

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

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**PROSPECTUS**

**OF**

**VT CAPE WRATH FOCUS FUND**

**(An open-ended investment company registered in England and Wales under registered number IC001061)**

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This document constitutes the Prospectus for VT Cape Wrath Focus Fund which has been prepared in accordance with the Collective Investment Schemes Sourcebook.

This Prospectus is dated, and is valid as at, 3 January 2023.

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

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## **Important Information**

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

The Company is an investment company with variable capital incorporated with limited liability and registered in England under registered number IC001061. It is a non-UCITS retail scheme as defined in COLL.

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

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

The provisions of the Instrument of Incorporation are binding on each of the Shareholders and a copy of the Instrument of Incorporation is available on request from Valu-Trac Investment Management Limited.

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

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

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

The distribution of this Prospectus in certain jurisdictions may require that this Prospectus is translated into the official language of those countries. Should any inconsistency arise between the translated version and the English version, the English version shall prevail.

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

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

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

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

The ACD may transfer your personal information to countries located outside of the United Kingdom and the European Economic Area (the "EEA"). This may happen when the ACD's servers, suppliers and/or service providers are based outside of the United Kingdom and the EEA. The data protection laws and other laws of these countries may not be as comprehensive as those that apply within the United Kingdom or the EEA. In these instances the ACD will take steps to ensure that your privacy rights are respected. Details relevant to you may be provided upon request.

The Money Laundering Regulations 2017, The Proceeds of Crime Act 2002, The FCA Senior Management Arrangements Systems & Controls Source book and Joint Money Laundering Steering Group guidance notes (which are updated from time to time) state that the ACD must check your identity and the source of the money invested. The checks may include an electronic search of information held about you on the electoral roll and using credit reference agencies. The credit reference agency may check the details you supply against any particulars on any database (public or otherwise) to which they have access and may retain a record of that information although this is only to verify your identity and will not affect your credit rating. They may also use your details in the future to assist other companies for verification purposes. If you apply for shares you are giving the ACD permission to ask for this information in line with the Data Protection Act 2018. 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.

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

**Target market for MiFID II purposes: The Target Market for MiFID II purposes for the Company is set out in Appendix A.**

## 1. DEFINITIONS

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

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

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

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

"**Approved Bank**" means (in relation to a bank account opened by the Company):

- (a) if the account is opened at a branch in the United Kingdom:
  - (i) the Bank of England; or
  - (ii) the central bank of a member state of the OECD; or
  - (iii) a bank; or
  - (iv) a building society; or
  - (v) a bank which is supervised by the central bank or other banking regulator of a member state of the OECD; or
- (b) if the account is opened elsewhere:
  - (i) a bank in (a); or
  - (ii) a credit institution established in an EEA State and duly authorised by the relevant Home State Regulator; or
  - (iii) a bank which is regulated in the Isle of Man or the Channel Islands; or
  - (iv) a bank supervised by the South African Reserve Bank;

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

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

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

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

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

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

"**Company**" means VT Cape Wrath Focus Fund.

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

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

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

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

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

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

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

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

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

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

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

"**Gross Asset Value**" or "**GAV**" means the NAV of the Company before accounting for the payment of any Performance Fee and/or any dividend.

"**High Water Mark**" means a performance measure used to ensure that a fee is only charged when the value of the Company has increased since any previous Performance

Fee was paid. If no Performance Fee is payable the High Water Mark will remain unchanged as of the end of the previous Performance Period.

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

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

"**Investment Manager**" means Cape Wrath Capital Limited or such other entity as is appointed to act as the investment manager of the Company from time to time.

"**Net Asset Value**" or "**NAV**" means the value of the Scheme Property of the Company less the liabilities of the Company as calculated in accordance with the Instrument of Incorporation.

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

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

"**Performance Fee**" means the performance fee, details of which are set out in this Prospectus.

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

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

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

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

"**Scheme Property**" means the scheme property of the Company required under the COLL Sourcebook and FUND to be given for safekeeping to the Depositary.

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

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

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

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

"**UCITS Scheme**" means a UK UCITS.

"**UK UCITS**" has the meaning given to it in the FCA Handbook.

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

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



## **2. DETAILS OF THE COMPANY**

### **2.1. General information**

#### **2.1.1. General**

VT Cape Wrath Focus Fund (the "**Company**") is an investment company with variable capital incorporated in England and Wales under the OEIC Regulations with registered number IC001061 and authorised by the Financial Conduct Authority pursuant to an authorisation order dated 17 May 2016 (PRN:741524). The Company has an unlimited duration.

The Company is a non-UCITS retail scheme (as defined in the OEIC Regulations).

Shareholders are not liable for the debts of the Company.

A Shareholder is not liable to make any further payment to the Company after he has paid the price on purchase of the Shares.

Historical performance figures are not yet available for the Company.

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

Details of a typical investor in the Company and historical performance data is set out in Appendix V.

#### **2.1.2. Head Office**

The head office of the Company is at Level 13 Broadgate Tower, 20 Primrose Street, London, EC2A 2EW and its principal place of business is at Orton, Moray, IV32 7QE.

#### **2.1.3. Address for Service**

The head office is the address of the place in the UK for service on the Company of notices or other documents required or authorised to be served on it.

#### **2.1.4. Base Currency**

The base currency of the Company is Pounds Sterling.

#### **2.1.5. Share Capital**

Maximum     £100,000,000,000

Minimum     £1,000

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

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

In connection with marketing Shares in EEA States, there are currently no special arrangements in place for:

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

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

Shares in the Company may be marketed in Member States and in countries outside the European Union and European Economic Area, subject to the Regulations, and any regulatory constraints in those countries, if the ACD so decides.

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

### 2.2.1. **The Company**

The Company is a stand alone open-ended investment company.

The Company is a non-UCITS retail scheme.

Details of the Company, including its investment objective and policy, are set out in Appendix I.

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

### 2.2.2. **Shares**

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

Further Classes of Share may be established from time to time by the ACD with the approval of the FCA, the agreement of the Depositary and in accordance with the Instrument of Incorporation and the Regulations. On the introduction

of any new Class a revised prospectus will be prepared, setting out the details of each Class.

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

Shares have no par value and, within each Class subject to their denomination, are entitled to participate equally in the profits arising in respect of, and in the proceeds of, the liquidation of the Company. Shares do not carry preferential or pre-emptive rights to acquire further Shares.

Each Class may attract different charges and so monies may be deducted from the Scheme Property attributable to such Classes in unequal proportions. In these circumstances, the proportionate interests of the Classes will be adjusted accordingly. Also, each Class may have its own investment minima or other features, such as restricted access, at the discretion of the ACD.

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

#### Registered Shares

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

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

#### Larger and Smaller Denomination Shares

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

#### Class of Shares

The Instrument of Incorporation currently provides for Class A Shares, Class B Shares and Class C Shares

#### Income and Accumulation Shares

The Company may issue income and accumulation Shares in respect of each Class. Further details of the Shares presently available, including details of their

criteria for subscription and fee structure, are set out in Appendix I.

Holders of income Shares are entitled to be paid the distributable income attributed to such Shares on any relevant interim and annual allocation dates.

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

#### Net Shares and Gross Shares

The Instrument of Incorporation allows gross income and gross accumulation Shares to be issued, as well as net income and net accumulation Shares.

Net Shares are Shares in respect of which income allocated to them is distributed periodically to the Shareholders (in the case of net income Shares) or added periodically to capital (in the case of net accumulation Shares) in accordance with relevant tax law, net of any tax deducted or accounted for by the Company.

Gross Shares are Shares in respect of which income allocated to them is distributed periodically to the Shareholders (in the case of gross income Shares) or added periodically to capital (in the case of gross accumulation Shares) in accordance with relevant tax law, without any tax being deducted or accounted for by the Company. All references in this Prospectus are to net Shares unless otherwise stated.

### **2.3 General Investment Philosophy and Approach**

The Company will invest with a margin of safety in businesses believed to be undervalued. Potential investee companies will be analysed using the BAIT framework to assess the quality of each potential investment. The BAIT framework encompasses Business Factors, Accounting Analysis and an Investment Thesis.

New ideas are identified using value screens and by closely monitoring companies that are going through financial or business restructuring. The BAIT Framework is then applied to analyse the quality of each potential investment. From the BAIT Framework a 'quality factor' is derived, which indicates how the company should be valued relative to its sector or to the market as a whole. Valuation risk is managed through use of a margin of safety with technical and behavioural signals aiding in the determination of investor sentiment.

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

The dealing office of the ACD is normally open from 8.30 a.m. to 5.30 p.m. (London time) on each Business Day to receive requests for the purchase, sale and switching of Shares. The ACD may vary these times at its discretion. Requests to deal in Shares may be made by sending clear written instructions (or an application form) to the ACD or by telephoning 01343 880 344 (or such other number as published from time to time). The initial purchase must, at the discretion of the ACD, be accompanied by an application form.

In addition, the ACD may from time to time make arrangements to allow Shares to be bought or sold on-line or through other communication media (electronic or otherwise).

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

In its dealings in Shares of the Company the ACD is dealing as principal. The ACD does not actively seek to make a profit from dealing in Shares as principal but does so in order to facilitate the efficient management of the Company. The ACD is not accountable to Shareholders or the Depositary for any profit it makes from dealing in Shares as principal.

#### **3.1. Money Laundering**

As a result of legislation in force in the UK to prevent money laundering, the ACD is responsible for compliance with anti-money laundering regulations. In order to implement these regulations, in certain circumstances investors may be asked to provide proof of identity when buying or redeeming Shares. This may involve an electronic check of information. Until satisfactory proof of identity is provided, the ACD reserves the right to refuse to issue Shares, pay the proceeds of a redemption of Shares, or pay income on Shares to the investor. In the case of a purchase of Shares where the applicant is not willing or is unable to provide the information requested within a reasonable period, the ACD also reserves the right to sell the Shares purchased and return the proceeds to the account from which the subscription was made. These proceeds may be less than the original investment. The ACD can use credit reference agencies (who will record that an enquiry has been made) and/or may check electronic databases. In the case of bodies corporate, trusts and other legal arrangements, it is also required to establish the identity of any trustees or other controllers who have greater than 25% control of the body corporate or property of the trust that are not named on the application. In addition, it is also required to establish the identity of any individuals who have a specified beneficial interest in the Shares. In the case of individuals it is required to establish the identity of any individuals who have a specified beneficial interest in the Shares that are not named on the application. The applicant retains legal title to the Shares and instructions will only be accepted from the applicant. The beneficial owner details are required for anti-money laundering purposes only. The ACD reserves the right to refuse any application to invest without providing any justification for doing so.

