only be acceptable at the ACD's discretion.

### 7.2 DOCUMENTS THE PURCHASER WILL RECEIVE

A contract note giving details of the Shares purchased and the relevant price will be issued by the end of the business day following the later of receipt of the application to purchase Shares or the valuation point by reference to which the purchase price has been determined, together with, where appropriate, a notice of the applicant's right to cancel.

Settlement is due on receipt by the purchaser of the contract note.

Share certificates will not be issued in respect of Shares. Ownership of Shares will be evidenced by an entry on the Company's Register of Shareholders. Statements in respect of periodic distribution on Shares will show the number of Shares held by the recipient. 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 Company is permitted to issue bearer shares but there are no present plans to do so.

### 7.3 MINIMUM SUBSCRIPTIONS AND HOLDINGS

The minimum initial and subsequent investment requirements and the minimum holding requirements applicable to each of the Funds are set out in Appendix 2.

The ACD may at its discretion accept subscriptions lower than the amounts shown in Appendix 2. If a holding is below the minimum holding the ACD has discretion to require redemption of the entire holding.

Where a regular monthly savings facility is available in respect of the Funds this is shown in Appendix 2. The minimum initial monthly subscription for this facility is £100 per fund.

### 7.4 SELLING SHARES

Every shareholder has the right to require that the Company redeem his Shares on any Dealing Day unless the value of Shares which a Shareholder wishes to redeem will mean that the Shareholder will hold Shares with a value less than the required minimum, in which case the Shareholder may be required to redeem his entire holding.

Requests to redeem Shares may be made by telephoning 0845 605 6363, by faxing 0207 643 3906 or by electronic means acceptable to the ACD (see 'Electronic Communications' below). Requests can also be made in writing to Premier Portfolio Managers Limited at the above address.

### 7.5 DOCUMENTS THE SELLER WILL RECEIVE

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 business day following the later of the request to redeem Shares or the valuation point by reference to which the redemption price is determined. Cheques in satisfaction of the redemption monies will be issued within four business days of the later of (a) receipt by the ACD of the form of renunciation (or other sufficient written instructions) duly signed by all the relevant Shareholders and completed as to the appropriate number of Shares, together with any other appropriate evidence of title, and (b) the valuation point following receipt by the ACD of the request to redeem.

### 7.6 MINIMUM REDEMPTION

The applicable minimum redemption amounts and minimum holdings in respect of the Funds are set out in Appendix 2.

### 7.7 ELECTRONIC COMMUNICATIONS

The ACD will accept instructions to transfer, or for the renunciation of title to shares, on the basis of an authority communicated by electronic means and sent by the shareholder; or delivered on their behalf by a person that is authorised by the FSA or regulated in another jurisdiction by an equivalent supervisory authority, subject to:

- (a) Prior agreement between the ACD and the person making the communication as to:
  - 7.7.a.1. The electronic media by which such communications may be delivered; and
  - 7.7.a.2. How such communications will be identified as conveying the necessary authority; and
- (b) Assurance from any person who may give such authority on behalf of the investor that they will have obtained the required appointment in writing from the shareholder.

The ACD is also able to accept instructions via electronic messaging services such as Calastone and EMX. Further details are available from the ACD upon request.

## 8 SWITCHING

A holder of Shares in a Fund may at any time switch all or some of his Shares of one Class or Fund ('Original Shares') for Shares of another Class or Fund ('New Shares'). The number of New Shares issued will be determined by reference to the respective prices of New Shares and Original Shares at the valuation point applicable at the time the Original Shares are repurchased and the New Shares are issued. Switching may be effected either by telephoning 0845 605 6363, by faxing 0207 643 3906, by electronic means acceptable to the ACD (see 'Electronic Communications' above) or in writing 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). Switching forms may be obtained from the ACD.

The ACD may at its discretion charge a fee on the switching of Shares between Funds.

If the switch would result in the Shareholder holding a number of Original Shares or New Shares of a value which is less than the minimum holding in the Fund concerned, the ACD may, if it thinks fit, convert the whole of the applicant's holding of Original Shares to New Shares or refuse to effect any switch of the Original Shares. No switch will be made during any period when the right of Shareholders to require the redemption of their Shares is suspended. The general provisions on procedures relating to redemption will apply equally to a switch. A duly completed switching form must be received by the ACD before the valuation point on a Dealing Day in the Fund or Funds concerned to be dealt with at the prices at those valuation points on that Dealing Day, or at such other date as may be approved by the ACD. Switching requests received after a valuation point will be held over until the next day which is a Dealing Day in the relevant Fund or Funds.

The ACD may adjust the number of New Shares to be issued to reflect the imposition of any switching fee together with any other charges or levies in respect of the issue or sale of the New Shares or repurchase or cancellation of the Original Shares as may be permitted pursuant to COLL.

Please note that a switch of Shares in one Fund for Shares in any other Fund is normally treated as a redemption and sale and will, for persons subject to United Kingdom taxation normally be a realisation for the purposes of capital gains taxation. However, an exchange (switching) between classes of shares in the same fund is not usually treated as a redemption and sale and, as such, should not be liable for capital gains taxation.

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

## 9 CHARGES, FEES AND EXPENSES

### 9.1 INITIAL CHARGE

The ACD may impose a charge on the sale of Shares which is payable in addition to the share price and is taken from the gross subscription monies. The initial charge is payable to the ACD. The current initial charges applicable to the Funds are set out in Appendix 3.

The ACD may waive or discount the initial charge at its discretion. If at any time the current initial charge applicable to Shares of a Fund is increased, the ACD is required to give not less than 60 days' prior notice in writing to all shareholders making regular investments before such increase may take effect. The initial charge is exclusive of VAT which shall, if applicable, be payable in addition.

### 9.2 ANNUAL MANAGEMENT CHARGE

In payment for carrying out its duties and responsibilities the ACD is entitled to be paid an annual fee from the scheme property attributed to each Fund. The Annual Management Charge is accrued on the prior business day's Net Asset Value of the Fund (or, where more than one share class is available, on a class by class basis) calculated on a mid-market basis. This charge is accrued daily and payable on, or as soon as is practicable after, the last business day in that calendar month. The current rate of the Annual Management Charge is set out in Appendix 3.

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.

Where the investment objective of a Fund means that the generation of income is a higher priority than capital growth, or the generation of income and capital growth have equal priority, all or part of the ACD's and other fees may be charged against capital instead of against income. This will only apply with the approval of the Depositary. This treatment of fees will increase the amount of income available for distribution to Shareholders in such Funds but may constrain capital growth.

If a Class's expenses in any period exceed the income the ACD may take that excess from the capital property attributable to that Class. A deduction from the capital property of a Fund may constrain capital growth.

The ACD may not introduce a new category of remuneration for its services or increase the current rate or amount of its remuneration payable out of the scheme property of the Fund or the initial charge unless, not less than 60 days before the introduction or increase, the ACD gives notice in writing of the introduction or increase and the date of its commencement to all Shareholders and has revised and made available the Prospectus to reflect the introduction or new rate and the date of its commencement.

### 9.3 INVESTMENT ADVISER'S FEES

The Investment Advisers' fees and expenses (plus any VAT thereon) will be paid by the ACD out of its remuneration under the ACD Agreement (defined in section 15.2 below).

### 9.4 DEPOSITARY'S FEES, CHARGES AND EXPENSES

The Depositary receives for its own account a periodic fee which will accrue and is 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 as soon as practicable after it has accrued (and in any event within seven days after the day on which it accrues due). The fee is calculated by reference to the value of each Fund on the last business day of the preceding month except for the first accrual, which is calculated by reference to the first valuation point of each Fund. The fee is payable out of the property attributable to each Fund.

The rate of the periodic fee is agreed between the ACD and the Depositary and in relation to each Fund, and subject to a minimum fee of £15,000 per annum, is calculated on a sliding scale for each Fund on the following basis:

- 0.05% per annum of the first £50 million of the scheme property
- 0.04% per annum of the next £100 million of the scheme property
- 0.03% per annum of the balance.

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

Any material increase in the above rate may only be effected after 60 days' notice has been given to shareholders and the Prospectus has been revised to reflect the new current rate and date of its commencement.

The first accrual in relation to any Fund will take place in respect of the period beginning on the day on which the first valuation of that Fund is made and ending on the last business day on which that day falls.

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

Item	Range
Transaction charges	£7.50 to £200 per transaction
Custody charges	0.00% and 0.80%

These charges vary from country to country depending on the markets and the type of transaction involved. The transactions 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 its services in relation to distributions, the provision of banking services, holding money on deposit, lending money, or engaging in stock lending transactions, in relation to the Fund 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 COLL.

The Depositary will also be entitled to payment for the reimbursement of all costs, liabilities and expenses properly incurred in the performance of, or arranging the performance of, functions conferred on it by the Depositary Agreement, COLL, the OEIC regulations or by the general law.

On a winding up of the Company, the termination of a Fund or the redemption of a class of shares, the Depositary will be entitled to its pro rata fees, charges and expenses to the date of the commencement of the winding up or the redemption (as appropriate) and any additional expenses necessarily realised in settling or receiving any outstanding obligations. No compensation for loss of office is provided for in the agreement with the Depositary.

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

Expenses not directly attributable to a particular Fund will be allocated between Funds.

In such case such payments, expenses and disbursements may be payable to any person (including the ACD or an associate or nominee of the Depositary or of the ACD) who has the relevant duty delegated to it pursuant to COLL by the Depositary.

#### 9.5 ADMINISTRATOR'S AND REGISTRAR'S FEES

The Administrator's fees and expenses (plus VAT thereon) will be paid by the ACD out of its remuneration under the ACD Agreement, with the exception of those services detailed in 10.9, which the Company may pay out of the property of the Company. These will include but are not limited to:

Fund maintenance charge (includes the first 2 share classes per fund)	£3,000 per sub fund, per annum
Share class maintenance (fee for each additional share class (for 3 <sup>rd</sup> share class and above, per fund or sub fund)	£1,000 per annum
Investor account set up fee (all account types)	£15 per account
Investor account maintenance/servicing fee – Direct Investments	£15 per investor account, per annum
Investor account maintenance/servicing fee – ISA accounts	£15 per investor account, per annum
Investor account maintenance/servicing fee – withdrawal accounts	£30 per investor account, per annum
Investor transaction fee – automated transaction	£5 per transaction
Investor transaction fee – manual transaction	£12 per transaction
Special Deals (including: ISA plan transfers, Transfers In/Out, Deceased, Cancellations, Voids, Amendments, Stock Transfers, Re-registrations, In-specie transfers, Conversion and switching, 3 <sup>rd</sup> party transfers, Account closure)	£25 per transaction
Fund distribution fee	£1,500 per distribution, per fund
Management Accounts (provision of full account service)	£3,500 per fund, per annum
Contract note production	£0.75 per deal

The fees are payable to the Registrar out of the property of each Fund and are allocated to each share class based on the value of each share class as a proportion of the fund value. The Registrar's fees are payable monthly in arrears and are subject to annual review subject to the agreement of the ACD.

#### 9.6 ALLOCATION OF FEES AND EXPENSES BETWEEN FUNDS

All the above fees, duties and charges (other than those borne by the ACD) will be charged to the Fund in respect of which they were incurred but where an expense is not considered to be attributable to any one Fund, the expense will normally be allocated to all Funds pro-rata based upon the Net Asset Value of the Funds, although the ACD has discretion to allocate these fees and expense in a manner which it considers fair to shareholders generally.

#### 9.7 SWITCHING FEE

On the switching of Shares of a Fund to another Fund the Instrument of Incorporation authorises the Fund to impose a switching fee. The fee will not exceed an amount equal to the then prevailing initial charge for the Class into which Shares are being switched. The switching fee is payable to the ACD, however there is currently no switching fee. Any VAT on the switching fee will be payable in addition.

#### 9.8 REDEMPTION FEE

The Company's Instrument permits a redemption fee to be charged on the sale of Shares however currently no redemption fee is charged in respect of the Funds.

#### 9.9 GENERAL

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

- the fees and expenses payable to the ACD (which will include the fees and expenses payable to the Investment Adviser and to the Administrator) and to the Depositary;
- interest on and other charges relating to permitted borrowings;
- any costs incurred in acquiring and disposing of investments;
- taxation and other duties incurred in connection with the Company and the Funds;
- any costs incurred in amending the Instrument of Incorporation including the removal of obsolete provisions;
- the costs of convening and holding Shareholder meetings including for the avoidance of doubt, any costs incurred in respect of any other meeting of shareholders convened on a requisition by holders not including the ACD or an associate of the ACD;
- any audit fee and any proper expenses of the auditor;
- any fee and any proper expenses of any professional advisers retained by the Company or by the ACD in relation to the Company or any Fund;
- payments or costs in relation to the preparation of any simplified prospectus (either in respect of the Company or each Fund) or any successor equivalent document required by the Regulations;

- any costs of printing and distributing annual, half yearly and quarterly reports and any prospectus, including the costs incurred as a result of periodic updates of any prospectus, and other information provided for shareholders;
- any costs of listing the prices of the Funds in publication and information services selected by the ACD;
- any fees and expenses in respect of establishing and maintaining the register of shareholders and any sub-register of shareholders;
- any costs incurred in producing and despatching any payment made by the Company;
- any costs incurred in taking out and maintaining an insurance policy in relation to the Company;
- any costs incurred in monitoring the use of derivatives by the Funds;
- the periodic fees of the FSA 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;
- 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;
- any other administrative expenses including: broker's commissions, fiscal charges and other disbursements which are necessarily incurred in effecting transactions for the Funds and normally shown on contract notes, confirmation notes and difference accounts as appropriate;
- administrative costs include 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;
- 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;
- any expense incurred with respect to the publication and circulation of details of the Net Asset Value of the Funds;
- any amount payable to the Company under any indemnity provisions provided for in the Instrument of Incorporation or any agreement to which the Company is party;
- any expense incurred in relation to the restructuring of the Company and/or its sub-funds and the associated changes to the Company's constitutional documentation including by way of clarification the costs of authorising new Funds of the Company after its initial establishment.

