



# The Lockerley Fund

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## PROSPECTUS

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**This document is the Prospectus of The Lockerley Fund and is dated and valid as at 12 June 2024. This document replaces any previous prospectuses issued by the Company.**

**It has been prepared in accordance with the rules contained in the Collective Investment Schemes Sourcebook (COLL), which forms part of the FCA Handbook of Rules and Guidance, and complies with the requirements of COLL 4.2.5R and FUND 3.2.2R.**

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

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## **THE LOCKERLEY FUND**

***If you are in any doubt about the contents of this Prospectus you should consult your professional adviser authorised under the Financial Services and Markets Act 2000.***

**The Company has been established as a Non-UCITS retail scheme. It is not intended that the Company will be marketed outside the UK.**

**The Authorised Corporate Director ('ACD'), Thesis Unit Trust Management Limited, is responsible for the information contained in this Prospectus. To the best of the ACD's knowledge and belief, (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus does not contain any untrue or misleading statement or omit any matters required by COLL and FUND to be included in it. The ACD accepts responsibility accordingly.**

**The Depositary is not responsible for the information contained in this prospectus and, accordingly, does not accept any responsibility for it under COLL, FUND or otherwise.**

**The distribution of this Prospectus and supplementary documentation and the offering of Shares may be restricted in certain countries. Any person wishing to apply for Shares should inform themselves as to the requirements within their own country for transactions in Shares, any applicable exchange control regulations and the tax consequences of any transaction in Shares.**

**The Shares have not been and will not be registered under the 1933 Act or the securities laws of the United States. The Shares may not be offered or sold directly or indirectly in the United States or to or for the account or benefit of any US Person or in a transaction not subject to the regulatory requirements of, the 1933 Act and any applicable state securities laws. Any re-offer or resale of any of the Shares in the United States or to US Persons may constitute a violation of US law. The Company have not been and will not be registered under the 1940 Act and investors will not be entitled to the benefit of registration.**

**The Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission or other regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of these offering materials. Any representation to the contrary is unlawful. The Shares are subject to restrictions on transferability and resale and may not be transferred or resold in the United States except as permitted under the 1933 Act and applicable state securities laws, pursuant to registration or exemption therefrom.**

**In order to ensure compliance with the restrictions referred to above, the Company is, accordingly, not open for investment by any US Persons or ERISA Plans except in exceptional circumstances and then only with the prior consent of the ACD. A prospective investor may be required at the time of acquiring Shares to represent that such investor is a qualified holder and not a US Person or acquiring Shares for the account or benefit, directly or indirectly, of a US Person or with the assets of an ERISA Plan. The granting of prior consent by the ACD to an investment does not confer on the investor a right to acquire Shares in respect of any future or subsequent application.**

**This Prospectus does not constitute an offer or solicitation to anyone in any country in which such offer or solicitation is not lawful or authorised, or to any person to whom it is unlawful to make such offer or solicitation.**

**Purchases must be made on the basis of the information contained in the most recently published Prospectus and supplementary documentation, including the latest reports when issued, which are available from the registered office of the ACD. Investors should check with the ACD that this is the most recently published version of the Prospectus.**

**Obligations have been imposed on financial sector professionals to prevent the use of funds such as The Lockerley Fund for money-laundering purposes. Within this context a procedure for the identification of subscribers is required. That is, the application form of a subscriber must be accompanied, in the case of individuals, by a copy of a passport or identification card and/or in the case of legal entities, a copy of its statutes and an extract from its commercial register (in the case of a non-UK entity any such copy must be certified to be a true copy by one of the following authorities: ambassador, consulate, notary, local police). Any such information provided is collected for money-laundering compliance purposes only. These specific requirements may be waived by the ACD where other suitable evidence is available which in its sole judgement allows the ACD to cover its obligations under money-laundering legislation.**

**Neither the ACD nor any of its officers, representatives or advisers, nor any of the other Directors, shall be regarded as giving any advice, representation or warranty (express or implied) to any person in connection with the proposals contained in this Prospectus.**

**This Prospectus and its contents are confidential and should not be distributed or published in any circumstances. No part of this Prospectus may, be reproduced, stored in a retrieval system or transmitted in any form or any means, electronic, mechanical, photocopying, recording or otherwise without the prior written permission of the ACD.**

#### **Data Protection**

**The personal details of each applicant for Shares and each Shareholder will be held by the ACD and/or the Administrator as its agent in accordance with Data Protection Laws for the purposes of carrying out the ACD's agreement with each Shareholder. This may include the transfer of such data to other members of the ACD's group and to other businesses providing services to the ACD (including their offices outside the UK), where the transfer is necessary for the provision of services in relation to the ACD's role as operator of the Company. The data protection laws and other laws of these countries may not be as comprehensive as those that apply within the UK. In these instances the ACD will take steps to ensure that your privacy rights are respected.**

**Shareholders have the right to access their personal data processed by the ACD together with (in certain circumstances) the right to object to the processing of such data for legitimate reasons.**

**A copy of the ACD's Privacy Notice relating to investors is available at [www.tutman.co.uk](http://www.tutman.co.uk) or on request from [compliance@tutman.co.uk](mailto:compliance@tutman.co.uk).**

#### **Electronic Verification**

**The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, The Proceeds of Crime Act 2002, the Senior Management Arrangements, Systems & Controls Source book and Joint Money Laundering Steering Group guidance notes (which are updated from time to time) state that the ACD must check your identity and the source of the money invested. The ACD may also request verification documents from parties associated with you. In some cases, documentation may be required for officers performing duties on behalf of bodies corporate. The checks may include an electronic search of information held about you (or your associated party) on the electoral roll and using credit reference agencies. The credit reference agency may check the details you (or your associated party)**

supply against any particulars on any database (public or otherwise) to which they have access and may retain a record of that information although this is only to verify identity and will not affect your (or your associated party's) credit rating. They may also use your (or your associated party's) details in the future to assist other companies for verification purposes.

If you apply for Shares you are giving the ACD permission to ask for this information in line with Data Protection Laws. If you invest through a financial adviser they must fill an identity verification certificate on your behalf and send it to the ACD with your application.

#### **Dealing in Shares – Client Money Rules**

The FCA Handbook contains provisions (known as the "Client Money Rules") designed to safeguard client money in the hands of authorised persons. However, the CASS rules also provide that money need not be treated as client money in respect of a delivery versus payment transaction, for the purpose of settling a transaction in relation to units in a regulated collective investment scheme such as the Company, provided that:

- 1. The ACD receives the money from a client in relation to the ACD's obligation to issue Shares in the fund in accordance with COLL; or**
- 2. The money is held in the course of redeeming Shares, where the proceeds are paid to the client within the timeframe specified in COLL.**

Where money is received in either of the circumstances set out in 1. or 2. above, the ACD must cease to operate the exemption if, by close of business on the Business Day following receipt of the money, it has not paid it over to the Depositary or the client or, if direct issues and cancellations of Shares by the Company are permitted, to the Company, as applicable.

In order to facilitate management of the Company, the ACD makes use of the delivery versus payment exemption on the issue of Shares in respect of money received other than in the form of cheques. Money received in other payment forms for the issue of Shares is, therefore, not protected under the Client Money Rules until the delivery versus payment exemption period has expired.

Money received by the ACD in the form of redemptions, cheques or other remittances is paid directly into a client money account maintained by the ACD with an Approved Bank, as defined in the FCA Rules, and protected in line with the Client Money Rules. No interest is payable by the ACD on monies credited to this account.

Money deposited into an account with a third party may have a security interest, lien or right of set-off in relation to the money, to the extent permitted by the Client Money Rules.

In certain circumstances, if the ACD has lost touch with an investor, the ACD will be permitted to pay the investor's client money balance to a registered charity after six years. The ACD will not do so until reasonable efforts have been made to contact the investor. The investor will still be entitled to recover this money from the ACD at a later date irrespective of whether the ACD has paid the money to charity. This is subject to the rules in COLL, which require the ACD to transfer any distribution payment which remains unclaimed after a period of six years from the date of payment to the Company's capital property.

#### **GENERAL WARNING FOR INVESTORS**

- Collective investment schemes should be regarded as long term investments.**

- **The value of the Shares in the Company is not itself affected by market forces, but equates to the value of the Company's assets less the value of its liabilities.**
- **The value of those investments and the income from them, and consequently the value of the Shares and the income from them, can go down as well as up and is not guaranteed.**
- **Past performance is not necessarily a guide to future performance.**
- **Investors may not get back the amount originally invested.**
- **Exchange rate changes may cause the value of overseas investments to rise or fall.**

## 1. Introduction

1.1 This document is the Prospectus of **The Lockerley Fund** (the 'Company').

1.2 In this Prospectus the following words and expressions shall have the following meanings:

<b>'ACD'</b>	the authorised corporate director holding office as such from time to time pursuant to the Rules, being Thesis Unit Trust Management Limited and its successor or successors as authorised corporate director of the Company;
<b>'Act'</b>	the Financial Services and Markets Act 2000 as amended or replaced from time to time;
<b>'AIF'</b>	an alternative investment fund and has the same meaning as set out in the FCA Glossary;
<b>'AIFM'</b>	an alternative investment fund manager and has the same meaning as set out in the FCA Glossary;
<b>'AIFMD'</b>	the Alternative Investment Fund Managers Directive (2011/61/EU);
<b>'AIFMD Level 2 regulation'</b>	as defined in the FCA Glossary;
<b>'AIFMD UK regulation'</b>	the Alternative Investment Fund Managers Regulations 2013 (SI 2013/1773);
<b>'Approved Bank'</b>	(in relation to a bank account opened for the Company):  a) if the account is opened at a branch in the UK:  i) the Bank of England; or  ii) the central bank of a member state of the OECD; or  iii) a bank; or  iv) a building society; or  v) a bank which is supervised by the central bank or other banking regulator of a member state of the OECD; or  b) if the account is opened elsewhere:  i) a bank in a); or  ii) a bank which is regulated in the Isle of Man or the Channel Islands; or  c) a bank supervised by the South African Reserve Bank;



- (d) and a credit institution established in an EEA State and duly authorised by the relevant Home State regulator,

as such definition may be updated in the FCA Glossary from time to time;

<b>'Business Day'</b>	a weekday being Monday to Friday (excluding any public or bank holiday in England);
<b>'CASS'</b>	the requirements relating to holding client assets and client money published by the FCA as part of the FCA Handbook, as amended or replaced from time to time;
<b>'CCP'</b>	as defined in the FCA Glossary;
<b>'Class' or 'Classes'</b>	in relation to Shares, means a particular class or classes of Share;
<b>'COLL'</b>	the Collective Investment Schemes Sourcebook published by the FCA as part of the FCA Handbook made under the Act as may be amended, or replaced, from time to time;
<b>'Custodian'</b>	the person who provides custodian services to the Company, being The Northern Trust Company, and its successor or successors as custodian;
<b>'Data Protection Laws'</b>	means all applicable laws relating to the processing, privacy and/or use of personal data including the following laws to the extent applicable in the circumstances:  a) the UK GDPR;  b) the Data Protection Act 2018;  c) any laws which implement any such laws; and  d) any laws which replace, extend, re-enact, consolidate or amend any of the foregoing (whether or not before or after the date of this Prospectus); and  e) all final and binding guidance, guidelines and codes of practice issued by any relevant supervisory authority relating to such Data Protection Laws;
<b>'Depository'</b>	the person to whom is entrusted the safekeeping of all of the Scheme Property of the Company (other than certain Scheme Property designated by the FCA Rules), being NatWest Trustee and Depository Services Limited and its successor or successors as depository;
<b>'Depository Agreement'</b>	the agreement between the Company, ACD and the Depository regarding the appointment of the Depository;

<b>'Directors'</b>	the directors of the Company for the time being or, as the case may be, the ACD;
<b>'Eligible Institution'</b>	one of the eligible institutions as defined in the FCA Glossary;
<b>'EEA'</b>	the European Economic Area;
<b>'EEA State'</b>	a member state of the European Union and any other state which is within the EEA;
<b>'EMIR'</b>	as defined in the FCA Glossary;
<b>'ERISA Plan'</b>	(i) any retirement plan subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended ("ERISA"); (ii) any individual retirement account or plan subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended; or (iii) an entity whose assets include plan assets by reason of a plan's investment in the entity (generally because 25% or more of a class of equity interests in the entity is owned by plans);
<b>'EUWA'</b>	The European Union (Withdrawal) Act 2018;
<b>'FATCA'</b>	the Foreign Account Tax Compliance Act (US);
<b>'FCA'</b>	the Financial Conduct Authority or any successor regulatory body;
<b>'FCA Glossary'</b>	the glossary giving the meanings of the defined expressions used in the FCA Handbook as amended from time to time;
<b>'FCA Handbook'</b>	the FCA's handbook of rules and guidance, including COLL and FUND, made under the Act, as amended from time to time;
<b>'FCA Rules'</b>	the rules contained in COLL and FUND but, for the avoidance of doubt, not including guidance or evidential requirements contained in either sourcebook;
<b>'Financial Instruments'</b>	as defined in the FCA Glossary;
<b>'FUND'</b>	the Investment Funds Sourcebook published by the FCA as part of the FCA Handbook made under the Act as it may be amended or replaced from time to time;
<b>'Fund Accountant'</b>	the person who provides fund accounting services, being Northern Trust Global Services SE, UK branch and its successor or successors as fund accountant;
<b>'Home State'</b>	as defined in the FCA Glossary;
<b>'Instrument of Incorporation'</b>	the instrument dated 2 July 2007 constituting the Company, as amended from time to time;
<b>'International Tax Compliance'</b>	