## 3.2. **Buying Shares**

### 3.2.1. **Procedure**

Shares may be bought directly from the ACD or through a professional adviser or other intermediary. In addition, the ACD may from time to time make arrangements to allow Shares to be bought through other communication media. For details of dealing charges see paragraph 3.6 below. Application forms may be obtained from the ACD.

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

The ACD, at its discretion, has the right to cancel a purchase deal if settlement is materially overdue (being more than five Business Days of receipt of an application form or other instruction) and any loss arising on such cancellation shall be the liability of the applicant. For postal applications payment in full must accompany the instruction. At the ACD's discretion, payment for large purchases of Shares may be made by bank transfer. The ACD is not obliged to issue Shares unless it has received cleared funds from an investor.

A purchase of Shares in writing or by telephone or any other communication media made available is a legally binding contract. Applications to purchase, once made are, except in the case where cancellation rights are applied, irrevocable. However, subject to its obligations under the Regulations, the ACD has the right to reject, on reasonable grounds relating to the circumstances of the applicant, any application for Shares in whole or part, and in this event the ACD will return any money sent, or the balance of such monies, at the risk of the applicant.

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

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

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

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

a notice of the applicant's right to cancel.

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

Settlement is due within 4 Business Days of the Valuation Point. An order for the purchase of Shares will only be deemed to have been accepted by the ACD once it is in receipt of cleared funds for the application. If settlement is not made within a reasonable period, then the ACD has the right to cancel any Shares issued in respect of the application. In the event of such a sale or realisation, the ACD shall be entitled to transfer such investments to such persons as it shall specify and, recover any shortfall from that investor.

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

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

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

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

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

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

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

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

## **3.3. Redeeming Shares**

### **3.3.1. Procedure**

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

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

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

For details of dealing charges see paragraph 3.6 below.

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

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

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

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

### **3.3.3. Minimum redemption**

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

## **3.4. Switching**

Subject to any restrictions on the eligibility of investors for a particular Share Class, a Shareholder may at any time Switch all or some of his Shares of one Class ("the Original Shares") for Shares of another Class ("the New Shares") in



the Company. The number of New Shares issued will be determined by reference to the respective prices of New Shares and Original Shares at the Valuation Point applicable at the time the Original Shares are redeemed and the New Shares are issued.

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

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

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

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

**A Shareholder who Switches between Classes of Shares will not be given a right by law to withdraw from or cancel the transaction.**

### 3.5. Market Timing

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

For these purposes, market timing activities include investment techniques which involve short term trading in and out of shares generally to take advantage of variation in the price of Shares between the daily valuation points in the Company. Short term trading of this nature may often be detrimental to long term Shareholders, in particular, the frequency of dealing may lead to

additional dealing costs which can affect long term performance.

### 3.6. **Dealing Charges**

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

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

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

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

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

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

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

#### 3.6.3. **Charges on Switching**

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

The ACD's current policy is to only levy a charge on switching that is no more than the excess of the initial charge applicable to New Shares over the initial charge applicable to the Original Shares as specified in Appendix I.

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

The actual cost of purchasing, selling or switching underlying investments in the Company may deviate from the mid-market value used in calculating its

Share price, due to dealing charges, taxes, and any spread between buying and selling prices of the Company's underlying investments. These dealing costs could have an adverse effect on the value of the Company, known as "dilution". In order to mitigate the effect of dilution the Regulations allow the ACD to make a dilution levy on the purchase, redemption or Switch of Shares in the Company. A dilution levy is a separate charge of such amount or at such rate as is determined by the ACD to be made for the purpose of reducing the effect of dilution. This amount is not retained by the ACD, but is paid into the Company.

The dilution levy is 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 purchases and redemptions. It is not possible to predict accurately whether dilution would occur at any point in time.

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

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

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

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

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

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

**charge in advance on a particular transaction.****3.6.5. Stamp duty reserve tax ("SDRT")**

The charging of SDRT (at a rate of 0.5%) on the redemption of shares has now been abolished except from in relation to non-pro rata in specie redemptions.

The current policy is that all SDRT costs (if applicable) will be paid out of the Scheme Property of the Company and charged to capital and that SDRT will not be recovered from individual Shareholders. However, the ACD reserves the right to require individual Shareholders to pay SDRT whenever it considers that the circumstances have arisen which make such imposition fair to all Shareholders or potential Shareholders.

**3.7. Transfers**

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

**3.8. Restrictions and Compulsory Transfer, Conversion and Redemption**

The ACD may from time to time take such action and/or impose such restrictions as it may think necessary for the purpose of ensuring that no Shares are acquired or held by any person in breach of the law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory or which would result in the Company incurring any liability to taxation which the Company is not able to recoup itself or otherwise suffering (in the ACD's absolute discretion) any other adverse consequence. In this connection, the ACD may, inter alia, reject in its discretion any application for the purchase, redemption, transfer or switching of Shares or require the conversion of shares in one class to another class.

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

- (a) are owned directly or beneficially in breach of any law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory; or
- (b) would result in the Company incurring any liability to taxation which the Company would not be able to recoup itself or suffering any other adverse consequence (including a requirement to register under any securities or investment or similar laws or governmental regulation of any country or territory); or
- (c) are held in any manner by virtue of which the Shareholder or Shareholders in question is/are not qualified to hold such Shares or if it reasonably believes this to be the case or the holding of such shares might cause the Company or its shareholders a pecuniary or

administrative disadvantage or other adverse consequence which the Company might not otherwise incur or suffer;

the ACD may give notice to the Shareholder(s) of the affected Shares requiring the transfer of such Shares to a person who is qualified or entitled to own them or that a request in writing be given for the redemption or conversion of such Shares in accordance with the COLL Sourcebook. If any Shareholder upon whom such a notice is served does not within 30 days after the date of such notice transfer his affected Shares to a person qualified to own them or submit a written request for their redemption to the ACD or establish to the satisfaction of the ACD (whose judgement is final and binding) that he or the beneficial owner is qualified and entitled to own the affected Shares, he shall be deemed upon the expiry of that 30 day period to have given a request in writing for the redemption or cancellation or conversion (at the discretion of the ACD) of all the affected Shares.

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

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

### **3.9. 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 acquisition of those assets in exchange for the Shares concerned is not likely to result in any material prejudice to the interests of Shareholders.

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

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

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

If a Shareholder requests the redemption of Shares the ACD may, where it considers that deal to be substantial in relation to the total size of the Company or in some way detrimental to the Company, arrange for scheme property having the appropriate value to be transferred to the Shareholder (an 'in specie transfer'), in place of payment for the Shares in cash. Before the redemption is effected, the ACD will give written notice to the Shareholder of the intention to make an in specie transfer.

The ACD will select the property to be transferred in consultation with the

Depository. The ACD and Depository must ensure that the selection is made with a view to achieving no more advantage or disadvantage to the Shareholder requesting the redemption than to the continuing Shareholders.

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

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

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

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

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

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

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

Suspension will cease as soon as practicable after the exceptional circumstances leading to the suspension have ceased but the ACD and the Depository will formally review the suspension at least every 28 days and will inform the FCA of the review and any change to the information given to Shareholders.

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

### 3.12. **Deferred Redemption of Shares**

If requested redemptions of Shares on a particular Dealing Day exceed 10% of the Company's value, redemptions of Shares of that Fund may be deferred to the next Valuation Point. Any such deferral would only be undertaken in such manner as to ensure consistent treatment of all Shareholders who had sought to redeem Shares at the Valuation Point at which redemptions were deferred, and so that all deals relating to

the earlier Valuation Point were completed before those relating to a later Valuation Point were considered. The intention of the deferred redemption power is to reduce the impact of dilution on the Scheme Property. In times of high levels of redemption, deferred redemption provisions would enable the ACD to protect the interests of continuing Shareholders by allowing it to match the sale of property of the Company to the level of redemptions of Shares in the Company.

### 3.13. **Liquidity Management**

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

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

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

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

### 3.14. **Governing law**

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

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

### **4.1. General**

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

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

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

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

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

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

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

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

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



or redemption charge attributable thereto; or

- (iii) if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no recent price exists, at a value which, in the opinion of the ACD, is fair and reasonable;
  - (b) exchange traded derivative contracts:
    - (i) if a single price for buying and selling the exchange-traded derivative contract is quoted, at that price; or
    - (ii) if separate buying and selling prices are quoted, at the average of the two prices;
  - (c) over-the-counter derivative contracts shall be valued in accordance with the method of valuation as shall have been agreed between the ACD and the Depositary;
  - (d) any other investment:
    - (i) if a single price for buying and redeeming the security is quoted, at that price; or
    - (ii) if separate buying and redemption prices are quoted, at the average of the two prices; or
    - (iii) if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if the most recent price available does not reflect the ACD's best estimate of the value, at a value which, in the opinion of the ACD, is fair and reasonable;
  - (e) Scheme Property other than that described in paragraphs 4.2.2(a) to 4.3.2(d) above, at a value which, in the opinion of the ACD, is fair and reasonable;
- 4.2.3. Cash and amounts held in current and deposit and margin accounts and in other time related deposits shall be valued at their nominal values.
- 4.2.4. In determining the value of the Scheme Property, all instructions given to issue or cancel Shares shall be assumed (unless the contrary is shown) to have been carried out and any cash paid or received and all consequential action required by the Regulations or this Instrument of Incorporation shall be assumed (unless the contrary has been shown) to have been taken.
- 4.2.5. Subject to paragraphs 4.2.6 and 4.2.7 below, agreements for the unconditional sale or purchase of Scheme Property which are in existence but uncompleted shall be assumed to have been completed and all consequential action required to have been taken. Such

unconditional agreements need not be taken into account if made shortly before the valuation takes place and if, in the opinion of the ACD, their omission will not materially affect the final net asset amount.

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

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

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

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

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

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

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

#### 4.5. **Publication of Prices**

The prices of all Shares are published on the ACD's website. The prices of Shares may also be obtained by calling 01343 880 344 during the ACD's normal business hours.

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

## **5. RISK FACTORS**

Potential investors should consider the following risk factors before investing in the Company.

### **5.1. General**

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

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

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

### **5.2. Effect of Initial Charge or Redemption Charge**

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

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

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

### **5.3. Dilution**

The Company may suffer a reduction in the value of its Scheme Property due to dealing costs incurred when buying and selling investments. To offset this dilution effect the ACD may require the payment of a dilution levy in addition to the price of Shares when bought or as a deduction when sold.

