

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

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

PROSPECTUS

OF

IM Russell ICVC

(An open-ended investment company incorporated with limited liability and registered in England and Wales under registered number IC000708)

(A UCITS scheme)

This document constitutes the Prospectus for **IM Russell ICVC** which has been prepared in accordance with The Collective Investment Schemes Sourcebook.

This Prospectus is dated, and is valid as at 28 November 2011.

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

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

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

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

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

The provisions of the Instrument of Incorporation are binding on each of the Shareholders and a copy of the Instrument of Incorporation is available on request.

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

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 cannot be bound by an out of date prospectus when it has issued a new prospectus and investors should check with IFDS Managers Limited that this is the most recently published prospectus.

1. **DEFINITIONS**

- “ACD”** IFDS Managers Limited, the authorised corporate director of the Company;
- “ACD Agreement”** an agreement dated 9 September 2009 between the Company and the ACD;
- “Administrator”** International Financial Data Services (UK) Limited, or such other entity as is appointed to act as administrator to the Company from time to time;
- “Approved Bank”** (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 other than in the United Kingdom 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;

“Auditor”	Deloitte LLP, or such other entity as is appointed to act as auditor to the Company from time to time;
“Class” or “Classes”	in relation to Shares, means (according to the context) all of the Shares related to a single Fund or a particular class or classes of Share related to a single Fund;
“COLL”	refers to the appropriate chapter or rule in the COLL Sourcebook;
“the COLL Sourcebook”	the Collective Investment Schemes Sourcebook issued by the FSA as amended from time to time;
“Company”	IM Russell ICVC;
“Custodian”	State Street Bank and Trust Company or such other entity as appointed to act as custodian;
“Cut Off Point”	the point prior to which orders to buy, sell or switch Shares must be received by the Administrator in order for them to be actioned at the next Valuation Point and details of which are set out for each Fund (if relevant) in Appendix 1;
“Dealing Day”	Monday to Friday (except, unless the ACD otherwise decides, a bank or public holiday in England and Wales and any other days declared by the ACD to be a company holiday);
“Depository”	HSBC Bank plc, or such other entity as is appointed to act as depository of the Company;
“Director” or “Directors”	the directors of the Company from time to time (including the ACD);
“EEA State”	a member state of the European Union and

	any other state which is within the European Economic Area;
“Efficient Portfolio Management” or “EPM”	as defined in paragraph 9 of Appendix III;
“Eligible Institution”	one of certain eligible institutions as defined in the glossary of definitions to the FSA Handbook;
“the FSA”	the Financial Services Authority or any other regulatory body which may assume its regulatory responsibilities from time to time;
“the FSA Handbook”	the FSA Handbook of Rules and Guidance, as amended from time to time;
“Fund Accountant”	State Street Bank and Trust Company or such other entity as is appointed to act as fund accountant;
“Fund” or “Funds”	a sub-fund of the Company (being part of the Scheme Property of the Company which is pooled separately) to which specific assets and liabilities of the Company may be allocated and which is invested in accordance with the investment objective applicable to such sub-fund;
“Instrument of Incorporation”	the instrument of incorporation of the Company as amended from time to time;
“Investment Manager”	Russell Investments Limited, the investment manager to the ACD in respect of the Company;
“ISA”	an individual savings account under The Individual Savings Account Regulations 1998 (as amended);
“Net Asset Value” or “NAV”	the value of the Scheme Property of the Company or of any Fund (as the context may require) less the liabilities of the Company (or of the Fund concerned) as calculated in accordance with the Instrument

	of Incorporation;
"OEIC Regulations"	the Open-Ended Investment Companies Regulations 2001 as amended or re-enacted from time to time;
"Register"	the register of Shareholders of the Company;
"Registrar"	International Financial Data Services Limited, or such other entity as is appointed to act as registrar to the Company from time to time;
"Regulated Activities Order"	the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544) as amended from time to time;
"Regulations"	the OEIC Regulations and the FSA Handbook (including the COLL Sourcebook);
"Scheme Property"	the scheme property of the Company required under the COLL Sourcebook to be given for safekeeping to the Depositary;
"SDRT"	stamp duty reserve tax;
"Share" or "Shares"	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"	a holder of registered Shares in the Company;
"Switch"	the exchange where permissible of Shares of one Class or Fund for Shares of another Class or Fund;
"UCITS Directive"	European Community Directive European Community Directive 1985/611 governing undertakings for Collective Investment in Transferable Securities (as amended);
"US Persons"	a person who falls within the definition of "US Person" as defined in rule 902 of regulation S of the United States Securities

Act 1933;

“Valuation Point”

the point, whether on a periodic basis or for a particular valuation, at which the ACD carries out a valuation of the Scheme Property for the Company or a Fund (as the case may be) for the purpose of determining the price at which Shares of a Class may be issued, cancelled or redeemed. For details of the Valuation Point of a Fund please see Appendix I;

“VAT”

value added tax.

2. **DETAILS OF THE COMPANY**

2.1 **General**

2.1.1 IM Russell ICVC (the Company) is an investment company with variable capital incorporated in England and Wales under registered number IC000708 and authorised by the FSA with effect from 22 October 2008. The Company has been certified by the FSA as complying with the conditions necessary for it to enjoy the rights conferred by the UCITS Directive. The Company has an unlimited duration.

Shareholders are not liable for the debts of the Company.

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

2.1.2 **Head Office**

The head office of the Company is at IFDS House, St Nicholas Lane, Basildon, Essex SS15 5FS.

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 and each Fund is Pounds Sterling.

2.1.5 **Share Capital**

Maximum £100,000,000,000

Minimum £1

Shares have no par value. The Share capital of the Company at all times equals the sum of the Net Asset Values of each of the Funds.

Shares in the Company may be marketed in other 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.

Each of the Funds of the Company is designed and managed to support longer-term investment and active trading is discouraged. Short-term or excessive trading into and out of a Fund may harm performance by disrupting portfolio management

strategies and by increasing expenses. The ACD may at its discretion refuse to accept applications for, or switching of, Shares, especially where transactions are deemed disruptive, particularly from possible market timers or investors who, in its opinion, have a pattern of short-term or excessive trading or whose trading has been or may be disruptive to the Funds. For these purposes, the ACD may consider an investor's trading history in the Funds or other funds managed by ACD and accounts under common ownership or control.

2.2 **The Structure of the Company**

2.2.1 **The Funds**

The Company is structured as an umbrella company, in that different Funds may be established from time to time by the ACD with the approval of the FSA. On the introduction of any new Fund or Class, a revised prospectus will be prepared setting out the relevant details of each Fund or Class.

The Company is a UCITS scheme.