Where applicable 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.

Expenses not directly attributable to a particular Fund will be allocated proportionately between all Funds.

It is not currently proposed to seek a listing for the Shares on any stock exchange, but if a listing is sought in the future the fees connected with the listing will be payable by the Company. Expenses are allocated to income with the exception of custody transaction charges which are allocated to capital. Where such charges are allocated to capital, this may result in capital erosion.

## 10 OTHER DEALING INFORMATION

### 10.1 DILUTION LEVY AND LARGE DEALS

The basis on which the Company's investments are valued for the purpose of calculating the price of Shares as stipulated in the COLL and the Instrument of Incorporation is summarised on pages 17 to 18. The actual cash flows from purchasing or selling the Company's investments may be higher or lower than the mid-market value used in calculating the Share price - for example, due to dealing charges, or through dealing at prices other than the mid-market price. Under certain circumstances (for example, large volumes of deals) this may have an adverse effect on the Shareholders' interest in the Company. In order to prevent this effect, called 'dilution', the ACD has the power to charge a 'dilution levy' on the sale and/or redemption of Shares. A dilution levy is a separate charge of such amount or rate as is determined by the ACD. The level of the dilution is not fixed and may change from time to time to reflect the underlying market conditions and the composition of the portfolio. Appendix 5 details the dilution levy rate for each sub fund as at 31<sup>st</sup> March 2012. If charged, the dilution levy is not retained by the ACD but will be paid into the relevant Fund and will become part of the property of the relevant Fund. Although unlikely, on the occasions when the dilution levy is not applied there may be an adverse impact on the total assets of the relevant Fund. The dilution levy will be calculated by reference to the costs of dealing in the underlying investments of the Fund, including any dealing spreads, commission and transfer taxes. As dilution levy is directly related to the inflows and outflows of monies to and from the Fund, it is not possible to accurately predict how frequently the ACD will need to make such a dilution levy. However, for illustrative purposes, Appendix 5 also provides details on the frequency with which dilution levies were applied to each Fund for the year ending 31 December 2011.

The need to charge a dilution levy will depend on the volume of sales or redemptions. The ACD may charge a discretionary dilution levy on the sale and redemption of Shares if, in its opinion, the existing Shareholders (for sales) or remaining Shareholders (for redemption) might otherwise be adversely affected. In particular, the dilution levy may be charged in the following circumstances -

- (a) where a Fund is in continual decline;
- (b) on a Fund experiencing large levels of net sales relative to its size;
- (c) on 'large deals'. For these purposes, a large deal is defined as 1% of the size of the Fund;
- (d) in any other case where the ACD is of the opinion that the interests of Shareholders require the imposition of a dilution levy.

The ACD will charge no dilution levy on the purchase of shares for any new fund or sub-fund within the first twelve months of its launch. In addition, the ACD will charge no dilution levy on purchase of Shares in any funds where the value of Shares purchased is less than £500,000.

Any VAT on the dilution levy will be payable in addition.

### 10.2 SDRT PROVISION

This section is based on current law and HM Revenue & Customs' practice which may change.

A 0.5% Stamp Duty Reserve Tax ("SDRT") arises on the value of Shares redeemed by the ACD and on certain other transfers of Shares (such as redemptions and transfers are known as "surrenders"). For umbrella schemes such as the Company, SDRT is calculated on a Fund by Fund basis because each Fund is treated as a separate scheme for these purposes. The liability for SDRT is calculated each week by reference to surrenders in a prescribed two week period for the Fund in question.

This basic charge may be reduced if more Shares are surrendered than issued over the relevant period for the Fund in question or if the Fund is invested in certain exempt assets, being, broadly, any assets other than UK equities. When there are no issues or no surrenders of Shares in a Fund during the relevant period or when the Fund is invested wholly in exempt investments during that period, there is no liability to SDRT.

The ACD is primarily liable for the payment of the SDRT but to recover that liability the ACD may either charge a levy on Share purchases and Share redemptions or transfers (which would have the effect of increasing the amount payable on the purchase of Shares or reducing the amount receivable on the redemption of Shares) or charge the SDRT against the assets of the Fund (which would increase the expenses incurred by the Fund and would in turn affect the calculation of the price of the Shares in that Fund).

It is the current intention of the ACD that any SDRT liability it has shall be charged against the assets of the Fund in question. The ACD may in the future introduce a levy on individual Share redemptions or transfers to provide for any SDRT liability. Shareholders will be given 60 days' prior notice of such an introduction. However, the ACD reserves the right to charge any individual shareholder an SDRT provision of up to 0.5% on a Share redemption or transfer that constitutes a 'large deal'. A 'large deal' has the same meaning as in Section 10.1 above, (**Dilution Levy and Large Deals**).

An SDRT charge will be of such amount or at such rate as is determined by the ACD to be necessary to provide for SDRT for which the ACD may become liable under Schedule 19 of the Finance Act 1999 (or any statutory modification or re-enactment of it) in respect of a redemption or transfer of Shares.

In the case of a large deal, the Company may refuse to register a transfer of Shares unless there has been paid for the account of the Company an amount, determined by the ACD, not exceeding the amount that would be derived by applying the applicable rate of SDRT to the market value of the Shares being transferred.

Exchanging (or "switching") Shares in one Fund for Shares in another Fund will be treated as a surrender for SDRT purposes. Therefore such switches would give rise to an SDRT charge. However HM Revenue and Customs have stated that switching between income units and accumulation units in the same Fund should not be treated as a surrender, and on that basis should not give rise to an SDRT charge.

### 10.3 MONEY LAUNDERING

As a result of legislation in force in the United Kingdom to prevent money laundering and financial crime (Proceeds of Crime Act 2002, Money Laundering Regulations 2007 and relevant guidance notes), the ACD in conducting investment business is responsible for compliance with money laundering regulations. In order to implement these procedures, in certain circumstances investors and transferees may be asked to provide proof of their identity, date of birth and residency when buying, transferring or selling shares. We may use electronic checking systems to verify the above, including credit agencies which may keep a record of this information; this will not affect your credit rating and is used only to verify an investor's identity.

Until satisfactory proof of identity is provided, the ACD reserves the right to refrain from registering an investor's interest in shares, or sell shares. The ACD will not be liable for any share price movements occurring during delays while money laundering checks are carried out. Any information provided will be held and processed by us as data controller for the purposes of the Data Protection Act 1998.

### 10.4 RESTRICTIONS AND COMPULSORY TRANSFER AND REDEMPTION

The ACD may from time to time impose such restrictions as it may think necessary for the purpose of ensuring that no Shares are acquired or held by any person in breach of the law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory. In this connection, the ACD may, inter alia, reject in its discretion any application for the purchase, sale or switching of Shares.

If it comes to the notice of the ACD that any Shares ('affected Shares') are owned directly or beneficially in breach of any law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory or by virtue of which the Shareholder or Shareholders in question is/are not qualified to hold such Shares or if it reasonably believes this to be the case, the ACD may give notice to the holder(s) of the affected Shares requiring the transfer of such Shares to a person who is qualified or entitled to own them or that a request in writing be given for the repurchase of such Shares in accordance with COLL. If any person upon whom such a notice is served does not within thirty days after the date of such notice transfer his affected Shares to a person qualified to own them or establish to the satisfaction of the ACD (whose judgement is final and binding) that he or the beneficial owner is qualified and entitled to own the affected Shares, he shall be deemed upon the expiration of that thirty day period to have given a request in writing for the redemption of all the affected Shares pursuant to COLL.

A person who becomes aware that he is holding or owns affected Shares in breach of any law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory, or by virtue of which he is not qualified to hold such affected Shares, shall forthwith, unless he has already received a notice as aforesaid, either transfer all his affected Shares to a person qualified to own them or give a request in writing for the redemption of all his affected Shares pursuant to COLL.

#### **10.5 '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 Fund concerned, 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 cancellation/redemption than to the continuing Shareholders.

#### **10.6 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 any Fund in exchange for assets the holding of which would be inconsistent with the investment objective of that Fund.

#### **10.7 SUSPENSION OF DEALINGS IN THE COMPANY**

The ACD may, with the agreement of the Depositary, or must if the Depositary so requires, for a period of up to 28 days suspend the issue, cancellation, sale and redemption of Shares if the ACD or the Depositary is of the opinion that due to exceptional circumstances there is good and sufficient reason to do so having regard to the interests of Shareholders or potential Shareholders.

Re-calculation of the Share price for the purpose of sales and purchases will commence on the next relevant valuation point following the ending of the suspension.

#### **10.8 THE ACD DEALING AS PRINCIPAL**

Where the ACD deals as principal in the Shares of the Company, any profits or losses arising from such transactions shall accrue to the ACD and not to the relevant Fund of the Company.

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

#### **10.9 GOVERNING LAW**

All deals in Shares are governed by English law. The Company is constituted and subject to English law.

**11 VALUATION OF THE COMPANY**

Each Share linked to a Fund represents a proportional share of the overall property attributable to that Fund. Broadly, the price of a Share is calculated by reference to the Net Asset Value of the Fund to which it relates and dividing that value (or that part of that value attributed to shares of the class in question) by the number of Shares (of that class) in issue. Valuations of Shares are currently calculated at noon on each Dealing Day.

The ACD may at any time during a business day carry out an additional valuation if the ACD considers it desirable to do so. The ACD is required to notify the Depositary if it carries out an additional valuation. Valuations will not be made during a period of suspension (see "**Suspension of Dealings in the Company**" above).

## 12 CALCULATION OF THE NET ASSET VALUE

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

- All the scheme property (including receivables) of the Company for a Fund is to be included, subject to the following provisions.
- Property which is not cash (or other asset dealt with 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:
  - o units or shares in a collective investment scheme -
    - if a single price for buying and selling units is quoted, at the most recent quoted price; or
    - if separate buying or selling prices are quoted, at the average of the two prices provided the buying price has been reduced by any initial charge included therein and the selling price has been increased by any exit or redemption charge attributable thereto; or
    - where applicable the fair value price (see below).
  - o exchange-traded derivative contracts -
    - if a single price for buying and selling the exchange-traded derivative contract is quoted, at that price; or
    - if separate buying and selling prices are quoted, at the average of the two prices.
  - o over-the-counter derivative contracts shall be valued in accordance with the method of valuation as shall have been agreed between the ACD and the Depositary.
  - o any other investment -
    - if a single price for buying and selling the security is quoted at that price; or
    - if separate buying and selling prices are quoted, the average of those two prices; or
    - where applicable the fair value price of the security (see below).
  - o property other than that described above
    - at a value which, in the opinion of the ACD, represents a fair and reasonable mid-market price.
- Cash and amounts held in current, deposit accounts and margin accounts and other time-related deposits shall be valued at their nominal values.
- In determining the value of the scheme property, all instructions given to issue or cancel Shares shall be assumed (unless the contrary is shown) to have been carried out and any cash paid or received and all consequential action required by the Regulations or this Instrument of Incorporation shall be assumed (unless the contrary has been shown) to have been taken.
- Subject to the two paragraphs 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 will not materially affect the final net asset amount.
- Futures or contracts for differences which are not yet due to be performed and unexpired and unexercised written or purchased options shall not be included under the paragraph above.
- All agreements are to be included under the second paragraph above 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.
- 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 will be deducted.
- 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 will be deducted.
- The principal amount of any outstanding borrowings whenever repayable and any accrued but unpaid interest on borrowings will be deducted.
- An estimated amount for accrued claims for tax of whatever nature which may be recoverable will be added.
- Any other credits or amounts due to be paid into the scheme property will be added.
- 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 will be added.
- The total amount of any cost relating to the authorisation and incorporation of the Company and of its initial offer or issue of Shares will be deducted.
- Currencies or values in currencies other than base currency or (as the case may be) the designated currency of a Fund 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.
- The Company is required to allocate (and the ACD may from time to time reallocate) any assets, costs, charges or expenses which are not attributable to a particular Fund against all the Funds in a manner which is fair to the shareholders of the Company generally.

**Valuations – general points**

For the above purposes, instructions given to issue or cancel shares are assumed to have been carried out (and any cash paid or received) and uncompleted arrangements for the unconditional sale or purchase of property are (with certain exceptions) assumed to have been completed and all consequential action taken.

The Funds have credited to them the proceeds of all Shares attributed to them, together with the assets in which such proceeds are invested or reinvested and all income, earnings, profits, or assets deriving from such investments. All liabilities and expenses attributable to a Fund are charged to the relevant Fund.

**Fair Value Pricing**

Where the ACD has reasonable grounds to believe that no reliable price exists for a security at a valuation point or the most recent price available does not reflect the ACD's best estimate of the value of a security at the valuation point it should value an investment at a price which, in its opinion, reflects a fair and reasonable price for that investment (the fair value price).