### **5.4. Charges to Capital**

Where the investment objective of the Company is to treat the generation of income as a higher priority than capital growth, or the generation of income and capital growth have equal priority, all or part of the ACD's fee may be charged

against capital instead of against income. The treatment of the ACD's fee may increase the amount of income (which may be taxable) available for distribution to Shareholders but will erode capital and may constrain capital growth.

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

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

#### 5.6. **Currency Exchange Rates**

Currency fluctuations may adversely affect the value of the Company's investments and the income thereon and, depending on an investor's currency of reference, currency fluctuations may adversely affect the value of his investment in Shares.

#### 5.7. **Share Currency Designation Risk**

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

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

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

#### 5.8. **Derivatives**

The Investment Manager may employ derivatives with the aim of reducing the risk profile of the Company, reducing costs or generating additional capital or income, in accordance with EPM.

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

For more information in relation to investment in derivatives, please see

paragraphs 17 and 18 in Appendix III.

#### 5.9. **Credit and Fixed Interest Securities**

Fixed interest securities are particularly affected by trends in interest rates and inflation. If interest rates go up, the value of capital may fall, and vice versa. Inflation will also decrease the real value of capital.

The value of a fixed interest security will fall in the event of the default or reduced credit rating of the issuer. Generally, the higher the yield, the higher the perceived credit risk of the issuer. High yield bonds with lower credit ratings (also known as sub-investment grade bonds) are potentially more risky (higher credit risk) than investment grade bonds. A sub-investment grade bond has a Standard & Poor's credit rating of below BBB or equivalent. BBB is described as having adequate capacity to meet financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the bond issuer to meet its financial commitments.

#### 5.10. **Counterparty and Settlement**

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

#### 5.11. **Tax**

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

#### 5.12. **Inflation and Interest Rates**

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

#### 5.13. **Custody**

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

#### 5.14. **Liquidity**

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

#### 5.15. **Legal and Regulatory Risks**

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

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

**5.16. Lack of Operating History**

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

**5.17. Cyber Security Risk**

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

**5.18. Concentration**

The Company may invest in a narrow range of funds or stock and so may be more volatile than more broadly diversified equity funds.

**5.19. Collective Investment Scheme**

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

## 5.20. **Effect of Performance Fee**

A performance fee may be payable in respect of the Company. Performance fees may create an incentive to make investments that are riskier or more speculative than would be the case in the absence of such incentive compensation arrangements. The performance fee payable will be based on the cumulative performance of the Net Asset Value per Share of a Share Class as a whole (before deduction of any performance fee), including any income attributable to the cash assets of such Class and subscriptions and redemptions. The combination of daily subscriptions and redemptions and the changing cumulative performance of the Net Asset Value per Share in a Share Class may impact upon the performance fee incurred by Shareholders in different ways because of the timing of subscriptions, redemptions and holdings. In addition, any performance fee will be based on unrealised as well as realised gains. There can be no assurance that such unrealised gains will, in fact, ever be realised or that Shareholders will experience identical returns. It should also be noted that the payment of a performance fee in respect of one or more share classes may result in the NAV of different share classes varying from one another.

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

The Company may enter into transactions in over-the-counter markets, which will expose the Company to the credit of its counterparties and their ability to satisfy the terms of such contracts. For example, the Company may enter into agreements or use other derivative techniques, each of which expose the Company to the risk that the counterparty may default on its obligations to perform under the relevant contract. In the event of a bankruptcy or insolvency of a counterparty, the Company could experience delays in liquidating the position and significant losses, including declines in the value of its investment during the period in which the Company seeks to enforce its rights, inability to realise any gains on its investment during such period and fees and expenses incurred in enforcing its rights. There is also a possibility that the above agreements and derivative techniques are terminated due, for instance, to bankruptcy, supervening illegality or change in the tax or accounting laws relative to those at the time the agreement was originated. In such circumstances, investors may be unable to recover any losses incurred.

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

The UK has left the European Union (informally known as "Brexit").

The political, economic and legal consequences of Brexit are still not yet fully known. It is possible investments in the UK may be more difficult to value, to assess for suitability of risk, harder to buy or sell or subject to greater or more frequent rises and falls in value.

The UK's laws and regulations concerning funds may in future diverge from those of the European Union. This may lead to changes in the operation of the Company or the rights of investors or the territories in which the Shares of the Company may be promoted and sold.



### 5.23. **Epidemics/Pandemics**

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

### 5.24. **Political Risks**

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

## 6. MANAGEMENT AND ADMINISTRATION

### 6.1. Regulatory Status

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

### 6.2. Authorised Corporate Director and AIFM

#### 6.2.1. General

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

The directors of the ACD are:

- Anne Laing
- Martin Henderson
- Douglas Halley
- Michael Barron
- Jeremy Brettell
- Aidan O'Carroll

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

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

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

**Share Capital:** It has a share capital of £2,398,295 ordinary shares of £1 each issued and paid up.

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

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

#### 6.2.2. Terms of Appointment:

The appointment of the ACD has been made under an agreement between the

Company and the ACD, as amended from time to time (the "ACD Agreement").

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

The ACD Agreement may be terminated by either party after on not less than six months written notice or earlier upon the happening of certain specified events. The ACD Agreement contains detailed provisions relating to the responsibilities of the ACD and excludes it from any liability to the Company or any Shareholder for any act or omission except in the case of negligence, wilful default, fraud, bad faith, breach of duty or breach of trust in relation to the Company on its part. The ACD Agreement provides indemnities to the ACD to the extent allowed by the Regulations and other than for matters arising by reason of its negligence, wilful default, fraud, bad faith, breach of duty or breach of trust in the performance of its duties and obligations. Subject to certain limited exceptions set out in the Regulations, the ACD may retain the services of any person to assist it in the performance of its functions.

Details of the fees payable to the ACD are set out in paragraph 7.2 "Charges payable to the ACD" below.

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

### 6.3. **The Depositary**

#### 6.3.1. **General**

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

The Depositary is incorporated in England as a private limited company. Its registered and head office is at 250 Bishopsgate, London EC2M 4AA. The ultimate holding company of the Depositary is NatWest Group plc, which is incorporated in Scotland. The principal business activity of the Depositary is the provision of trustee and depositary services. The Depositary is authorised and regulated by the FCA. It is authorised to carry on investment business in the United Kingdom by virtue of its authorisation and regulation by the regulator.

Subject to the FCA rules, the Depositary is responsible for the safekeeping of all the Scheme Property (other than tangible moveable property) of the Company and has a duty to take reasonable care to ensure that the Company is managed in accordance with the Instrument of Incorporation and the provisions of the COLL Sourcebook and FUND relating to the pricing of, and dealing in, Shares and relating to the income and the investment and borrowing powers of the Company.

In addition to its safekeeping and oversight functions mentioned above, the

Depositary is also responsible for:

- ensuring that the Company's cash flows are properly monitored, and that all payments made by or on behalf of investors upon the subscription of Shares have been received,
- carrying out the instructions of the ACD unless these conflict with applicable law or the Instrument of Incorporation;
- ensuring that in transactions involving the Company's assets any consideration is remitted to the Company within the usual time limits; and
- ensuring that the Company's income is applied in accordance with applicable law and the Instrument of Incorporation.

### 6.3.2. Terms of Appointment:

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

Subject to the COLL Sourcebook and FUND, the Depositary has full power under the Depositary Agreement to delegate (and authorise its delegate to sub-delegate) all or any part of its safekeeping duties as depositary.

The Depositary Agreement may be terminated by either party on not less than six months' written notice provided that the Depositary may not retire voluntarily except under appointment of a new depositary.

The terms of the Depositary Agreement between the Company, the ACD and the Depositary provide that the Depositary be engaged to maintain the safe custody of the Scheme Property and to fulfil other duties required in the Regulations, which include the taking of reasonable care to ensure that the Company is managed in accordance with those parts of the Regulations that concern pricing and dealing in shares of the Company, income and compliance of the Company with its investment and borrowing powers. Under the 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 to RBC Investor Services Trust, UK Branch under a custody agreement.

The Depositary will not be held liable for any loss incurred by it, or through any of its agents in carrying out its obligations or functions, unless such loss arises from its negligence, fraud or wilful default.

The Depositary Agreement provides indemnities to the Depositary to the extent allowed by the Regulations and except in respect of its failure to exercise due care and diligence or in the event of its negligence, fraud or wilful default.

The Depositary Agreement may be terminated on 6 months' notice by the Company or the Depositary or earlier on certain breaches or the insolvency of a party. However, termination of the Depositary Agreement will not take effect,

nor may the Depositary retire voluntarily, until the appointment of a new Depositary.

The Depositary is entitled to receive remuneration out of the Scheme Property for its services, as explained in paragraph 7.3 "Depositary's fee and expenses" below. 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.

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

The ACD has appointed Cape Wrath Capital Limited (by means of an investment management agreement) to provide investment management services to it in respect of the Company. The Investment Manager's registered office and principal place of business is at 16 Trinity Square, Llandudno, LL30 2RB. The principal activity of the Investment Manager is the provision of investment management and advisory services.

The Investment Management Agreement may be terminated by either party on not less than six months' written notice or earlier upon the happening of certain specified events (including if the ACD considers termination to be in the interests of investors).

The Investment Manager will receive a fee paid by the ACD out of its remuneration received each month from the Company.

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

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

#### **6.6. The Auditors**

The auditors of the Company are Frame Kennedy whose principal place of business is at 4th Floor, Metropolitan House, 31-33 High Street, Inverness, IV1 1HT.

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

#### **6.7. Conflicts of Interest**

The ACD, the Investment Manager and other companies within the ACD and/or the Investment Manager's group may, from time to time, act as investment manager or advisers to other funds or sub-funds which follow similar investment objectives to those of the Company. It is therefore possible that the ACD and/or the Investment Manager may in the course of its business have potential conflicts of interest with the Company or that a conflict exists

between the Company and other funds managed by the ACD. Each of the ACD and the Investment Manager will, however, have regard in such event to its obligations under the ACD Agreement and the investment Management Agreement respectively and, in particular, to its obligation to act in the best interests of the Company so far as practicable, having regard to its obligations to other clients, when undertaking any investment business where potential conflicts of interest may arise. Where a conflict of interest cannot be avoided, the ACD and the Investment Manager will ensure that the Company and other collective investment schemes they manage are fairly treated.