The assets of each Fund will be treated as separate from those of every other Fund and will be invested in accordance with the investment objective and investment policy applicable to that Fund. Investment of the assets of each of the Funds must comply with the COLL Sourcebook and the investment objective and policy of the relevant Fund. Details of the Funds, including their investment objectives and policies, are set out in Appendix I.

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

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

Creditors of the Company may nevertheless look to all the assets of the Company for payment regardless of the Fund in respect of which that creditor's debt has arisen. Assets may be re-allocated to and from other Funds of the Company in the unlikely event that a Fund's assets are insufficient to meet its liabilities. In the event that any assets are so reallocated, the ACD will advise Shareholders in the next succeeding annual or half yearly report to Shareholders.

Subject to the above, each Fund will be charged with the liabilities, expenses, costs and charges of the Company attributable to that Fund, and within each Fund charges will be allocated between Classes in accordance with the terms

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

2.2.2 Shares

Classes of Shares within the Funds

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

Shares have no par value and, within each Class in each Fund 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 or termination of a relevant Fund. Shares do not carry preferential or pre-emptive rights to acquire further Shares.

Further Classes of Share may be established from time to time by the ACD with the approval of the FSA, the agreement of the Depositary and in accordance with the Instrument of Incorporation. On the introduction of any new Fund or Class, either a revised prospectus or a supplemental prospectus will be prepared, setting out the details of each Fund or Class.

The base currency for each new Class of Shares will be determined at the date of creation and set out in the prospectus issued in respect of the new Class of Shares.

The net proceeds from subscriptions to a Fund will be invested in the specific pool of assets constituting that Fund. The Company will maintain for each current Fund a separate pool of assets, each invested for the exclusive benefit of the relevant Fund. The Company as a whole will be responsible for all obligations, whichever Fund such liabilities are attributable to, unless otherwise agreed with specific creditors.

To the extent that any Scheme Property of the Company, or any assets to be received as part of the Scheme Property, or any costs, charges or expenses to be paid out of the Scheme Property, are not attributable to one Fund only, the ACD will allocate such Scheme Property, assets, costs, charges or expenses between Funds in a manner which is fair to all Shareholders of the Company.

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

The Share Classes that may be issued and their criteria for subscription in respect of each Fund are set out in Appendix I. Details of which of the Share Classes are presently available in each Fund are set out in Appendix I. Currently income and accumulation Shares are available in respect of each Fund.

A Regular Savings Plan is available for certain Funds. Details of the relevant Funds 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 relevant Fund on the relevant interim and/or annual accounting dates. This is reflected in the price of an accumulation Share.

The Instrument of Incorporation allows gross income and gross accumulation Shares to be issued as well as net income and net accumulation Shares. Net Shares are Shares in respect of which income allocated to them is distributed periodically to the relevant Shareholders (in the case of income Shares) or credited periodically to capital (in the case of accumulation Shares), in either case in accordance with relevant tax law, net of any tax deducted or accounted for by the Company. Gross Shares are income or accumulation Shares where, in accordance with relevant tax law, distribution or allocation of income is made without any tax being deducted or accounted for by the Company.

Details of whether gross and/or net Shares are available in any Fund are set out in Appendix I. All references in this Prospectus are to net Shares unless otherwise stated.

Gross Shares are available only to investors who qualify for the gross payment of interest distributions or accumulations. These include companies, trustees of authorised unit trusts, OEICs, certain pension funds, charities and persons who are not ordinarily resident in the UK. For a complete list, please refer to Part 4 of the Authorised Investment Funds (Tax) Regulations 2006 and Chapter 11, Part 15 of the Income Tax Act 2007.

Where a Fund has different Classes, 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 within a Fund will be adjusted accordingly.

Shareholders are entitled (subject to certain restrictions) to Switch all or part of their Shares in a Class or a Fund for Shares of another Class within the same Fund or for Shares of the same or another Class within a different Fund of the Company. Details of this switching facility and the restrictions are set out in paragraph 3.3 "Switching".

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

The dealing office of the Administrator is normally open from 9am to 5pm (London time) on each Dealing Day to receive requests by post or fax on 0870 700 2305 for the purchase, sale and switching of Shares. The Administrator may vary these times with the consent of the ACD. Requests to deal in Shares may also be made by telephone on 0845 002 0785 each Dealing Day (at the ACD's discretion) between 9am and 5pm (London time) or through such other number as published from time to time. The initial investment must, at the discretion of the ACD, be accompanied by a completed 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.

Telephone calls will be recorded. The ACD may also, at its discretion, introduce further methods of dealing in Shares in the future. At present, transfer of title by electronic communication is not accepted.

In its dealings in Shares of the Funds the ACD is dealing as principal. The ACD may make a profit from dealing in Shares as principal. The ACD is not accountable to Shareholders for any profit it makes in dealing in Shares as principal.

In respect of some Funds, deals must be received before the relevant Cut Off Point in order to be dealt with at the next Valuation Point. Deals received after the Cut Off Point will be dealt with at the Valuation Point or the next following Dealing Day. For details of the Valuation Point and, where relevant, the Cut Off Point of a Fund, please see Appendix I.

3.1 **Buying Shares**

3.1.1 **Procedure**

Shares may be bought directly from the ACD or through a professional adviser or other intermediary. Any intermediary who recommends an investment in the Company to Shareholders may be entitled to receive commission from the ACD. An ongoing commission, based on the value of Shares held may also be paid to qualifying intermediaries. For details of dealing charges see paragraph 3.4 below. Application forms may be obtained from the ACD.

Investors wishing to purchase gross Shares (where applicable) must complete a Declaration of Eligibility and Undertaking, which may be obtained from the ACD.

Valid applications to purchase Shares in a Fund (received before a Cut Off Point if appropriate) 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 a Fund has been suspended as set out in paragraph 3.10.

The ACD, at its discretion, has the right to cancel a purchase deal if settlement is materially overdue 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 telegraphic transfer.

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 cancellation 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. Investors who invest through the Regular Savings Plan will be entitled to receive back the full amount they invested if they cancel. The ACD may extend cancellation rights to other investors but is under no obligation to do so.

3.1.2 **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 later of receipt of the application to buy Shares and the Valuation Point by reference to which the price is determined, together with, where appropriate, a notice of the applicant's right to cancel.

Settlement is due within four 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.

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

The Company has the power to issue bearer Shares but there are no present plans to do so.