The circumstances which may give rise to a fair value price being used include no recent trade in the security concerned or the occurrence of a significant event since the most recent closure of the market where the price of the security is taken. In the latter, a significant event is one that means the most recent price of a security or a basket of securities is materially different to the price that it is reasonably believed would exist at the valuation point had the relevant market been open.

In determining whether to use such a fair value price, the ACD will include in its consideration, the type of authorised fund concerned, the securities involved, the basis and reliability of the alternative price used and the ACD's policy on the valuation of scheme property as disclosed in this prospectus.

## **13 SHARE PRICE**

### **13.1 PRICE PER SHARE IN EACH FUND AND EACH CLASS**

Shares in the Company are "single priced". This means that subject to the dilution levy or any SDRT levy and the initial charge, the price of a Share for both buying and selling purposes will be the same and determined by reference to a particular valuation point. The price of a Share is calculated at or about the valuation point each Dealing Day (to at least four significant figures) by:

- taking the value of the property attributable to the relevant Fund and therefore all Shares (of the relevant class) in issue (on the basis of the units of entitlement in the property of the Company attributable to that class at the most recent valuation of the Company); and
- dividing the result by the number of Shares of the relevant class in issue immediately before the valuation concerned.

Sterling class shares will be priced in Sterling and Euro class shares will be priced in Euros.

### **13.2 PRICING BASIS**

The Company deals on a forward pricing basis. A forward price is the price calculated at the next valuation point (noon) after the sale or redemption is agreed.

### **13.3 PUBLICATION OF PRICES**

The most recent Share prices are available at [www.premierfunds.co.uk](http://www.premierfunds.co.uk); [www.investmentuk.org](http://www.investmentuk.org) or by calling 0845 605 6363. For reasons beyond the control of the ACD, prices quoted on external websites and publications may not necessarily be the current share price.

## 14 RISK FACTORS

Potential investors should bear in mind that all investment carries risk and in particular should consider the following risk factors before investing in the Company.

### 14.1 GENERAL RISK FACTORS

Past performance should not be seen as 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 in all Funds 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 can be no assurance that any appreciation in value of investments will occur. The value of investments and the income derived from them may fall as well as rise and investors may not recoup the original amount invested in the Company. There is no assurance that the investment objective of any Fund will actually be achieved.

The Funds are not "ring-fenced" and in the event of the Company being unable to meet liabilities attributable to any particular Fund out of the assets attributable to such Fund, the excess liabilities may have to be met out of the assets attributable to other Funds.

The levels of taxation and relief from taxation will depend upon individual circumstances. Please note current tax levels and reliefs may change and their value will depend on the investor's individual circumstances.

There will be a variation in the performance between Funds with similar objectives due to the different assets selected. The degree of the investment risk depends on the risk profile of the Fund in question. Funds aiming for a relatively high performance can incur greater risk than those adopting a more standard investment approach.

### 14.2 EFFECT OF INITIAL CHARGE

The Authorised Corporate Director's initial charge (see page 12) is deducted from an investment at the outset and an equivalent rise in the value of shares is required before the original investment can be recovered. Consequently an investor who realises his shares after a short period may not (even in the absence of a fall in the value of the relevant investments) realise the amount originally invested. Therefore, the Shares should be viewed as a mid to long term investment.

### 14.3 CHARGES TO CAPITAL

Where the objective of a Fund is to treat the generation of income as a higher priority than capital growth, or the generation of income and capital growth have equal priority, all or part of the ACD's fee (and any other charges) may be charged against capital instead of income. This may result in capital erosion or constrain capital growth.

Currently, there are no Funds which charge to capital; both Funds deduct charges from income.

### 14.4 DERIVATIVES

Derivatives may be used by each of the Funds for investment purposes and for the purposes of efficient portfolio management (including hedging). **This may mean that the net asset value of a particular Fund could be subject to volatility from time to time however, it is the ACD's intention that the Funds, owing to the portfolio composition or the portfolio management techniques used, will not have volatility over and above the general market volatility of the relevant markets or their underlying investments and therefore it is not anticipated that the use of derivative techniques will alter or change the risk profile of the relevant Funds.**

The Funds may invest in derivatives and forward transactions for hedging purposes to reduce or eliminate risk arising from fluctuations in interest or exchange rates and in the price of investments, the Investment Adviser may enter into certain derivatives transactions, including, without limitation, forward transactions, futures and options. The values of these investments may fluctuate significantly. By holding these types of investments there is a risk of capital depreciation in relation to certain Fund assets. There is also the potential for the capital appreciation of such assets.

Efficient portfolio management enables the Funds to invest in derivatives and forward transactions (including futures and options) in accordance with COLL using techniques which relate to transferable securities and approved money market instruments (as defined in COLL) and which fulfil the following criteria:

- (a) they are economically appropriate in that they are realised in a cost effective way;
- (b) they are entered into for one or more of the following specific aims;
  - (i) reduction of risk;
  - (ii) reduction of cost;
  - (iii) generation of additional capital or income for the Funds with a risk level which is consistent with the risk profile of the relevant Fund and the risk diversification rules in COLL (as summarised in Appendix 4).

### 14.5 STRUCTURED PRODUCTS

The Funds may invest in structured products in accordance with COLL. For the purposes of the FSA's rules structured products may be regarded as either transferable securities, collective investment schemes or derivatives depending on the product in question. The common feature of these products is that they are designed to combine the potential upside of market performance with limited downside. Structured products typically are investments which are linked to the performance of one or more underlying instruments or assets such as market prices, rates, indices, securities, currencies and commodities and other financial instruments that may introduce significant risk that may affect the performance of the Funds.

However, in addition to providing exposure to the asset classes described in the investment objective, the intention is that the use of structured products in the context of the Funds should assist with keeping the volatility levels of the Funds relatively low.

### 14.6 FIXED INTEREST SECURITIES

Fixed interest securities (such as bonds) are particularly affected by trends in interest rates and inflation. If interest rates go up, the value of capital may fall, and vice versa. The value of a fixed interest security may fall in the event of a default or reduced credit rating of the issuer.

#### 14.7 SUSPENSION OF DEALINGS IN SHARES

Investors are reminded that in certain circumstances their right to redeem Shares may be suspended (see 'Suspension of Dealings in the Company' on page 16).

#### 14.8 CURRENCY EXCHANGE RATES

Depending on an investor's currency of reference, currency fluctuations may adversely affect the value of an investment.

#### 14.9 EMERGING MARKETS

Where Funds invest in some overseas markets, these investments may carry risks associated with failed or delayed settlement of market transactions and with the registration and custody of securities. Investment in emerging markets may involve a higher than average risk.

Investors should consider whether or not investment in such Funds is either suitable for or should constitute a substantial part of an investors portfolios. Appendix 1 sets out the eligible markets in respect of the Funds.

Companies purchased in emerging markets:

- (a) may not be subject to accounting, auditing and financial reporting standards, practices in disclosure requirements comparable to those applicable to companies in major markets;
- (b) may not be subject to the same level of government supervision and regulation of stock exchanges as countries with more advanced securities markets. Accordingly, certain emerging markets may not afford the same level of investor protection as would apply in more developed jurisdictions;
- (c) may have restrictions on foreign investment in emerging markets may preclude investment in certain securities by certain Funds and, as a result, emit investment opportunities for the Funds. Substantial government involvement in, and influence on, the economy may affect the value of securities in certain emerging markets;
- (d) the reliability of trading and settlement systems in some emerging markets may not be equal to that available in more developed markets, which may result in delays in realising investment; and
- (e) lack of liquidity and efficiency in certain of the stock markets or foreign exchange markets in certain emerging markets may mean that from time to time ACD may experience more difficulty in purchasing or selling holdings of securities than it would in a more developed market.

#### 14.10 LIABILITIES OF THE COMPANY

Although each Fund so far as possible will be treated as bearing the liabilities, expenses, costs and charges attributable to it, if its assets are not sufficient, the ACD may reallocate assets, liabilities, expenses, costs and charges between the Funds in a manner which is fair to the shareholders of the Company generally. The ACD would normally expect any such reallocation to be effected on a pro rata basis having regard to the net asset values of the relevant Funds. If there is any such reallocation the ACD will advise shareholders of it in the next succeeding annual or half yearly report to shareholders.

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

## 15 MANAGEMENT AND ADMINISTRATION

### 15.1 AUTHORISED CORPORATE DIRECTOR

The ACD of the Company is Premier Portfolio Managers Limited, which is a private company limited by shares incorporated in England and Wales No.1235867 under the Companies Act 1948 to 1967 on 1<sup>st</sup> December 1975.

The ACD's Registered and Head Office is Eastgate Court, High Street, Guildford, Surrey GU1 3DE. This is the address at which notices or other documents may be served on the Company. The amount of the ACD's issued and fully paid share capital is £125,000.

The ACD is a wholly owned subsidiary of Premier Asset Management Limited, which is incorporated in England and Wales. Premier Portfolio Managers Limited is also the ACD of the following ICVCs and is Manager of the Premier UK Money Market Fund, a unit trust scheme.

- Premier Funds
- Premier Multi-Asset Funds
- Premier Multi-Asset Funds 2
- Premier Growth Funds
- Premier Income Funds
- Premier Castlefield Funds
- The PPM Sanlam Fund (*NB known as The Snowdonia Fund to 11<sup>th</sup> July 2011*)
- The Liberation Fund
- The Sentinel Fund
- The Compass Fund
- The Nevis Fund
- The Berkshire Fund
- The Pennine Fund
- The Parallel Fund
- The Piccadilly UK Commercial Property Income Fund

The ACD is authorised and regulated by the Financial Services Authority of 25 The North Colonnade, Canary Wharf, London E14 5HS. The ACD is responsible for managing and administering the Company's affairs in compliance with COLL.

The ACD may provide investment services to other clients and funds and to companies in which the Company may invest in accordance with COLL and the OEIC Regulations.

The directors of Premier Portfolio Managers Limited are:-

- Neil Macpherson
- Mark Friend
- Michael O'Shea
- Simon Weldon
- Michael Hammond

### 15.2 TERMS OF APPOINTMENT

The ACD provides its services to the Company under the terms of a service agreement (the "ACD Agreement"). The ACD Agreement provides that the appointment of the ACD is for an initial period of three years and thereafter may be terminated upon 12 months' written notice by either the ACD or the Company, although in certain circumstances the agreement may be terminated forthwith by notice in writing by the ACD to the Company or the Depositary, or by the Depositary or the Company to the ACD. Termination cannot take effect until the FSA has approved the change of ACD.

The ACD is entitled to its pro rata fees and expenses to the date of termination and any additional expenses necessarily realised in settling compensation for loss of office is provided for in the agreement. The ACD Agreement provides indemnities to the ACD other than for matters arising by reason of its negligence, default, breach of duty or breach of trust in the performance of its duties and obligations.

Under the ACD Agreement the ACD is entitled to delegate all of its functions to third parties, including without limitation, its investment advisory, administration and registrar functions. In accordance with COLL, the ACD may terminate these arrangements at any time with immediate effect where it is in the interest of the shareholders to do so.

The ACD is under no obligation to account to the Depositary or the Shareholders for any profit it makes on the issue or re-issue of Shares or cancellation of Shares which it has redeemed. The fees to which the ACD is entitled are set out on page 12.

### 15.3 THE DEPOSITARY

The Company's Depositary is National Westminster Bank plc. The Depositary was incorporated in England & Wales as a public limited company on 18 March 1968. Its Registered and Head Office is 135 Bishopsgate, London, EC2M 3UR. The principal business of the Depositary is banking. The Depositary is authorised and regulated by the Financial Services Authority.

The ultimate holding company of the Depositary is The Royal Bank of Scotland Group plc, which is incorporated in Scotland.

The Depositary is responsible for the safekeeping of all the scheme property of the Company and has a duty to take reasonable care to ensure that the Company is managed in accordance with the provisions of COLL relating to the pricing of, and dealing in, Shares and relating to the income of the Funds.

The Depositary provides its services under the terms of a depositary agreement between the Company and the Depositary (the 'Depositary Agreement') which may be terminated by three months' notice given by either the Company or the Depositary, provided that the Depositary may not voluntarily retire except on the appointment of a new Depositary. Subject to COLL, the Depositary has full power under the Depositary Agreement to delegate (and authorise its sub-delegates to sub-delegate) all or any part of its duties as Depositary. The Depositary is entitled to the fees, charges and expenses detailed under "Depositary's Fees, Charges and Expenses" at 10.4. In general terms, the Depositary Agreement provides for the exemption of the Depositary from liability to the Company and for the indemnification of the Depositary by the Company in each case in respect of liabilities incurred as a consequence of its acting as Depositary except (in either case) any liability in respect of any failure by the Depositary to exercise due care and diligence in the discharge of its functions in respect of the Company or where necessary from another person.

The Depositary has delegated custody services to The Northern Trust Company.

#### **15.4 THE INVESTMENT ADVISER**

The ACD has appointed Premier Fund Managers Limited to provide investment management and advisory services to the ACD in respect of the Funds.

#### **15.5 TERMS OF APPOINTMENT**

The investment advisory agreement between the ACD and the Investment Adviser may be terminated on written notice by the Investment Adviser or the ACD upon 6 months' notice, after an initial period of 2 years. Under the Investment Advisory Agreement the ACD provides indemnities to the Investment Adviser (except in the case of any matter arising as a direct result of its fraud, negligence, default or bad faith). The ACD may be entitled under the indemnities in the ACD Agreement to recover from the Company amounts paid by the ACD under the indemnities in the Investment Adviser Agreement.