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

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

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

## **7. FEES AND EXPENSES**

### **7.1. Ongoing**

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

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

- 7.1.1. the fees and expenses and other charges (including for the avoidance of doubt any performance fee) payable to the ACD, the Investment Manager, the Registrar/Administrator and the Depositary;
- 7.1.2. broker's commission, fiscal charges (including stamp duty and/or stamp duty reserve tax) and other disbursements which are necessary to be incurred in effecting transactions for the Company and normally shown in contract notes, confirmation notes and difference accounts as appropriate;
- 7.1.3. fees and expenses in respect of establishing and maintaining the register of Shareholders, including any sub-registers and any associated incurred expenses whether they are provided by the ACD, its associates or any other person;
- 7.1.4. any costs incurred in or about the listing of Shares in the Company on any Stock Exchange, and the creation, conversion and cancellation of Shares;
- 7.1.5. any costs incurred in establishing or maintaining any services or facilities for electronic dealing in shares;
- 7.1.6. any costs incurred by the Company in publishing the price of the Shares in a national or other newspaper or any other form of media;
- 7.1.7. any costs incurred in producing and dispatching any payments made by the Company, or the yearly and half-yearly reports of the Company;
- 7.1.8. any fees, expenses or disbursements of any legal or other professional adviser of the Company or of the ACD or Investment Manager in relation to the Company;
- 7.1.9. any costs incurred in taking out and maintaining any insurance policy in relation to the Company;
- 7.1.10. any costs incurred in respect of meetings of Shareholders convened for any purpose;
- 7.1.11. any payment permitted by clause 6.7.15R of the COLL Sourcebook;

- 7.1.12. interest on borrowings and charges incurred in effecting or terminating such borrowings or in negotiating or varying the terms of such borrowings;
- 7.1.13. taxation and duties payable in respect of the Scheme Property or the issue or redemption of Shares;
- 7.1.14. the audit fees of the Auditors (including VAT) and any expenses of the Auditors;
- 7.1.15. the fees of the FCA, in accordance with FCA's Fee Manual, together with any corresponding periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which shares in the Company are or may be marketed;
- 7.1.16. any expense incurred in relation to company secretarial duties including the cost of maintenance of minute books and other documentation required to be maintained by the Company;
- 7.1.17. any costs incurred in modifying the Instrument of Incorporation, Prospectus, KIIDs and other materials of the Company;
- 7.1.18. any costs incurred in printing reports, accounts, the Instrument of Incorporation, Prospectus and KIIDs of the Company, and any costs incurred as a result of periodic updates of such documents and any other administrative expenses;
- 7.1.19. all fees and expenses of paying agents in countries other than the UK where shares in the Company are registered for retail sale;
- 7.1.20. any other fee, cost, charge or expense otherwise due or permitted to be deducted from the Company under the Regulations;
- 7.1.21. any value added or similar tax relating to any change or expense set out herein;
- 7.1.22. expenses properly incurred by the ACD in the performance of its duties as ACD of the Company, including without limitation any costs incurred in preparing, translating, producing (including printing), distributing and modifying, any instrument of incorporation any prospectus or key investor information document (apart from the cost of distributing the key investor information document), or reports, accounts, statements, contract notes and other like documentation or any other relevant document required under the Regulations;
- 7.1.23. such other expenses as the ACD resolves are properly payable out of the Company's property;

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

VAT will be added to these fees, charges and expenses where appropriate and



will be payable by the Company.

#### Allocation of expenses

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

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

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

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

### 7.2.1. **Annual Management Charge**

In payment for carrying out its duties and responsibilities the ACD is entitled to take an annual fee out of the Company as set out in Appendix I. The annual management charge will accrue on a daily basis in arrears by reference to the Net Asset Value of the Company on the immediately preceding Dealing Day and the amount due for each month is payable on the last Dealing Day of each month. The current annual management charges for the Company (expressed as a fixed fee together with a percentage per annum of the Net Asset Value of the Company) is set out in Appendix I. The fixed element of this fee shall be increased annually on 1 January (from 1 January 2018) in line with the rate of inflation (calculated in accordance with the Consumer Price Index). In the event of negative inflation, the fixed element of the fee will remain unchanged. The fees payable to the Investment Manager(s) are payable by the ACD out of its own fee income.

### 7.2.2. **Performance Fee**

The ACD may also charge by way of further remuneration a performance fee in respect of any Share Class. Details of any performance fee (and to whom this are payable) are set out in Appendix I.

### 7.2.3. **Expenses**

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

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

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

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

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

The Depository receives for its own account a periodic fee which will accrue and is due monthly on the last Valuation Point in each calendar month in respect of that day and the period since the last Valuation Point in the preceding month and is payable within seven days after the last Valuation Point in each month. The fee is calculated by reference to the value of the Company on the last Valuation Point of the preceding month except for the first accrual which is calculated by reference to the first Valuation Point of the Company. The rate of the periodic fee shall be as agreed between the ACD and the Depository from time to time and is currently based on the value of the Company:

- Up to £100million - 3 bps (0.03%) per annum
- £100 million to £200 million - 2.5 bps (0.025%) per annum
- £200 million to £400 million - 2.0 bps (0.020%) per annum
- thereafter - 1.5 bps (0.015%) per annum

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

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

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

<i>Item</i>	<i>Range</i>
Custody charges	0.0% to 0.12%
Transaction charges	£0 to £40 per transaction

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

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

lending or derivative transactions in relation to the Company and may purchase or sell or deal in the purchase or sale of Scheme Property, provided always that the services concerned and any such dealing are in accordance with the provisions of the OEIC Regulations or the Rules.

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

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

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

Any of the Depositary's fees, charges and expenses described above may be payable to any person (including the ACD or any associate or nominee of the Depositary or of the ACD) who has had the relevant duty delegated to it by the Depositary pursuant to the FCA Rules.

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

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

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

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

**8. INSTRUMENT OF INCORPORATION**

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

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

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

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

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

### **9.2. Requisitions of Meetings**

The ACD may requisition a general meeting at any time.

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

### **9.3. Notice and Quorum**

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

### **9.4. Voting Rights**

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

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

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

In the case of joint Shareholders, the vote of the most senior Shareholder who votes, whether in person or by proxy, must be accepted to the exclusion of the votes of the other joint Shareholders. For this purpose seniority must be determined by the order in which the names stand in the Register.

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

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

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

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

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

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

## **10. TAXATION**

### **10.1. General**

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

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

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

### **10.2. The Company**

Each Sub-fund will be treated as a separate entity for United Kingdom tax purposes.

#### *Capital Gains*

The Company is generally exempt from United Kingdom tax on capital gains realised on the disposal of investments. However, in some cases, gains realised on holdings in non-reporting offshore funds will incur a tax charge on disposal.

#### *Income*

Any dividend distribution received by the Company will not normally be charged to corporation tax provided that it falls within one of the exempt classes set out in the relevant legislation. The Company will be subject to corporation tax on most other types of income but after deducting allowable management expenses and the gross amount of any interest distributions. Where the Company suffers foreign tax on income received, this will normally be an irrecoverable tax expense.

The Company will make dividend distributions except where more than a certain percentage of its property has been invested throughout the distribution period in interest-paying investments, in which case it will make interest distributions.

### **10.3. Shareholders**

#### **10.3.1. Income**

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

distribution.

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

#### 10.3.2. **Income equalisation**

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

#### 10.3.3. **Capital Gains**

Shareholders who are resident in the UK for tax purposes may be liable to capital gains tax or, where the Shareholder is a company, corporation tax in respect of gains arising from the sale, exchange or other disposal of Shares (including Switches between Sub-funds but not Switches between Classes in respect of the same Sub-fund).

Capital gains made by individual Shareholders on disposals from all chargeable sources of investment will be tax free if the net gain (after deduction of allowable losses) falls within an individual's annual capital gains exemption.

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

Special provisions apply to a UK corporate Shareholder which invests in a bond fund (see above). Where this is the case, the corporate Shareholder's Shares in the Sub-fund are treated for tax purposes as rights under a creditor loan relationship. This means that the increase or decrease in value of the Shares during each accounting period of the corporate Shareholder is treated as a loan relationship credit or debit, as appropriate and constitutes income (as opposed to a capital gain) for tax purposes and, as such, is taxed in the year that it arises.

The amount representing the income equalisation element of the Share price is a return of capital and is not taxable as income in the hands of Shareholders. This amount should be deducted from the cost of Shares in computing any capital gain realised on a subsequent disposal.

#### 10.4. **Reporting of Tax Information**

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



investors and payments made to them.

Under the Automatic Exchange of Information (AEOI) Regime the fund is obliged to share certain information in relation to investors with HMRC which will be shared with other tax authorities. AEOI refers to US Foreign Account Tax Compliant Act ("FATCA") and associated inter-governmental agreements and OECD's Common Reporting Standard ("CRS") as applicable in participating jurisdictions.

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

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

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

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

(each a "Chargeable Event"),

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

Each investor agrees to indemnify the Company, and/or the ACD and its delegates/agents for any loss caused by such investor arising to the Company, or ACD and/or its delegates/agents by reason of them becoming liable to

account for tax in any jurisdiction on the happening of a Chargeable Event.

**The foregoing statements are based on UK law and HMRC practice as known at the date of this Prospectus and are intended to provide general guidance only. Shareholders and applicants for Shares are recommended to consult their professional advisers if they are in any doubt about their tax position.**

**No liability is accepted by the ACD for such interpretation and all Shareholders should seek independent legal and taxation advice.**

## 11. WINDING UP OF THE COMPANY

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

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

The Company shall be wound up under the COLL Sourcebook:

- 11.1. if an extraordinary resolution to that effect is passed by Shareholders; or
- 11.2. when the period (if any) fixed for the duration of the Company by the Instrument of Incorporation expires or any event occurs, for which the Instrument of Incorporation provides that the Company is to be wound up (for example, if the Share capital of the Company is below £1 million, or if a change in the laws or regulations of any country means that, in the ACD's opinion, it is desirable to wind up the Company);
- 11.3. on the date stated in any agreement by the FCA in response to a request by the ACD for the winding up of the Company;
- 11.4. on the effective date of a duly approved scheme of arrangement which is to result in the Company ceasing to hold any Scheme Property; or

On the occurrence of any of the above:

- 11.5. COLL 6.2 (Dealing), COLL 6.3 (Valuation and Pricing) and COLL 5 (Investment and borrowing powers) will cease to apply to;
- 11.6. the Company will cease to issue and cancel Shares in the Company and the ACD shall cease to sell or redeem Shares or arrange for the Company to issue or cancel them for the Company (except in respect of a final cancellation);
- 11.7. no transfer of a Share shall be registered and no other change to the Register of Shareholders shall be made without the sanction of the ACD;
- 11.8. where the Company is being wound up, the Company shall cease to carry on its business except in so far as it is beneficial for the winding up of the Company;
- 11.9. the corporate status and powers of the Company and subject to 11.6 to 11.9 above, the powers of the ACD shall continue until the Company is dissolved.