3.1.3 **Regular Savings Plan**

The ACD may make available certain Classes of Shares of any Fund through the Regular Savings Plan (details of current Classes of Shares and Funds which are available are shown in Appendix I). To invest in this way, Shareholders must complete and return to the Administrator the relevant plan application form and direct debit form before contributions may begin. Monthly contributions may be increased, decreased (subject to maintaining the minimum level of contribution) or stopped at any time by notifying such party as the ACD may direct. If, however, payments are not made into the Regular Savings Plan for more than ten months and the Shareholder holds less than the minimum holding for that Class, then the ACD reserves the right to redeem that Shareholder's entire holding in that Class. Confirmations will not be issued to Shareholders investing through a Regular Savings Plan.

Contributions to the Regular Savings Plan will normally be collected on a monthly basis usually on the tenth of each month (or the next following Dealing Day) with Shares being allocated at the Share price ruling at the next following Valuation Point (subject to any applicable initial charge).

For Shares purchased through the Regular Savings Plan, the minimum monthly investment is stated in Appendix I.

Statements detailing all Share transactions will be sent out to all monthly savers at least on a six monthly basis.

3.1.4 **Minimum subscriptions and holdings**

The minimum initial subscription, subsequent subscription and holding levels for each Class of Share in a Fund 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.

3.2 **Redeeming Shares**

3.2.1 **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 a Fund (received before a Cut Off Point if appropriate) 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 a Fund has been suspended as set out in paragraph 3.10.

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 3.4 below.

3.2.2 **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 by cheque to the first named Shareholder (at their risk), or, at the ACD's discretion, 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.

3.2.3 **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 of any Fund to be redeemed is less than the minimum stated in respect of the appropriate Class in the Fund in question (see Appendix I).

3.2.4 **Regular Withdrawal Facility**

The ACD offers a regular withdrawal facility. For further details please contact the Administrator, IFDS Managers Ltd - Russell Investments, PO Box 10204, Chelmsford CM99 2AQ.

3.3 **Switching**

Subject to any restrictions on the eligibility of investors for a particular Share Class, a Shareholder in a Fund may at any time Switch all or some of his Shares of one Class or Fund ("the Original Shares") for Shares of another Class or Fund ("the New Shares") in the Company. However, investors wishing to Switch into gross Shares (if they are available) must first complete a Declaration of Eligibility and Undertaking which may be obtained from the ACD. 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.

The ACD may at its discretion make a charge on the switching of Shares between Funds or 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 3.4.3 "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 a Cut Off Point

in the Fund or Funds concerned to be dealt with at the prices at the next Valuation Point 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 Cut Off Point will be held over until the next day which is a Dealing Day in each of the relevant Fund or Funds.

The ACD may adjust the number of New Shares to be issued to reflect the application of any charge on 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.

Please note that under UK tax law a Switch of Shares in one Fund for Shares in any other Fund is treated as a redemption of the Original Shares and a purchase of New Shares and will, for persons subject to taxation, be a realisation of the Original Shares for the purposes of capital gains taxation, which may give rise to a liability to tax, depending upon the Shareholder's circumstances.

A Shareholder who Switches Shares in one Fund for Shares in any other Fund (or who Switches between Classes of Shares) will not be given a right by law to withdraw from or cancel the transaction.

3.4 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 SDRT on a specific deal, if applicable) is deducted from the gross subscription or the proceeds of the redemption monies.

3.4.1 Initial Charge

The ACD may impose a charge on the purchase of Shares in each Class. The current initial charge is calculated as a percentage of the amount invested by a potential Shareholder in respect of each Share Class is 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.

A Fund may invest in collective investment schemes managed by either the Investment Manager or one of its associates. In such cases, to avoid a double charge, the Investment Manager or its associate, at its discretion, may waive any initial charge payable by the Fund.

The current initial charge of a Fund or a Class may only be increased in accordance with the Regulations.

From the initial charge received, or out of other of its own resources, the ACD may pay a commission to relevant intermediaries.

3.4.2 **Redemption Charge**

The ACD may make a charge on the redemption of Shares in each Class. Please see Appendix I for details of which Funds apply a redemption charge.

The ACD may only introduce a redemption charge in accordance with the Regulations. Also, if such a charge was introduced, it would not apply to Shares issued before the date of the introduction (i.e., those not previously subject to a redemption charge).

There is currently no charge for redeeming Shares in any of the Classes.

3.4.3 **Charges on Switching**

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

There is currently no charge for switching between Funds or for switching Shares in one Class of a Fund for Shares in another Class of the same Fund.

3.4.4 **Dilution Adjustment**

The actual cost of purchasing, selling or switching assets and investments in a Fund may deviate from the mid-market value used in calculating its Share price, due to dealing charges, market impact, taxes, and any spread between buying and selling prices of that Fund's underlying investments. These costs could have an adverse effect on the value of a Fund, known as "dilution". In order to mitigate the effect of dilution the Regulations allow the ACD to adjust the sale and purchase price of Shares in the Funds to take into account the possible effects of dilution. This practise is known as making a "dilution adjustment" or operating swinging single pricing. The power to make a dilution adjustment may only be exercised for the purpose of reducing dilution in the Funds.

The price of each Class of Share in each Fund will be calculated separately but any dilution adjustment will in percentage terms affect the price of Shares of each Class identically.

The ACD reserves the right to make a dilution adjustment every day. The dilution adjustment is calculated using the estimated dealing costs and market

impact of a Fund's underlying investments and taking into consideration any dealing spreads, commission and transfer taxes. The need to make a dilution adjustment will depend on the difference between the value of Shares being acquired and the value of Shares being redeemed as a proportion of the total value of that Fund. The measurement period will typically be a single day but, where a trend develops so that for a number of days in a row there is a surplus of acquisitions or redemptions on each and every day, the aggregate effect of such acquisitions or redemptions as a proportion of the total relevant Fund value will be considered.

Where a Fund is experiencing net acquisitions of its Shares the dilution adjustment would increase the price of Shares above their mid-market value. Where a Fund is experiencing net redemptions the dilution adjustment would decrease the price of Shares to below their mid-market value.

It is the ACD's policy to reserve the right to impose a dilution adjustment on purchases, sales and switches of Shares of whatever size and whenever made. In the event that a dilution adjustment is made it will be applied to all transactions in a Fund during the relevant measurement period and all transactions during the relevant measurement period will be dealt on the same price inclusive of the dilution adjustment.

The ACD's decision on whether or not to make this adjustment, and at what level this adjustment might be made in a particular case or generally, will not prevent it from making a different decision on future similar transactions.

On the occasions when a dilution adjustment is not applied if a Fund is experiencing net acquisitions of Shares or net redemptions there may be an adverse impact on the assets of that Fund attributable to each underlying Share, although the ACD does not consider this to be likely to be material in relation to the potential future growth in value of a Share. As dilution is directly related to the inflows and outflows of monies from a Fund it is not possible to accurately predict whether dilution will occur at any future point in time. Consequently it is also not possible to accurately predict how frequently the ACD will need to make a dilution adjustment.