<b>Regulations</b>	The International Tax Compliance Regulations 2015 (SI 2015/878), as amended or re-enacted from time to time;
<b>'Investment Manager' or 'Investment Managers'</b>	the investment manager retained by the Company and the ACD pursuant to the FCA Rules, being Schroder & Co. Limited (trading as Cazenove Capital) and Thesis Asset Management Limited and their successor or successors as investment manager to the Company;
<b>'Leverage'</b>	bears the meaning as set out in the UK AIFM regime and as further described at paragraph 23;
<b>'Net Asset Value' or 'NAV'</b>	the value of the Scheme Property of the Company less the liabilities of the Company as calculated in accordance with the Instrument of Incorporation;
<b>'Non-UCITS retail scheme'</b>	an authorised fund which is not a UK UCITS, a qualified investor scheme or a long-term asset fund;
<b>'OECD'</b>	the Organisation for Economic Co-operation and Development;
<b>'OEIC Regulations'</b>	the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) as amended or re-enacted from time to time;
<b>'OTC'</b>	over the counter derivative (in relation to a transaction in an investment);
<b>'Register'</b>	the register of Shareholders of the Company;
<b>'Registrar'</b>	the person who maintains the register, being Northern Trust Global Services SE, UK branch and its successor or successors as registrar;
<b>'Rules'</b>	the FCA Rules and any other regulations that may be made under sections 247 and 248 of the Act and for the time being in force;
<b>'Scheme Property'</b>	as defined in the FCA Glossary;
<b>'Securities Financing Transactions' or 'SFTs'</b>	as defined in the FCA Glossary;
<b>'Share' or 'Shares'</b>	a share or shares in the Company;
<b>'Shareholder'</b>	a holder of registered Shares in the Company;
<b>'SDRT'</b>	shall have the meaning ascribed to it by paragraph 0(C);
<b>'Total Return Swaps' or 'TRSs'</b>	total return swaps as defined by the UK SFTR;
<b>'UCITS'</b>	an undertaking for collective investment in transferable securities. This will include a UCITS scheme or an EEA UCITS scheme, each as defined in the FCA Glossary;

<b>'UCITS Directive'</b>	the European Parliament and Council Directive of 13 July 2009 on the co-ordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (No. 2009/65/EC) as amended;
<b>'UK AIF'</b>	as defined in the FCA Glossary;
<b>'UK AIFM'</b>	the alternative investment fund manager for the purpose of the UK AIFM regime;
<b>'UK AIFM regime'</b>	means: <ul style="list-style-type: none"> <li>(a) the AIFMD UK regulation;</li> <li>(b) the AIFMD Level 2 regulation; and</li> <li>(c) all other UK law and regulation (including FUND) which when made, implemented AIFMD in the UK;</li> </ul>
<b>'UK GDPR'</b>	means Regulation 2016/679 of the European Parliament and of the Council of 27 <sup>th</sup> April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (General Data Protection Regulation) as it forms part of the law of England and Wales, Scotland and Northern Ireland by virtue of section 3 of the EUWA, and any statutory instruments that the UK government makes to amend deficiencies in retained European Union law by virtue of section 8 of the EUWA (as may be amended from time to time) following the UK's withdrawal from the European Union;
<b>'UK SFTR'</b>	as defined in the FCA Glossary;
<b>'UK UCITS'</b>	as defined in the FCA Glossary;
<b>'United Kingdom' or 'UK'</b>	the United Kingdom of Great Britain and Northern Ireland;
<b>'United States' or 'US'</b>	the United States of America, its territories and possessions, any state of the United States, and the District of Columbia;
<b>'US Persons'</b>	means a person who is in either of the following two categories: <ul style="list-style-type: none"> <li>(a) a person included in the definition of "U.S. person" under Rule 902 of Regulation S under the 1933 Act; or</li> <li>(b) a person excluded from the definition of a "Non-United States person" as used in Commodity Futures Trading Commission ("CFTC") Rule 4.7.</li> </ul> <p>For the avoidance of doubt, a person is excluded from this definition of U.S. Person only if they are outside both the definition of "U.S. person" in Rule 902 and</p>

the definition of "Non-United States person" under CFTC Rule 4.7

**'VAT'**

value added tax;

**'1933 Act'**

the United States Securities Act of 1933 (as may be amended or re-enacted); and

**'1940 Act'**

the United States Investment Company Act of 1940 (as may be amended or re-enacted).

- 1.3 Headings used in this Prospectus are for convenience only and shall not affect their meaning or legal effect.
- 1.4 References in the main body of this Prospectus to paragraphs mean paragraphs in the main body of this Prospectus unless otherwise stated. Similarly, references in an Appendix to paragraphs mean paragraphs in the relevant Appendix unless otherwise stated.
- 1.5 References to the plural shall include the singular and vice versa.
- 1.6 Unless otherwise defined in paragraph 1.2 or elsewhere in this Prospectus, words or expressions defined in, or for the purposes of, the OEIC Regulations, the Act or the FCA Handbook shall bear the same meaning in this Prospectus.
- 1.7 References to statutes, statutory provisions or regulations (including any provision of the FCA Handbook) shall include those statutes, provisions, regulations, or provision of the FCA Handbook as amended, extended, consolidated, substituted or re-enacted from time to time and, in particular, references to Regulations and/or Directives of the European Union shall, where appropriate, include all domestic law and regulation enacted (or re-enacted) for the purpose of bringing such European Union law and regulation into domestic law and regulation.

## **2. The Company**

- 2.1 The Company is an authorised investment company with variable capital for the purposes of the Act.
- 2.2 The Company is a Non-UCITS retail scheme, being a category of authorised scheme for the purposes of COLL 1.2.1R and a UK AIF for the purposes of the UK AIFM regime. It is not intended that the Company will be marketed outside the UK.
- 2.3 Shareholders are not liable for the debts of the Company.
- 2.4 The head office and registered office of the Company is at Exchange Building, St John's Street, Chichester, West Sussex PO19 1UP. This is the address in the UK for service on the Company of notices or other documents required or authorised to be served on it.
- 2.5 The Company was authorised by the Financial Services Authority pursuant to an authorisation order dated 2 July 2007 and was launched on 26 July 2007.
- 2.6 The Financial Services Authority was superseded by the FCA and the Prudential Regulation Authority in 2013.
- 2.7 The Company registration number is IC000540 and its FCA product reference number is 466950.
- 2.8 The base currency of the Company is pounds Sterling.

- 2.9 The minimum share capital of the Company is £1,000,000 (one million pounds) and the maximum share capital is £500,000,000 (five hundred million pounds).
- 2.10 The Company is a collective investment scheme in which each investor's funds are pooled with all other investors' funds. The ACD takes reasonable steps to ensure that each investment transaction carried out within the Company is suitable for the Company, having regard to the investment objective and policy of the Company. This Prospectus is intended to provide information about the Company to potential investors.
- 2.11 Historical performance figures for the Company are set out at Appendix B.
- 2.12 The Company will at all times be invested so as to render the Shares as qualifying investments for the purposes of a stocks and shares component under the Individual Savings Account Regulations 1998 (as amended).
- 2.13 Details of the Company, including its investment objective and policy, are contained in paragraph 4.
- 2.14 The Company will continue until wound up in accordance with the Rules.
- 2.15 **Winding up of the Company**
- 2.15.1 The Company will continue until wound up in accordance with the Rules.
- 2.15.2 The Company must not be wound up except under chapter 7.3 of COLL or as an unregistered company under Part V of the Insolvency Act 1986. Winding up of the Company under COLL is only permitted (a) when effect may be given (under regulation 21 of the OEIC Regulations) to proposals to wind up the affairs of the Company and (b) a statement has been lodged with the FCA under COLL 7.3.5 R (a "**solvency statement**") and received by the FCA prior to satisfaction of the condition at (a) above.
- 2.15.3 Subject to the above the Company may be wound up if:
- (a) if an extraordinary resolution has been passed; or
  - (b) when the period (if any) for the duration of the Company by the instrument of incorporation has expired or any event occurs which the instrument of incorporation provides that the Company is to be wound up; or
  - (c) on the date stated in any agreement by the FCA in response to a request from the ACD to winding up of the Company; or
  - (d) on the effective date of a duly approved scheme of arrangement which results in the Company ceasing to hold any scheme property.
- 2.15.4 If any of the events set out in paragraph 2.15.3 above occurs the FCA Rules concerning pricing and dealing and investment and borrowing powers respectively, will cease to apply. The Company must cease to issue, cancel, sell or redeem shares except in respect of final calculation under COLL 7.3.7(R).
- 2.15.5 The ACD must, as soon as practicable after winding up has commenced, cause the scheme property 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 the ACD may arrange for interim distribution(s) to be made to Shareholders. When all liabilities have been met, the balance (net of a provision for any further expenses) will be distributed to Shareholders.

- 2.15.6 The ACD must, if Shareholders have not been notified of the proposal to wind up the Company, as soon as practicable after winding up has commenced, give written notice to Shareholders.
- 2.15.7 On commencement of such winding up the Company will cease to issue and cancel shares and transfers of such shares shall cease to be registered.
- 2.15.8 On completion of the winding up of the Company, 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.

### **3. Shares**

- 3.1 Income Shares are currently available in the Company.
- 3.2 Holders of income Shares are entitled to be paid the income (if any) attributed to such Shares on the relevant interim and annual allocation dates, without any tax being deducted or accounted for by the Company.
- 3.3 Where the Company has different Classes, each Class may attract different charges and so monies may be deducted from Classes in unequal proportions. In these circumstances the proportionate interests of the Classes within the Company will be adjusted accordingly.
- 3.4 The price of the Shares is expressed in pounds Sterling and the Shares themselves have no nominal value.
- 3.5 The rights attaching to the Shares may be expressed in two denominations and the proportion of a larger denomination Share represented by a smaller denomination share shall be one thousandth of the larger denomination share.
- 3.6 Names and addresses of Shareholders will be entered in the Register to evidence title to the Shares. Shareholders will not be issued with a certificate. The ACD will impose no requirements nor will Shareholders have any special rights or entitlements with respect to the transfer of their holding or exchange of their Shares to or for shares in any other fund operated by the ACD.
- 3.7 The Shares are not listed or dealt in on any investment exchange.

### **4. Investment Objective, Investment Policy, Performance Comparator and Investor Profile**

#### **4.1 Investment Objective**

The investment objective of the Company is to achieve capital growth, net of fees, over a rolling 5 year period.

#### **4.2 Investment Policy**

The Company will invest in a global portfolio which will typically comprise of equities (at least 60%). The remainder of the Scheme Property may be invested in fixed income securities and other transferable securities, cash, money market instruments and derivatives.

The composition of the Scheme Property as between equities, fixed income and other asset classes will vary depending on the Investment Managers' assessment of market

conditions as well as the economic environment. The exposure to equities may fall below 60% during difficult markets.

The above exposure may be gained directly or through the use of collective investment vehicles (regulated and unregulated, including investment trusts and exchange traded vehicles) which may include collective investment vehicles managed by the ACD or its associates or the Investment Managers or their associates. In addition, the Company may invest in eligible alternatives (e.g. gold and commodities) indirectly via permitted instruments such as collective investment vehicles.

**Derivatives may be used for the purpose of hedging, although use is expected to be limited.**

The ACD has appointed multiple Investment Managers with different investment styles to achieve the investment objective. Allocations to the Investment Managers are subject to change in order to meet the Company's investment objective and further details regarding the allocations are available upon request from the ACD.

The Investment Managers will actively manage the Company. This means the Investment Managers actively make decisions about how to invest the Scheme Property (and which investments to buy and sell) instead of simply following a market index.

#### **4.3 Performance Comparator**

The Company uses the Investment Association Mixed Investment 40-85% Shares peer group for performance comparison purposes. This peer group is not a target and the Company is not constrained by it. The peer group has been selected as a comparator for performance because the parameters for this peer group of between 40% and 85% exposure to equities are closely aligned with the policy of the Company.

The ACD reserves the right to change the peer group following consultation with the Depositary and in accordance with the rules of COLL. A change could arise, for example, where the ACD determines that an alternative may be more appropriate. Shareholders will be notified of such a change through an update to the Prospectus and the change noted in the subsequent annual and half yearly reports.

#### **4.4 Investor profile**

The Company is suitable for any investor type, including those who are not interested in or informed about capital market topics, but who see investment funds as a convenient "savings" product. It is also suitable for more experienced investors wishing to attain defined investment objectives. The investor must be able to accept high losses, thus the Scheme is suitable for investors who can afford to set aside capital for at least five to ten years. For investors holding a portfolio of securities, it can play the role of a core position.

### **5. Limitations on type of investments**

5.1 All the Scheme Property of the Company must be invested in any or all of the following assets: transferable securities, money market instruments, derivatives, deposits and units in collective investment schemes, except that cash or near cash may be held for the pursuit of the Company's investment objectives or redemption of Shares or for the efficient management of the Company in accordance with its investment objectives or any other purpose reasonably regarded as ancillary to the investment objectives of the Company. From time to time the Company may have a higher than usual level of liquidity if the ACD considers that to be in the interests of Shareholders.

5.2 The investment objectives and policy set out in paragraph 4 are subject to the limits on investment under the FCA Rules and as set out in this Prospectus. These limits are summarised below.



- 5.3 The Company will not maintain an interest in immovable property or tangible movable property.
- 5.4 Normally, the Scheme Property will be fully invested save for an amount to enable ready settlement of liabilities (including redemption of Shares) and efficient management of the Company both generally and in relation to its investment objectives and policy. This amount will vary depending upon prevailing circumstances and although it would normally not exceed 30% of the total value of the Scheme Property, there may be times when the Investment Managers consider stock markets to be overpriced or that a period of instability exists which presents unusual risks. In such cases or during such periods, a higher level of liquidity may be maintained and, if considered prudent, the amount of cash or near cash instruments held would be increased.
- 5.5 Investments permitted for the Company are as follows:

#### **5.5.1 Approved securities**

The Scheme Property may be invested in approved securities, with no maximum limit. An approved security is a transferable security that is admitted to an official listing in the UK or an EEA State or is traded under the rules of an eligible securities market (otherwise than by specific permission of the market authority). An eligible market is a regulated market that is regulated, open to the public and operates regularly: further details are set out in paragraph 5.5.10 below.

Recently issued transferable securities may also be treated as approved securities provided that:

- i. the terms of issue include an undertaking that application will be made to be admitted to an eligible market; and
- ii. such admission is secured within a year of issue.

#### **5.5.2 Transferable securities**

Transferable securities are, in general terms, shares, debentures, government and public securities, warrants or certificates representing certain securities (as such terms are defined in the FCA Glossary). Not more than 20% in value of the Scheme Property can be invested in transferable securities which are not approved securities.

The Scheme Property may be invested in transferable securities on which any sum is unpaid only if it is reasonable to foresee that the amount of any existing and potential call for any sum unpaid could be paid by the Company at the time when payment is required, without contravening the requirements of the FCA Rules.

#### **5.5.3 Money market instruments**

The Scheme Property may be invested in money market instruments which are:

- a) admitted to or dealt in on an eligible market; or
- b) subject to a limit of 20% in value of the Scheme Property, liquid and have a value which can be determined accurately at any time.