Premier Fund Managers Limited is in the same group of companies as the ACD. Its registered office is also at Eastgate Court, High Street, Guildford, Surrey GU1 3DE. The principal activity of Premier Fund Managers Limited is acting as an investment manager and adviser.

The Investment Adviser is authorised and regulated by the FSA. The Investment Adviser's duties under the Investment Adviser Agreement include making recommendations and advising the ACD on matters of policy (including advice on borrowing); searching out and evaluating investment opportunities; analysing the performance of companies in which assets have been invested; considering and effecting the purchase or sale of particular assets and payments into and withdrawals from accounts maintained by the Depositary; and ensuring that assets are managed in compliance with all applicable laws and regulations.

The ACD has delegated to the Investment Adviser all rights and powers as are necessary for the discharge by the Investment Adviser of its duties under the Investment Adviser Agreement, and the Investment Adviser is authorised to make decisions on behalf of the ACD in relation to the management, purchase, sale, retention, exchange or other dealings with assets, and has full discretion to make such investments on such markets as such times as the Investment Adviser think fit and otherwise to act as it shall deem appropriate.

Under the Investment Advisory Agreement, the Investment Adviser may delegate to any person the performance of its duties and services required to be performed by it under that agreement. The Investment Advisory Agreement may be terminated with immediate effect by the ACD when it is in the interests of shareholders to do so. Under the terms of a sub-adviser agreement, the Investment Adviser has appointed Hawksmoor Investment Management Limited as sub-investment advisers. The sub-adviser agreement may be terminated by either party on 3 months' notice after an initial period of 12 months. The sub-adviser is remunerated from the Investment Adviser's fee.

#### **15.6 ADMINISTRATOR AND REGISTRAR**

The ACD has appointed Northern Trust Global Services Limited to provide administration services to the ACD and act as registrar to the Company.

#### **15.7 TERMS OF APPOINTMENT**

The Administrator was appointed by an agreement between the ACD and the Administrator dated 29<sup>th</sup> October 2010 and amended to include the Company. The Administration Services Agreement may be terminated after 5 years on 180 days written notice by the Administrator or the ACD. The principal activity of the Administrator is the provision of administration services.

Northern Trust Global Services Limited is authorised and regulated by the FSA. Its registered office is at 50 Bank Street, Canary Wharf, London, E14 5NT.

#### **15.8 THE AUDITOR**

The auditor of the Company is KPMG Audit plc, 15 Canada Square, London, E14 5GL.

#### **15.9 LEGAL ADVISERS**

The Company is advised by Burges Salmon LLP of One Glass Wharf, Bristol, BS2 0ZX.

#### **15.10 REGISTER OF SHAREHOLDERS**

The Register of Shareholders is maintained by the Registrar and may be inspected by any Shareholder, or any Shareholder's duly authorised agent, at the registered office address on page 51 between 9am and 5pm each weekday (excluding UK bank holidays).

#### **15.11 ADMINISTRATOR CORPORATE GOVERNANCE**

The ACD has appointed ISS Proxy Monitor to provide from time to time, corporate governance services (including the voting of holdings at meetings) on behalf of the Company.

#### **15.12 CONFLICTS OF INTEREST**

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

The Depositary may, from time to time, act as the depositary of other companies.

At the request of the ACD, the Depositary or any associate of the Depositary, or of any Investment Adviser may (subject to COLL) hold money on deposit from, lend money to, or engage in stock lending transactions in relation to the Company, so long as the services concerned are provided on arm's length terms.

The Depositary, the ACD, or any Investment Adviser or any associate of any of them may sell or deal in the sale of property to the Company or purchase property from the Company provided the applicable provisions of COLL apply and are observed. Any such transactions will be at the request of the Company or the ACD.

Subject to compliance with COLL the ACD may be party to or interested in any contract, arrangement or transaction to which the Company is a party or in which it is interested. The ACD is entitled at its own discretion to determine the terms of its appointment as such, and consequently amend the terms of the Service Agreement referred to in paragraph 15.2 above.

The Depositary, the ACD, or any Investment Adviser or any associate of any of them will not be liable to account to the Company or any other person, including the holders of shares or any of them, for any profit or benefit made or derived from or in connection with:

- (a) their acting as agent for the Company in the sale or purchase of property to or from the Funds; or
- (b) their part in any transaction or the supply of services permitted by COLL; or
- (c) their dealing in property equivalent to any owned by (or dealt in for the account of) the Company.

## 16 INSTRUMENT OF INCORPORATION

The instrument of incorporation (which is available at the ACD's offices at Eastgate Court, High Street, Guildford, Surrey, GU1 3DE) contains provisions to the following effect:

### 16.1 SHARE CAPITAL

- (a) The Company may from time to time issue Shares of different Classes, and the ACD may by resolution from time to time create additional Classes in respect of a Fund (whether or not falling within one of the Classes in existence on incorporation).
- (b) The ACD may by resolution from time to time create additional Funds with such investment objectives and such restrictions as to geographic area, economic sector, monetary zone or category of transferable security and denominated in such currencies as the ACD from time to time determines.
- (c) The special rights attaching to a Class are not (unless otherwise expressly provided by the conditions of issue of such Shares) deemed to be varied by:
  - (i) the creation, allotment or issue of further Shares of any Class ranking *pari passu* with them;
  - (ii) the switch of Shares of any Class into Shares of another Class; or
  - (iii) the creation, allotment, issue or redemption of Shares of another Class within the same Fund, provided that the interests of that other Class in the Fund represent fairly the financial, contributions and benefits of Shareholders of that Class;
  - (iv) the creation, allotment, issue or redemption of Shares of another Fund;
  - (v) the exercise by the ACD of its powers to re-allocate assets, liabilities, expenses, costs or changes not attributable to one Fund or to terminate a Fund; or
  - (vi) the passing of any resolution at a meeting of another Fund which does not relate to the Fund in which the Class is interested.

### 16.2 TRANSFER OF SHARES

A shareholder is entitled (subject to as mentioned below) to transfers of Shares which must be effected by transfer in 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.

- (a) No instrument of transfer may be given in respect of more than one Class.
- (b) 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.
- (c) 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 in the class in question.

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.

### 16.3 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 FSA have approved it and a new ACD approved by the FSA has been appointed.

### 16.4 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 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.

### 16.5 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 or of any Class meeting. 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.
- Any corporation which is a Director of the Company may by resolution of its directors or other governing body authorise such individual as it thinks fit to act as its representative at any general meeting of the shareholders or of any Class meeting of the Directors. The person so authorised shall be entitled to exercise the same powers at such meeting on behalf of such corporation as the corporation could exercise if it were an individual Director.

### 16.6 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 75% of the votes validly cast), obtain prior approval from the shareholders (or, where applicable, class of shareholders) for any proposed change to the Company or any of its Funds which, in accordance with COLL, is a fundamental change. Such a fundamental change is likely to include:

- certain changes to the investment objective and policy of the Funds;

- the removal of the ACD;
- any proposal for a scheme of arrangement.

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

#### **16.7 INDEMNITY**

The Instrument contains provisions indemnifying the ACD, the auditor and the Depositary against liability incurred in defending any proceedings (whether civil or criminal) for negligence, default, breach of duty or breach of trust in relation to the Company, in which judgment is given in their favour, or they are acquitted, for example. Such indemnity will not apply where any such liability is recovered from another person.

The ACD may also take out and maintain insurance for the benefit of any director, other officer, auditor of the Company against any liability which may attach to him in respect of any negligence, default, breach of duty or breach of trust of which he may be guilty in relation to the Company, and for the benefit of the Depositary against any liability for any failure to exercise due care and diligence in the discharge of his functions in respect of the Company.

## **17 SHAREHOLDER MEETINGS AND VOTING RIGHTS**

### **17.1 ANNUAL GENERAL MEETING**

In accordance with the OEIC Regulations, the ACD has elected to dispense with the holding of an annual general meeting. A copy of the ACD Agreement is available to shareholders on request.

### **17.2 REQUISITIONS OF MEETINGS**

The ACD and/or the Depositary may requisition a general meeting at any time.

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

### **17.3 NOTICE AND QUORUM**

Shareholders will receive at least 14 days' written 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 or (in the case of a corporation) by a duly authorised representative. The quorum for an Adjourned Meeting is one Shareholder present in person or by proxy. Notices of Meetings and Adjourned Meetings will be sent to Shareholders at their registered addresses.

### **17.4 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 is deemed to have been served.

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 of the Fund require an extraordinary resolution (which needs 75% of the votes 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 is entitled to attend any meeting but, except in relation to third party shares, is not entitled to vote or be counted in the quorum and any shares it holds are treated as not being in issue for the purpose of such meeting. An associate of the ACD is entitled to attend any meeting and may be counted in the quorum, but may not vote except in relation to third party shares. For this purpose third party shares are shares held on behalf of or jointly with a person who, if himself the registered shareholder, would be entitled to vote, and from whom the ACD or the associate (as relevant) has received voting instructions.

'Shareholders' in this context means Shareholders on the date seven days before the notice of the relevant meeting was deemed to have been served but excludes holders who are known to the ACD not to be Shareholders at the time of the meeting.

### **17.5 FUND AND CLASS MEETINGS**

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

## 18 TAXATION

### 18.1 GENERAL

The taxation of both the Company and Shareholders in it is subject to the fiscal law and practice of the UK and of the jurisdictions in which Shareholders are resident or otherwise subject to tax. The following summary of the anticipated tax treatment in the UK does not constitute legal or tax advice and applies only to persons holding Shares as an investment. It is not a guarantee to any investor of the tax results of investing in the Company.

In particular, this summary does not take account of particular investors' individual circumstances, does not address the taxation consequences for investors who may be subject to taxation or exchange control in a jurisdiction other than the UK and does not address investors falling into particular categories (such as life insurance companies or employees of entities connected to the Company) which may be subject to special rules.

Prospective investors should consult their own professional advisers on the tax and exchange control implications of making an investment in, holding or disposing of Shares and the receipt of distributions with respect to Shares under the laws of the countries in which they may be liable to taxation.

This summary is based on the UK taxation law and HM Revenue & Customs' practice in force at the date of this document, but prospective investors should be aware that the relevant fiscal rules and practice or their interpretation may change.

### 18.2 THE COMPANY

The UK tax regime applicable to the Company is primarily set out in section 468A Income and Corporation Taxes Act 1988 and in the Authorised Investment Funds (Tax) Regulations 2006 SI 2006/964 (the "**Tax Regulations**"). Each Fund is regarded as a separate taxable entity in its own right, and the Company as a whole is not so regarded.

Each Fund is exempt from UK corporation tax on chargeable gains arising on the disposal of its investments, and is not entitled to corporation tax relief on losses which are treated as capital in nature.

The Funds will not be subject to corporation tax on any profits or gains (or be entitled to corporation tax relief for any losses) which they derive from their creditor loan relationships or their derivative contracts, to the extent that those profits, gains or losses are treated as "capital profits, gains or losses". Capital profits, gains or losses for this purpose are those profits, gains or losses arising from such creditor loan relationships or derivative contracts which fall to be dealt with under either the heading "net gains/losses on investments during the period" or the heading "other gains/losses" in the Fund's statement of total return for the accounting period in question.

Each Fund will be subject to corporation tax at a rate equal to the basic rate of income tax, currently 20 per cent, on its taxable income from investments after relief for allowable expenses. Dividend distributions or yearly interest distributions received by a Fund from other authorised investment funds (broadly UK OEICs and authorised unit trusts) will be taxed on that Fund in accordance with the rules described at paragraph 25.3 below.

However, a Fund is not subject to tax on dividends and similar distributions from UK resident companies.

To the extent that a Fund receives income from, or realises gains on investments issued in, foreign countries, it may be subject to withholding tax or other taxation in those jurisdictions and to UK corporation tax on the income.

Where a Fund distributes its income as yearly interest (as to which see paragraph 25.3 below) the amount of income so distributed will be deducted from the income of that Fund in computing its liability to corporation tax.

There is no specific exemption from UK stamp taxes – stamp duty or stamp duty reserve tax ("SDRT") – for the Company. Broadly speaking, stamp duty is paid on a transaction involving stock or marketable securities, and the rate is 0.5% of the value of the stock or securities. SDRT is paid on an agreement to transfer chargeable securities, and the rate is 0.5% of the value of the stock or securities. The Company may incur similar taxes in another jurisdiction if it carries out transactions involving that jurisdiction.

### 18.3 SHAREHOLDERS

#### Taxation of Distributions

The type of distribution made by a Fund may depend on its investments. Funds which have more than 60 per cent by market value of their investments in "qualifying investments", broadly meaning debt securities, money placed at interest (other than cash awaiting investment), building society shares or holdings in authorised unit trusts or OEICs with, broadly, more than 60 per cent of their investments similarly invested ("**Bond Funds**") can make a yearly interest distribution or a dividend distribution. Funds which are not Bond Funds can only pay dividend distributions.

The Company is currently making available shares in two Funds. It is not the ACD's intention that these Funds will qualify as a 'Bond Fund' (as defined above). It is the ACD's intention that these Funds will not distribute its income as yearly interest, but will make dividend distributions.