The dilution adjustment will be applied to the mid price for Shares resulting in a figure calculated up to six decimal places. The final digit in this figure will then be rounded either up or down in accordance with standard mathematical principals resulting in the final price for the Shares.

A dilution adjustment has been applied on one occasion in each of the Funds from launch to 31 May 2011. The dilution adjustment for any one Fund may vary over time because the dilution adjustment for each Fund will be calculated by reference to the costs of dealing in the underlying investments

of that Fund, including any dealing spreads, and these can vary with market conditions. A typical dilution adjustment may range from 0% to 5% when buying or selling Shares in the Defensive Assets Fund, from 0% to 5% in the Real Assets Fund, from 0% to 5% in the UK Growth Assets Fund and from 0% to 5% in the International Growth Assets Fund.

3.4.5 **Stamp duty reserve tax (“SDRT”)**

SDRT is charged in respect of each Fund on the surrender of Shares to the Fund, with the Fund liable for the SDRT under the special SDRT regime for authorised investment funds. The SDRT due is calculated at the rate of 0.5 per cent. of the market value of the Shares surrendered. This charge is subject to reduction to the extent that:

- (i) the number of Shares surrendered in the Fund in a prescribed two week period in which the redemption occurs exceeds the number of Shares of the same Fund issued in that period; and
- (ii) the Fund invested in certain exempt investments in the two week period.

No SDRT charge arises in respect of certain pro rata in specie cancellations of a Shareholder’s Shares.

The current policy is that all SDRT costs will be paid out of the relevant Fund’s Scheme Property and charged to capital. SDRT will not be recovered from Shareholders. However, the ACD reserves the right to require Shareholders to pay SDRT whenever it considers that the circumstances have arisen which make such imposition fair to all Shareholders or potential Shareholders. The ACD may impose an SDRT provision on large deals when no SDRT provision is imposed on smaller deals or which is larger than that imposed on smaller deals. A “large deal” is a transaction (or a series of transactions in one dealing period) by any person to buy, sell or exchange Shares at a total value of £15,000 or more. In the event there is a change in this policy the ACD will give prior notification of such change to Shareholders prior to it taking effect.

Although it cannot be guaranteed, it is the opinion of the ACD that SDRT will rarely be recovered from Shareholders on the sale of Shares in any Fund. This statement is based on the ACD’s current policy for SDRT as detailed above. If imposed on a particular deal the maximum rate of SDRT shall always be equivalent to the rate set by the HM Revenue & Customs.

3.5 **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. 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 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.

3.6 **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 that it requires has been paid. Please note that gross Shares are available only to certain categories of investors, and that prospective investors in these Shares must complete a Declaration of Eligibility and Undertaking (which may be obtained from the ACD) and return it to the ACD before the gross Shares can be transferred. At present, transfer of title by electronic communication is not accepted.

3.7 **Restrictions and Compulsory Transfer and Redemption**

The ACD may from time to time impose such restrictions as it may think necessary for the purpose of ensuring that no Shares are acquired or held by any person in breach of the law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory or which would result in the Company incurring any liability to taxation which the Company is not able to recoup itself or suffering 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.

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
- (d) are owned by a Shareholder who is registered in a jurisdiction (where the Fund is not registered or recognised by the relevant competent authority) whereby communication with that Shareholder by the ACD, on behalf of the Fund, might constitute a breach of the regulations in that jurisdiction (unless specific action is taken by the ACD to prevent such a communication constituting a breach); or
- (e) are held in a manner which constitutes a breach of the Instrument of Incorporation or this Prospectus as to eligibility or entitlement to hold any Shares,

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 of such Shares in accordance with the COLL Sourcebook. If any Shareholder upon whom such a notice is served does not within thirty days after the date of such notice transfer his affected Shares to a person qualified to own them or 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 (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 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.

3.8 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. Where the ACD considers the deal to be substantial in relation to the total size of the Fund it may require the investor to contribute in specie. The ACD may consider a deal in this context to be substantial if the relevant Shares constitute

5% (or a lesser or higher percentage if considered appropriate) of those in issue in the relevant Fund.

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 any Fund in exchange for assets the holding of which would be inconsistent with the investment objective or policy of that Fund.

3.9 **In specie redemptions**

If a Shareholder requests the redemption of Shares the ACD may, where it considers the deal to be substantial in relation to the total size of the Fund concerned or in some way detrimental to the Fund, arrange, having given prior notice in writing to the Shareholder, that, in place of payment for the Shares in cash, the Company transfers property or, if required by the Shareholder, the net proceeds of sale of the relevant property, to the Shareholder. Before the redemption proceeds of the Shares become payable, the ACD must give written notice to the Shareholder that the relevant property or the proceeds of sale of the relevant property will be transferred to that Shareholder so that the Shareholder can require the net proceeds of redemption rather than the relevant property if he so desires.

For this purpose, the ACD may consider a deal to be substantial if the relevant Shares constitute 5% (or a lesser or higher percentage if considered appropriate) of those in issue in the relevant Fund.

The Depositary must take reasonable care to ensure that the property concerned would not be likely to result in any material prejudice to the interests of Shareholders.

The ACD will select the property to be transferred or sold in consultation with the Depositary.

3.10 **Suspension of dealings in the Company or a Fund**

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

The ACD and the Depositary 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 Depositary (as appropriate) will immediately inform the FSA 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 FSA and the regulator in each EEA state where the relevant Fund 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 Depositary will formally review the suspension at least every 28 days and will inform the FSA 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.

3.11 **Deferred Redemption**

If the Company receives requests for the redemption of Shares representing 10% or more of the Net Asset Value of a Fund in respect of any Dealing Day, the ACD, may, at its sole discretion, elect to restrict the total value of Shares to be redeemed to 10% or more of that Fund's Net Asset Value. If the ACD elects to restrict the redemption of Shares in this manner then all relevant redemption requests will be scaled down pro rata to the value of the Shares requested to be redeemed and, subject to the above restriction, any Shares which are not redeemed on a Dealing Day, shall be treated as if a request for redemption has been made in respect of such Shares, for the next and each subsequent Dealing Day, until all of the Shares to which the original request(s) related have been redeemed. All deals relating to an earlier Valuation Point will be completed before those relating to a later Valuation Point are considered.

3.12 **Governing law**

All deals in Shares are governed by English law.

4. **VALUATION OF THE COMPANY**

4.1 **General**

There is only a single price for each Class of Shares. The price of a Share is calculated by reference to the Net Asset Value of the Fund to which it relates. The Net Asset Value per Share of a Fund is currently calculated on each Dealing Day at the Valuation Point of the Fund. For details of the Valuation Point of a Fund please see Appendix I.