These instruments may include, but not be limited to, issues of commercial paper, certificates of deposit and other term deposits that may be arranged by the Investment Managers.

#### **5.5.4 Derivatives and Forward Transactions**

A transaction in derivatives or a forward transaction must not be effected for the Company unless:

- (i) the transaction is of a kind specified in COLL 5.6.13R, as summarised below; and
- (ii) the transaction is covered, as required by COLL 5.3.3AR.

Where the Company invests in derivatives, the exposure to the underlying assets must not exceed the limits specified under the heading "Spread" below.

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

Where the Company invests in an index-based derivative, provided the relevant index falls within the relevant requirements of COLL the underlying constituents of the index do not have to be taken into account for the purposes of restrictions spread, subject to the ACD taking account of COLL in relation to prudent spread of risk.

A transaction in an approved derivative must be effected on or under the rules of an eligible derivatives market or comply with the requirements for transactions in OTC derivatives described below.

A transaction in a derivative must not cause the Company to diverge from its investment objectives as stated in the Company's Instrument of Incorporation and in the most recently published version of this Prospectus.

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, money market instruments, units in collective investment schemes, or derivatives.

Any forward transaction must be with an approved counterparty under COLL.

No agreement by or on behalf of the Company to dispose of property or rights (except for a deposit) may be made:

- (a) unless the obligation to make the disposal and any other similar obligations could immediately be honoured by the Company by delivery of property or the assignment of rights; and
- (b) the property and rights at (a) are owned by the Company at the time of the agreement.

The transaction alone or in combination must be reasonably believed by the ACD to diminish a risk of a kind or level which it is sensible to reduce.

Each derivative transaction must be fully covered by cash, near cash or other property sufficient to meet any obligation which could arise.

A 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:
  - (i) an Eligible Institution or an Approved Bank; or

- (ii) a person whose permission (including any requirements or limitations), as published in the Financial Services Register provided by the FCA, permits it to enter into the transaction as principal off-exchange;
  - (iii) a CCP that is authorised in that capacity for the purposes of EMIR;
  - (iv) a CCP that is recognised in that capacity in accordance with the process set out in article 25 of EMIR;
  - (v) to the extent not already covered above, a CCP supervised in a jurisdiction that:
    - A) has implemented the relevant G20 reforms on over-the-counter derivatives to at least the same extent as the UK; and
    - B) is identified as having done so by the Financial Stability Board in its summary report on progress in implementation of G20 financial regulatory reforms dated 25 June 2019.
- (b) on approved terms. The terms of the 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 on market quotations by the counterparty;
  - (ii) can enter into one or more further transactions to sell, liquidate or close out that transactions at any time, at its fair value;
- (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.

The jurisdictions that fall within (a)(v) above are Australia, France, Germany, Hong Kong, Italy, Japan, the Netherlands, Singapore, Spain, Switzerland, and the United States of America.

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

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

**Approved derivatives transactions are for the purpose of both hedging and meeting the investment objectives of the Company. It is, therefore, anticipated that the outcome of the use of derivatives would be principally to hedge against currency risks. Movements in currencies may, however, render such hedging ineffective. If derivatives are used for investment purposes, the net asset value of the Company may in consequence be more highly volatile at times and this may increase the risk of investing in the Company. This would also be the case if the Company used Warrants as described below.**

**However, it is the ACD's intention that the Company, owing to its portfolio composition or the portfolio management techniques used, will not have volatility over and above the general market volatility of the markets of its underlying investments.**

#### **5.5.5 Deposits**

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

#### **5.5.6 Collective investment schemes**

The Company may invest in units in a collective investment scheme (the '**second scheme**') provided that the second scheme satisfies all of the following conditions:

- (a) it must:
  - (i) be a UK UCITS or a scheme which complies with the conditions necessary for it to enjoy the rights conferred by the UCITS Directive as implemented by the EEA; or
  - (ii) be a recognised scheme (as defined in the FCA Glossary); or
  - (iii) it is a Non-UCITS retail scheme; or
  - (iv) it is constituted outside the UK and the investment and borrowing powers of which are the same or more restrictive than those of a Non-UCITS retail scheme; or
  - (v) is a scheme not falling within (i) to (iv) and in respect of which no more than 20% in value of the Scheme Property (including any transferable securities which are not approved securities) is invested;
- (b) the second scheme operates on the principle of the prudent spread of risk;
- (c) the second scheme is prohibited from having more than 15% in value of the property of that scheme consisting of units in collective investment schemes (unless COLL 5.6.10AR applies); and

- (d) the participants in the second scheme must be entitled to have their units redeemed in accordance with the scheme at a price:
  - (i) related to the net value of the property to which the units relate; and
  - (ii) determined in accordance with the scheme.
- (e) where the second scheme is an umbrella, the provisions in (b) to (d) and COLL 5.6.7R (Spread: general) apply to each sub-fund as if it were a separate scheme.

Subject to the restrictions above, investment may be made in other collective investment schemes managed by the ACD or an associate of the ACD, provided that the conditions in COLL 5.2.16R are complied with.

### 5.5.7 Warrants

The Company may invest in warrants but the exposure created by the exercise of the rights conferred by those warrants must not exceed the limits set out in 'Spread' below.

**A warrant is a time-limited right to subscribe for shares, debentures, loan stock or government securities and is exercisable against the original issuer of the underlying securities. A relatively small movement in the price of the underlying security results in a disproportionately large movement, unfavourable or favourable, in the price of the warrant. The prices of warrants can therefore be highly volatile.**

### 5.5.8 Spread: general

- (a) This paragraph does not apply in respect of a transferable security or an approved money-market instrument to which paragraph 5.5.9 applies.
- (b) The specific limits are set out as follows:
  - (i) not more than 20% in value of the Scheme Property is to consist of deposits with a single body;
  - (ii) not more than 10% in value of the Scheme Property is to consist of transferable securities or money market instruments issued by a single body (except that the limit of 10% is raised to 25% in value of the scheme property in respect of covered bonds); and
  - (iii) not more than 35% in value of the Scheme Property is to consist of the units of any one collective investment scheme.
- (c) In applying the limit under paragraph (ii) above, certificates representing certain securities are to be treated as equivalent to the underlying securities.
- (d) For the purposes of this paragraph 5.5.8, a single body is:
  - (i) in relation to transferable securities and money market instruments, the person by whom they are issued; and

- (ii) in relation to deposits, the person with whom they are placed.

#### **5.5.9 Spread: Government and Public Securities**

- (a) The following applies in respect of transferable securities or approved money-market instruments ("such securities") that are issued or guaranteed by:
  - (i) the UK or an EEA State; or
  - (ii) a local authority of the UK or of an EEA State; or
  - (iii) a non-EEA State; or
  - (iv) a public international body to which the UK or one or more EEA States belong.
- (b) Where no more than 35% in value of the Scheme Property is invested in such securities issued by any one body, there is no limit on the amount which may be invested in such securities or in any one issue.
- (c) **The Company may invest more than 35% in value of the Scheme Property in such securities issued by any one body, provided that:**
  - (i) **the ACD has before any such investment is made consulted with the Depositary and as a result considers that the issuer of such securities is one which is appropriate in accordance with the investment objectives of the Company;**
  - (ii) **no more than 30% in value of the Scheme Property consists of such securities of any one issue;**
  - (iii) **the Scheme Property includes such securities issued by that or another issuer, of at least six different issues; and**
  - (iv) **the disclosures in COLL 3.2.6R(8) and COLL 4.2.5R(3)(i) have been made in the most recently published version of this Prospectus.**
- (d) In relation to such securities:
  - (i) issue, issued and issuer include guarantee, guaranteed and guarantor; and
  - (ii) an issue differs from another if there is a difference as to repayment date, rate of interest, guarantor or other material terms of the issue.
- (e) Notwithstanding paragraph 5.5.8(a) and subject to paragraphs 5.5.8(b)(i) and 5.5.8(d) above, in applying the 20% limit in paragraph 5.5.8(b)(i) with respect to a single body, such securities issued by that body shall be taken into account.
- (f) **More than 35% in value of the Scheme Property may be invested in such securities issued by:**

- i. the government of the United States of America;**
- ii. the government of Canada; and**
- iii. the government of the United Kingdom.**

#### **5.5.10 Eligible markets**

The markets upon which transferable securities and money market instruments are traded must meet certain criteria laid down in the FCA Rules.

Eligible markets include any market established in the UK or a EEA State on which transferable securities and money market instruments admitted to official listing in the UK or an EEA State are dealt in or traded and which is regulated, operates regularly and is open to the public.

In the case of all other markets, in order to qualify as an eligible market, the ACD, after consultation and with notification to the Depositary, must be satisfied that the relevant market:

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

The eligible securities markets for the Company are set out in Appendix A to this Prospectus.

Eligible derivatives markets are markets which the ACD, after consultation with and notification of the Depositary, has decided are appropriate for the purpose of investment of or dealing in the Scheme Property with regard to the relevant criteria set out in the FCA Rules and the guidance on eligible markets issued by the FCA (as amended from time to time).

The eligible derivatives markets for the Company are set out in Appendix A to this Prospectus.

#### **5.5.11 General**

The Company may not acquire any investment which has an actual contingent liability attached unless the maximum amount of such liability is ascertainable at the time of acquisition.

### **6. Borrowing**

- 6.1 The Company may, in accordance with the FCA Rules and with the instructions of the ACD, borrow sums of money for the use of the Company on terms that the borrowing is repayable out of the Scheme Property. The power to borrow is subject to the obligation of the Company to comply with any restriction in the Instrument of Incorporation.

- 6.2 Such borrowings must be made from Eligible Institutions or Approved Banks as provided in the FCA Rules. Borrowings must not exceed 10% of the value of the Scheme Property on any Business Day.
- 6.3 These borrowing restrictions do not apply to "back-to-back" borrowing for currency hedging purposes, i.e. borrowing permitted in order to reduce or eliminate risk arising by reason of fluctuations in exchange rates.

## **7. Efficient portfolio management and stock lending**

- 7.1 The Company may use Scheme Property to enter into transactions for the purposes of hedging and use within efficient portfolio management techniques (as set out below).
- 7.2 Permitted transactions for these purposes (excluding stock lending arrangements) are transactions in derivatives (i.e. options, futures forward transactions or contracts for differences) dealt in or traded on an eligible derivatives market; off-exchange options or contracts for differences resembling options; or synthetic futures in certain circumstances. Eligible derivatives markets are those which the ACD after consultation with the Depositary has decided are appropriate for the purpose of investment of or dealing in the Scheme Property with regard to the relevant criteria set out in COLL and the formal guidance on eligible markets issued by the FCA as amended from time to time.
- 7.3 The eligible derivatives markets for the Company are set out in Appendix A.
- 7.4 Any forward transactions must be with an approved counter-party (eligible institutions, money market institutions etc). A derivatives or forward transaction which would or could lead to delivery of Scheme Property to the Depositary in respect of the Company may be entered into only if such Scheme Property can be held by the Company, and the ACD reasonably believes that delivery of the property pursuant to the transaction will not lead to a breach of COLL.
- 7.5 There is no limit on the amount of the Scheme Property which may be used for hedging and efficient portfolio management but the transactions must satisfy three broadly-based requirements:
- 7.5.1 a transaction must be reasonably believed by the ACD to be economically appropriate to the efficient portfolio management of the Company. This means that, for transactions undertaken to reduce risk or cost (or both), the transaction alone or in combination will diminish a risk or cost of a kind or level which it is sensible to reduce.
- (a) Reduction of risk: this allows for the use of the technique of cross-currency hedging in order to switch all or part of the Scheme Property away from a currency the ACD considers unduly prone to risk, to another currency. This aim also permits the use of tactical asset allocation.
- (b) Reduction of cost: the aims of reduction of risk or cost, together or separately, allow the ACD on a temporary basis to use the technique of tactical asset allocation. Tactical asset allocation permits the ACD to undertake a switch in exposure by use of derivatives, rather than through the sale and purchase of Scheme Property. If a transaction for the Company relates to the acquisition or potential acquisition of transferable securities, the ACD must intend that the Company should invest in transferable securities within a reasonable time and the ACD must thereafter ensure that, unless the position has itself been closed out, that intention is realised within that reasonable time.
- (c) The generation of additional capital or income for the Company (so called "enhancement strategies") with a risk level which is consistent with the risk profile of the Company and the risk diversification rules



laid down in COLL. There is an acceptably low level of risk in any case where the ACD reasonably believes that the Company is certain (or certain barring events which are not reasonably foreseeable) to derive a benefit.

The generation of additional capital or income may arise out of taking advantage of additional capital or income may arise out of taking advantage of price imperfections or from the receipt of a premium for writing of covered call or covered put options (even if the benefit is obtained at the expense of the chance of yet greater benefit) or pursuant to stock lending arrangements as permitted by COLL.

The relevant purpose must relate to Scheme Property; Scheme Property (whether precisely identified or not) which is to be or is proposed to be acquired for the Company; and anticipated cash receipts of the Company, if due to be received at some time and likely to be received within one month.

- (d) Each efficient portfolio management technique transaction must be fully covered "individually" by the appropriate Scheme Property of the right kind (i.e. in the case of exposure in terms of property, appropriate transferable securities or other property; and, in the case of exposure in terms of money, cash "near cash", borrowed cash or transferable securities which can be easily sold to realise the appropriate cash). It must also be covered "globally" (i.e. after providing cover for existing efficient portfolio management technique transactions there is adequate cover for another transaction within the Scheme Property, so there can be no gearing). Scheme Property and cash can easily be used only once for cover and, generally, Scheme Property is not available for cover if it is the subject of a stock lending arrangement. The lending transaction in a back to back currency borrowing does not require cover.

7.5.2 The ACD may request the Depositary to enter into stock lending transactions in respect of the Company. The purpose of the stock lending transaction must be in accordance with the rules in COLL and for the generation of capital or income for the Company with no, or an acceptably low, degree of risk. Stock lending transactions should be for the account or benefit of the Company and in the interest of shareholders. Such an arrangement will not be in the interest for shareholders unless it reasonably appears to the ACD to be appropriate for the generation of capital or income with no, or an acceptably low, degree of risk.

7.5.3 Briefly, such transactions are those where the Depositary delivers the securities which are the subject of the transaction, in return for which it is agreed that securities of the same kind and amount should be re-delivered at a later date. The Depositary at the time of delivery of the securities receives assets as collateral to cover the risk that the securities are not returned. Such transactions must always comply with the relevant requirements of the Taxation of Chargeable Gains Act 1992 and the FCA Rules. There is no limit on the value of the Scheme Property which may be the subject of stock lending transactions.