Where a Fund makes dividend distributions, such distributions should be treated in the same way as dividends from a UK resident company. As such they will carry a tax credit of 10% of the total of the net distribution and the tax credit. Each Shareholder should be sent a tax voucher notifying them of the amount of the distribution and of the associated tax credit. Where a Fund makes yearly interest distributions, such distributions should be treated in the same way as interest from a UK resident company. Each Shareholder should be sent a tax voucher notifying them of the amount of the distribution and of any tax deducted.

For Shareholders holding Accumulation Shares, the UK tax treatment will be the same as if they held Income Shares, albeit that they do not receive the income represented by the distribution at the time of that distribution and that income is instead re-invested. Such Shareholders will be treated for UK tax purposes as if they had received the re-invested income and should be issued with tax vouchers accordingly. The same applies to Shareholders who make use of the re-investment facility.

#### Dividend distributions

Except for Shareholders within the charge to corporation tax (as explained below), dividend distributions will carry a tax credit equivalent to 10 per cent of the aggregate of the distribution and the tax credit (i.e. one ninth of the amount distributed).

UK resident Shareholders within the charge to income tax who are liable to income tax at the higher rate will be subject to income tax on the gross dividend distributions at 32.5 per cent, but will be able to set the tax credit off against this liability giving an effective 25 per cent rate after the tax credit. From 1 April 2010 individuals with income over £150,000 will be subject to tax on gross dividend distributions at 42.5 per cent, with an effective 36.1 per cent rate after the tax credit. In the case of such Shareholders who are liable to income tax at the basic rate, the 10 per cent tax credit will match the income tax liability in respect of the dividend distribution and there will be no further tax to pay.

Shareholders who are not liable to pay income tax in respect of a dividend distribution, or any part thereof, will not be able to reclaim from HM Revenue & Customs the excess tax credit applicable to that distribution.

For Shareholders within the charge to UK corporation tax, to the extent that the relevant Fund's gross income is not derived from franked investment income, part of the dividend distributions (known as the "unfranked part") will be reclassified as an annual payment received by the Shareholder after a deemed deduction of income tax at the lower rate, currently 20 per cent. Such Shareholders will be subject to corporation tax on the grossed-up amount of the annual payments but will be entitled to a credit for the tax deemed deducted. (The deemed deduction may also be the subject of a repayment claim, but such repayment is restricted where the fund has suffered overseas tax on foreign source income (deemed foreign tax)).

For such a shareholder, the remaining part of the dividend distribution (the "franked part") will be treated in the same way as a dividend from a UK resident company. As such a Shareholder within the charge to UK corporation tax will not generally be charged to corporation tax on that part.

Details of the proportions of the franked and unfranked parts of dividend distributions comprising franked investment income and annual payments, and of any deemed foreign tax as described above, will be shown on the tax vouchers.

Shareholders who are resident in jurisdictions other than the UK for tax purposes will generally not be charged to UK income tax on a dividend distribution unless they are carrying on a trade in the UK through a permanent establishment. Their tax position is likely to depend on the law and practice on taxation in the jurisdiction in which they are resident. They will not generally be entitled to reclaim the tax credit unless entitled to do so under the terms of any double taxation agreement between that jurisdiction and the UK.

#### **Yearly interest distributions**

For Shareholders who are individuals resident in the UK for tax purposes and other Shareholders within the charge to UK income tax, interest distributions will suffer deduction of tax at the basic rate, currently 20 per cent. Such shareholders will be entitled to use the income tax withheld as a credit against their UK income tax liability. Such withholding will satisfy the liability of basic rate taxpayers to tax on the income. Higher rate and additional rate taxpayers will have additional tax to pay. For Shareholders whose income tax liability is less than the tax withheld, the tax withheld can be the subject of a repayment claim.

Shareholders subject to UK corporation tax will receive their interest distributions gross, i.e. no tax will be deducted at source. The tax regime relating to corporate loan relationships contained in Chapter 2 of Part 4 of Finance Act 1996 is generally applied to yearly interest distributions made to such a Shareholder as if the yearly interest distribution were interest on a loan by such Shareholder to the Fund in question.

Shareholders who are resident in jurisdictions other than the UK for tax purposes, a yearly interest distribution will be paid after deduction of income tax at source at the lower rate, currently 20%, except in the following circumstances:

- where the Shareholder is a company (other than a company which receives the distribution as trustee of a trust);
- where the Shareholder is the trustee(s) of a unit trust scheme;
- where a third party nominee company through which the Shares were purchased is subject to the EC Money Laundering Directive (Directive 91/308/EEC) and has reasonable grounds for believing that the beneficial owner is not ordinarily resident in the UK; or
- where, broadly, the Shareholder provides a valid declaration that he/she is not ordinarily resident in the UK for UK tax purposes.

Shareholders who are resident in jurisdictions other than the UK for tax purposes and to whom a yearly interest distribution is paid after deduction of tax may be entitled to reclaim that UK income tax deducted at source under the provisions of any double tax convention or agreement between the UK and the jurisdiction in which they are primarily subject to tax.

In relation to Accumulation Shares, any deduction of income tax at source is made before the yearly interest distribution is reinvested, thereby reducing the amount reinvested.

#### **Taxation of Capital Gains**

Shareholders may, depending on their circumstances, be liable to capital gains tax or corporation tax on chargeable gains arising from a disposal of any Shares. For these purposes, a disposal includes a sale or a redemption of Shares. An exchange ("switching") between Income Shares and Accumulation Shares in the same Sub-Fund is not usually treated as a disposal. Similarly an exchange of shares in one Fund for shares in any other Fund will be treated as a disposal and acquisition for those purposes. Proceeds on the redemption of Shares are paid to Shareholders without deduction of tax. For Accumulation Shares, income accumulated and on which income tax or corporation tax on income has been paid can generally be added to the cost of those Accumulation Shares when computing the amount of any gain.

Individual Shareholders who are resident or ordinarily resident in the UK and Shareholders who are UK resident trustees may be liable to UK taxation on chargeable gains arising from a disposal of Shares. A Shareholder who is an individual who was resident or ordinarily resident in the UK for tax purposes and who disposes of shares during the 5 years after he ceases to be so resident or ordinarily resident may also be liable to UK taxation on chargeable gains. Until 5 April 2008 on a disposal by an individual Shareholder or by trustees the amount of any chargeable gain could be reduced by taper relief depending on how long the Shares have been held. From 6 April 2008 taper relief has been abolished and that from that date chargeable gains for individuals and trustees are taxed at a flat rate of 18%. Each individual has an annual exemption, currently £10,600 (2012/2013 tax year), such that capital gains tax is chargeable only on net gains arising from all sources during the tax year in excess of this figure.

For a Shareholder within the charge to UK corporation tax, the corporation tax treatment on a disposal of its Shares in a Fund differs according to whether the Fund is a Bond Fund (as defined above) or not. As mentioned above, it is not the ACD's intention that any of the Funds will qualify as a 'Bond Fund'.

In respect of the Funds, where a Shareholder within the charge to UK corporation tax makes a gain on a disposal of Shares in a Fund, that gain after deduction of any allowable losses and indexation relief should be treated as a chargeable gain and the Shareholder will be taxed accordingly (provided, in the case of a non-resident Shareholder carrying on a trade in the UK through a permanent establishment, the Shares disposed of were held for the purposes of such trade or such permanent establishment).

In respect of a Bond Fund, where a Shareholder within the charge to UK corporation tax makes a gain on a disposal of Shares in a Fund, that gain will be taxed as a profit from a loan relationship. The tax regime relating to corporate loan relationships contained in Chapter 2 of Part 4 of Finance Act 1996 will therefore apply and the profit should be brought into account accordingly (provided, in the case of a non-resident Shareholder carrying on a trade in the UK through a permanent establishment, the Shares disposed of were held for the purposes of such trade or such permanent establishment).

Shareholders who are not within the charge to UK taxation on chargeable gains, which will generally include Shareholders who are resident in jurisdictions other than the UK for tax purposes unless they are carrying on a trade in the UK through a permanent establishment, will not generally be charged to UK tax on gains made on a disposal of Shares. Their tax position is likely to depend on the law and practice on taxation in the jurisdiction in which they are resident.

#### **Income Equalisation**

Since the Funds operate income equalisation, the first allocation made after the acquisition of the Shares may include a sum ("equalisation") representing that part of the acquisition price of the Shares which was attributable to income accrued up to the time of acquisition.

This is treated for the purposes of both UK income tax and UK tax on chargeable gains as a refund of capital rather than a receipt of income.

As such it is not liable to income tax. It should however be deducted from the cost of the Shares when computing the base cost for any chargeable gain realised on the subsequent disposal of the Shares. This is the case regardless of whether the Shares in question are Accumulation Shares or Income Shares, and despite the fact that for Accumulation Shares the equalisation amount is re-invested.

A Shareholder who sells Shares part way through a distribution period will receive a price which includes an equalisation element. This equalisation element is taxable as income in the normal way.

#### **EU Savings Directive**

The European Union Directive on the Taxation of Savings Income (2003/48/EC) (the "EU Savings Directive") provides that "paying agents" established in a member state of the EU (or certain prescribed dependent or associated territories of member states) which pay "savings income" to individuals resident in another member state (or, depending on the state in which the paying agent is established, possibly also to individuals resident in the prescribed dependent or associated territories) are obliged, depending on the state in which the paying agent is established, either to disclose details of the payment and payee to taxation authorities or to withhold tax from the payment.

For the purposes of the UK's implementation of the EU Savings Directive, the proceeds of a sale, refund or redemption of Shares in the Scheme and/or the proceeds represented by a distribution from the Scheme may be classed as "savings income". Sale, refund or redemption proceeds will be savings income if more than 25% of the Scheme's assets are invested in money debts (40% up to and including 31<sup>st</sup> December 2010). Distribution proceeds will be savings income if more than 15% of the Scheme's assets are invested in money debts.

Under the UK's implementation, where savings income is paid by a paying agent established in the UK to an individual resident in another member state or prescribed territory, the paying agent is obliged to disclose details of the payment to the HM Revenue & Customs. The identity of the relevant paying agent depends on how a Shareholder purchases and holds Shares. For Shareholders who purchase Shares directly, the paying agent is likely to be the ACD.

Consequently, it may be necessary or desirable for the Scheme, the ACD or any other person or entity connected to the Scheme to collect certain additional information from Shareholders or to take other action connected to the EU Savings Directive to enable disclosures to be made to tax authorities or, where applicable, tax to be withheld.

#### **Inheritance Tax**

Shares held in any of the Funds will generally form part of an individual's estate and will therefore potentially be subject to inheritance tax (IHT). Shares held by trustees are potentially subject to special rules which may charge IHT periodically.

IHT is chargeable on the death of a person, on gifts made within the seven years before an individual's death and (immediately) on gifts to most types of trusts. The rate of tax is 0% up to a cumulative nil-rate limit. The excess is charged at 20% where the tax is charged during an individual's lifetime and 40% if the tax is charged on or by reference to the individual's death. Where tax is charged both during lifetime and again on death by reference to the same transfer, credit is given for the lifetime tax suffered. For these purposes gifts may include transfers at less than full market value unless the transferor can show that there was no gratuitous intent.

## 19 WINDING UP OF THE COMPANY OR A FUND

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. A Fund may only be terminated under COLL.

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

The Company or a Fund may be wound up or terminated (as applicable) under COLL if:

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

The winding up of the Company or termination of a Fund under COLL is carried out by the ACD which will, as soon as practicable, cause the property of the Company or that property attributable to the relevant Fund to be realised and the liabilities to be met out of the proceeds. Provided that there are sufficient liquid funds available after making provision for the expenses of winding up and the discharge of the liabilities of the Company or the Fund (as the case may be) the ACD may arrange for interim distributions(s) to be made to shareholders. When all liabilities have been met, the balance (net of provisions for any further expenses) will be distributed to shareholders.

The distribution made in respect of each Fund will be made to the holders of shares linked to that Fund, in proportion to the units of entitlement in the property of that Fund which their shares represent.

Shareholders will be notified of any proposal to wind up the Company. On commencement of such winding up the Company will cease to issue shares and cancel shares, and transfers of shares shall cease to be registered.

On completion of the winding up of the Company, the ACD shall notify the FSA that it has done so. On completion of a winding up, the Company will be dissolved and any money (including unclaimed distributions) standing to the account of the Company will be paid into court within one month of dissolution.

Following the completion of the winding up of the Company or termination of a particular Fund, the ACD shall notify the FSA that it has done so. Following the completion of a winding up, the ACD must prepare a final account showing how the winding up took place and how the scheme property was distributed. The auditors of the Company shall make a report in respect of the final account stating their opinion as to whether the final account has been properly prepared. This final account and the auditors' report must be sent to the FSA and to each Shareholder within two months of the termination of the winding up.

## 20 GENERAL INFORMATION

### 20.1 ACCOUNTING PERIODS

The annual accounting period of the Company ends each year on 30<sup>th</sup> September (the accounting reference date). The interim accounting period ends each year on 31<sup>st</sup> March. The first accounting period ended on 30<sup>th</sup> September 2008.

### 20.2 INCOME ALLOCATIONS

Allocations of income are made in respect of the income available for allocation in each accounting period. Allocation of Income in respect of the Sterling share classes will be made in Sterling. Allocation of income in respect of the Euro share classes will be made in Euros. In respect of accumulation shares income is allocated on or before the income allocation date being 31<sup>st</sup> January and on or before the interim allocation date being 31<sup>st</sup> May. The first allocation was made on 31<sup>st</sup> May 2008.