The price of a Share may, in certain circumstances, be affected by a dilution adjustment (see "Dilution Adjustment" at paragraph 3.4.4).

The ACD may at any time during a business day carry out an additional valuation if it considers it desirable to do so and may use the price obtained at such additional valuation point as the price for the day. The ACD shall inform the Depositary 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 dealing. 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 Depositary of the price of Shares of each Class of each Fund and the amount of any dilution adjustment made in respect of any purchase or redemption of Shares.

A request for dealing in Shares must be received by the Cut Off Point in order to be processed for the next Valuation Point. 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 property of the Company or of a Fund (as the case may be) shall be the value of its assets less the value of its liabilities determined in accordance with the following provisions:

- 4.2.1 All the Scheme Property (including receivables) is to be included, subject to the following provisions.
- 4.2.2 Property which is not cash (or other assets dealt with in paragraphs 4.2.2.6 or 4.2.3 below) shall be valued as follows and the prices used shall (subject as follows) be the most recent prices which it is practicable to obtain:
 - 4.2.2.1 units or shares in a collective investment scheme:
 - (a) if a single price for buying and redeeming units or shares is quoted, at that price; or
 - (b) if separate buying and selling prices are quoted, at the average of the two prices provided the buying price has been reduced by any initial charge included therein and the selling price has been increased by any exit or selling charge attributable thereto; or
 - (c) if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no recent price exists or

if the most recent price available does not reflect the ACD's best estimate of the value of the units or shares, at a value which, in the opinion of the ACD, is fair and reasonable;

4.2.2.2 exchange-traded derivative contracts:

(a) if a single price for buying and selling the exchange-traded derivative contract is quoted, at that price; or

(b) if separate buying and selling prices are quoted, at the average of the two prices;

4.2.2.3 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;

4.2.2.4 Any other investment:

(a) if a single price for buying and redeeming the security is quoted, at that price; or

(b) if separate buying and redemption prices are quoted, at the average of the two prices; or

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

4.2.2.5 Scheme Property other than that described in paragraphs 4.2.2.1, 4.2.2.2, 4.2.2.3 and 4.2.2.4 above, at a value which, in the opinion of the ACD, is fair and reasonable;

4.2.2.6 Cash and amounts held in current and deposit accounts and in other time related deposits shall be valued at their nominal values.

4.2.3 In determining the value of the Scheme Property, all instructions given to issue or cancel Shares shall be assumed (unless the contrary is shown) to have been carried out and any cash payment made or received and all consequential action required by the Regulations or the Instrument of Incorporation shall be assumed (unless the contrary has been shown) to have been taken.

4.2.4 Subject to paragraphs 4.2.5 and 4.2.6 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.

- 4.2.5 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 4.2.4.
- 4.2.6 All agreements are to be included under paragraph 4.2.4 which are, or ought reasonably to have been, known to the person valuing the property assuming that all other persons in the ACD's employment take all reasonable steps to inform it immediately of the making of any agreement;
- 4.2.7 Deduct an estimated amount for anticipated tax liabilities at that point in time including (as applicable and without limitation) capital gains tax, income tax, corporation tax, VAT, stamp duty, SDRT and any foreign taxes or duties.
- 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 Scheme Property; on realised capital gains in respect of previously completed and current accounting periods; and on income where liabilities have accrued) including (as applicable and without limitation) capital gains tax, income tax, corporation tax, VAT, stamp duty and stamp duty reserve tax.
- 4.2.9 Deduct the principal amount of any outstanding borrowings whenever repayable and any accrued but unpaid interest on borrowings.
- 4.2.10 Add an estimated amount for accrued claims for tax of whatever nature which may be recoverable.
- 4.2.11 Add any other credits or amounts due to be paid into the Scheme Property.
- 4.2.12 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.
- 4.2.13 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.

4.3 **Price per Class of Share in each Fund**

The price per Share at which Shares are bought or are redeemed is the Net Asset Value per Share. There will be a single price per Share. Any initial charge, or redemption charge, (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 any Fund at a time when more than one Class is in issue in respect of that Fund shall be done by reference to the relevant Shareholder's proportionate interest in the income property of the Fund in question calculated in accordance with the Instrument of Incorporation.

4.4 **Fair Value Pricing**

4.4.1 Where the ACD has reasonable grounds to believe that:

4.4.1.1 no reliable price exists for a security (including a unit/share in a collective investment scheme) at a Valuation Point; or

4.4.1.2 the most recent price available does not reflect the ACD's best estimate of the value of the security (including a unit/share in a collective investment scheme) at the Valuation Point;

it can value an investment at a price which, in its opinion, reflects a fair and reasonable price for that investment (the fair value price).

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

4.4.2.1 no recent trade in the security concerned; or

4.4.2.2 an unreliable Net Asset Value; or

4.4.2.3 suspension of dealings in an underlying collective investment scheme; or

4.4.2.4 the occurrence of a significant event since the most recent closure of the market where the price of the security is taken.

4.4.3 In determining whether to use such a fair value price, the ACD will include in their consideration but need not be limited to:

4.4.3.1 the type of authorised fund concerned;

4.4.3.2 the securities involved;

4.4.3.3 whether the underlying collective investment schemes may already have applied fair value pricing;

4.4.3.4 the basis and reliability of the alternative price used; and

4.4.3.5 the ACD's policy on the valuation of Scheme Property as disclosed in this Prospectus.

4.5 **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.

4.6 **Publication of Prices**

The prices of all Share Classes are available at www.fundlistings.com, www.russell.com/uk or on the ACD's website at www.ifdsmanagers.com. The prices of Shares may also be obtained by calling 0845 002 0785 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 on third party websites or in 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 below risk factors before investing in the Company (or, in the case of specific risks applying to specific Funds, in those Funds). This list must not be taken to be comprehensive as there may be new risks that arise in the future which could not have been anticipated in advance. Also, the risk factors listed will apply to different Funds to different degrees, and for a given Fund this degree could increase or reduce through time.

5.1 **Market risk**

Past performance is not an indicator of future performance. The price of Shares and the return from them may fall as well as rise and an investor may not recover the full amount invested. There can be no assurance that any Fund will achieve its investment objective or that a Shareholder will recover the full amount invested in a Fund. The capital return and income of each Fund are based on the capital appreciation and income on the securities it holds, less expenses incurred. Therefore, each Fund's return may be expected to fluctuate in response to changes in such capital appreciation or income.