## **8. Reporting, distributions and accounting dates**

8.1 The Company's accounting reference date, accounting periods and income allocation dates are:

Accounting reference date	30 April
Annual income allocation date	31 August

Interim accounting date 31 October

Interim income allocation date 28 February

- 8.2 Distributions of income by the Company are made on or before the annual income allocation date and on or before the interim income allocation date in each year. Shareholders resident outside the UK will be sent notice by post to their registered address that a distribution has been made.
- 8.3 Each holder of income Shares is entitled, on the interim income allocation date and the annual income allocation date, to the net income attributable to their holding. Income distributions will be paid in pounds sterling.
- 8.4 The ACD reserves the right to change or create additional accounting and income distribution dates, usually as a result of accounting or taxation changes.
- 8.5 Any distribution that remains unclaimed for a period of six years after the distribution became due for payment will be forfeited and shall revert to the Company.
- 8.6 The income available for distribution is determined in accordance with the FCA Rules. It comprises all income received or receivable for the account of the Company in respect of the accounting period concerned, after deducting net charges and expenses paid or payable out of such income and after making such adjustments as the Directors consider appropriate, after consulting with the Company's auditor, in accordance with the FCA Rules, in relation to taxation and other matters.
- 8.7 On the income allocation dates, an amount, as determined by the ACD in accordance with the Instrument of Incorporation and the FCA Rules, is paid to those Shareholders who are entitled to the distribution by evidence of their holding on the Register at the previous accounting date. Payments will be made by means of direct credit to the Shareholder's nominated bank account. If the income allocation date is a non-Business Day, payment will be made on the next Business Day.
- 8.8 Copies of the annual and half-yearly long reports for the Company will be available for inspection at the ACD's head office. Please refer to Appendix D for details of the address of the ACD's office.

## **9. Meetings and voting rights**

- 9.1 A meeting of Shareholders duly convened and held shall be competent by extraordinary resolution to require, authorise or approve any act, matter or document in respect of which any such resolution is required or expressly contemplated by the relevant regulations.
- 9.2 An extraordinary resolution is a resolution passed by a majority of not less than three-quarters of the votes validly cast (whether on a show of hands or on a poll) for the resolution at a general meeting, or, as the case may be, a Class meeting, of Shareholders.
- 9.3 Except where an extraordinary resolution is specifically required or permitted, any resolution of Shareholders is passed by a simple majority of the votes validly cast at a general meeting of the Shareholders.
- 9.4 A meeting of Shareholders has no powers other than those contemplated by the FCA Rules.
- 9.5 Shareholders will receive at least 14 days' notice of any meeting of Shareholders and are entitled to be counted in the quorum and vote at any such meeting either in person or by proxy. For the purposes of the FCA Rules the quorum at a meeting of Shareholders shall be two Shareholders present in person or by proxy.

- 9.6 In the context of despatch of notice, 'Shareholders' means the persons who were entered in the Register seven days before the notice of meeting was given but excluding persons who are known not to be entered on the Register at the date of despatch of the notice.
- 9.7 In the context of voting, 'Shareholders' means the persons who were entered on the Register seven days before the notice of meeting was given but excluding persons who are known not to be entered on the Register at the date of the meeting.
- 9.8 On a show of hands, every Shareholder who is present shall have one vote.
- 9.9 On a poll:
- 9.9.1 votes may be given either personally or by proxy;
- 9.9.2 the voting rights attached to each Share are the proportion of the voting rights attached to all of the Shares in issue that the price of the Shares bears to the aggregate price or prices of all the Shares in issue, at the date specified in the FCA Rules; and
- 9.9.3 a Shareholder entitled to more than one vote need not, if they vote, use all their votes or cast all their votes in the same way.
- 9.10 For joint Shareholders of a Share, only the vote of the first-named in the Register can be taken.
- 9.11 The ACD shall not be counted in the quorum of, nor shall the ACD or any of its associates vote at, any meeting of Shareholders, save where Shares are held on behalf of, or jointly with, a person who, if themselves as the registered Shareholder, would be entitled to vote and from whom the ACD or its associates have received voting instructions.
- 9.12 For the purpose of voting, Shares held, or treated as held, by the ACD must not (save as mentioned in paragraph 9.11) be regarded as being in issue.
- 9.13 In the event that the Company is wound up for whatever reason, the Shareholders will be unable to buy or sell Shares once the winding-up has commenced. This will be the date when dealing in Shares ceases.
- 9.14 The ACD will send notice of meetings of the Company to Shareholders with a registered address outside the UK to their registered address.
- 9.14.1 Any notice or document to be served upon a Shareholder will be duly served if it is:
- (a) delivered to the Shareholder's address as appearing in the Register: or
- (b) delivered by using an electronic medium in accordance with paragraph 20 below.
- 9.14.2 Any notice or document served by post is deemed to have been served on the second Business Day following the day on which it was posted.
- 9.14.3 Any document left at a registered address or delivered other than by post is deemed to have been served on that day.
- 9.14.4 Any document or notice to be served on, or information to be given to a Shareholder, must be in legible form. For this purpose, any form of legible form which:
- (a) is consistent with the ACD's knowledge of how the recipient of the document wishes or expects to receive the document;

- (b) is capable of being provided in hard copy by the ACD;
  - (c) enables the recipient to know or record the time of receipt; and
  - (d) is reasonable in the context.
- 9.14.5 The ACD must obtain the prior approval of Shareholders by extraordinary resolution for any proposed change to the Company that is a fundamental change. This is a change or event which:
- (a) changes the purpose or nature of the Company;
  - (b) may materially prejudice a Shareholder;
  - (c) alters the risk profile of the Company; or
  - (d) introduces a new type of payment out of the Scheme Property.
- 9.14.6 The ACD must give prior written notice to Shareholders of any proposed change which constitutes a significant change. This is a change or event which is not fundamental, but which:
- (a) affects a Shareholder's ability to exercise their rights in relation to their investment;
  - (b) would reasonably be expected to cause the Shareholder to reconsider their participation in the Company;
  - (c) results in any increased payments out of the Scheme Property to the ACD, or an associate of the ACD;
  - (d) materially increase other types of payment out of the Scheme Property;
  - (e) the notice period must be a reasonable length and must not be less than 60 days.
- 9.14.7 The ACD must inform Shareholders in an appropriate manner and timescale of any notifiable changes that are reasonably likely to affect, or have affected, the operation of the Company. This is a change or event, other than a fundamental or significant change, which a Shareholder must be made aware of unless the ACD concludes the change is insignificant.

The appropriate manner and timescale of notification will depend on the nature of the change or event. An appropriate manner of notification could include the information being included in the next long form report of the Company.

- 9.15 The Company will not hold annual general meetings.
- 9.16 Changes to the investment objective and policy of the Company will normally require approval by shareholders at an extraordinary general meeting if the change alters the nature or risk profile of the Company, or on giving 60 days' notice to shareholders where the changes do not alter the nature or risk profile of the Company. In exceptional circumstances, changes may be made to the investment objective and policy of the Company with no minimum period of notice where these are for clarification purposes only. In all cases, changes may only be made to the investment objective and policy following notification to the FCA pursuant to the Act and confirmation from the FCA that these changes will not affect the ongoing authorisation of the Company.

## **10. The ACD**

10.1 The ACD is Thesis Unit Trust Management Limited, a private company limited by shares, incorporated in England and Wales under the Companies Act 1985 on 6 February 1998 with company number 3508646.

10.2 The ACD is a UK AIFM for the purposes of the UK AIFM regime and, for the purposes of COLL, an authorised fund manager.

Registered office and head office: Exchange Building  
St John's Street, Chichester, West Sussex PO19 1UP

Telephone 01243 531234

Share capital: Issued and paid up: £5,673,167

10.3 The directors of the ACD and their business occupations are as follows:

S R Mugford	Finance Director
D W Tyerman	Chief Executive Officer
S E Noone	Client Service Director
D K Mytnik	Non-Executive Director
V R Smith	Non-Executive Director
C A E Lawson	Independent Non-Executive Director
C J Willson	Independent Non-Executive Director
N C Palios	Non-Executive Chair

10.4 All directors are also directors of ConBrio Fund Partners Limited and members of the governing body of TUTMAN LLP, both authorised fund managers within the same group. D W Tyerman, S R Mugford and S E Noone perform senior management functions within those entities. D W Tyerman and S R Mugford also hold directorships of other companies within the Thesis group and perform senior management functions within Thesis Asset Management Limited, which acts as an investment manager for some authorised funds operated by the ACD.

10.5 D K Mytnik, V R Smith and N C Palios also hold non-executive directorships of other companies within the Thesis group. They and C J Willson and C A E Lawson are not engaged in other business activities that are of significance to the Company.

10.6 The ACD is authorised and regulated by the FCA and is authorised to carry on certain permitted regulated activities in the UK in accordance with the Act.

10.7 The ACD is the sole director of the Company. Its main business is the establishment and operation of collective investment schemes.

10.8 The ACD acts as the authorised fund manager to other regulated collective investment schemes. Details of these schemes, as at the date of this Prospectus, are set out in Appendix C.

10.9 The Agreement between the Company and the ACD (the '**ACD Agreement**') provides that the ACD manages and administers the Company in accordance with the Act and the OEIC Regulations, the Instrument of Incorporation and the contents of this Prospectus. The ACD Agreement may be terminated by either party giving not less than 90 days' prior written notice at any time.

10.10 The ACD will cover at all times the risks outlined below of loss or damage caused by any relevant person through the negligent performance of activities for which the ACD has legal responsibility by maintaining an amount of own funds, and will comply with the qualitative requirements addressing such risks, in each case, in accordance with the UK

AIFM regime and the FCA Rules. In addition, the ACD holds significant professional indemnity insurance against liability arising from professional negligence which is appropriate to the risks covered, and will comply with the qualitative requirements addressing such risks, in each case, in accordance with the UK AIFM regime and the FCA Rules.

10.11 Investors buy and redeem Shares through the ACD who nets them to reduce the number of Shares issued or cancelled by the Company. When carrying out deals in Shares the ACD acts as principal but does not profit from this activity.

10.12 The risks which are specifically covered by this approach include, without being limited to, risks of:

- 10.12.1 loss of documents evidencing title of assets of the Company;
- 10.12.2 misrepresentations or misleading statements made to the Company or its investors;
- 10.12.3 acts, errors or omissions resulting in a breach of:
  - (a) legal and regulatory obligations;
  - (b) duty of skill and care towards the Company and its investors;
  - (c) fiduciary duties;
  - (d) obligations of confidentiality;
  - (e) the terms of the Instrument of Incorporation;
  - (f) terms of appointment of the ACD by the Company;
- 10.12.4 failure to establish, implement and maintain appropriate procedures to prevent dishonest, fraudulent or malicious acts;
- 10.12.5 improperly carried out valuation of assets or calculation of Share prices;
- 10.12.6 losses arising from business disruption, system failures, failure of transaction processing or process management.

### 10.13 Conflicts

- 10.13.1 Conflicts may arise between the interests of the ACD and its permitted delegates in certain circumstances, for example, where there is likelihood that:
  - 10.13.2 the delegate and an investor in a Company are members of the same group or have any other contractual relationship, if the investor controls the delegate or has the ability to influence its actions (in such cases the likelihood of conflict is likely to increase the greater the extent of such control);
  - 10.13.3 the delegate makes a financial gain, or avoids a financial loss, at the expense of the Company or the investors in the Company;
  - 10.13.4 the delegate has an interest in the outcome of a service or an activity provided to the ACD or the Company;
  - 10.13.5 the delegate has a financial or other incentive to favour the interest of another client over the interests of the Company or the investors in the Company;

10.13.6 the delegate receives or will receive from a person other than the ACD an inducement in relation to the collective portfolio management activities provided to the ACD and the Company in the form of monies, goods or services other than the standard commission or fee for that service.

10.14 The ACD has a policy and procedures in place to monitor the conflicts of interest that may arise in the context of its delegation of certain of its functions. To the extent any actual conflicts of interest are determined to have arisen, the ACD will manage such conflicts to minimise any impact on the investment performance, and will also seek to prevent them from reoccurring. Certain activities may be required to be modified or terminated to minimise conflicts of interest which may be identified from time to time.

10.15 Although conflicts of interest can also arise where the delegate and the ACD are members of the same group or have any other contractual relationship and the delegate controls the ACD or has the ability to influence its actions, it is not currently considered that there are material existing conflicts of interest between the ACD and Thesis Asset Management Limited (in its role as one of the Investment Managers). Thesis Asset Management Limited is connected with the ACD, as the ACD is a UK subsidiary of Thesis Asset Management Limited.

## **11. Depositary**

The Depositary for the Company is NatWest Trustee and Depositary Services Limited, a private limited company registered in England and Wales with company number 11194605.

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

The Depositary's registered and head office address is 250 Bishopsgate, London EC2M 4AA. The Depositary's head office address is 440 Strand, London WC2R 0QS. The address of its office that handles matters relating to the Company is set out in Appendix D in this Prospectus.

The Depositary's principal activity is the provision of trustee and depositary services.

The Depositary is established in the UK and is authorised and regulated by the FCA to act as a depositary of a UK UCITS or a UK AIF.

### **Duties of the Depositary**

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

### **Terms of Appointment**

The appointment of the Depositary has been made under the terms of the Depositary Agreement between the Company, the ACD and the Depositary,

The Depositary Agreement provides that the Depositary be engaged to maintain the safe custody of the Scheme Property and to fulfil other duties required in the OEIC Regulations, COLL and FUND.

Under the Depositary Agreement the Depositary has the power to appoint sub-custodians and may include in such appointment powers of sub-delegation. The Depositary has delegated custody services of the Scheme Property to The Northern Trust Company (the

'Custodian'). Contact details for the Custodian are set out in Appendix D. The Custodian has, in turn, sub-delegated the custody of assets in certain markets in which the Company may invest to various sub-delegates ("sub-custodians").

Under the Depositary Agreement, the Depositary will be liable to the Company for any loss of Financial Instruments held in custody or for any liabilities incurred by the Company as a direct result of the Depositary's fraud, negligence or negligent or intentional failure to properly fulfil its obligations under the Depositary Agreement or the UK AIFM regime.