The ACD shall, as soon as practicable after the winding up or termination commences, realise the assets and meet the liabilities of the Company and, after paying out or retaining adequate provision for all liabilities properly payable and retaining provision for the costs of winding up, or termination arrange for the Depositary to make one or

more interim distributions out of the proceeds to Shareholders proportionately to their rights to participate in the Scheme Property. The ACD must instruct the Depositary how the proceeds must be held prior to being utilised to meet liabilities or make distributions to Shareholders with a view to the prudent protection of creditors and Shareholders against loss. If the ACD has not previously notified Shareholders of the proposal to wind up the Company, the ACD shall, as soon as practicable after the commencement of winding up of the Company, give written notice of the commencement to Shareholders. When the ACD has caused all of the Scheme Property to be realised and all of the liabilities of the Company to be realised, the ACD shall arrange for the Depositary to make a final distribution to Shareholders on or prior to the date on which the final account is sent to Shareholders of any balance remaining in proportion to their holdings in the Company.

As soon as reasonably practicable after completion of the winding up of the Company, the Depositary shall notify the FCA that the winding up has been completed.

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

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

## **12. GENERAL INFORMATION**

### **12.1. Accounting Periods**

The annual accounting period of the Company ends each year on 30 September (the accounting reference date). Details of the interim accounting periods are set out in Appendix I.

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

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

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

### **12.3. Income Allocations**

The interim and final allocation dates in respect of the Company are set out in Appendix I

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

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

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

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

### **12.4. Annual Reports**

Annual reports of the Company will be published within four months of each annual accounting period and half yearly reports will be published within two months of each interim accounting period. Shareholders will be sent the report upon publication (which will be in advance of the regulatory due dates noted

above) although the report containing the full accounts will be available upon request free of charge.

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

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

12.5.1. the Prospectus;

12.5.2. the most recent annual and half yearly reports of the Company;

12.5.3. the Instrument of Incorporation (and any amending documents); and

12.5.4. the material contracts referred to below.

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

#### **12.6. Material Contracts**

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

12.6.1. the ACD Agreement between the Company, and the ACD;

12.6.2. the Investment Management Agreement between the Company, the ACD and the Investment Manager; and

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

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

#### **12.7. Provision of Investment Advice**

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

#### **12.8. Telephone Recordings**

Please note that the ACD may record telephone calls for training and

monitoring purposes and to confirm investors' instructions.

#### 12.9. **Complaints**

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

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

Financial Ombudsman Service  
Exchange Tower  
London  
E14 9SR

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

#### 12.10. **Risk Management**

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

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

12.10.2.the methods used in relation to 12.10.1; and

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

#### 12.11. **Indemnity**

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

#### 12.12. **Strategy for the Exercise of Voting Rights**

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

### 12.13. **Best Execution**

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

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

### 12.14. **Information available to Shareholders**

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

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

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

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

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

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



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

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

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

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

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

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

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

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

### 12.18. **Shareholders' rights**

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

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

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

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

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

### 12.19. **Governing law and jurisdiction**

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

### 12.20. **Financial Services Compensation Scheme**

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

The Financial Services Compensation Scheme

PO Box 300

Mitcheldean

GL17 1DY

Tel: 0800 678 1100

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

**12.21. Genuine diversity of ownership**

Shares in the Company are and will continue to be widely available. The intended categories of investors are retail investors and non-retail, professional investors. Different Share Classes of a the Company are issued to different types of investors.

## APPENDIX I

## COMPANY DETAILS

## VT CAPE WRATH FOCUS FUND

**PRN:** 741524

**Type of Scheme:** NURS scheme

**Investment Objective & Policy:** The investment objective of VT Cape Wrath Focus Fund is to generate capital growth over the long term (5 years).

The company will aim to meet its objective by typically investing at least 70% in a concentrated portfolio of UK listed equities (however at times investments in equities may be less than 70% due to liquidity or market conditions). In addition to investing in equities, the Company may also invest in other transferable securities (such as gilts and bonds), collective investment schemes (that provide exposure to investments including equities and gilts) and which may include those managed and/or advised by the ACD or Investment Manager), money market instruments, deposits, cash and near cash.

Derivatives and forward transactions may be held for efficient portfolio management purposes (although use of derivatives is expected to be limited).

The Company will not have any particular industry or economic sector focus and as such weightings in these may vary as required.

**Benchmark** MSCI UK Net Dividends Reinvested Index - The performance of the Company for the purposes of the performance fee is compared against that of the benchmark. This benchmark has been selected as it is considered that this index most closely reflects the investments which the Company will make (and its risk/reward objectives). For the avoidance of doubt, the Investment Manager and the ACD are not bound or influenced by the index when making their decisions and can make investments that are not included in the index.

**Derivatives:** The Company may hold derivatives only for efficient portfolio management purposes. It is not intended that the use of derivatives for efficient portfolio management purposes will increase the risk profile of the Company.

**Accounting date:** 30 September (final)

31 March (interim)

**Distribution dates:** 30 November (final)  
31 May (interim)

**Shares Classes:** Class A (£) (Net Accumulation)  
Class B (£) (Net Accumulation)

**Initial charge:** Nil

**Redemption Charge:** Nil

**Switching Charge:** Nil

**Annual Management Charge:**

Class A 0.3% (per annum)

Class B 0.75% (per annum)

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

*Note: See section 'Operating Expenses' below for details regarding a commitment of the Investment Manager in respect of fees.*

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

**Charges taken from:** Income

**Investment minima: \***

Lump sum subscription Class A: £100,000  
Class B: £1,000

Top-up Class A: £20,000  
Class B: £100

<p> <b>Holding</b> </p>	<p>           Class A: £100,000            Class B: £1,000         </p>
<p> <b>Redemption</b> </p>	<p>           N/A (provided minimum holding is maintained)         </p>
<p> <b>Switching</b> </p>	<p>           N/A (provided minimum holding is maintained)         </p>

**Initial price of £1  
 Shares:**

**Past  
 Performance:**

Please see Appendix V.

**Performance Fee:**

Class A: Yes.

Class B: No

Further details in relation to the operation of the Performance Fee are set out below.

It should also be noted that the payment of a performance fee in respect of one or more share classes may result in the NAV of different share classes varying from one another.

**The Performance Fee will be charged to capital.**

*Note: Deducting charges from capital may erode or constrain capital growth.*

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

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

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

**Operating Expenses**

During the initial stages of the Fund, the intention is to ensure that operating expenses are maintained at a low level relative to the industry average.

In order to achieve such objective, the Investment Manager has, with the agreement of the ACD, undertaken that if the total operating expenses of the Fund (excluding any performance fee and underlying collective investment undertaking holding charges) (as calculated at the end of the relevant accounting period) exceeds 0.45%<sup>1</sup> in the case of the Class A shares or 0.90% in the case of Class B shares the Investment Manager shall reimburse the Fund for an amount which, when deducted from the operating costs incurred by the Fund during the relevant accounting period, would result in the Fund having operating expenses (excluding the effect of any performance fee and underlying collective investment undertaking holding charges) equal 0.45% in the case of the Class A shares or 0.90% in the case of Class B shares in the relevant accounting period.

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

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

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

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

## **PERFORMANCE FEE**

**PLEASE NOTE THAT THE PERFORMANCE FEES APPLY ONLY TO CLASS A SHARES. ACCORDINGLY THE AMOUNT OF PERFORMANCE FEE BORNE BY DIFFERENT SHAREHOLDERS MAY VARY DEPENDING ON THE SHARE**

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<sup>1</sup> The fee cap may be reduced at the discretion of the ACD

**CLASS HELD (AND ACCORDINGLY THE NAV OF SHARE CLASSES MAY NOT BE THE SAME).**

**CLASS A SHARES**

In addition to the annual investment management charge, a performance fee is payable annually to the Investment Manager in respect of Class A shares of the Fund (the "**Performance Fee**") as set out below. The Performance Fee becomes due in the event that the NAV per Class A Share (after allowance for all fees, charges and expenses, but excluding any preliminary charge and dilution adjustment) outperforms the MSCI UK IMI Net Dividends Reinvested Index (the "**Benchmark Index**") over the relevant performance period. The Benchmark Index was selected as it is considered that this index most closely reflects the investments which the Fund will make. The Performance Fee is payable to reward the Investment Manager in the event of outperformance by the Class A Shares of the Fund as compared with the Benchmark Index. The first performance period shall be from the first Dealing Day to 30 September and thereafter shall be for each 12 month period ending 30 September (the "**Performance Period**"). However, the Performance Period shall end earlier if the Company, the Fund or the Class A Shares is wound up.

The rate of Performance Fee applicable to the Class A Shares (the "**Performance Fee Rate**") is 20%. The Performance Fee will accrue daily and will be payable annually in arrears following the end of the Performance Period from the assets attributable to the Class A shares, or otherwise upon the date that the Company, the Fund or the Class A Shares is wound up or the Performance Fee otherwise crystallises as detailed in this section. For any Performance Fee to be payable in a Performance Period any previous underperformance will need to have been made good during the course of that Performance Period as a high water mark mechanism applies.

The High Water Mark is a performance measure used to ensure that a Performance Fee is only charged when the value of an investment has increased since any previous Performance Fee was paid (or in the case of the first Performance Period, in the period since the Performance Fee was introduced). The High Water Mark will be the higher of (i) the NAV per Share at which the last Performance Fee has been paid or (ii) 100p (being the initial launch price of Class A Shares in the Fund). If no Performance Fee is payable the High Water Mark will remain unchanged as of the end of the Previous Performance Period.

The Performance Fee is accrued daily on the basis of the actual performance of the NAV per Class A Share (after allowance for all fees, charges and expenses, but excluding any preliminary charge and dilution adjustment) relative to the corresponding performance of the Benchmark Index during the Performance Period to date.