Distributions of income will be paid by BACS, cheque or any other means agreed between the ACD and the relevant Shareholder from time to time.

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. The payment of any unclaimed distribution, interest or other sum payable by the Company on or in respect of a Share into a separate account shall not constitute the Company a trustee thereof.

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

In relation to income Shares, on or before each relevant income distribution date, the ACD will instruct the Depositary to enable it to distribute the income allocated to income Shares among the holders of such Shares in proportion to the number of Shares held, or treated as held, by them respectively at the end of the relevant period.

The amount of income allocated to accumulation Shares becomes part of the capital property and to the extent that Shares of any other class (such as income shares) were in issue in relation to the relevant period, the interests of holders of accumulation shares in that amount must be satisfied by an adjustment at the end of the relevant period in the proportion of the scheme property to which the price of an accumulation share is related.

For new accounting periods commencing on or after 1 January 2007, income on debt securities, such as bonds and other fixed interest securities, is calculated on an Effective Yield basis. The Effective Yield basis treats any projected capital gain or loss on a debt security (when compared to its maturity or par value) as income and this, together with any future expected income streams on the debt security, is written off over the life of that security and discounted back to its present value and included in the calculation of the distributable income.

### 20.3 INCOME EQUALISATION

Income equalisation is applied to each of the Funds. An allocation of income (whether annual or interim) to be made in respect of each share issued or sold 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 share price of shares of that class issued or sold in the annual or interim accounting 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.

### 20.4 ANNUAL REPORTS

The annual reports of the Company (the "long report") 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. Copies of these long reports may be inspected at, and copies obtained free of charge from the ACD at its operating address. These reports may also be inspected at the Depositary's office during normal office hours.

The ACD will issue short reports in relation to the funds both half yearly and annually. These will be distributed to shareholders before the end of January and May each year.

### 20.5 DOCUMENTS OF THE COMPANY

The following documents may be inspected free of charge between 9.30 am and 5.00 pm on every business day at the offices of the ACD at Eastgate Court, High Street, Guildford, Surrey GU1 3DE.

- the most recent annual and half-yearly reports of the Company;
- the latest version of the Prospectus;
- the latest version of the Instrument; and
- the material contracts referred to below.

Shareholders may obtain copies of the above documents from the above address. With the exception of the Prospectus and the long and short reports the ACD may make a charge at its discretion for copies of documents.

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.

This Prospectus describes the constitution and operation of the Company at the date of this Prospectus. In the event of any materially significant change in the matters stated herein or any materially significant new matter arising which ought to be stated herein this Prospectus will be revised. Investors should check with the ACD that this is the latest version and that there have been no revisions or updates.

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 Funds;
- (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 each Fund.

## 20.6 MATERIAL CONTRACTS

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

- the Agreement dated 21<sup>st</sup> March 2011 between the Company and the ACD;
- the Investment Adviser Agreement dated 4<sup>th</sup> April 2007;
- the Depositary Agreement dated 8<sup>th</sup> June 2005 between the Company, the ACD and the Depositary; and
- the Administration Agreement dated 29<sup>th</sup> October 2010 between the Company, the ACD and Northern Trust Global Services Limited.

Details of the above contracts are given under the heading "Management and Administration" on page 23.

## 20.7 COMPLAINTS

Complaints concerning the operation or marketing of the Company or any of the Funds may be referred to the Compliance Officer of the ACD at Eastgate Court, High Street, Guildford, Surrey GU1 3DE or, if preferred, direct to the Financial Ombudsman Service at South Quay Plaza, 183 Marsh Wall, London E14 9SR. Complaints concerning the operation or marketing of the Company or any of the Funds may be referred to the Compliance Officer of the ACD at Eastgate Court, High Street, Guildford, Surrey GU1 3DE. If a complaint cannot be resolved satisfactorily with the ACD it may be referred to the Financial Ombudsman Service at South Quay Plaza, 183 Marsh Wall, London E14 9SR. More details about the Financial Ombudsman Service are available from the ACD.

The Financial Services Compensation Scheme Limited has been established under the rules of the FSA as a "rescue fund" for certain clients of firms authorised and regulated by the FSA which have gone out of business. The ACD will supply you with further details of the scheme on written request to its operating address. Alternatively, you can visit the scheme's website at [www.fscs.org.uk](http://www.fscs.org.uk) or by writing to the Financial Services Compensation Scheme, 7<sup>th</sup> Floor, Lloyds Chambers, Portsoken Street, London, E1 8BN.

## 20.8 MARKET TIMING

The ACD does not permit the Funds to be used for the purposes of 'market timing'. For this purpose market timing is defined as a trading strategy with the intention of taking advantage of short term changes in market prices. The ACD will undertake monitoring activities to ensure that market timing is not taking place in relation to any of the Funds.

## 20.9 CANCELLATION RIGHTS

A notice of a Shareholder's right to cancel an agreement to purchase Shares in a Fund will be forwarded, where this is required in accordance with the rules made under the Act.

When the investment is a lump sum investment (or the first payment, being larger than the second payment, in a regular payment savings plan) a Shareholder who is entitled to cancel and does so will not get a full refund of the money paid by him if the purchase price of the shares falls before the cancellation notice is received by the ACD, because an amount equal to such fall (the "shortfall") will be deducted from the refund he would otherwise receive. Where the purchase price has not yet been paid the Shareholder will be required to pay the amount of the shortfall to the ACD. The deduction does not apply where the service of the notice of the right to cancel precedes the entering into of the agreement. Cancellation rights must be exercised by posting a cancellation notice to the ACD on or before the 14th day after the date of receipt of the notice of the right to cancel.

## 20.10 DATA PROTECTION

The information you provide on your application form (or afterwards) will be held and processed by the ACD as data controller for the purposes of the Data Protection Act 1998.

You acknowledge that the ACD may hold and process the information that the ACD collects to process your application for the supply and administration of the service(s) for which you are currently applying or may apply for in the future, for the operation of your investment (including, for example, for registration and distribution purposes), for the purposes of statistical analysis, to carry out credit assessment to meet the ACD's obligations under any application laws in particular, anti-terrorism and anti-money laundering laws, for customer service, product analysis, for market research purposes, for general account administration purposes and the marketing of goods and services by the ACD or other companies in the Premier Asset Management Marketing Group.

You agree that the ACD may share your information with third parties in the following circumstances: (a) where the ACD uses your information to carry out credit assessments the ACD will need to share your information with credit reference agencies to assess your eligibility for the product or service applied for and to verify your identity; (b) the ACD may share your information with third parties who the ACD uses to assist it in administering the Company; (c) if the ACD restructures its business or the whole or any part of the ACD's business is sold then the ACD may transfer your information to another division or part of the Premier Asset Management Marketing Group (if there is a restructuring) or to the buyer of the business (if the business is sold); (d) the ACD may share your information with its associates, UK and overseas law enforcement agencies or regulatory authorities and other relevant bodies for crime prevention purposes; and (e) the ACD may also share your information with its associates if they provide any products or services to you on the ACD's behalf.

These third parties may be based outside the European Economic Area (EEA). The ACD will take appropriate measures and will meet its legal obligations to ensure that any information transferred to such third parties is kept securely. Where an authorised financial adviser acts on your behalf, the ACD will disclose information concerning your investment to that financial adviser.

Other than as noted above, the ACD will not provide any other third party with any information about you unless you have given your consent or unless the ACD is required to do so by law.

You are entitled to request details of information the ACD holds about you to the extent that it constitutes personal information, upon payment of a reasonable fee (currently £10) and to require us to correct any inaccuracies in your personal data. For more details, please write to the ACD at: Eastgate Court, High Street, Guildford, Surrey GU1 3DE.

## APPENDIX 1

## ELIGIBLE SECURITIES MARKETS AND ELIGIBLE DERIVATIVES MARKETS

The Fund may deal through the securities and derivatives markets indicated below (subject to the investment objective and policy of each Fund).

ELIGIBLE MARKETS ADOPTED	FUND	
	Navigatio Euro Balanced Fund	Navigatio Euro Conservative Fund
Any Securities markets established in an EEA State on which transferrable securities admitted to the official listing in the EEA State are dealt in or traded.	x	x
<b>Australia</b> Australia Stock Exchange Ltd	x	x
<b>Canada</b> TSX Venture Exchange The Toronto Stock Exchange (TSX)	x x	x x
<b>Channel Islands</b> Channel Islands Stock Exchange (CISX)	x	x
<b>Hong Kong</b> Hong Kong Exchanges	x	x
<b>Japan</b> Tokyo Stock Exchange Nagoya Stock Exchange Osaka Securities Exchange Sapporo Stock Exchange JASDAQ Securities Exchange	x x x x x	x x x x x
<b>The Republic of Korea</b> Korea Exchange Incorporated	x	x
<b>Mexico</b> Bolsa Mexicana de Valores (Mexican Stock Exchange)	x	x
<b>New Zealand</b> New Zealand Stock Exchange	x	x
<b>Singapore</b> Singapore Exchange	x	x

<b>South Africa</b>		
JSE Securities Exchange	x	x
<b>Switzerland</b>		
SIX Swiss Exchange AG	x	x
<b>Taiwan</b>		
The Taiwan Stock Exchange	x	x
<b>Thailand</b>		
Stock Exchange of Thailand	x	x
<b>USA</b>		
- American Stock Exchange	x	x
- New York Stock Exchange	x	x
- Boston Stock Exchange	x	x
- National Stock Exchange	x	x
- Chicago Stock Exchange	x	x
- NYSE Arca	x	x
- NASDAQ OMX PHLX	x	x
- NASDAQ	x	x

ELIGIBLE DERIVATIVES MARKETS ADOPTED	FUND	
	Navigatio Euro Balanced Fund	Navigatio Euro Conservative Fund
<b>Australia</b> ASX Ltd	x	x
<b>Canada</b> The Montreal Exchange	x	x
<b>Europe</b> Eurex	x	x
<b>Hong Kong</b> Hong Kong Exchanges (Stock Exchange of Hong Kong)	x	x
<b>Japan</b> Tokyo Stock Exchange Osaka Securities Exchange	x x	x
<b>New Zealand</b> New Zealand Futures & Options Exchange	x	x
<b>Singapore</b> Singapore Exchange (Singapore International Monetary Exchange)	x	x
<b>South Africa</b> JSE Securities Exchange	x	x
<b>United States</b> Chicago Board Options Exchange (CBOE) CME Group Inc New York Futures Exchange New York Mercantile Exchange (NYMEX) New York Stock Exchange (NYSE) NYSE Arca NASDAQ OMX Future Exchange	x x x x x x x x x	x x x x x x x x x

## APPENDIX 2

Fund	Share Class	Currently available	Minimum initial subscription	Minimum subsequent investment requirement	Minimum holding requirement	Monthly savings	Minimum redemption
Navigatio Euro Balanced Fund	Net Euro Accumulation Shares	✓	€1,500	€750	€1,500	X	€1,500
	Net Sterling Accumulation Shares	✓	£1,000	£500	£1,000	✓	£1,000
Navigatio Euro Conservative Fund	Net Euro Accumulation Shares	✓	€1,500	€750	€1,500	X	€1,500
	Net Sterling Accumulation Shares	✓	£1,000	£500	£1,000	✓	£1,000

In accordance with the Company's Instrument the following shares may also be issued by the Funds, but are not currently available:

- Gross Euro Accumulation Shares;
- Gross Sterling Accumulation Shares;
- Net Euro Income Shares;
- Net Sterling Income Shares;
- Gross Euro Income Shares;
- Gross Sterling Income Shares.

## APPENDIX 3

Fund	Share Class	Initial Charge	Annual Management Charge
Navigatio Euro Balanced Fund	Net Euro Accumulation Shares	5.55%	1.35%
	Net Sterling Accumulation Shares	5.55%	1.35%
Navigatio Euro Conservative Fund	Net Euro Accumulation Shares	5.55%	1.35%
	Net Sterling Accumulation Shares	5.55%	1.35%
	Net Sterling Accumulation Shares	5.55%	1.35%

## APPENDIX 4

## SUMMARY OF INVESTMENT AND BORROWING POWERS APPLICABLE TO THE FUNDS

**General**

The Company may exercise the full authority and powers permitted by COLL applicable to UCITS Schemes. However, this is subject to the applicable investment limits and restrictions set out in COLL, the Instrument of Incorporation, this Prospectus and the Funds' investment objective and policy. The Company may exercise in respect of the Funds, the full authority and powers permitted by COLL applicable to UCITS Schemes, subject to the relevant Fund's investment objective and policy.

The ACD shall ensure that, taking into account the investment objective of each of the Funds, the scheme property of each of the Funds aims to provide a prudent spread of risk. None of the Funds are expected to have high volatility owing to its portfolio composition or the portfolio management techniques used over and above the general market volatility of the markets of its underlying investments.

**Transferable securities**

Up to 100% of the scheme property attributable to a Fund may consist of transferable securities. For the purposes of COLL a transferable security is an investment which is either a share, debenture, a government and public security, a warrant or a certificate representing certain securities.