However, where the event which led to the loss of a Financial Instrument is not the result of the Depositary's own act or omission (or that of its sub-custodian), the Depositary is discharged of its liability for the loss of a Financial Instrument where the Depositary can prove that the Depositary could not have reasonably prevented the occurrence of the event which led to the loss despite adopting all precautions incumbent on a diligent depositary as reflected in common industry practice and despite rigorous and comprehensive due diligence. The ACD will inform investors without delay of any changes with respect to the Depositary's liability.

The Depositary Agreement provides that the Depositary will be indemnified by the Company in respect of any liabilities suffered or incurred by the Depositary in the proper performance of its obligations and duties under the Depositary Agreement except in the case of fraud or negligent breach of the Depositary Agreement or of any applicable laws.

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

Other than to exercise the rights of lien or set off over the scheme property in relation to unpaid fees and expenses in relation to the proper performance of services under the Depositary Agreement or sub-custody agreement, unless otherwise agreed by the ACD on behalf of the Company, the Depositary shall not be entitled to, and no sub-custodian of the Depositary shall be authorised by the Depositary to transfer or re-use for its own purpose and benefit any of the Scheme Property it has been entrusted with.

Details of the fees payable to the Depositary are set out in the "Depositary's Fees" section of this Prospectus at paragraph 16.2.

### **Conflicts of Interest**

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

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

As the Depositary operates independently from the Company, Shareholders, the ACD and the Custodian, the Depositary does not anticipate any conflicts of interest arising between



it and any of the aforementioned parties and has confirmed that it is not aware of any conflict of interest arising from its delegation of custody of Scheme Property to the Custodian. Should any such conflict arise, the Depositary shall notify the ACD and take necessary steps to address the conflict.

The Depositary is under no obligation to account to the ACD, the Company or the Shareholders for any profits or benefits it makes or receives that are made or derived from or in connection with its role as depositary.

## **12. The Administrator and Fund Accountant**

- 12.1 The ACD has delegated certain administration and fund accountancy functions to Northern Trust Global Services SE, UK branch (as "Administrator" and "Fund Accountant" to the Company).
- 12.2 The address, for Northern Trust Global Services SE, UK branch, is set out in Appendix D.
- 12.3 The duties of the Registrar, Fund Accountant and Administrator include:
  - 12.3.1 maintaining the Register;
  - 12.3.2 receiving and processing requests for subscriptions for, or redemptions of, Shares in the Company;
  - 12.3.3 administering the payment of distributions to Shareholders in the Company;
  - 12.3.4 dealing with certain regulatory reporting requirements on behalf of the Company and the ACD;
  - 12.3.5 maintaining the accounting records of the Company;
  - 12.3.6 assisting in calculating the net asset value of the Company, as well as to provide fund accounting services in respect of the Company.
- 12.4 In line with the regulations that govern such operational outsourcing, the ACD retains responsibility for all work performed on its behalf and investors' rights are not affected by this delegation.
- 12.5 There are no conflicts of interest arising through delegation of these functions by the ACD.

## **13. The Register**

- 13.1 The function of registrar relating to the Register is delegated to Northern Trust Global Services SE, UK branch (as "Registrar" to the Company).
- 13.2 The Register is kept at 50 Bank Street, Canary Wharf, London E14 5NT where it can be inspected during normal business hours.

## **14. Investment Managers**

- 14.1 The ACD is responsible for the overall investment management and administration of the Company.
- 14.2 The ACD has delegated responsibility for investment management to the Investment Managers, being Schroder & Co. Limited (trading as Cazenove Capital), a company incorporated in England and Wales, and Thesis Asset Management Limited, a company incorporated in England and Wales, and whose registered offices are set out in Appendix D.

- 14.3 The Investment Managers are authorised by the Prudential Regulation Authority and regulated by the FCA and the Prudential Regulation Authority. The Investment Managers may only sub-delegate their functions with the prior consent of the ACD.
- 14.4 Thesis Asset Management Limited is the only Investment Manager connected with the ACD, as it is in the same group as the ACD.
- 14.5 The appointments of each Investment Manager have been made under an agreement between the ACD and the respective Investment Manager (the "**Investment Management Agreement**"). Each Investment Management Agreement contains provisions to the following effect:
- 14.5.1 the ACD will indemnify the Investment Manager against certain losses incurred by the Investment Manager but, in the absence of fraud, the ACD's liability will be limited to the assets of the Company available to meet such a claim;
  - 14.5.2 the Investment Manager will be liable for certain losses suffered by the ACD or the Company, subject, in the absence of fraud, to certain limitations on the Investment Manager's liability;
  - 14.5.3 the Investment Manager shall not be liable for any non-performance of its obligations due to causes beyond its control; and
  - 14.5.4 the Investment Management Agreement is governed by English law and the parties submit to the exclusive jurisdiction of the English courts.
  - 14.5.5 the Investment Management Agreement is terminable immediately by the ACD where it is in the interest of shareholders and the Investment Manager may terminate the agreement on giving no less than three months written notice unless otherwise agreed.
- 14.6 The main legal implications of the contractual relationship entered into for the purpose of investment in the Company are as follows:
- 14.6.1 by investing in the Company through Electronic Communications, by telephone or by submitting an application form to Thesis Unit Trust Management Limited at the dealing office of the Administrator, the investor makes an offer to subscribe for Shares which, once it is accepted by the ACD, or the Administrator on its behalf, has the effect of a binding contract to subscribe for Shares.
  - 14.6.2 the provisions of the scheme documents made between the ACD and the Depositary by way of which the Company is constituted, as the same may be amended from time to time are binding on each of the Shareholder (who are taken to have notice of them) as if that Shareholder was a party to it with effect on and from the date that any person has become a Shareholder.
  - 14.6.3 the scheme documents and the application form are each made under and governed by and shall be construed in accordance with the laws of England and Wales. The Company, the ACD and Shareholders of the Company will be subject to the exclusive jurisdiction of the courts of England and Wales to settle any dispute or claim arising out of, or in connection with a Shareholder's investment in the Company or any related matter.
  - 14.6.4 the scheme documents may be amended by agreement between the ACD and the Depositary.

- 14.6.5 absent a direct contractual relationship between a Shareholder and the relevant service provider, Shareholders generally have no direct rights against the relevant service provider and there are only limited circumstances in which a Shareholder may potentially bring a claim against the relevant service provider. Instead, the proper claimant in an action in respect of which a wrongdoing is alleged to have been committed against the Company by the relevant service provider is, prima facie, the Company itself or the ACD acting on behalf of the Company, as the case may be.
- 14.6.6 the Investment Managers may hold or trade in securities and instruments of the same type as the securities and instruments held or traded in by the funds and fund managers; they may also utilise the same or similar strategies as those adopted by the fund managers. The Investment Managers may therefore trade and compete with fund managers and funds on an arm's length basis. In addition, the Investment Managers may make investments in other funds managed or advised by it.
- 14.6.7 The Investment Managers have discretion to enter into foreign exchange hedging transactions and borrowings on behalf of the Company. The Investment Managers may appoint an affiliate of any existing service provider or any other third party to act as counterparty in the execution of foreign exchange transactions in connection with the currency hedging activities of the Company and/or to implement the currency hedging strategy.
- 14.6.8 The sole activity of the Investment Managers is investment management and related activities. The Investment Managers are authorised to deal on behalf of the Company.
- 14.6.9 The Investment Managers are required to comply with its own execution policy. A copy of each Investment Manager's execution policy is available on request from the ACD, or may be available from the Investment Manager's website (listed in Appendix D).

## **15. Auditor**

- 15.1 The Auditor of the Company is Deloitte LLP (the "**Auditor**") whose address is set out in Appendix D.
- 15.2 The duty of the Auditor is to carry out an annual audit of the Company and to issue a report including the following statements:
  - 15.2.1 whether, in the Auditor's opinion, the accounts have been properly prepared in accordance with the relevant Statement of Recommended Practice, the rules in COLL, and the Instrument of Incorporation;
  - 15.2.2 whether, in the Auditor's opinion, the accounts give a true and fair view of the net revenue and the net capital gains or losses on the scheme property of the Company for the annual accounting period in question and the financial position of the Company as at the end of that period;
  - 15.2.3 whether the Auditor is of the opinion that proper accounting records for the Company have not been kept or whether the accounts are not in agreement with those records;
  - 15.2.4 whether the Auditor has been given all the information and explanations which, to the best of their knowledge and belief, are necessary for the purposes of this audit; and

15.2.5 whether the Auditor is of the opinion that the information given in the report of the ACD for that period is consistent with the accounts.

## 16. Charges and Expenses

### 16.1 Preliminary charge

The ACD may receive, or waive in part or in whole, a preliminary charge upon the sale or purchase of Shares. The current preliminary charge is 7%. Out of the preliminary charge the ACD may pay commission to qualifying intermediaries, including the Investment Managers and their associates. If not waived, the preliminary charge will be charged upon the sale or purchase of Shares.

### 16.2 Dilution levy

The actual cost of purchasing or selling 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 ('**dilution**'), the ACD has the power to charge a 'dilution levy' on the sale and/or redemption of Shares and may do so in respect of 'large deals' (which for these purposes are deals in respect of Shares exceeding the sum of £1,000,000 in value). The ACD reserves the right to charge a dilution levy based on prevailing market conditions. If the ACD decides in the future to charge a dilution levy it will be calculated by reference to the costs of dealing in the underlying investments of the Company, including any dealing spreads, commission and transfer taxes.

The need to charge a dilution levy will depend on the volume of sale and 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 redemptions) might otherwise be adversely affected. In particular, the dilution levy may be charged where the Scheme Property is in continual decline, or in any case, where the ACD is of the opinion that the interests of remaining Shareholders require the imposition of a dilution levy. If a dilution levy is not charged in such circumstances, this may have an adverse effect on the future growth of the Scheme Property. It is not possible to predict accurately whether dilution will occur at any point in time. Consequently, it is also not possible to predict accurately how frequently the ACD will need to charge such a levy when Shares are bought or sold, nor to estimate the amount of any dilution levy. Based on future projections, the ACD expects that the vast majority of sales and/or redemptions of Shares will be 'large deals' and that a dilution levy may be charged on the majority of deals.

For illustrative purposes, the table below shows historic information on dilution levies to the Share price:

Name	Estimated Dilution Levy (%) applicable for purchases as at 31 March 2024	Estimated Dilution Levy (%) applicable for sales as at 31 March 2024	Number of days on which a Dilution Levy has been applied over the period 1 April 2023 to 31 March 2024
<b>The Lockerley Fund</b>	0.163%	0.277%	1

The amount of the dilution levy will not exceed 3% of the value of the transaction before the imposition of the levy. This figure is based on the ACD's projections of the likely impact of deals to which the dilution levy is applied on remaining Shareholders.

### 16.3 **Periodic charge**

The ACD receives a periodic charge for managing the Company at a rate per annum of the value of the Scheme Property of the Company accruing daily and payable out of the property of the Company. The rate of the periodic charge is (up to) 1.25% per annum, (currently 1%).

The ACD may increase the rate of such charge by giving 60 days' notice to Shareholders and amending this Prospectus.

The periodic charge in respect of the Company will be treated as an income charge and will be paid monthly in arrears.

#### **Investment Managers' fees**

The ACD is responsible for the payment of the fees of the Investment Managers and those of any sub-advisers. Research costs will be paid for by the Investment Managers out of this fee and shall not be borne by the Company.

### 16.4 **Redemption charge**

The ACD Agreement contains a provision for the ACD to make a redemption charge. At present there are no plans to impose such a charge.

### 16.5 **Depositary's fees**

#### **Periodic fee**

The Depositary is paid a monthly periodic fee (plus VAT) in remuneration for its services from the Scheme Property of the Company. The Depositary's fee is calculated, on the value of the Scheme Property determined in accordance with the Instrument of Incorporation and the Sourcebook, and payable out of the property of the Company in accordance with the Sourcebook. For this purpose, the value of the Company is inclusive of the issues and cancellations which take effect as at the relevant Valuation Point. The Depositary's fee shall accrue daily, and shall be calculated by reference to the value of the Scheme Property for successive periods commencing on each Valuation Point and ending immediately before the next Valuation Point in each month. The Depositary's fee is payable on, or as soon as is practicable after, the end of the month in which it accrued.

The rate of the periodic fee is agreed between the ACD and the Depositary and is calculated on a sliding scale for the Company on the following basis:

0.0275% p.a.	on the first £50 million value of the Scheme Property of the Company;
0.025% p.a.	on the next £50 million value of the Scheme Property of the Company;
0.020% p.a.	on the next £100 million value of the Scheme Property of the Company
0.015%	thereafter

The annual fee is subject to a minimum fee of £7,500, applicable to the Company. VAT (at the standard rate) is added to these fees.

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

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

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

### **Transaction and Custody charges**

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

<b>Item</b>	<b>Range/Fees</b>
Transaction Charges	£7.50 to £180.00
Derivative Transaction Charges	£20 (if applicable)
Custody Charges	up to 0.9% of the value of the holding subject to a minimum aggregate custody charge of £7,500 per annum

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

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

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

On a winding up of the Company the Depositary will be entitled to its *pro rata* fees, charges and expenses to the date of winding up, the termination, or the redemption (as appropriate) and any additional expenses necessarily realised in settling or receiving any outstanding obligations.