The Performance Fee payable in respect of each Class A Share will be calculated using the NAV per Class A Share before accrual for any Performance Fee and after adding back any income earned and distributed during such Performance Period, i.e. the Gross Asset Value ("**GAV**") The published NAV per Share of Class A Shares will include an accrual for any Performance Fee accrued from the commencement of the relevant Performance Period up to the relevant Valuation Point.

For these purposes, the Performance Fee will be calculated on each Dealing Day in respect of each share in issue at that time as follows:

$((A - B) \times 20\%)$ , where:

- (i) A is the GAV per Class A Share on such Dealing Day; and
- (ii) B is the higher of (a) the NAV per Class A Share on the first Dealing Day in the Performance Period multiplied by the Benchmark Index Performance; or (ii) the High Water Mark.



**"Benchmark Index Performance"** means the performance in percentage terms of the Benchmark Index during the Performance Period (which may be positive or negative)

A Performance Fee is only payable where the figure calculated above is positive in respect of the relevant Performance Period. A Performance Fee is only payable to the extent that the NAV per Class A Share on the relevant Dealing Day exceeds the High Water Mark. The Performance Fee accrual will never fall below zero. Please note there is no cap on the Performance Fee.

The Performance Fee will either become payable and be paid at the end of each Performance Period, or, if any Class A Shares are redeemed during the Performance Period the Performance Fee in respect of those Class A Shares shall be crystallised at the time of redemption but shall not be paid until the end of the Performance Period. Class A Shares subscribed during the Performance Period will not contribute to the Performance Fee earned in the period preceding the subscription. A transfer of Class A Shares from one person to another which does not involve a change in beneficial ownership of the Shares shall not result in a crystallisation of the Performance Fee. A transfer of Class A Shares from one person to another that does result in a change in beneficial ownership will be treated as a redemption and subscription resulting in a crystallisation of Performance Fee in respect of such Class A Shares as at the date of transfer.

If the appointment of the Investment Manager is terminated during a Performance Period the Performance Fee in respect of that current Performance Period will be calculated and paid as though the date of termination were the end of the relevant Performance Period. Shareholders will be notified of any termination of Investment Manager and in such event, unless the ACD determines otherwise (and notifies Shareholders accordingly) a new Performance Period will commence the day after a change in investment manager.

If a Benchmark Index ceases to be produced, the Benchmark Index shall be such replacement index or indices as the Company, with the approval of the Depositary, may determine. In any other case, the ACD shall be entitled to change the performance benchmark index for a Share Class or Fund only with the prior approval in accordance with the FCA Rules.

Performance Fee computations are made by the ACD and audited at the end of each annual accounting period by the Auditor of the Company.

Once a Performance Fee has been paid to the Investment Manager following the end of a Performance Period, any subsequent underperformance will not result in any Performance Fee being repayable by the Investment Manager (or ACD). The Performance Fee payable to the Investment Manager is based on net realised and net unrealised gains and losses at the end of each calculation period and as a result, the Performance Fee may be paid on unrealised gains which may subsequently never be realised.

The ACD reserves the right to review levels of charges. Notice of any increase from the current levels will be dealt with in accordance with the FCA Rules.

**Example 1:**

**Scenario:** NAV per Class A share falls but by more than the Benchmark Index, which also falls during the Performance Period

**Result:** Performance Fee is not paid

**Detail:** In this example:

- an investor purchases Class A Shares at an opening NAV per share of 100p at the beginning of the initial Performance Period (at which point the HWM per Class A Share is also 100p); and
- the closing GAV per Class A Share falls by 10% to 90p.
- The Benchmark Index falls by 5% so the NAV per Class A Share had the performance been aligned to the Benchmark Index would be 95p

In this situation, no Performance Fee is payable.

The closing NAV per Class A share is 90p, The HWM per Class A Share remains 100p.

### **Example 2:**

**Scenario:** NAV per Class A Share falls but by less than the Benchmark Index, which also falls during the Performance Period

**Result:** Performance Fee is not paid

**Detail:** In this example:

- an investor purchases Class A Shares at an opening NAV per share of 100p at the beginning of the initial Performance Period (at which point the HWM per Class A Share is also 100p); and
- the closing GAV per Class A share falls by 5% to 95p.
- The Benchmark Index falls by 10% so the NAV per Class A Share had the performance been aligned to the Benchmark Index would be 90p

In this situation, no Performance Fee is payable.

The closing NAV per Class A share is 95p, The HWM per Class A Share remains 100p.

### **Example 3:**

**Scenario:** NAV per Class A share rises by more than the Benchmark Index but the HWM is not reached.

**Result:** Performance Fee is not paid

**Detail:** In this example:

- an investor purchases Class A Shares at an opening NAV per Class A share of 90p at the beginning of the Performance Period (at which point the HWM is 100p); and
- the closing GAV per Class A Share rises to 99p.
- The Benchmark Index rises in the period so the NAV per Class A Share had the performance been aligned to the Benchmark Index would be 97p

In this situation, a Performance Fee is not payable. Despite the Class A Shares outperforming the Benchmark Index the HWM has not been reached and so a Performance Fee is not payable.

The closing NAV per Class A Share is 99p, the HWM per Class A Share remains 100p.

**Example 4:**

**Scenario:** NAV per Class A Share rises by more than the Benchmark Index, which also rises during the Performance Period. The HWM is also surpassed.

**Result:** Performance Fee is paid

**Detail:** In this example:

- an investor purchases Class A Shares at an opening NAV per Class A Share of 99p at the beginning of the Performance Period (at which point the HWM per Class A Share is 100p); and
- the closing NAV per Class A Share rises to 110p
- The Benchmark Index rises in the period so the NAV per Class A Share had the performance been aligned to the Benchmark Index would be 101p

In this situation, a Performance Fee is payable.

In this situation, a Performance Fee is payable and is calculated as follows: relative performance (9p) x Performance Fee Rate (20%) = 1.8p per Class A Share.

The closing NAV per Class A share is 108.2p, a new HWM per Class A Share of 108.2p is established.

**Example 5:**

**Scenario:** NAV per Class A Share rises but by less than the Benchmark Index, which also rises during the Performance Period

**Result:** Performance Fee is not paid

**Detail:** In this example:

- an investor purchases Class A Shares at an opening NAV per Class A Share of 108.2p at the beginning of the Performance Period (at which point the HWM is 108.2p); and
- the closing NAV per Class A Share rises to 111p.
- The Benchmark Index rises in the period so the NAV per Class A Share had the performance been aligned to the Benchmark Index would be 114p

In this situation, no Performance Fee is payable.

The Fund's closing NAV per Class A Share is 111p. The HWM per Class A Share remains 108.2p.

**IMPORTANT NOTICE:** The examples are provided for illustrative purposes only and should not be interpreted as an indication of future performance. In addition, and as outlined above, the Performance Fee accrues on an ongoing daily basis and is included within the daily published NAV per Class A Share. Accordingly, at the end of the performance period, the published NAV per Class A Share is not subject to a one-off Performance Fee adjustment relating to the whole performance period.

<b>Example</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>NAV per Class A Share at first Dealing Day of the Performance Period</b>	100p	100p	90p	99p	108.2p
<b>GAV per Class A Share at last Dealing Day of Performance Period</b>	90p	95p	99p	110p	111
<b>Fund Performance</b>	-10%	-5%	10%	11.1%	2.59%
<b>Benchmark Index Performance</b>	-5%	-10%	7.7%	2.02%	4.49%
<b>Benchmark Index Performance as applied to NAV per Class A Share at first Dealing Day of Performance Period (i.e. what NAV of each Class A Share would have been if performance had been in line with the Benchmark Index)</b>	95p (5% fall from 100p)	90p	97p	101p	114p
<b>High Water Mark</b>	100p	100p	100p	100p	108.2p
<b>Performance Fee Payable</b>	No	No – whilst the Class A Shares outperformed the Benchmark Index during the period, the performance was not positive during the period	No – despite outperforming the Benchmark Index, the HWM was not reached.	Yes – there has been outperformance of the Benchmark Index and the HWM has been exceeded	No – there has been underperformance compared to the Benchmark Index during the period.
<b>Performance</b>	£0	£0	£0	$((A - B) \times$	£0

Fee				20%, $(110 - 101) \times$ 20% = 1.8p per Class share	
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## **Target Market Information**

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

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

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

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

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

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

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

**Distribution channel:** these products are eligible for all distribution channels (e.g. investment advice, portfolio management and non-advised sales).

## APPENDIX II

### ELIGIBLE SECURITIES MARKETS AND ELIGIBLE DERIVATIVES MARKETS

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

The Company may also deal through the securities and derivatives markets and derivatives markets indicated below:

#### Eligible Securities Markets:

United States of America	NYSE Euronext New York The NASDAQ Stock Market (NASDAQ) NYSE Amex Equities The market in transferable securities issued by or on behalf of the United States of America conducted through those persons for the time being recognised and supervised by the Federal Reserve Bank of New York and known as primary dealers
Australia	Australian Securities Exchange (ASX)
Canada	Toronto Stock Exchange (TSX) TSX Venture Exchange
Hong Kong	Hong Kong Stock Exchange
India	National Stock Exchange of India (NSE)
Indonesia	Indonesian Stock Exchange
Japan	Tokyo Stock Exchange  Nagoya Stock Exchange
Korea	Korea Exchange (KRX)
Malaysia	Bursa Malaysia Securities Bhd
Mexico	Bolsa Mexicana de Valores (BMV)
New Zealand	New Zealand Stock Exchange (NZX)
Philippines	Philippine Stock Exchange
Singapore	Singapore Exchange (SGX)
South Africa	JSE Limited

Switzerland	SIX Swiss Exchange (SWX)
Taiwan	Taiwan Stock Exchange
Thailand	The Stock Exchange of Thailand (SET)

**Eligible Derivatives Markets:**

United Kingdom	The London International Financial Futures and Options Exchange  (NYSE LIFFE)
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## APPENDIX III

### INVESTMENT AND BORROWING POWERS OF THE COMPANY

#### 1. General rules of investment

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

#### 2. Prudent spread of risk

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

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

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

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

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

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

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

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

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

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

- 5.1. An approved money-market instrument is a money-market instrument which is normally dealt in on the money-market, is liquid and has a value which can be accurately determined at any time.
- 5.2. A money-market instrument shall be regarded as normally dealt in on the money-market if it:
  - 5.2.1. has a maturity at issuance of up to and including 397 days;
  - 5.2.2. has a residual maturity of up to and including 397 days;
  - 5.2.3. undergoes regular yield adjustments in line with money-market conditions at least every 397 days; or
  - 5.2.4. has a risk profile, including credit and interest rate risks, corresponding to that of an instrument which has a maturity as set out in 5.2.1 or 5.2.2 or is subject to yield adjustments as set out in 5.2.3.
- 5.3. A money-market instrument shall be regarded as liquid if it can be sold at limited cost in an adequately short time frame, taking into account the obligation of the ACD to redeem Shares at the request of any qualifying Shareholder.
- 5.4. A money-market instrument shall be regarded as having a value which can be accurately determined at any time if accurate and reliable valuations systems,

which fulfil the following criteria, are available:

- 5.4.1. enabling the ACD to calculate a net asset value in accordance with the value at which the instrument held in the Scheme Property of a Fund could be exchanged between knowledgeable willing parties in an arm's length transaction; and
  - 5.4.2. based either on market data or on valuation models including systems based on amortised costs.
- 5.5. A money-market instrument that is normally dealt in on the money-market and is admitted to or dealt in on an eligible market shall be presumed to be liquid and have a value which can be accurately determined at any time unless there is information available to the ACD that would lead to a different determination.