5.2 **Equity investment**

Prices of equities fluctuate daily dependent on market conditions. Markets can be influenced by a series of factors such as political and economic news, corporate earnings reports, demographic trends, catastrophic events and wider market expectations. It is worth noting that the value of equities can fall as well as rise and investors who invest into equity funds may not get back the amount that was

originally invested. Potentially a Fund investing in equities could incur significant losses.

5.3 **Effect of initial charge or redemption charge**

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

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.

5.4 **Dilution adjustment and SDRT provision**

Investors should note that in certain circumstances a dilution adjustment may be applied to the price payable on the purchase or redemption of their Shares (see "Dilution Adjustment" at paragraph 3.4.4) or a provision for SDRT may be charged on the purchase, redemption or transfer of Shares (see "SDRT" at paragraph 3.4.5). Where dilution adjustment is not applied the Fund in question may incur dilution which may constrain capital growth.

5.5 **Charges to capital**

Where the investment objective of a Fund is to treat the generation of income as a higher priority than capital growth, or the generation of income and capital growth have equal priority, all or part of the ACD's fee and other expenses may be charged against capital instead of against income. This treatment of the ACD's fee and other expenses will increase the amount of income (which may be taxable) available for distribution to Shareholders in the Fund concerned but may constrain capital growth. Currently none of the Fund's charge the ACD fee and other expenses against capital but deduct from income instead.

5.6 **Suspension of dealings in Shares**

Investors are reminded that in certain circumstances their right to redeem Shares (including a redemption by way of switching) may be suspended (see "Suspension of dealings in the Company or a Fund" at Paragraph 3.10).

5.7 **Liabilities of the Company**

Although each Fund so far as possible will be treated as bearing the liabilities, expenses, costs and charges attributable to it, in the unlikely event that its assets are not sufficient to meet these the ACD may re-allocate assets, liabilities, expenses, costs

and charges between the Funds of the Company in a manner which it believes is fair to the Shareholders generally. The ACD would normally expect any such re-allocation to be effected on a pro rata basis having regard to the Net Asset Values of the relevant Funds. If there is any such re-allocation the ACD will advise Shareholders of it in the next succeeding annual or half yearly report to Shareholders.

Notwithstanding the above, however, 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.

5.8 **Currency exchange rates**

A Fund's investments may be acquired in a wide range of currencies and changes in exchange rates between currencies may cause the value of an investment in a Fund to fluctuate.

A Fund may invest in assets that are denominated in a currency other than the base currency of that Fund.

Accordingly, the value of a Shareholder's investment may be affected favourably or unfavourably by fluctuations in the rates of the different currencies.

Some of the Funds may hedge the currency exposure due to investing in assets denominated in a currency other than the Fund's base currency. In such cases the relevant currency of the Share Class may be hedged and, whilst it is not the intention, over-hedged or under-hedged positions may arise due to factors outside the control of the Fund.

5.9 **Investing in other collective investment schemes**

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

A Fund may invest in collective investment schemes managed by either the Investment Manager or one of its associates. In such cases, to avoid a double charge, the Investment Manager or its associate, at its discretion, may waive any initial charge and rebate an amount equal to up to 100% of any annual management charge payable by the Fund.

A Fund may invest in collective investment schemes ("investee schemes") managed by either the Investment Manager or one of its associates. In such cases, the Investment Manager or its associate may have delegated investment management of

the investee schemes to one or more third party investment managers (each a “Money Manager”) and part or all of a performance fee may be payable by the investee schemes to such Money Managers and the Investment Manager. The Investment Manager and its associates are not able to rebate performance fees paid to Money Managers to the Funds.

5.10 **Emerging markets**

Emerging markets are typically those of less developed countries which exhibit lower levels of economic and/or capital market development, and higher levels of share price and currency volatility. Funds that have a significant exposure to emerging markets may only be suitable for well-informed investors. The fundamental risks associated with these markets are summarised below:

Political - Some emerging market governments exercise substantial influence over the private economic sector and the political and social uncertainties that exist can be significant. In adverse social and political circumstances, governments have been involved in policies of expropriation, confiscatory taxation, nationalisation, intervention in the securities market and trade settlement, and imposition of foreign investment restrictions and exchange controls. In addition to withholding taxes on investment income, some emerging markets may impose different capital gains taxes on foreign investors and can even limit foreign ownership of securities.

Economic - Another risk common to many such countries is that the economy is heavily export oriented and, accordingly, is dependent upon international trade. The existence of overburdened infrastructures and obsolete financial systems also presents risks in certain countries.

Fraudulent securities – Given the lack of a regulatory structure it is possible that securities in which investments are made may be found to be fraudulent. As a result, it is possible that loss may be suffered.

Market - The securities markets of developing countries are not as large as the more established securities markets and have considerably less trading volume, which can result in a lack of liquidity and high price volatility. There may potentially be a high concentration of market capitalisation and trading volume in a small number of issuers representing a limited number of industries as well as a high concentration of investors and financial intermediaries. These factors can adversely affect the timing and pricing of a Fund’s acquisition or disposal of securities.

Currency fluctuations – Significant changes in the currencies of the countries in which investments are made in respect of the currency of denomination of the relevant Fund may occur following the investment of the Company in these currencies. These changes may impact the total return of the Fund to a significant degree. In respect of currencies of certain emerging countries, it is not possible to undertake currency hedging techniques.

Settlement - Practices in relation to settlement of securities transactions in emerging markets involve higher risks than those in established markets, in part because the Company will need to use counterparties which are less well capitalised. In addition, custody and registration of assets in some countries may be unreliable. Delays in settlement could result in investment opportunities being missed if a Fund is unable to acquire or dispose of a security. In certain emerging markets, registrars are not subject to effective government supervision nor are they always independent from issuers. Investors should therefore be aware that the Funds concerned could suffer loss arising from potential registration problems.

Investment and remittance restrictions – In some cases, emerging markets may restrict the access of foreign investors to securities. As a result, certain equity securities may not always be available to a Fund because the maximum permitted number of or investment by foreign shareholders has been reached. In addition, the outward remittance by foreign investors of their share of net profits, capital and dividends may be restricted or require governmental approval. The Company will only invest in markets in which it believes these restrictions to be acceptable. However, there can be no guarantee that additional restrictions will not be imposed.

Regulatory - Generally accepted accounting, auditing and financial reporting practices in emerging markets and the legal infrastructure can be noticeably different from those in well developed markets. Some emerging markets may have a lower level of regulation, enforcement of regulations and monitoring of investors' activities than more developed markets.

5.11 **Political**

The value of a Fund's assets may be affected by uncertainties such as political developments, changes in government policies, taxation, currency repatriation restrictions and restrictions on foreign investment in some of the countries in which the Company may invest.