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

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

## **16.6 Other Expenses and Fees**

The following other expenses may be paid out of the Scheme Property of the Company:

- 16.6.1 expenses properly incurred by the ACD in the performance of its duties as ACD of the Company;
- 16.6.2 broker's commission (excluding costs for research), fiscal charges (including stamp duty and/or stamp duty reserve tax) and other disbursements which are necessary to be incurred in effecting transactions for the Company and normally shown in contract notes, confirmation notes and difference accounts as appropriate;
- 16.6.3 any costs properly incurred in modifying the Instrument of Incorporation and the Prospectus;
- 16.6.4 fees and expenses in respect of establishing and maintaining the Register, including any sub-registers kept for the purpose of the administration of personal equity plans and individual savings accounts (the current fee being £2,000 per annum);
- 16.6.5 any costs incurred in or about the listing of Shares in the Company on any stock exchange, and the creation, conversion and cancellation of Shares;
- 16.6.6 any costs incurred by the Company in publishing the price of the Shares;
- 16.6.7 any costs incurred in producing and dispatching any payments made by the Company, or the periodic reports of the Company;
- 16.6.8 any reasonable general disbursements relating to postage and communication costs incurred in the proper performance of the transfer agent's duties relating to the Company, which are currently carried on by the Registrar;
- 16.6.9 any fees or costs associated with any CASS related support activity incurred by the Registrar;
- 16.6.10 any properly incurred and reasonable fees, expenses or disbursements of any legal or other professional adviser of the Company;
- 16.6.11 any costs incurred in taking out and maintaining an insurance policy to protect the Company;
- 16.6.12 any costs incurred in respect of meetings of Shareholders convened for any purpose including those convened on a requisition by Shareholders not including the ACD or an associate of the ACD;
- 16.6.13 liabilities on amalgamation or reconstruction including certain liabilities arising after transfer of property to the Company in consideration for the issue of Shares as more fully detailed in COLL;
- 16.6.14 interest on borrowings and charges incurred in effecting or terminating such borrowings or in negotiating or varying the terms of such borrowings;
- 16.6.15 taxation and duties payable in respect of the property of the Company or the issue or redemption of Shares;
- 16.6.16 the audit fees of the Auditor and any reasonable and properly incurred expenses of the Auditor;
- 16.6.17 the fees of the FCA as prescribed in COLL together with any corresponding periodic fees of any regulatory authority in a country or territory outside the UK in which Shares in the Company are or may be marketed;

- 16.6.18 any expense incurred in relation to company secretarial duties including the cost of maintenance of minute books and other documentation required to be maintained by the Company;
- 16.6.19 any payments otherwise due by virtue of COLL; and
- 16.6.20 any value added or similar tax relating to any charge or expense set out in this paragraph 16.3.

## 16.7 Allocation of payments

The ACD and the Depositary have agreed that fees payable to the ACD and the Depositary will be treated as a charge against the income of the Company (except those charges and expenses relating directly to the purchase and sale of investments).

**It should be noted that, where fees are charged to capital, this may result in capital erosion or constrain capital growth.**

## 17. Valuation and pricing of Scheme Property

### 17.1 Valuation and pricing

The Company will be valued on a daily basis on each Business Day at 12 noon (the 'Valuation Point') for the purpose of determining the price at which Shares in the Company may be purchased or redeemed.

There will only be a single price for any Share as determined from time to time by reference to a particular Valuation Point. The Shares will be priced in pounds Sterling.

The Company will be valued on a net asset value basis to determine the price of the Shares ('NAV price'). Except in circumstances where the application of a dilution levy applies Shares will be redeemed at the NAV price and purchased at a price that includes a preliminary charge at the rate applying to the Company (see '**Charges and Expenses**').

Out of the preliminary charge, the ACD may pay commission to qualifying intermediaries, including the Investment Managers and their associates. Although it is not current policy, if a dilution levy were to apply in the future the NAV price would be adjusted accordingly to determine the price at which Shares can be purchased and redeemed.

The net asset value of the Scheme Property of the Company shall be the value of its assets less the value of its liabilities determined (inter alia) in accordance with the following provisions which are set out in the Instrument of Incorporation.

All the Scheme Property of the Company (including receivables) is to be included when valuing the Company, subject to the following provisions:

- 17.1.1 property which is not cash (or other assets dealt with in paragraph 17.1.4 below) or a contingent liability transaction shall be valued as follows and the prices used shall (subject as follows) be the most recent prices which it is practicable to obtain:
  - 17.1.2 units or shares in a collective investment scheme:
    - (a) if a single price for buying and selling units or shares is quoted, at that price; or
    - (b) if separate buying and selling prices are quoted, at the mean of the two prices provided the buying price has been reduced by an initial charge



- included therein and the selling price has been increased by an exit or redemption charge attributable thereto; or
- (c) if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no recent price exists, at a value which, in the opinion of the ACD, is fair and reasonable;
  - (d) any other transferable security:
    - (i) if a single price for buying and selling the security is quoted, at that price; or
    - (ii) if separate buying and selling prices are quoted, at the mid-market price; or
    - (iii) if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no price exists, at a value which, in the opinion of the ACD, is fair and reasonable; and
  - (e) property other than that described in (a) and (b) above shall be valued at an amount which, in the opinion of the ACD, represents a fair and reasonable mid-market price;
- 17.1.3 cash and amounts held in current and deposit accounts and in other time-related deposits shall be valued at their nominal values;
- 17.1.4 there will be a deduction of an estimated amount for anticipated tax liabilities at that point in time including (as applicable and without limitation) capital gains tax, income tax, corporation tax, valued added tax, stamp duty and stamp duty reserve tax;
- 17.1.5 there will be a deduction of 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;
- 17.1.6 there will be a deduction of the principal amount of any outstanding borrowings whenever payable and any accrued but unpaid interest on borrowings;
- 17.1.7 in determining the value of the Scheme Property, all instructions given to issue or cancel Shares shall be assumed to have been carried out (and any cash paid or received) whether or not this is the case;
- 17.1.8 subject to paragraphs 17.1.9 and 17.1.10 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;
- 17.1.9 all agreements are to be included under paragraph 17.1.8 which are, or ought reasonably to have been, known to the person valuing the property;
- 17.1.10 add an estimated amount for accrued claims for tax of whatever nature which may be recoverable;
- 17.1.11 add any other credits or amounts due to be paid into the Scheme Property;
- 17.1.12 add a sum representing any interest or any income accrued due or deemed to have accrued but not received; and

- 17.1.13 currencies or values in currencies other than base currency shall be translated 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.
- 17.1.14 The ACD currently elects to deal on a forward basis from the beginning of each Business Day until the Valuation Point. The ACD may, subject to certain conditions and with the agreement of the Depositary, change the basis of dealing. In general the rules are as follows:
- (a) If the ACD's choice is forward, all deals must be at a forward price and the election lasts until the end of the dealing period.
  - (b) The ACD may at any time elect for forward only for the rest of the then current period.
  - (c) Redemptions must be on the same basis as issues.
  - (d) Where at any time during a dealing day the ACD knows or has reason to believe, that the property of the Company has increased or decreased by 2% or more since the last valuation, it must perform a special valuation or else elect for forward dealing only.
  - (e) An applicant may always request to deal on a forward basis.
  - (f) The ACD may elect to deal on a forward basis in the case of a large deal. For the purpose of the FCA Rules, a large deal will be a deal in respect of units exceeding the sum of £1,000,000 in value.

## 17.2 **Hard-to-value assets**

Where the ACD has reasonable grounds to believe that the price obtained is unreliable or the most recent price available does not reflect the ACD's best estimate of the value of the relevant investment at the relevant Valuation Point or no price or no recent price exists, the ACD may use a price which, in the opinion of the ACD, reflects a fair and reasonable price for that investment (the fair value price). In calculating any value, the ACD shall be entitled to rely on any valuations provided or attributed to any asset or liability by the Investment Managers.

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

- (a) no recent trade in the security concerned; or
- (b) the occurrence of a significant event since the most recent closure of the market where the price of the security is taken.

In (b), 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:

- (a) the type of authorised fund concerned;
- (b) the securities involved;
- (c) the basis and reliability of the alternative price used; and

- (d) the ACD's policy on the valuation of scheme property as disclosed in the Prospectus.

## **18. Purchase and redemption of Shares in the Company**

### **18.1 Buying Shares**

The ACD will accept orders for the purchase and redemption of Shares on normal Business Days between 9.30 am and 5.00 pm. The ACD's normal basis of dealing is at a forward price plus or minus any applicable dilution levy, which means that transactions will be effected at prices determined at the Valuation Point next following the ACD's agreement to sell, or as the case may be, to redeem the Shares in question (the '**dealing date**').

Instructions to purchase or redeem Shares may be either in writing, through the means of electronic communications (as set out in paragraph 19 below), or by obtaining an application form by telephoning the ACD's Customer Enquiry Line on 0333 300 0375. To confirm the transaction, a contract note or allocation letter will be issued by close of business on the next Business Day after the dealing date.

Investors buy and redeem Shares through the ACD who nets them to reduce the number of Shares issued or cancelled by the Company. When carrying out deals in Shares the ACD acts as principal but does not profit from this activity.

### **18.2 Minimum subscription**

There will be a minimum subscription size of £1,000,000 in respect of all Classes of Shares which may be waived at the absolute discretion of the ACD and a minimum transaction size of £1,000,000 unless the ACD in its absolute discretion waives this requirement or unless the sale is of an entire holding which is smaller than that minimum. There will be a minimum holding of £1,000,000.

### **18.3 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 cash, but will only do so where the Depositary has taken reasonable care to determine that the Company's acquiring 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 Shares in the Company in exchange for assets the holding of which would be inconsistent with the investment objective of the Company.

### **18.4 Redeeming Shares**

The ACD will buy back Shares from registered holders at not less than the price determined at the next Valuation Point following receipt of redemption instructions less any dilution levy. Payment of redemption proceeds will be made not later than four Business Days after either the dealing date or receipt of the renunciation document if later. Payment for this purpose will be the issuance and posting of a sterling cheque to the address of the Shareholder held on the Register. First class postage will be used where available.

In the event that a Shareholder requests the redemption or cancellation of Shares representing over 10% of the property of the Company, the ACD may upon giving written notice to the Shareholder arrange that, in place of payment of the NAV price of the Shares in cash, the Company cancels the Shares and transfers relevant Scheme Property to the Shareholder.

The ACD does not intend to make any charge other than possibly a dilution levy on the redemption of the Shares.

#### 18.5 **In specie redemptions**

Where a Shareholder requests the redemption or cancellation of Shares, the ACD may, at its discretion, give written notice to the Shareholder before the proceeds would otherwise become payable that, in lieu of paying such proceeds in cash, the ACD will transfer to that Shareholder property attributable to the Company having the appropriate value.

The ACD will select the property to be transferred in consultation with the Depositary. The Depositary must take reasonable care to ensure that the property transferred would not be likely to result in any material prejudice to the interests of Shareholders.

The ACD may retain out of the property to be transferred property or cash of a value equivalent to any stamp duty or stamp duty reserve tax to be paid to the redemption of the Shares.

#### 18.6 **Share prices**

The most recent prices will appear daily on the Trustnet website at [www.trustnet.com](http://www.trustnet.com) and can also be obtained by telephone on 01483 783 900.

For reasons beyond the control of the ACD, these may not necessarily be the current prices.

The cancellation price last notified to the Depositary is available from the ACD on request.

The price shown will be that calculated at the previous Valuation Point.

The price will not include any dilution levy that may apply but details will be available on request.

#### 18.7 **Suspension of dealing**

The sale and redemption of Shares in the Company will not take place if dealing in the Shares is temporarily suspended by the ACD with prior agreement of the Depositary or if required by the Depositary in either case if the ACD or the Depositary (as the case may be) is of the opinion that, due to exceptional circumstances, it is in the interests of Shareholders or potential shareholders in the Company.

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

18.7.2 On suspension the ACD and the Depositary, or the Depositary if it has required the ACD to suspend dealing, must immediately inform the FCA stating the reasons for its action and, as soon as practicable, give written confirmation of the suspension, and the reasons for its actions to the FCA.

18.7.3 The ACD must ensure that a notification of the suspension is made to the Shareholders as soon as practicable after commencement of the suspension drawing the Shareholders' attention to the exceptional circumstances resulting in the suspension. Notifications to Shareholders must be clear, fair and not misleading and Shareholders will be kept informed in writing about the status of the suspension.

18.7.4 The ACD and the Depositary must formally review any such suspension at least every 28 days and inform the FCA of the results of their review. Any such

suspension may only continue for so long as it is justified having regard to the interest of the Shareholders and must cease as soon as practicable after the exceptional circumstances have ceased.

- 18.7.5 The ACD must inform the FCA of the proposed re-start of dealing and, immediately after the re-start, must confirm this in writing to the FCA.
- 18.7.6 The ACD may agree, during the suspension, to deal in Shares in which case all deals accepted during, and outstanding prior to, the suspension will be undertaken at a price calculated at the first valuation point after the restart of dealings in Shares.
- 18.7.7 In addition, the FCA Rules may require the ACD to temporarily suspend the issue, cancellation, sale and redemption of Shares in certain circumstances (for example, where the Company is invested in other authorised funds which are themselves suspended).

## 18.8 **Mandatory transfers, redemptions and conversions**

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 and entitled 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 either transfer of such Shares to a person who is qualified or entitled to own them or that a request in writing be given for the redemption or cancellation of such Shares in accordance with the OEIC Regulations and COLL. If any person upon whom such a notice is served does not within thirty days after the date of such notice transfer their affected shares to a person qualified to hold them or establish to the satisfaction of the ACD (whose judgement is final and binding) that they or the beneficial owner is qualified and entitled to own the affected shares, they 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 the OEIC Regulations and COLL.

A person who becomes aware that they have acquired or is holding 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 they are not qualified to hold such affected shares, shall forthwith, unless they have already received a notice as aforesaid, either transfer or procure the transfer of all their affected shares to a person qualified to own them or give a request in writing or procure that such a request for the redemption or cancellation of all their affected shares pursuant to the OEIC Regulations and COLL.

The ACD may, inter alia, reject at its discretion any application for the purchase, sale or exchange of Shares 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.

Where the ACD considers it in the best interests of Shareholders, the ACD may convert a Shareholder's holding in one Class of Shares to another Class of Shares. The ACD shall give at least 60 days' prior written notice to the Shareholders concerned of the proposed conversion, including details of the new Class of Shares and reminding Shareholders of their rights to redeem.

## 19. **Income equalisation**

- 19.1 The Instrument of Incorporation specifies that income equalisation will be operated unless the ACD determines otherwise.

- 19.2 If equalisation is operated, when an incoming Shareholder purchases a Share during an accounting period, part of the purchase price will reflect the relevant share of accrued income in the net asset value of the Company. The first allocation of income in respect of that share refunds this amount as a return of capital. This is known as '**income equalisation**'. The amount of income equalisation is calculated by dividing the aggregate of the amounts of income included in the creation price of Shares of the Class in question issued or re-issued in a grouping period by the number of those Shares and applying the resulting average to each of the Shares in question.
- 19.3 Grouping periods are consecutive periods within each annual accounting period, being the interim accounting periods (including the period from the end of the last interim accounting period in an annual accounting period to the end of that annual accounting period) as specified in paragraph 8.1 above. If there are no interim accounting periods, the periods for grouping of Shares will be annual accounting periods. Grouping is permitted by the Instrument of Incorporation for the purposes of equalisation.

## 20. **Electronic communications**

- 20.1 The ACD will accept instructions to transfer or 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 FCA or regulated in another jurisdiction by an equivalent supervisory authority, subject to:
- 20.1.1 prior agreement between the ACD and the person making the communication as to:
- (a) the electronic media by which such communications may be delivered; and
  - (b) how such communications will be identified as conveying the necessary authority; and
- 20.1.2 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.