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

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

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

- (a) is regulated;

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

## 7. Spread: general

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

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

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

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

- 7.3. The limit of 10% in 2) above is raised to 25% in value of the Scheme Property of a Fund in respect of Covered Bonds.

- 7.4. In applying the above paragraph 2), Certificates Representing Certain Securities are treated as equivalent to the underlying security.

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

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

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

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

- 7.9. For the purposes of this section, a single body is:

- (a) in relation to transferable securities and money market instruments, the person by whom they are issued; and

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

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

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

- 8.1.1. the United Kingdom or an EEA state;
- 8.1.2. a local authority of the United Kingdom or an EEA state;
- 8.1.3. a non-EEA state; or
- 8.1.4. a public international body to which the United Kingdom or one or more EEA states belong.

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

8.3. A Fund may invest more than 35% of its value in such securities issued by any one body provided that:

- 8.3.1. the ACD has before any such investment is made consulted with the Depository and as a result considers that the issuer of such securities is one which is appropriate in accordance with the investment objectives of a Fund;
- 8.3.2. no more than 30% in value of the Scheme Property consists of such securities of any one issue;
- 8.3.3. the Scheme Property includes such securities issued by that or another issuer, of at least six different issues; and
- 8.3.4. the disclosures required by COLL 5.2.12 (4) have been made in the Instrument of Incorporation and the most recently published prospectus of the Fund.

8.4. In relation to such securities:

- 8.4.1. issue, issuer and issuer include guarantee, guaranteed and guarantor; and
- 8.4.2. an issue differs from another if there is a difference as to repayment date, rate of interest, guarantor or other material terms of the issue.

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

A transferable security or an approved money-market instrument on which any sum is unpaid falls within a power of investment only if it is reasonably foreseeable that the amount of any existing and potential call for any sum unpaid could be paid by the Fund, at the time when the payment is required,

without contravening the rules in COLL 5.

## 10. Investment in collective investment schemes

### 10.1. The Fund's investment policy permits investment in units or shares of collective investment schemes although it has been decided that **the Fund may not invest more than 10% of its value in other collective investment schemes.**

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

#### 10.1.1. The second scheme must:

- (a) be a UCITS scheme or satisfy the conditions necessary for it to enjoy the rights conferred by the UCITS Directive as implemented in the EEA; or
- (b) be authorised as a non-UCITS retail scheme; or
- (c) be a recognised scheme; or
- (d) be constituted outside the United Kingdom and the investment and borrowing powers of which are the same or more restrictive than those of a non-UCITS retail scheme; or
- (e) be a scheme not falling within paragraphs (a) to (d) above and in respect of which, subject to the restriction noted in clause 10.1 above, no more than 20% in value of the Scheme Property (aggregated with investment in any transferable securities which are not approved securities) is invested.

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

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

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

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

complied with.

## 11. Derivatives - general

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

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

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

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

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

EPM techniques (including hedging) employ the use of derivatives and/or forward transactions. Any derivative which a Fund acquires in

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

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

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

- 13.1. A transaction in a derivative must be in an approved derivative; or be one which complies with COLL 5.2.20
- 13.2. A transaction in a derivative must have the underlying consisting of any one or more of the following to which a Fund is dedicated:
  - 13.2.1. transferable securities;
  - 13.2.2. Approved Money Market Instruments;
  - 13.2.3. deposits;
  - 13.2.4. derivatives;
  - 13.2.5. collective investment scheme units;
  - 13.2.6. financial indices;
  - 13.2.7. interest rates;
  - 13.2.8. foreign exchange rates;
  - 13.2.9. currencies; and
  - 13.2.10. permitted immovables and gold and all of the attributes thereof.
- 13.3. A transaction in an approved derivative must be effected on or under the rules of an eligible derivatives market.
- 13.4. A transaction in a derivative must not cause a Fund to diverge from its investment objectives as stated in the Instrument of Incorporation and the most recently published version of this Prospectus.
- 13.5. A transaction in a derivative must not be entered into if the intended effect is to create the potential for an uncovered sale of one or more, transferable securities, approved money-market instruments, units in collective investment schemes, or



derivatives.

- 3.6. Any forward transaction must be with an Eligible Institution or an Approved Bank.
- 3.7. A derivative includes an instrument which fulfils the following criteria:
  - 13.7.1. it allows the transfer of the credit risk of the underlying independently from the other risks associated with that underlying;
  - 13.7.2. it does not result in the delivery or the transfer of assets other than those referred to in COLL 5.6.4 R (5) including cash;
  - 13.7.3. in the case of an OTC derivative, it complies with the requirements in COLL 5.2.23 R (OTC transactions in derivatives);
  - 13.7.4. its risks are adequately captured by the risk management process of the ACD, and by its internal control mechanisms in the case of risks of asymmetry of information between the ACD and the counterparty to the derivative, resulting from potential access of the counterparty to non-public information on persons whose assets are used as the underlying by that derivative.

**The Company will not undertake transactions in derivatives on commodities.**

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

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

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

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

- (a) the risks of the underlying financial instrument of a derivative can be appropriately represented by another financial instrument and the underlying financial instrument is highly liquid; or
- (b) the ACD or the Depositary has the right to settle the derivative in cash and cover exists within the Scheme Property of a Fund which falls within one of the following asset classes:
  - (i) cash;

- (ii) liquid debt instruments (e.g. government bonds of first credit rating) with appropriate safeguards (in particular, haircuts); or
- (iii) other highly liquid assets having regard to their correlation with the underlying of the Derivative, subject to appropriate safeguards (e.g. haircuts where relevant).

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

## 16. OTC Transactions in derivatives

16.1. Any transaction in an OTC derivative must be:

- 16.1.1. with an approved counterparty; a counterparty to a transaction in derivatives is approved only if the counterparty is an Eligible Institution or an Approved Bank; a person whose permission (including any requirements or limitations), as published in the FCA Register, permits it to enter into the transaction as principal off-exchange; a central counterparty ("CCP") that is authorised and recognised in that capacity in accordance with the EMIR; or a CCP supervised in a jurisdiction that has implemented the relevant G20 reforms on over-the-counter derivatives to at least the same extent as the United Kingdom; and 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;
- 16.1.2. on approved terms; the terms of the transaction in derivatives are approved only if, the ACD: carries out, at least daily, a reliable and verifiable valuation in respect of that transaction corresponding to its fair value and which does not rely only on market quotations by the counterparty and can enter into one or more further transactions to sell, liquidate or close out that transaction at any time, at its fair value; and
- 16.1.3. capable of reliable valuation; a transaction in derivatives is capable of reliable valuation only if the ACD having taken reasonable care determines that, throughout the life of the derivative (if the transaction is entered into), it will be able to value the investment concerned with reasonable accuracy:
  - (a) on the basis of an up-to-date market value which the ACD and the Depositary have agreed is reliable; or
  - (b) if the value referred to in 24.1.3(a) is not available, on the basis of a pricing model which the ACD and the Depositary have agreed uses an adequate recognised methodology; and
- 16.1.4. subject to verifiable valuation: a transaction in derivatives is subject to verifiable valuation only if, throughout the life of the derivative (if the

transaction is entered into) verification of the valuation is carried out by:

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

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

### **17. Derivative Exposure**

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

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

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

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

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

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

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

### **19. Investment in immovable property**

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

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

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

**21. Investment Limits for immovables**

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

**22. Standing independent valuer and valuation**

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

**23. Stocklending**

23.1. The entry into stock lending transactions or repo contracts for the account of a Fund is permitted for the generation of additional capital or income for the Fund with an acceptable degree of risk.

23.2. The specific method of stock lending permitted in this section is in fact not a transaction which is a loan in the normal sense. Rather it is an arrangement of the kind described in section 263B of the Taxation of Chargeable Gains Act 1992, under which the lender transfers securities to the borrower otherwise than by way of sale and the borrower is to transfer those securities, or securities of the same type and amount, back to the lender at a later date. In accordance with good market practice, a separate transaction by way of transfer of assets is also involved for the purpose of providing collateral to the "lender" to cover him against the risk that the future transfer back of the securities may not be satisfactorily completed.

23.3. The stock lending permitted by this section may be exercised by a Fund when it reasonably appears to a Fund to be appropriate to do so with a view to generating additional income with an acceptable degree of risk.

23.4. The Company or the Depositary at the request of the Company may enter into a stock lending arrangement of the kind described in section 263B of the Taxation of Chargeable Gains Act 1992 (without extension by section 263C), but only if all the terms of the agreement under which securities are to be reacquired by the Depositary for the account of a Fund, are in a form which is acceptable to the Depositary and are in accordance with good market practice, the counterparty meets the criteria set out in COLL 5.4.4, and collateral is obtained to secure the obligation of the counterparty. Collateral must be acceptable to the Depositary, adequate and sufficiently immediate.

23.5. The Depositary must ensure that the value of the collateral at all times is at least equal to the value of the securities transferred by the Depositary plus a premium. This duty may be regarded as satisfied in respect of collateral the validity of which is about to expire or has expired where the Depositary takes reasonable care to determine that sufficient collateral will again be transferred at

the latest by the close of business on the day of expiry.

- 23.6. Any agreement for transfer at a future date of securities or of collateral (or of the equivalent of either) may be regarded, for the purposes of valuation under the COLL Sourcebook, as an unconditional agreement for the sale or transfer of property, whether or not the property is part of the property of a Fund.
- 23.7. There is no limit on the value of the Scheme Property of a Fund which may be the subject of stock lending transactions or repo contracts.