5.12 **Smaller companies**

Funds may invest in small capitalisation stocks and there may be a less liquid market in these stocks than in the case of large and mid capitalisation stocks and the stock market price of these stocks may be more volatile than large capitalisation stocks and somewhat more speculative.

Smaller or newer companies may suffer more significant losses as well as realise more substantial growth than larger or more established issuers because they may lack depth of management, be unable to generate funds necessary for growth or be developing or marketing new products or services for which markets are not established. In addition, such companies may be insignificant in their industries and may become subject to intense competition from larger or more established companies.

5.13 **Sub investment grade bonds**

The Funds may hold sub-investment grade bonds. Such bonds have a lower credit rating than investment grade bonds and carry a higher degree of risk.

5.14 **Overseas bonds and currencies**

From time to time, a Fund may invest in overseas bonds and currencies. These markets may respond to different influences to those that affect the underlying funds and accordingly carry a higher degree of risk.

5.15 **Counterparty and Settlement**

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

5.16 **Custody**

As the Funds may invest in markets, such as emerging markets, where custodial and/or settlement systems are not fully developed, the assets of the Funds which are traded in such markets and which have been entrusted to sub-custodians in circumstances where the use of sub-custodians is necessary may be exposed to risk in circumstances where the Depository will have no liability.

5.17 **Performance Risk**

There will be a variation in performance between Funds with similar objectives due to the different assets selected. The degree of investment risk depends on the risk profile of the Fund chosen.

5.18 **Inflation Risk**

Inflation will, over time, reduce the value of your investments in real terms.

5.19 **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 the 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 issue. Generally, the higher the rate of interest, the higher the perceived credit risk of the issuer. High yield bonds with lower credit rating (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 and Poor's credit rating of below BBB or equivalent.

5.20 **Derivatives and volatility**

Derivative instruments may be used in the Funds for the purposes of Efficient Portfolio Management (EPM). It is not the ACD's intention that such use of derivatives will cause the Funds to be more volatile than the general level of market volatility in the underlying investments of the individual Funds, or that the use of derivatives for EPM will cause the risk profile of the Funds to change. However, each Fund may be subject to risks associated with derivative instruments. When a Fund invests in a derivative instrument, it could lose more than the principal amount invested. Derivatives are subject to a number of risks, such as liquidity, interest rate, market, credit and management risk. They also involve the risk of improper valuation. Changes in the value of the derivative may not correlate perfectly with the underlying asset, rate or index.

If the Investment Adviser incorrectly forecasts interest rates, market values or other economic factors in using a derivatives strategy for a Fund for efficient portfolio management purposes, the Fund might have been in a better position if it had not entered into the transaction at all. The use of these strategies involves certain special risks, including a possible imperfect correlation, or even no correlation, between price movements of derivative instruments and price movements of related investments. While some strategies involving derivative instruments can reduce the risk of loss, they can also reduce the opportunity for gain or even result in losses by offsetting favourable price movements in related investments, or due to the possible inability of a Fund to purchase or sell a portfolio security at a time that otherwise would be favourable for it to do so, or the possible need for a Fund to sell a portfolio security at a disadvantageous time, and the possible inability of a Fund to close out or to liquidate its derivatives positions.

On giving 60 days' notice to Shareholders, derivatives instruments may also be used for investment. Where the ACD invests in derivatives and forward transactions in the pursuit of a Fund's objectives, the net asset value of that Fund may at times be volatile (in the absence of compensating investment techniques). It is not intended that the use of derivatives for the purposes of investment will cause the net asset value of the relevant Fund to have high volatility or otherwise cause its existing risk profile to change.

6. MANAGEMENT AND ADMINISTRATION

6.1 Regulatory Status

The ACD, the Depositary, the Investment Manager and the Administrator are authorised and regulated by the Financial Services Authority of 25 The North Colonnade, Canary Wharf, London E14 5HS.

6.2 Authorised Corporate Director

6.2.1 General

The ACD is IFDS Managers Limited which is a private company limited by shares incorporated in England and Wales on 19 February 2001.

The directors of the ACD are: -

Simon Neil Hudson-Lund*

Paul Gerald Roberts*

Brian John Archer

Matthew Brown*

David Rossi

David Moffat

Christopher Roy Spencer

*Also directors of the Administrator and Registrar.

The Company Secretary is Patrick Cliffe.

**Registered Office
and Head Office:**

IFDS House, St Nicholas Lane,
Basildon, Essex SS15 5FS

Share Capital:

An issued share capital of £1
represented by 1 ordinary share
of 100 pence fully paid

**Ultimate Holding
Company:**

State Street Corporation and
DST Systems, Inc are the joint
and equal ultimate holding
companies of the ACD

The ACD is responsible for managing and administering the Company's affairs in compliance with the COLL Sourcebook. 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.

It has therefore delegated to the Investment Manager the function of managing and acting as the investment adviser for the investment and reinvestment of the assets of the Funds (as further explained in paragraph 6.4 below). It has also delegated to the Administrator and the Registrar certain functions relating to administration and the Company's register (as further explained in paragraphs 6.5 and 6.6 below). The ACD has delegated various operational and fund accounting functions to State Street Bank & Trust Company.

6.2.2 Terms of Appointment:

The appointment of the ACD has been made under an agreement dated 9 September 2009 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. It also excludes the ACD from liability to the Company or any Shareholder for any error of judgment or loss suffered in connection with the subject matter of the ACD Agreement, unless arising as a direct consequence of recklessness, fraud, bad faith, wilful default or negligence in the performance or non-performance of its obligations and functions under the ACD Agreement. Any liability for defaults of a person to whom it has delegated certain functions is also limited to the extent permitted by the Regulations.

The Company has agreed to indemnify the ACD, to the extent permitted by the COLL Sourcebook (for itself and its delegates) against claims and expenses that arise in respect of their duties, except where there is fault on its or their part of the kind referred to above.

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

The ACD (or its associates or any affected person) is also under no obligation to account to the Depositary, the Company or the Shareholders for any profit it makes on the issue or re-issue or cancellation of Shares which it has redeemed. The ACD may carry out or arrange for the carrying out of stock lending transactions in respect of the Funds. The ACD reserves the right to receive a fee in relation to stock lending, subject to giving Shareholders 60 days' written notice of the details of such fees. The ACD Agreement is intended to continue indefinitely unless and until terminated. Subject to COLL

7.3.9 and COLL 7.3.11, either party shall be entitled to terminate this agreement by giving not less than 12 month's notice in writing to the other party at any time, unless the parties agree a shorter period. This agreement may also be terminated earlier on certain types of breaches or the insolvency of a party. The Company has no directors other than the ACD. The ACD is the authorised corporate director of certain open-ended investment companies details of which are set out in Appendix IV.