## 21. **Taxation**

**The following summary is based on current UK law and HM Revenue & Customs practice. It summarises the UK tax position of Investment Companies with Variable Capital (ICVC) and Shareholders who are UK tax resident. However, it should not be regarded as exhaustive and investors are advised to obtain specific advice from their professional tax adviser. Levels and bases of, and reliefs from, taxation are subject to change in the future.**

### 21.1 **Taxation of the Company**

The Company is an ICVC and is treated as an Authorised Investment Fund for tax purposes. Income of the Company is deemed to be distributed for tax purposes, even when it is accumulated. References to distributions include deemed distributions of accumulated income.

The Company will make dividend distributions except where over 60% of the Company's property has been invested at all times throughout the distribution period in interest paying and related investments, in which case it will make interest distributions. A fund that makes interest distributions is referred to as a '**Bond Fund**' and a fund that makes dividend distributions is referred to as an '**Equity Fund**'.

#### **(A) Income**

The Company is liable to corporation tax on its income after relief for management expenses (which include fees payable to the ACD and to the Depositary) at the basic rate of income tax. The rate of corporation tax applicable to the Company is equal to the basic rate of income tax.

Where the Company is a Bond Fund, the gross amount of any interest distributions is an allowable expense for corporation tax purposes and no tax should actually be paid on that part of the income funding the interest distributions.

Dividend income received by the Company from investments in UK resident and overseas companies should fall within an exemption from corporation tax. Dividend income received from foreign companies may be subject to withholding tax or other taxation in the foreign jurisdiction. The foreign tax suffered by the Company may normally be deducted from the UK tax due on that income or treated as an expense in calculating the amount of that income subject to corporation tax.

### **(B) Capital gains**

Capital gains realised by the Company on a disposal of its investments are exempt from corporation tax on chargeable gains. In the unlikely event that the Company should be considered to be trading in securities for tax purposes, any gains made by it would be treated as income and taxed accordingly.

### **(C) Stamp Duty Reserve Tax**

Stamp duty reserve tax (**SDRT**) is generally charged on any agreements to transfer shares of ICVCs (other than transactions handled by the fund manager) to third parties at a rate of 0.5% of the consideration.

No SDRT charge arises on the issue or surrender of shares of ICVCs. However, investors may be subject to an SDRT charge where Shares are surrendered and the investors receive assets from the Company (rather than cash) which are not in proportion to each investor's share of the total assets held by the Company.

## **21.2 Taxation of the Shareholders**

### **(A) Income**

For tax purposes, an ICVC is treated as distributing the whole of the income available for distribution in each of its distribution periods, whether actually distributed or accumulated by the Company. Distributions may be made as interest distributions or dividend distributions as set out below.

The distribution accounts of the Company for any of its distribution periods may show income available for distribution as either (a) an interest distribution or (b) a dividend distribution. The type of distribution that either actually takes or is deemed to take place depends on the source and composition of the income within the Company.

Where more than 60% of the Company is invested in "qualifying investments" (broadly speaking interest paying investments, see further below) the Company will make an interest distribution. Where this is not the case, distributions made by the Company will be dividend distributions.

All Shareholders will be sent tax vouchers stating the make-up of their distributions and showing their taxable income.

### **(B) Interest distributions**

#### UK resident individuals

Interest distributions paid by the Company (save in respect of distributions to certain qualifying shareholders) are treated as yearly interest and, as such, are subject to income tax.

No income tax is required to be deducted at source from interest distributions, with the result that Shareholders will receive interest distributions gross of any tax.

Basic rate taxpayers are entitled to a personal savings allowance, higher rate taxpayers are entitled to a reduced personal savings allowance and additional rate taxpayers have no personal savings allowance.

Basic rate, higher rate and additional rate taxpayers will pay income tax (in the case of basic rate and higher rate taxpayers, the amount in excess of the applicable personal savings allowance) on any income distributions at the basic rate, the higher rate or the additional rate (as applicable).

#### UK corporate Shareholders

If, at any point in an accounting period of a UK corporate Shareholder, a fund fails to satisfy the "qualifying investment" test, Shares held by UK corporate Shareholders in respect of the Company are treated as if the Shares in respect of such a corporate's accounting period (including gains, profits and losses) are rights under a creditor loan relationship and will be taxed or relieved as an income receipt or expense on a "fair value accounting" basis. Accordingly, such a corporate Shareholder may, depending on its own circumstances, incur a charge to corporation tax on an unrealised increase in the value of its holding of Shares (and, likewise, obtain relief against corporation tax for an unrealised reduction in the value of its holding of Shares).

The Company will fail to satisfy the "qualifying investments" test at any time when more than 60% of its assets by market value comprise government and corporate debt securities, cash on deposit, certain derivative contracts or holdings in other collective investment schemes which at any time in the relevant accounting period do not themselves satisfy the "qualifying investments" test, or other interest bearing securities.

Interest distributions paid to UK corporate Shareholders may be paid without deduction of income tax at source.

### **(C) Dividend distributions**

Dividend distributions paid by the Company are treated as if they are dividends.

#### UK resident individuals

UK resident individuals liable to income tax at the basic, higher or additional rate will be taxed at the appropriate dividend rate on the receipt of dividend distributions subject to the availability of allowances and reliefs including the annual dividend allowance.

#### UK corporate Shareholders

UK resident corporate Shareholders must split their dividend distributions into franked and unfranked income portions according to the percentage split given on the tax certificate. The unfranked portion is, to the extent it comprises UK source income, generally treated as an annual payment received after deduction of income tax at the basic rate, whereas the balance is treated as franked income – i.e. a dividend. Both annual payments and dividends are liable to corporation tax in the hands of UK corporate Shareholders although the franked dividend portion should fall within an exemption from corporation tax.

### **(D) Chargeable gains**



### UK resident individuals

Shareholders who are resident in the UK may be liable to UK taxation on capital gains arising from the sale or other disposal, including a redemption of Shares. Gains will be tax-free if after deduction of allowable losses they fall within an individual's annual capital gains exemption.

Gains in excess of the annual exemption amount are taxed at the lower rate of capital gains tax to the extent that together with an individual's taxable income they do not exceed the upper limit of the basic rate income tax band and at the higher rate to the extent that they exceed that limit.

### UK corporate Shareholders

UK corporate Shareholders (whose Shares are not treated as creditor loan relationships) will be charged to corporation tax on any gains realised after the deduction of allowable losses (if any).

**The ACD reserves the right to redeem the Shares of any Shareholder who jeopardises the tax status of the Company.**

#### **(A) Income equalisation – tax implications**

The price of a Share of a particular Class is based on the value of that Class' entitlement in the Company, including the income of the Company since the previous distribution or, in the case of Accumulation Shares, deemed distribution. In the case of the first distribution received or accumulation made in respect of a Share, part of the amount, namely the equalisation payment, is treated as a return of capital and is not taxable as income in the hands of the Shareholder. This amount is, however, in the case of income Shares, deducted from the cost of the Share in computing any capital gains. Equalisation applies only to Shares purchased during the relevant accounting period. It is calculated as the average amount of income included in the issue price of all Shares of the relevant Class issued during the period.

#### **(B) UK information reporting regime**

Open-ended investment companies are required to report details of interest distributions paid to UK, and many non-UK investors. Dividend distributions and payments made to ISA investors are not within the scope of these rules but see the paragraphs dealing with the "International tax compliance" below.

#### **(C) Tax Elected Fund ("TEF") regime**

The ACD may, in the future, seek to elect the Company into the TEF regime if it considers that it would be advantageous for the majority of investors in the Company to do so. If the Company is elected into the TEF regime, the UK tax treatment of the Company and its investors would be different to that set out above.

#### **(D) International tax compliance**

The Company is required to comply with the International Tax Compliance Regulations.

The International Tax Compliance Regulations transpose into UK law rules and obligations derived from international standards and inter-governmental agreements entered into by the UK which are aimed at increasing transparency and reducing tax evasion. The regulations include rules derived from the US Foreign Account Tax Compliance Act (**FATCA**) and the OECD Common Reporting Standard for Automatic Exchange of Financial Account Information (**CRS**).

To be compliant with the International Tax Compliance Regulations the Company must collect information about each Shareholder's tax residence and, in certain circumstances, provide information about Shareholders' Shareholdings to HMRC. HMRC may in turn share this information with overseas tax authorities. Such tasks may be delegated to the Administrator.

**Shareholders should note that:**

- (a) they may be asked to provide additional information (including information regarding their tax residence) to the ACD or the Administrator to enable the Company to satisfy these obligations;**
- (b) the ACD or Administrator may report these details, along with information about a Shareholders' holding, to HMRC; and**
- (c) HMRC may subsequently exchange this information with other governments or tax authorities in other jurisdictions.**

If a Shareholder fails to provide the information required by the Company to comply with its obligations to HMRC this may result in the ACD taking appropriate action against the Shareholder, including invoking the compulsory transfer and redemption provisions set out in this Prospectus. The Shareholder may also be liable for any penalties suffered by the ACD. The ACD may deduct the amount of any penalty from the Shareholder's account.

## **22. Risk Profile Management**

- 22.1 The ACD, in consultation with the Investment Managers, has adopted a risk management process in respect of the Company enabling it to monitor and measure the risk of the Company's portfolio and contribution of the underlying investments to the overall risk profile of the Company.
- 22.2 The ACD operates a liquidity risk management policy with a view to ensuring that Shareholders are able to realise their Shares in accordance with this Prospectus and the requirements of the FCA Rules. This Prospectus provides information in relation to liquidity risk management, including the redemption rights of investors in normal and exceptional circumstances, and the existing redemption arrangements with investors.
- 22.3 Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due. Examples include insufficient cash to meet redemption requests or make margin payments requirements and the risk that a particular derivative position cannot be easily unwound or offset due to insufficient market depth or market disruption or that the Company's financial obligations arising from the derivative activity (such as margin calls) will not be able to be met. It is controlled for through monitoring of the liquidity of all instruments used, including derivatives, in the context of the investment objectives and liquidity requirements of each scheme or client account. Cash positions are monitored and reported to ensure that the Company has sufficient capacity to meet obligations arising from any derivative positions.
- 22.4 Stress tests on the portfolio are undertaken on a periodic basis, the frequency is dependent on a number of factors, e.g. portfolio composition and liquidity.

## **23. Leverage (as defined by the UK AIFM regime)**

- 23.1 The Company may invest in instruments which are subject to leverage from time to time. Under the UK AIFM regime, the ACD must:
  - 23.1.1 set a maximum level of leveraging which it may employ on behalf of the Company; and

23.1.2 where the leverage arrangement allows the right to reuse collateral or the granting of a guarantee, set out the extent of that right or guarantee.

23.2 For the Company, the ACD has set the following limits:

Derivative Type	Limits
<b>Allowable on a 'substantial' basis</b>	No
<b>Unsecured cash borrowings</b>	Not permitted
<b>Secured cash borrowings</b>	Up to 10% for liquidity purposes only. ONLY for short-term use.
<b>Convertible borrowings</b>	Not permitted
<b>Interest rate swaps</b>	Not permitted
<b>Contracts for differences</b>	Not permitted
<b>Futures contracts</b>	Not permitted
<b>Total return swaps</b>	Not permitted
<b>Forward agreements</b>	Only as required; No greater than 40% of the net asset value of the portfolio.
<b>Options</b>	Only as required; No greater than 30% of the net asset value of the portfolio.
<b>Repurchase arrangements</b>	Not permitted
<b>Reverse repurchase arrangements</b>	Not permitted
<b>Securities lending arrangements</b>	Not permitted
<b>Securities borrowing arrangements</b>	Not permitted
<b>Credit default swaps</b>	Not permitted
<b>MAXIMUM LEVEL OF LEVERAGE USING THE COMMITMENT METHOD*</b>	200%
<b>MAXIMUM LEVEL OF LEVERAGE USING THE GROSS METHOD*</b>	300%

\*Notes:

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

- 1) the value of any cash and cash equivalents which are highly liquid investments held in the base currency of the Company that are readily convertible to an amount of cash, subject to an insignificant risk of change in value and which provide a return no greater than the rate of a three month high quality government bond is excluded;
- 2) derivative instruments are converted (using certain specified conversion methodologies) into the equivalent position in their underlying assets;
- 3) cash borrowings that remain in cash or cash equivalents and where the amounts payable are known are excluded;

- 4) exposures resulting from the reinvestment of cash borrowings, expressed as the higher of the market value of the investment realised or the total amount of cash borrowed are included; and
- 5) positions within repurchase or reverse repurchase transactions and securities lending or borrowing or other similar arrangements are included.

The maximum level of leverage for the Company expressed as a ratio of the Company's total exposure to its net asset value current ratio under the gross method is: **3:1**.

\*Under the **commitment method**, the exposure of the Company is calculated as follows:

- 1) derivative instruments are converted (using certain specified conversion methodologies) into the equivalent position in their underlying assets;
- 2) netting and hedging arrangements are applied, subject to specified conditions;
- 3) the exposure created through the reinvestment of borrowings where such reinvestment increases the exposure of the Company is calculated;
- 4) derivative instruments used for currency hedging purposes are excluded.

The maximum level of leverage for the Company expressed as a ratio of the Company's total exposure to its net asset value current ratio under the commitment method is: **2:1**.

### 23.3 Use of Leverage

**The Company may use options, forwards and other derivative instruments for both the purpose of meeting the investment objectives of the Company and hedging against either price or currency fluctuations. The ACD's ability to use these strategies may be limited by market conditions, regulatory limits and tax considerations. Use of these strategies involves certain special risks, including (i) imperfect correlation between movements in the securities or currency on which a futures or options contract is based and movements in the securities or currencies in the Company; (ii) the absence of a liquid market for any particular instrument at any particular time; and (iii) possible impediments to the ability to meet redemption requests or other short-term obligations because of the percentage of the Company's assets segregated to cover its obligations. Hedging strategies necessarily add costs to the Company.**

### 24. Fair Treatment of Investors

- 24.1 The ACD ensures fair treatment of investors by its compliance with the applicable rules in COLL and FUND and with the rules contained in the FCA Handbook.
- 24.2 The ACD is required, under the FCA Handbook, to treat its customers fairly, when they become, remain or as they cease to be Shareholders. The ACD complies with the rules in the FCA Handbook, and has adopted a series of policies and procedures (including a Conflict of Interest policy) which are designed to achieve this outcome.
- 24.3 The ACD and the Investment Managers may in certain circumstances grant preferential treatment to investors. This may include, for example, access to certain Share Classes, a waiver or reduction of certain charges, the payment of rebates, or access to individuals within the ACD or the Investment Managers. If such rights are granted, this would typically be to investors who invest significant amounts in the Company. Such investors would not typically be legally or economically linked to the ACD.