#### **24. Cash and near cash**

- 24.1. Cash and near cash must not be retained in the Scheme Property except to the extent that this may reasonably be regarded as necessary in order to enable:
- 24.1.1. the pursuit of a Fund's investment objectives; or
  - 24.1.2. redemption of units; or
  - 24.1.3. efficient management of the Fund in accordance with its investment objectives; or
  - 24.1.4. other purposes which may reasonably be regarded as ancillary to the investment objectives of the Fund.
- 24.2. During the period of the initial offer, the Scheme Property of a Fund may consist of cash and near cash without limitation.

#### **25. Borrowing powers**

- 25.1. The Fund may, on the instructions of the ACD and subject to COLL 5.5.5 R (Borrowing limits), borrow money from an Eligible Institution or an Approved Bank for the use of the Company on terms that the borrowing is to be repayable out of the Scheme Property.
- 25.2. The ACD must ensure that borrowing does not, on any business day, exceed 10% of the value of each Fund.
- 25.3. These borrowing restrictions do not apply to "back to back" borrowing for currency hedging purposes (i.e. borrowing permitted in order to reduce or eliminate risk arising by reason of fluctuations in exchange rates).
- 25.4. Borrowing includes, as well as borrowing in a conventional manner, any other arrangement (including a combination of derivatives) designed to achieve a temporary injection of money into a Fund in the expectation that the sum will be repaid.
- 25.5. The Company must not issue any debenture unless it acknowledges or creates a borrowing that complies with this section.

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

- 26.1. None of the money in the property of the Company may be lent and, for the

purposes of this prohibition, money is lent by the Company if it is paid to a person ("the payee") on the basis that it should be repaid, whether or not by the payee.

- 26.2. Acquiring a debenture is not lending for the purposes of this section; nor is the placing of money on deposit or in a current account.
- 26.3. The above does not prevent the Company from providing an officer with funds to meet expenditure to be incurred by him for the purposes of the Company (or for the purposes of enabling him properly to perform his duties as an officer of the Company) or from doing anything to enable an officer to avoid incurring such expenditure.

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

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

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

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

## **29. Guarantees and indemnities**

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

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

## **30. Leverage**

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

30.2 Leverage when used in this prospectus means the following sources of

leverage can be used when managing the Company:

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

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

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

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

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

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

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

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

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

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

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

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

30.6 In addition, the total amount of leverage employed by the Company will be

disclosed in the Company's annual report.

**31. Schemes replicating an index**

A Fund may invest up to 20% in value of the Scheme Property in shares and debentures which are issued by the same body where the aim of the investment policy of that scheme as stated in its most recently published prospectus is to replicate the performance or composition of an index, provided the index (i) has a sufficiently diversified composition; (ii) is a representative benchmark for the market to which it refers; and (iii) is published in an appropriate manner.

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



## APPENDIX IV

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

**Directors of the ACD and their significant business activities not connected with the business of the Company**

Anne Laing	None.
Martin Henderson	None.
Douglas Halley	None.
Michael Barron	None.
Jeremy Brettell	Non-Executive Director: <ul style="list-style-type: none"> <li>- Integrated Financial Arrangement Ltd</li> <li>- Wesleyan Bank Ltd</li> <li>- Anderson Strathern Asset Management Ltd</li> <li>- Albaco Ltd</li> </ul>
Aidan O'Carroll	Chair of Revenue Scotland Chair at IoD Scotland Non Executive Director: <ul style="list-style-type: none"> <li>- Hillhouse Estates Limited</li> <li>- ABE Global Ltd</li> </ul>

**Authorised collective investment schemes of which the ACD is the authorised corporate director**

<b>Name</b>	<b>Place of registration</b>	<b>Registration number</b>	<b>Product Reference</b>
Alligator Fund ICVC	England and Wales	IC000203	407790
Moray Place Investment Company*	Scotland	IC000934	573760

The Beagle Fund*	England Wales	and	IC000789	505177
The Discovery Fund	England Wales	and	IC000365	413970
The Mulben Investment Funds	England Wales	and	IC000816	516628
The Prestney Fund	England Wales	and	IC000175	407766
The Teal Fund	England Wales	and	IC000257	227831
The VT Cindabella Fund	England Wales	and	IC001049	714901
The VT Oxeye Funds**	England Wales	and	IC001063	743815
Valu-Trac Investment Funds ICVC	Scotland		IC000953	581955
Valu-Trac Proprietary Funds ICVC*	Scotland		IC000986	605631
VT AI-FUNDS ICVC	England Wales	and	IC016426	913889
VT AJ Bell ICVC	England Wales	and	IC001082	769363
VT Argonaut Funds	England Wales	and	IC000943	576956
VT Asset Intelligence Fund Solutions ICVC*	England Wales	and	IC035155	940231
VT Astute Funds ICVC	England Wales	and	IC029376	928663
VT Avastra Funds	England Wales	and	IC000854	532059
VT Blackfinch Funds ICVC	England Wales	and	IC026707	925120

VT Brompton Funds ICVC	England Wales	and	IC001077	762880
VT Cantab Funds ICVC	England Wales	and	IC001114	808050
VT Cape Wrath Focus Fund*	England Wales	and	IC001061	741524
VT Chelsea Managed ICVC	England Wales	and	IC001085	773989
VT Clear Peak Capital ICVC	England Wales	and	IC011866	841768
VT Contra Capital Funds ICVC	England Wales	and	IC021606	918272
VT Dominion Holdings ICVC*	England Wales	and	IC001093	778841
VT Downing Investor Funds ICVC	England Wales	and	IC024590	921279
VT EPIC Investment Funds ICVC	England Wales	and	IC000935	573884
VT EPIC Investment Fund Series II	England Wales	and	IC000025	188718
VT EPIC Investment Fund Series III	England Wales	and	IC000584	472521
VT Esprit FS ICVC	England Wales	and	IC001105	794635
VT Freedom UCITS OEIC	England Wales	and	IC031441	932492
VT Garraway Investment Fund Series IV	England Wales	and	IC000534	465988
VT Gravis UK Listed Property (Feeder) Fund	England Wales	and	Unit Trust	913629
VT Gravis Funds ICVC	England Wales	and	IC001055	724240

VT Gravis Real Assets Fund	England Wales	and	IC016070	913626
VT Greystone ICVC	England Wales	and	IC000403	434235
VT Greystone Cautious Managed ICVC*	England Wales	and	IC000407	435265
VT Greystone Conservative Managed ICVC*	England Wales	and	IC000533	465365
VT Halo Funds ICVC	England Wales	and	IC001018	629070
VT Holland Advisors Funds ICVC	England Wales	and	IC040266	947634
VT Johnston Financial Funds ICVC	England Wales	and	IC027796	926097
VT KMGIM Strategies ICVC	England Wales	and	IC016648	914127
VT Momentum Investment Funds	England Wales	and	IC000851	531222
VT Momentum Investment Funds II	England Wales	and	IC000342	407990
VT Munro Smart-Beta Fund	England Wales	and	IC000551	467964
VT North Capital Funds ICVC	England Wales	and	IC026575	924848
VT Plain English Finance Funds ICVC	England Wales	and	IC001096	782737
VT PortfolioMetrix GBP Funds ICVC	England Wales	and	IC035161	940234
VT Portfolio Solutions ICVC	England Wales	and	IC030801	931577
VT PPM Investment Funds	England Wales	and	IC017239	914471

VT Price Value Partners Funds ICVC	England Wales	and	IC001033	671132
VT Redlands Fund	England Wales	and	IC001043	694999
VT Redlands NURS ICVC*	England Wales	and	IC001089	776548
VT RM Funds ICVC	England Wales	and	IC001108	800855
VT Rossie House Investment Management Funds ICVC*	England Wales	and	IC000991	607962
VT SG Defined Return Assets ICVC	England Wales	and	IC001097	784172
VT Sinfonia OEIC	England Wales	and	IC000624	478014
VT Smartfund ICVC	England Wales	and	IC001012	621247
VT Sorbus Vector Funds ICVC	England Wales	and	IC001059	731963
VT Tatton Oak ICVC	England Wales	and	IC000737	494501
VT Teviot Funds ICVC	England Wales	and	IC001094	780433
VT Tyndall Funds ICVC	England Wales	and	IC001050	715282
VT Ursus Arctos Funds ICVC	Scotland		IC001004	613236
VT Vanneck Equity Fund	England Wales	and	IC001003	613235
VT Vanneck Funds ICVC	England Wales	and	IC001112	806954
VT Woodhill Investment Funds ICVC	England Wales	and	IC001009	618204

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\* denotes a Non-UCITS Retail Scheme

\*\* denotes a Qualified Investor Scheme

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## APPENDIX V

### PAST PERFORMANCE AND INVESTOR PROFILE

#### VT CAPE WRATH FOCUS FUND

This performance information is for Net Accumulation (£) Shares and is net of tax and charges (subscription and redemption fees) but does not include the effect of any preliminary charge that may be paid on the purchase of an investment. Please note that all performance information is at 31 December 2022. For more up-to-date performance information, please contact the ACD.

Share class	12 months to 31 <sup>st</sup> December 2017	2018	2019	2020	2021	2022
Class A GBP Net Accumulation	-1.77%	-8.6%	22.9%	-9.6%	30.0%	-11.7%
Class B GBP Net Accumulation	-2.69%	-8.5%	23.8%	-10.9%	29.1%	-11.9%

**NOTE: PAST PERFORMANCE SHOULD NOT BE TAKEN AS A GUIDE TO THE FUTURE. THE VALUE OF INVESTMENTS AND INCOME FROM THEM CAN GO DOWN AS WELL AS UP AND INVESTORS MAY NOT GET BACK THE AMOUNT ORIGINALLY INVESTED.**

#### Profile of a typical investor

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

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

**APPENDIX VI****DIRECTORY****The Company and Head Office:**

Level 13 Broadgate Tower  
20 Primrose Street  
London  
EC2A 2EW

**Authorised Corporate Director (and Investment Manager):**

Valu-Trac Investment Management Limited  
Orton  
Moray  
IV32 7QE

**Depository:**

NatWest Trustee and Depository Services Limited  
House A, Floor 0  
Gogarburn  
Edinburgh  
EH12 1HQ

**Investment Manager:**

Cape Wrath Capital Limited  
16 Trinity Square  
Llandudno  
LL30 2RB

**Auditors:**

Frame Kennedy  
4th Floor  
Metropolitan House  
31-33 High Street  
Inverness  
IV1 1HT