The Funds may invest in transferable securities which fulfil the following criteria:

- the potential loss which the Funds may incur with respect to holding the transferable security is limited to the amount paid for it;
- its liquidity does not compromise the ability of the ACD to comply with its obligation to redeem units at the request of any qualifying shareholder;
- reliable valuation is available for the transferable securities as follows:
  - in the case of a transferable security admitted to or dealt in on an eligible market, where there are accurate, reliable and regular prices which are either market prices or prices made available by valuation systems independent from issuers;
  - in the case of a transferable security not admitted to or dealt in on an eligible market, where there is a valuation on a periodic basis which is derived from information from the issuer of the transferable security or from competent investment research;
- appropriate information is available for the transferable security as follows:
  - in the case of a transferable security admitted to or dealt in on an eligible market, where there is regular, accurate and comprehensive information available to the market on the transferable security or, where relevant, on the portfolio of the transferable security;
  - in the case of a transferable security not admitted to or dealt in on an eligible market, where there is regular and accurate information available to the ACD on the transferable security or, where relevant, on the portfolio of the transferable security;
- it is negotiable; and
- its risks are adequately captured by the risk management process of the ACD.

Unless there is information available to the ACD that would lead to a different determination, a transferable security which is admitted to or dealt in on an eligible market shall be presumed not to compromise the ability of the ACD to comply with its obligation to redeem shares at the request of any qualifying shareholder; and to be negotiable.

***Closed end funds constituting transferable securities***

A unit in a closed end fund shall be taken to be a transferable security for the purposes of investment by the Funds, provided it fulfils the criteria for transferable securities set out above, and either:

- where the closed end fund is constituted as an investment company or a unit trust:
  - it is subject to corporate governance mechanisms applied to companies; and
  - where another person carries out asset management activity on its behalf, that person is subject to national regulation for the purpose of investor protection; or
- where the closed end fund is constituted under the law of contract:
  - it is subject to corporate governance mechanisms equivalent to those applied to companies; and
  - it is managed by a person who is subject to national regulation for the purpose of investor protection.

***Approved Money Market Instruments***

Up to 100% of the scheme property attributable to the Funds may consist of money market instruments which are normally dealt in on the money market, are liquid and whose value can be accurately determined at any time, being an 'approved money market instrument' in accordance with the rules in COLL.

A money market instrument that is normally dealt in on the money market and is admitted to or dealt in on an eligible market shall be presumed to be liquid and have a value which can be accurately determined at any time unless there is information available to the ACD that would lead to a different determination.

The Funds may invest in an approved money market instrument if it is:

- (a) issued or guaranteed by a central, regional or local authority or central bank of an EEA state or if the EEA State is a federal state, one of the members making up the federation, the European Central Bank, the European Union or the European Investment Bank, a non-EEA state or, in the case of a federal state, by one of the members making up the federation, or by a public international body to which one or more EEA states belongs; or
- (b) an establishment subject to prudential supervision in accordance with criteria defined by Community Law or an establishment which is subject to and complies with prudential rules governed by the FSA to be at least as stringent as those laid down by Community Law; or
- (c) issued by a body, any securities of which are dealt in on an eligible market.

**Money-market instruments with regulated issuer**

In addition to instruments admitted to or dealt in on an eligible market, the Funds may invest in an approved money-market instrument provided it fulfils the requirements in COLL governing regulated issuers of money-market instruments such that the issue or the issuer is regulated for the purpose of protecting investors and savings and the instrument is issued or guaranteed, in accordance with COLL.

The Funds may also with the express consent of the FSA invest in an approved money-market instrument provided:

- (a) the issue or issuer is itself regulated for the purpose of protecting investors and savings in accordance with COLL;
- (b) investment in that instrument is subject to investor protection equivalent to that provided by instruments which satisfy the requirements of COLL 5.2.10BR(1)(a),(b) or (c); and
- (c) the issuer is a company whose capital and reserves amount to at least EUR 10 million and which presents and publishes its annual accounts in accordance with Directive 78/660/EEC, is an entity which, within a group of companies which includes one or several listed companies, is dedicated to the financing of the group or is an entity which is dedicated to the financing of securitisation vehicles (as defined in COLL) which benefit from a banking liquidity line (as defined in COLL).

Transferable securities and approved money market instruments held within the Funds must be:

- (a) admitted to or dealt in on an eligible market which is a regulated market; or
- (b) dealt in on an eligible market which is a market in an EEA State which is regulated, operates regularly and is open to the public; or
- (c) admitted to or dealt in on an market which the ACD, after consultation with and notification to the Depositary decides that market is appropriate for the investment of, or dealing in, the scheme property, is listed in the Prospectus, and the Depositary has taken reasonable care to determine that adequate custody arrangements can be provided for and all reasonable steps have been taken by the ACD in deciding whether that market is eligible; or
- (d) recently issued transferable securities provided that the terms of the issue include an undertaking that application will be made to be admitted to an eligible market, and such admission is secured within a year of issue.

The Funds may invest no more than 10% of the scheme property in transferable securities and money market instruments other than those referred to in (a) to (d) above.

**Transferable securities linked to other assets**

The Funds may invest in any other investment which shall be taken to be a transferable security provided the investment:

- (a) fulfils the criteria for transferable securities set out in COLL 5.2.7AR; and
- (b) is backed by or linked to the performance of other assets, which may differ from those in which UCITS Schemes can invest.

Where such investments contain an embedded derivative component, the COLL rules applicable to investment in derivatives and forwards (summarised below) will apply.

**Warrants**

Not more than 5% in value of the scheme property attributable to the Funds may consist of warrants. Securities on which any sum is unpaid may be held provided that it is reasonably foreseeable that the amount of any existing and potential call for any sum unpaid could be paid by the relevant Fund at any time when the payment is required without contravening COLL.

**Government and public securities**

Up to 100% of the scheme property attributable to the Funds may consist of government and public securities provided no more than 35% in value of the scheme property attributable to such Fund is invested in such securities issued by any one body. There is no limit on the amount which may be invested in such securities or in any one issue. Subject to COLL 5.2.12R(3), no more than 35% in the value of the scheme property may consist of any combination of government and public securities issued by any one body and other investments issued by or made with the same single body.

**Covered bonds**

In general a covered bond is a bond that is issued by a credit institution which has its registered office in an EEA State and is subject by law to special public supervision designed to protect bondholders and in particular protection under which sums deriving from the issue of the bond must be invested in conformity with the law in assets which, during the whole period of validity of the bond, are capable of covering claims attaching to the bond and which, in the event of failure of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest, and which may be collateralised.

**Collective investment schemes**

Up to 100% of the scheme property attributable to the Funds may consist of units in collective investment schemes.

Not more than 20% in value of the property of a Fund may consist of units or shares in any one collective investment scheme.

A Fund must not invest in units or shares of a collective investment scheme (the "second scheme") unless the second scheme satisfies the conditions referred to below and provided that no more than 30% of the value of the scheme property attributed to the relevant Fund is invested in second schemes within categories (b) to (d) below.

- (a) A scheme which satisfies the conditions necessary for it to enjoy the rights conferred by the UCITS Directive; or
- (b) A scheme which is recognised under the provisions of section 270 of the Financial Services and Markets Act 2000 (schemes authorised in designated countries or territories); or
- (c) A scheme which is authorised as a non-UCITS retail scheme (as defined in COLL) and in respect of which the requirements of article 19(1)(e) of the UCITS Directive are met; or
- (d) A scheme which is authorised in another EEA State (and in respect of which the requirements of article 19(1)(e) of the UCITS Directive are met).
- (ii) The second scheme must comply, where relevant, with those COLL provisions regarding investment in other group schemes and associated schemes (referred to below).

- (iii) The second scheme must have terms which prohibit more than 10% in value of the scheme property consisting of units in collective investment schemes.

The Company may invest in shares or units of collective investment schemes which are managed or operated by (or, in the case of companies incorporated under the OEIC Regulations, have as their authorised corporate director) the ACD or an associate of the ACD. However, if the Company invests in units in another collective investment scheme managed or operated by the ACD or by an associate of the ACD, the ACD must pay into the property of the Company before the close of the business on the fourth Business Day after the agreement to invest or dispose of units:

- (a) on investment – if the ACD pays more for the units issued to it than the then prevailing issue price, the full amount of the difference or, if this is not known, the maximum permitted amount of any charge which may be made by the issuer on the issue of the units; and
- (b) on a disposal – any amount charged by the issuer on the redemption of such units.

Where a Fund invests in other collective investment schemes, the maximum annual management fee that may be charged to that collective investment scheme is 5% of the Net Asset Value of such a scheme, however it is expected that the actual annual management will not exceed 2%.

#### **Cash and near cash**

In accordance with COLL, the scheme property attributable to the Funds may consist of cash or near cash to enable:

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

Cash forming part of the property of a Fund may be placed in any current or deposit account with the Depositary, the ACD or any investment manager or any associate of any of them provided it is an eligible institution or approved bank and the arrangements are at least as favourable to the Fund concerned as would be those of any comparable arrangements effected on normal commercial terms negotiated at arm's length between two independent parties.

#### **Derivatives - General**

In accordance with each of the above Fund's investment objectives and policies, the Funds may invest directly in derivatives for investment purposes, as well as for efficient portfolio management purposes (including hedging).

A transaction in derivatives or a forward transaction must not be effected for a Fund unless the transaction is of a kind specified below and the transaction is covered.

Where a Fund invests in derivatives, the exposure to the underlying assets must not exceed the general limits on spread as set out in the paragraph headed "Spread – General" below, except for index-based derivatives where the following rules apply.

Where a Fund invests in an index-based derivative, provided the relevant index falls within COLL 5.2.33, the underlying constituents of the index do not have to be taken into account for the purposes of monitoring the spread requirements. The relaxation is subject to the ACD continuing to ensure that the property provides a prudent spread of risk.

Where a transferable security or money market instrument embeds a derivative, this must be taken into account for the purposes of complying with this section.

#### **Permitted Transactions (derivatives and forward transactions)**

Derivatives transactions must either be in an approved derivative (being a derivative which is dealt in on an eligible derivatives market as set out in Appendix 1) or an over the counter derivative with an approved counterparty, in accordance with COLL.

A transaction in a derivative must not cause a Fund to diverge from its investment objectives as stated in the instrument of incorporation and the most recently published version of this prospectus.

Any over the counter transactions in derivatives must also be on approved terms, i.e. the counterparty has agreed with the ACD:

- (a) to provide a reliable and verifiable valuation in respect of that transaction at least daily and at any time at the request of the ACD; and
- (b) that it will, at the request of the ACD, enter into a further transaction to close out that transaction at any time, at a fair value, arrived at under the pricing model or other reliable basis agreed.

The underlying assets of a transaction in a derivative may only consist of any one or more of the following:

- transferable security permitted under COLL 5.2.8R(3)(a) to (c) and (e);
- money market instruments permitted under COLL 5.2.8R(3)(a) to (d);
- deposits as permitted under COLL 5.2.26R;
- derivatives as permitted under COLL;
- collective investment schemes as permitted under COLL 5.2.13R;
- financial indices which satisfy the criteria set out in COLL 5.2.20AR;
- interest rates;
- foreign exchange rates; and
- currencies.

A transaction in a derivative must not be entered into if the intended effect is to create the potential for an uncovered sale of one or more transferable securities, approved money market instruments, units in collective investment schemes or derivatives provided that a sale is not to be considered as uncovered if the conditions in COLL 5.2.22(3)R are (Requirement to cover sales) are satisfied.

Any forward transaction must be made with an eligible institution or an approved bank in accordance with COLL.

A derivative or forward transaction which will or could lead to the delivery of property for the account of the Company may be entered into only if:

- (a) that property can be held for the account of the Company; and
- (b) the ACD having taken reasonable care determines that delivery of the property under the transaction will not occur or will not lead to a breach of the rules in COLL.

All derivatives transactions are deemed to be free of counterparty risk if they are performed on an exchange where the clearing house is backed by an appropriate performance guarantee; and it is characterised by daily mark-to-market valuation of the derivative positions and an at least daily margining.

#### **Embedded derivatives**

Where a Fund invests in a transferable security or an approved money-market instrument which embeds a derivative, this must be taken into account for the purposes of complying with COLL.

A transferable security or an approved money-market instrument will embed a derivative if it contains a component which fulfils the following criteria:

- (a) by virtue of that component some or all of the cash flows that otherwise would be required by the transferable security or approved money-market instrument which functions as host contract can be modified according to a specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, and therefore vary in a way similar to a stand-alone derivative;
- (b) its economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract; and
- (c) it has a significant impact on the risk profile and pricing of the transferable security or approved money-market instrument.

A transferable security or an approved money-market instrument does not embed a derivative where it contains a component which is contractually transferable independently of the transferable security or the approved money-market instrument. That component is a separate instrument.

The following types of investments are generally regarded as being transferable securities and approved money market instruments which embed a derivative:

- (a) credit linked notes;
- (b) transferable securities or approved money-market instruments whose performance is linked to the performance of a bond index;
- (c) transferable securities or approved money-market instruments whose performance is linked to the performance of a basket of shares, with or without active management;
- (d) transferable securities or approved money-market instruments with a fully guaranteed nominal value whose performance is linked to the performance of a basket of shares, with or without active management;
- (d) convertible bonds; and
- (e) exchangeable bonds.

Transferable securities and approved money-market instruments which embed a derivative are subject to the rules applicable to derivatives in COLL as summarised in this section.

A derivative includes instruments which fulfil the following criteria:

- (a) it allows the transfer of the credit risk of the underlying independently from the other risks associated with that underlying;
- (b) it does not result in the delivery or the transfer, including in the form of cash, of assets other than those referred to in COLL 5.2.6AR;
- (c) in the case of an OTC derivative, it complies with the requirements in COLL 5.2.23R;
- (d) its risks are adequately captured by the ACD's risk management process, and by its internal control mechanisms in the case of risks of asymmetry of information between the ACD and the counterparty to the derivative, resulting from potential access of the counterparty to non-public information on persons whose assets are used as the underlying by that derivative.