24.4 Any Shareholder may be granted preferential treatment in relation to the terms of its investment in the Company by the ACD, the Investment Managers and/or any other service provider to the Company.

24.5 The ACD and/or the Investment Managers may enter into side letters and/or other arrangements ("Side Arrangements") with Shareholders, including those deemed to involve a significant or strategic relationship, that will result in the terms of an investment in the Company being different to the terms applicable to other Shareholders and/or provide the following preferential treatment:

**24.5.1 Disclosure / Reporting:**

- (a) notification of (A) certain 'key man' events and/or (B) certain changes to the organisation of the Company and/or (C) the issue of Shares on more favourable terms to those described herein (as amended by the relevant side letter and/or other arrangement) and/or (D) certain other changes and/or other events, in each case that affects, or relates to, the Company and/or its service providers (including, but not limited to, the Investment Managers) or the relevant Shareholder's investment in the Company;
- (b) notification if holdings in the Company by the relevant Shareholder exceed specific levels; and/or
- (c) the provision of certain limited information relating to the Investment Managers and/or to the Company's assets, including in order to allow the relevant Shareholder to comply with the laws and regulations to which it is subject.

**24.5.2 Investor Liquidity terms:**

- (a) ensure that redemptions of Shares are effected in full within a prescribed period of time in the event that redemptions are deferred (i.e. "gated") for any reason; and/or
- (b) permit transferability of Shares where there is no change of beneficial ownership.

**24.5.3 Fees:**

- (a) rebate some or all of the periodic charge payable in respect of the relevant Shareholder's Shares.

**24.5.4 Side Arrangements:**

- (a) The ACD's Risk Management Policy deals with Side Arrangements.
- (b) The main conflict of interest with Side Arrangements is the potential for one or more investors to be advantaged over other investors by terms within their Side Arrangements. For example, the preferential early exit of one investor may reduce the portfolio liquidity, which might make withdrawals unavailable to other investors. Subsequently, it may be the case that other investors are actually disadvantaged. The ACD will give consideration as to whether the nature and scope of the provisions are consistent with treating all investors fairly.
- (c) Any Side Arrangement which contains 'material terms' will be fully considered before it is put in place. Examples of material terms would include preferential redemption rights, 'key man'

provisions, redemption 'gate' waivers and portfolio transparency rights.

## **25. Recognition and Enforcement of Judgments**

25.1 The UK AIFM regime require the ACD to give details of legal instruments providing for the recognition and enforcement of judgments in England and Wales (which is the territory in which the Company is established). The laws of England and Wales provide a number of legal mechanisms for the recognition and enforcement of judgments.

## **26. Further Information**

### **Instrument of Incorporation and Prospectus**

Copies of the Instrument of Incorporation, Prospectus and the most recent annual and half-yearly reports may be inspected at the head office of the ACD at Exchange Building, St John's Street, Chichester, West Sussex, PO19 1UP. Copies may be obtained free of charge on application.

Copies of the contracts of service between the Company and the ACD, and any other directors, will be provided to Shareholders on request.

### **Address for service**

The address for service of notices or other documents required or authorised to be served on the Company is at its registered office located at Exchange Building, St John's Street, Chichester, West Sussex, PO19 1UP.

### **Telephone calls**

Telephone calls may be recorded for regulatory, training or monitoring purposes. Recordings will be provided on request for a period of at least five years from the date of such recording, or, where requested by a competent regulatory authority, for a period of seven years, where the ACD can identify the call.

If you ask the ACD to send you a recording of a particular call, the ACD may ask for further information to help identify the exact call to which your request relates.

### **Future disclosures**

The following information will be made available to Shareholders as part of the Company's annual report:

- i. the percentage of the Company's assets which are subject to special arrangements arising from their illiquid nature;
- ii. any new arrangements for managing the liquidity of the Company;
- iii. the current risk profile of the Company and the risk management systems employed by the ACD to manage those risks; and
- iv. the total amount of leverage employed by the Company, as applicable.

Shareholders will also be provided with information regarding changes to:

- v. the maximum level of leverage that the ACD may employ on behalf of the Company; and
- vi. any right of re-use of collateral under the Company's leveraging arrangements; and
- vii. any guarantee granted under the Company's leveraging arrangements.

This information will be made available to Shareholders, without undue delay following the occurrence of that change, usually by way of update to this Prospectus. Where required, such change will be preceded by notification to Shareholders.

## **Complaints**

Shareholders who have complaints about the operation of the Company should in the first instance contact the ACD. If a complaint cannot be resolved satisfactorily with the ACD, it may be referred to the Financial Ombudsman Service, Exchange Tower, London E14 9SR.

A copy of the complaints handling procedure is available from the ACD on request.

## **Non-accountability for profits**

Neither the Company, the ACD, the Depositary, the Investment Managers (or any associate of the same) or the Auditors is liable to account to either each other or to Shareholders for any profits or benefits it makes or receives that are made or derived from or in connection with:

- a) dealings in the Shares of the Company; or
- b) any transaction in the Scheme Property; or
- c) the supply of services to the Company.

## **Risk Factors**

**An investment in an open-ended investment company such as the Company should be regarded as a longer-term investment.**

**Investors should be aware that the price of Shares and the income from them can fall as well as rise and investors may not receive back the full amount invested.**

**Past performance is not necessarily a guide to future performance.**

**Investments denominated in currencies other than the base currency are subject to fluctuations in exchange rates which can be favourable or unfavourable.**

**Investors should be aware that concentrating the Company's investments in one country could increase the risks associated with investing in the Company's Shares.**

**Custody Risk:** The Depositary may delegate the function of safekeeping of Financial Instruments to the Custodian, who may in turn appoint a custody agent. The Depositary or Custodian may hold Financial Instruments in fungible accounts (meaning the assets are interchangeable) or omnibus accounts (resulting in accounts being combined). The use of omnibus accounts gives rise to a potential risk that there could be a shortfall in the Financial Instruments held in such an account should the total of the Financial Instruments be less than the aggregate entitlement of the Company. It is expected that such risks will be mitigated by the Custodian's trade matching and reconciliation processes, however in the event of an irreconcilable shortfall, the affected clients would bear the risk of any shortfall on a pro-rata basis and the Company may not recover all of its Financial Instruments.

**Infectious diseases:** Infectious diseases that pose significant threats to human health may be highly disruptive to global economies and markets. The economic and market disruptions caused by infectious diseases could significantly impact the value of the scheme property of the Company and the value of distributions paid to investors.

## APPENDIX A

### Eligible securities and derivatives markets

The Company may deal on the securities and derivatives markets listed below.

A market is an "eligible market" if it is:

- d) a regulated market (as defined in the FCA Glossary);
- e) an established market in the UK or an EEA State which is regulated, operates regularly and is open to the public;
- f) a market which the ACD, after consultation with, and notification to the Depositary, determines is appropriate for the purpose of investment of, or dealing in the property of the Company. In accordance with the relevant criteria in the COLL Sourcebook, such a market must be regulated; operate regularly; recognised as a market or exchange or as a self-regulating organisation by an overseas regulator; open to the public; be adequately liquid; and have adequate arrangements for unimpeded transmission of income and capital to, or to the order, of investors.

Detailed below are the additional eligible markets on which the Company is currently permitted to deal.

#### Eligible securities markets

Australia	ASX Group
Canada	Toronto Stock Exchange TSX Venture Exchange Montreal Exchange
Hong Kong	Hong Kong Stock Exchange
Japan	Nagoya Stock Exchange Osaka Securities Exchange Tokyo Stock Exchange JASDAQ Securities Exchange
Korea	Korea Composite Stock Price Index
Mexico	Mexican Stock Exchange
New Zealand	New Zealand Stock Exchange (NZX)
Singapore	Singapore Exchange (SGX)
South Africa	JSE Limited
Switzerland	SIX Swiss Exchange AG
Thailand	Stock Exchange of Thailand (SET)
United Kingdom	Alternative Investment Market of the London Stock Exchange (AIM)
United States of America	NYSE Euronext Chicago Stock Exchange (CHX) NASDAQ NYSE Arca Equities



NASDAQ OMX PHLX

**Eligible derivatives market**

United States of America: NYSE Euronext

United Kingdom: London International Financial Futures and Options Exchange (LIFFE)

## APPENDIX B

### Historical Performance Figures

The comparisons have been based on **income Shares** for performance information over a five year period. The performance table shows the total annual return up to 31 December in each year listed.

The performance information is net of subscription and redemption fees but does not include the effect of any preliminary charge that may be paid on the purchase of an investment.

<b>Share Class</b>	<b>2019</b> (%)	<b>2020</b> (%)	<b>2021</b> (%)	<b>2022</b> (%)	<b>2023</b> (%)
<b>Income Shares</b>	18.47	5.18	14.64	-11.27	-1.23

Source of performance data -Morningstar

These performance figures are presented as a matter of record and should be regarded as such.

Performance is determined by many factors including the general direction and volatility of markets and may not be repeatable.

**Investors should note that these figures refer to the past and past performance is not a reliable indicator of future performance or results.**

## APPENDIX C

### List of other Authorised Collective Investment Schemes operated by the ACD

Authorised Schemes	Contractual	Authorised Companies	Investment with Variable Capital	Authorised Unit Trusts
TM Brunel Partnership ACS	Pension	Abaco Fund ICVC Arch House Fund Ariel Fund Bryth ICVC Canterbury Investment Fund CP Investment Funds Destiny Fund ICVC Harroway Capital ICVC Hawarwatza Fund Libero Portfolio Fund Lime Grove Fund Meadowgate Funds Moulsoe Fund Scarp Fund Skiwi Fund The Ambrose Fund The Astral Fund The Capital Link Growth Fund The Contact Fund The Diversification Fund ICVC The Dunnottar Fund The Global Multi Asset Fund The Gulland Fund The Hector Fund The Juniper Fund The Mazener Fund The MCMLXIII Fund The Motim Fund The Northern Funds The Oenoke Fund The Ord Fund ICVC The Overstone Fund The Penare Fund The Saint Martins Fund The Staderas Fund The Stratford Fund The Sun Portfolio Fund The TBL Fund The TM Lancewood Fund The TM Mitcham Fund The Torrison Growth Fund The Vinings Fund The Wharton Fund Thesis JDS Fund TM Acer Fund TM Balanced Growth Fund TM Brown Advisory Funds TM Brunsdon OEIC TM Cerno Investment Funds TM Cresswell Fund TM CRUX Funds ICVC		BPM Trust Eden Investment Fund Elfynn International Trust Glenhuntingley Portfolio Trust Hawthorn Portfolio Trust KES Diversified Trust KES Equity Fund KES Growth Fund KES Income and Growth Fund KES Strategic Investment Fund Latour Growth Fund Lavaud Fund Mossylea Fund Pippin Return Fund The Castor Fund The Darin Fund The Delta Growth Fund The Deribee Funds The Eldon Fund The Hall Fund The HoundStar Fund The Iceberg Trust The Maiden Fund The Millau Fund The Norfolk Trust The Notts Trust The Palfrey Fund The TM Stockwell Fund The White Hill Fund Thesis Headway Fund Thesis Lion Growth Fund Thesis PM A Fund Thesis PM B Fund Thesis Thameside Managed Fund The TUTMAN B&CE Contracted-out Pension Scheme TM Balanced Fund TM Chainpoint Fund TM Growth Fund TM Hearthstone UK Residential Feeder Fund TM Managed Fund TM Masonic Charitable Foundation Investment Fund TM Merlin Fund TM New Court Fund TM New Court Growth Fund

TM First Arrow Investment Funds	TM New Court Return Assets Fund
TM Hearthstone ICVC	TM New Institutional World Fund
TM Investment Exposures Fund	TM Preservation Fund
TM Investment Funds	TM Private Portfolio Trust
TM Lime Fund	TM Stonehage Fleming Global Equities Fund
TM Natixis Investment Funds U.K. ICVC	TM Stonehage Fleming Global Equities Fund II
TM Neuberger Berman Investment Funds	TM Stonehage Fleming Global Equities Umbrella Fund
TM Oak Fund	
TM OEIC	
TM Optimal Funds	
TM P1 Investment Funds	
TM Redwheel Funds	
TM Ruffer Portfolio	
TM Stonehage Fleming Global Multi-Asset Umbrella Fund	
TM Stonehage Fleming Investments Funds	
TM Tellworth Investments Funds	
TM Total Return Fund	
TM UBS (UK) Fund	
TM Veritas Investment ICVC	
Trowbridge Investment Funds	

## APPENDIX D

### Directory of Contact Details

<b>ACD</b>	<b>Thesis Unit Trust Management Limited</b> Exchange Building St John's Street Chichester, West Sussex, PO19 1UP
<b>Administrator, Registrar and Fund Accountant</b>	<b>Northern Trust Global Services SE, UK branch</b> 50 Bank Street Canary Wharf, London E14 5NT
<i>Dealing Office</i>	<b>Thesis Unit Trust Management Limited</b> Sunderland SR43 4AZ  Telephone number: 0333 300 0375
<b>Auditor</b>	<b>Deloitte LLP</b> 110 Queen Street, Glasgow G1 3BX
<b>Custodian</b> <i>Principal place of business:</i>	<b>The Northern Trust Company</b> 50 South LaSalle Street, Chicago, Illinois, USA
<i>Who may also act under this power through its London branch:</i>	50 Bank Street, Canary Wharf, London E14 5NT
<b>Depositary</b>	<b>NatWest Trustee and Depositary Services Limited</b> House A, Floor 0, Gogarburn, 175 Glasgow Road, Edinburgh EH12 1HQ
<b>Investment Managers</b>	<b>Schroder &amp; Co. Limited (trading as Cazenove Capital)</b> 1 London Wall Place, London EC2Y 5AU <a href="http://www.schroders.com">www.schroders.com</a>

**Thesis Asset Management Limited**

Exchange Building  
St John's Street, Chichester,  
West Sussex PO19 1UP  
[www.thesisam.com](http://www.thesisam.com)

**Financial Conduct  
Authority (FCA)**

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