The Funds may not undertake transactions in derivatives on commodities.

A derivative or forward transaction which will or could lead to the delivery of property for the account of Company may be entered into only if:

- (a) that property can be held for the account of the Company; and
- (b) the ACD having taken reasonable care determines that delivery of the property under the transaction will not occur or will not lead to a breach of COLL.

#### **Requirement to cover sales**

No agreement by or on behalf of the Funds to dispose of property or rights may be made unless the obligation to make the disposal and any other similar obligation could immediately be honoured by the Fund(s) by delivery of property or the assignment of rights, and the property and rights above are owned by the Funds at the time of the agreement.

This requirement does not apply to a deposit, nor does it apply where:

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

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

#### **Over-the-counter ("OTC") transactions in derivatives**

Any transaction in an OTC derivative must be:

- (a) with an approved counterparty. A counterparty to a transaction in derivatives is approved only if the counterparty is an eligible institution or an approved bank, or a person whose permission (as published in the FSA register), or whose home state authorisation, permits it to enter into such transactions as principal off-exchange.
- (b) on approved terms. The terms of a transaction in derivatives are approved only if, the ACD:
  - (i) carries out at least daily a reliable and verifiable valuation in respect of that transaction corresponding to its fair value (and which does not rely only on market quotations by the counterparty; and
  - (ii) Can enter into one or more further transactions to sell, liquidate or close out that transaction at any time, at its fair value arrived, and
- (c) capable of reliable valuation. A transaction in derivatives is capable of reliable valuation only if the ACD having taken reasonable care determines that, throughout the life of the derivative (if the transaction is entered into), it will be able to value the investment concerned with reasonable accuracy:
  - (i) on the basis of an up-to-date market value which the ACD and the Depositary have agreed is reliable; or
  - (ii) if the value referred to in (i) is not available, on the basis of a pricing model which the ACD and the Depositary have agreed uses an adequate recognised methodology; and
- (d) subject to verifiable valuation. A transaction in derivatives is subject to verifiable valuation only if, throughout the life of the derivative (if the transaction is entered into) verification of the valuation is carried out by:
  - (i) an appropriate third party which is independent from the counterparty of the derivative, at an adequate frequency and in such a way that the ACD is able to check it; or
  - (ii) a department within the ACD which is independent from the department in charge of managing the scheme property and which is adequately equipped for such a purpose.

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

The Depositary must take reasonable care to ensure that the ACD has systems and controls that are adequate to ensure compliance with (a) to (d) above.

#### **Collateral required under OTC derivative transactions must be:**

- (a) marked to market on a daily basis and exceed the value of the amount of risk;
- (b) exposed only to negligible risks (e.g. government bonds of first credit rating or cash) and is liquid);
- (c) held by a third party custodian not related to the provider or is legally secured from the consequences of a failure of a related party; and
- (d) be fully enforceable by the Fund(s) at any time.

OTC derivative positions with the same counterparty may be netted provided that the netting procedures comply with the conditions set out in Section 3 (Contractual netting (Contracts for novation and other netting agreements)) of Annex III of the Banking Consolidation Directive; and are based on legally binding agreements.

#### **Risk Management**

The ACD uses a risk management process, as reviewed by the Depositary, enabling it to monitor and measure frequently as appropriate the risk of a Fund's positions and their contribution to the overall risk profile of the Company. Derivatives may be used by each of the Funds for investment purposes and for the purposes of efficient portfolio management (including hedging). **This may mean that the net asset value of a particular Fund could be subject to volatility from time to time however, it is the ACD's intention that the Funds, owing to the portfolio composition or the portfolio management techniques used, will not have volatility over and above the general market volatility of the relevant markets or their underlying investments and therefore it is not anticipated that the use of derivative techniques will alter or change the risk profile of the relevant Funds.**

Before using the risk management process, the ACD will notify the FSA of the details including the methods for estimating risks in derivative and forward transactions and the types of derivatives and forward that will be used within the Funds together with their underlying risks and any relevant quantitative limits.

As part of its monitoring of the usage of derivatives by each Fund, the ACD is required to calculate the global exposure for each Fund daily and to ensure that it meets the cover for investment in derivatives rules. The ACD has reviewed the type of derivatives used by each fund and the manner in which the derivatives are being used and has determined that each fund should be classified as non-sophisticated and that the most appropriate methodology for calculating global exposure is the 'commitment approach'. The Fund's depositary has reviewed this decision and is in agreement. The commitment approach follows guidelines laid down originally by the Committee of European Securities Regulators 'CESR' and referenced by the Financial Services Authority Handbook in COLL 5.3.9. It measures the incremental exposure generated by the use of derivatives and forward transactions and then ensures that it does not exceed 100% of the net value of the Scheme Property. The incremental exposure of each derivative or forward is calculated by converting it into the market value of an equivalent position in the underlying asset of that derivative or forward transaction. The ACD may in some instances, and always following the CESR guidelines, take account of legally enforceable netting and hedging arrangements when calculating global exposure where these arrangements do not disregard any obvious or material risks.

Any material alteration of the above details of the risk management procedures will be notified by the ACD in advance to the FSA.

#### **Requirement to Cover Sales**

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

**Cover for transaction in derivatives and forward transactions**

The global exposure relating to derivatives held by the Company may not exceed the net value of the scheme property.

**Efficient portfolio management**

Efficient portfolio management enables the Funds to invest in derivatives and forward transactions (including futures and options) in accordance with COLL using techniques which relate to transferable securities and approved money market instruments (as defined in COLL) and which fulfil the following criteria:

- (a) they are economically appropriate in that they are realised in a cost effective way;
- (b) they are entered into for one or more of the following specific aims;
  - (i) reduction of risk;
  - (ii) reduction of cost;
  - (iii) generation of additional capital or income for the Funds with a risk level which is consistent with the risk profile of the relevant Fund and the risk diversification rules in COLL.

**Deposits**

Up to 100% of the scheme property attributable to the Funds may consist of deposits (as defined in COLL) but only if it:

- is with an approved bank;
- is repayable on demand or has the right to be withdrawn; and
- matures in no more than 12 months.

Not more than 20% in value of the scheme property may consist of deposits with a single body.

**Immovable and movable property**

It is not intended that the Company should have any interest in any immovable property or tangible movable property.

**Spread – general**

In applying any of the restrictions referred to above, not more than 20% in the value of the scheme property is to consist of any combination of two or more of the following:

- transferable securities (including covered bonds) or money market instruments issued by; or
- deposits made with; or
- exposures from over the counter derivatives transactions made with;
- a single body.

In applying any limit to transferable securities or money market instruments, any certificates representing certain securities are to be treated as equivalent to the underlying security.

Not more than 5% in value of the scheme property attributable to a Fund may consist of transferable securities or approved money market instruments issued by any single body. This limit may be raised to 10% in respect of up to 40% in value of the scheme property.

Covered bonds need not be taken into account for the purpose of applying the limit of 40%. The limit of 5% is raised to 25% in value of the scheme property in respect of covered bonds, provided that when a Fund invests more than 5% in covered bonds issued by a single body, the total value of covered bonds held must not exceed 80% in value of the scheme property.

Not more than 20% in value of the scheme property attributable to the Fund is to consist of transferable securities and approved money market instruments issued by the same group.

The exposure to any one counterparty in an over the counter derivative transaction must not exceed 5% in value of the scheme property. This limit may be raised to 10% where the counterparty is an approved bank as defined in COLL. Exposure in respect of an over the counter derivative may be reduced to the extent that collateral is held in respect of it if the collateral complies with COLL, as summarised above.

**Borrowing**

Subject to the Company's Instrument and COLL (as it relates to UCITS Schemes), the Company may borrow money for the purposes of achieving the objectives of the Funds on terms that such borrowings are to be repaid out of the scheme property of the relevant Fund. The ACD does not anticipate significant use of this borrowing power. Such borrowing may only be made from an eligible institution or approved bank (as defined in COLL) and must be on a temporary basis only.

No period of borrowing may exceed 90 days without the prior consent of the Depositary (which may give such consent only on conditions as appear to the Depositary appropriate to ensure that the borrowing does not cease to be on a temporary basis). The borrowing of a Fund must not, on any Business Day, exceed 10% of the value of the property of the relevant Fund. As well as applying to borrowing in a conventional manner, the 10% limit applies to any other arrangement designed to achieve a temporary injection of money into the property of the relevant Fund in the expectation that such will be repaid. For example, by way of a combination of derivatives which produces an effect similar to borrowing.

The above provisions on borrowing do not apply to "back to back" borrowing for hedging purposes, being an arrangement under which an amount of currency is borrowed from an eligible institution and an amount in another currency at least equal to the amount of currency borrowed is kept on deposit with the lender (or his agent or nominee).

Borrowings may be made from the Depositary, the ACD, the Directors or any investment manager or any associate of any of them provided that such lender is an eligible institution or approved bank and the arrangements are at least as favourable to the Fund concerned as would be those of any comparable arrangements effected on normal commercial terms negotiated at arm's length between two independent parties.

#### **Stock lending**

The Funds or the Depositary may enter into a repo contract, or a stock lending arrangement of the kind described in section 263B of the Taxation of Chargeable Gains Act 1992 but only if:-

- (a) all the terms of the agreement under which securities are to be reacquired by the Depositary for the account of the Funds are in a form which is acceptable to the Depositary and are in accordance with good market practice;
- (b) the counterparty is an authorised person, a person authorised by a home state regulator or otherwise acceptable in accordance with COLL; and
- (c) collateral is obtained to secure the obligation of the counterparty under the terms referred to in (a) above, and is acceptable to the Depositary and must also be adequate and sufficiently immediate as set out in COLL. These requirements do not apply to a stock lending transaction made through Euroclear Bank SA/NV's Securities Lending and Borrowing Programme.

#### **Underwriting**

The Company may enter into underwriting and sub-underwriting arrangements in accordance with COLL, provided that such agreements are covered in accordance with COLL 5.3.3 (as summarised above under 'Cover for transaction in derivatives and forward transactions'), and such that if all possible obligations arising under them had immediately to be met in full, there would be no breach of any limit in COLL.

#### **Lending and other provisions**

The scheme property of the Funds other than money must not be lent by way of deposit or otherwise and must not be mortgaged. Stock lending transactions permitted under COLL 5.4 however are not to be regarded as lending for the above purposes. The Company or the Depositary at the request of the Company may however lend, deposit, pledge or charge scheme property for margin requirements where transactions in derivatives or forward transactions are used for the account of the Funds in accordance with COLL and this Appendix.

Where transactions in derivatives or forward transactions are used for the account of the Company in accordance with COLL nothing in this rule prevents the Company, or the Depositary at the request of the Company, from lending, depositing, pledging or charging scheme property for margin requirements, provided that the ACD reasonably considers that both the agreement and the margin arrangements made under it (including in relation to the level of margin) provide appropriate protection to shareholders.

An agreement providing appropriate protection to shareholders for these purposes includes one made in accordance with the 1995 International Swaps and Derivatives Association Credit Support Annex (English Law) to the International Swap and Derivatives Association Master Agreement.

**APPENDIX 5****DILUTION LEVY RATES AS AT 31<sup>st</sup> MARCH 2012**

<b>Fund Name</b>	<b>Investments (i.e. sale of fund's shares)</b>	<b>Redemptions (i.e. repurchase of fund's shares)</b>	<b>% of deals where dilution levies were applied*</b>
Navigatio Euro Balanced Fund	0.06%	0.06%	24.24%
Navigatio Euro Conservative Fund	0%	0%	20%

\* For the year ending 31<sup>st</sup> December 2011

**Policy:** To charge a fund specific levy, as shown in the table above, for each and every transaction equal to or greater than 1% of the current value of the fund. No dilution levy is applied to purchases (i.e. investments) of less than £500,000. In addition, the ACD will charge no dilution levy on the purchase of shares for any new fund or sub-fund within the first 12 months of its launch.

## DIRECTORY

### **The Head Office of the Company:**

The Navigatio Fund  
Eastgate Court  
High Street  
Guildford  
Surrey GU1 3DE

### **Authorised Corporate Director:**

Premier Portfolio Managers Limited  
Eastgate Court  
High Street  
Guildford  
Surrey GU1 3DE

### **Investment Adviser:**

Premier Fund Managers Limited  
Eastgate Court  
High Street  
Guildford  
Surrey GU1 3DE

### **Sub-Investment Adviser:**

Hawksmoor Investment Management Limited  
3 Barnfield Crescent, Exeter,  
Devon, EX1 1QT

### **Administrator and Registrar (Postal Address):**

PO Box 3733  
Royal Wootton Bassett  
Swindon SN4 4BG

### **Administrator and Registrar (Registered Office)**

Northern Trust Global Services Limited  
50 Bank Street  
Canary Wharf  
London E14 5NT

### **Depositary (Principal Place of Business):**

National Westminster Bank plc  
Trustee & Depositary Services  
The Broadstone  
50 South Gyle Crescent  
Edinburgh EH12 9UZ

### **Legal Advisers:**

Burges Salmon LLP  
One Glass Wharf  
Bristol BS2 0ZX

### **Auditors:**

KPMG Audit plc  
15 Canada Square  
London. E14 5GL