6.3 The Depositary

6.3.1 General

The Depositary of the Company is HSBC Bank plc. The Depositary is a public company limited by shares incorporated in England and Wales. Its registered office is at 8 Canada Square, London E14 5HQ. The ultimate holding company of the Depositary is HSBC Holding plc which is incorporated in England and Wales. The principal business activity of the Depositary is acting as a trustee and depositary of collective investment schemes. The Depositary is authorised and regulated by the Financial Services Authority.

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 relating to the pricing of, and dealing in, Shares and relating to the income and the investment and borrowing powers of the Funds.

6.3.2 Terms of Appointment:

The appointment of the Depositary has been made under an agreement dated 9 September 2009, as amended from time to time, between the Company, the ACD and the Depositary, which came into effect on 9 September 2009 (the "Depositary Agreement").

Subject to the COLL Sourcebook, the Depositary has full power under the Depositary Agreement to delegate (and authorise its delegate to sub-delegate) all or any part of its duties as depositary. The Depositary also acts as custodian of the Company. However it has delegated the custody of assets of the Company to State Street Bank and Trust Company.

The Depositary's Agreement may be terminated by the Depositary or the Company with not less than twelve months' written notice provided that no such notice shall take effect until the appointment of a successor to the Depositary.

To the extent permitted by the FSA Handbook, the Company will indemnify the Depositary (or its associates) against costs, charges, losses and liabilities incurred by it (or its associates) in the proper execution, or in the purported proper execution, or exercise (reasonably and in good faith) of the Depositary's duties, powers, authorities and discretions, except in the case of any liability for a failure to exercise due care and diligence in the discharge of its functions.

The Depositary is entitled to receive remuneration out of the property of the Funds for its services, as explained in paragraph 7.4 below. The Depositary (or its associates or any affected person) 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 the dealings in Shares of the Company, any transaction in Scheme Property or the supply of services to the Company.

6.4 **The Investment Manager**

6.4.1 **General**

The ACD has appointed the Investment Manager, Russell Investments Limited, to provide investment management and advisory services to the ACD. The Investment Manager is authorised and regulated by the FSA.

The Investment Manager's registered office is at Rex House, 10 Lower Regent Street, London SW1Y 4PE.

The principal activity of the Investment Manager is the provision of investment management services.

6.4.2 **Terms of Appointment:**

The Investment Manager was appointed by an agreement dated 9 September 2009 between the ACD and the Investment Manager, as amended from time to time (the "Investment Management Agreement").

In the exercise of the ACD's investment functions, the Investment Manager shall (subject to the overall policy and supervision of the ACD) have full power, authority and right to exercise the functions, duties, powers and discretions exercisable by the ACD under the Instrument of Incorporation or the Regulations to manage the investment of the Scheme Property of the Company. The Investment Manager has full power to delegate under the Investment Management Agreement.

The Investment Manager may also direct the exercise of rights (including voting rights) attaching to the ownership of the Company's Scheme Property.

The Investment Management Agreement is for a minimum period of 4 years. It may be terminated by not less than twelve months written notice, such notice not to expire before the end of that 4 year period, or immediately if it is in the best interest of investors, or by written notice given by either party on the happening of certain events involving any material breach or insolvency. It will also terminate automatically if the agreement appointing the ACD is terminated or if the ACD or the Investment Manager cease to be authorised to act as such.

The Investment Manager is entitled to a fee out of that paid to the ACD, as explained below in paragraph 7.

The Investment Manager will not be considered as a broker fund adviser under the FSA Handbook in relation to the Company.

6.4.3 Delegation of Investment Management and Appointment of Investment Advisers

For each Fund, the Investment Manager may appoint investment managers and/or be advised by multiple investment advisers who have expertise in the relevant sector and/or asset class in which that Fund will invest pursuant to its investment objective and policy. Where investment advisers are appointed, optimal stock views from those investment advisers will then be aggregated into an appropriate portfolio for the Fund, which will then be implemented by the Investment Manager (or its affiliate) with a view to improving trading efficiency, better managing portfolio risk and reducing potential transactions costs for transactions in scheme property of the Fund, in accordance with the procedures for timing of implementation as determined by the Investment Manager from time to time. The Fund will not suffer any additional fees as a result of the above. Any fees incurred by such appointments or advisers will be paid out of the Investment Management Fee and will not be charged to the Fund.

6.5 The Administrator

On behalf of the Company the ACD has appointed the Administrator, International Financial Data Services (UK) Limited, to provide certain administration services. The Administrator's registered office is IFDS House, St Nicholas Lane, Basildon, Essex SS15 5FS.

6.6 The Registrar

6.6.1 General

On behalf of the Company the ACD has also appointed International Financial Data Services Limited to act as registrar to the Company

The registered office of the Registrar is IFDS House, St Nicholas Lane, Basildon, Essex SS15 5FS.

6.6.2 Register of Shareholders

The Register of Shareholders will be maintained by the Registrar at the address of its registered office as noted above, and may be inspected at that address during normal business hours by any Shareholder or any Shareholder's duly authorised agent.

The plan register (being a record of persons who subscribe for Shares through ISA plans) can be inspected at the office of the Administrator.

6.7 The Auditors

The Auditors of the Company are Deloitte LLP, whose address is Stonecutter Court. 1 Stonecutter Street, London EC4A 4TR.

Legal Advisers

The Company is advised by Eversheds LLP of One Wood Street, London EC2V 7WS.

6.8 Conflicts of Interest

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

7. FEES AND EXPENSES

7.1 General

The fees, costs and expenses relating to the authorisation and incorporation and establishment of the Company, the offer of Shares, the preparation and printing of this Prospectus and the fees of the professional advisers to the Company in connection with the offer will be borne by the Company.

Each Fund formed after this Prospectus is superseded may bear its own direct establishment costs.

The Company may pay out of the property of the Company any liabilities arising on the unitisation, amalgamation or reconstruction of the Company or of any Fund.

All fees, costs, charges or expenses payable by a Shareholder or out of the property of the Company or each Fund (as the case may be) are set out in this section 7. The Company or each Fund (as the case may be) may, so far as the COLL Sourcebook allows, also pay out of the property of the Company or each Fund (as the case may be) all relevant fees, costs, charges and expenses incurred by the Company or each Fund (as the case may be), which will include the following:

- 7.1.1 the charges and expenses payable to the ACD (from which the ACD will pay the fees and expenses payable to the Investment Manager).
- 7.1.2 fees and expenses in respect of establishing and maintaining the Register of Shareholders (and any plan sub-register) and related functions;
- 7.1.3 expenses incurred in acquiring, registering and disposing of investments;
- 7.1.4 expenses incurred in producing, distributing and dispatching income and other payments to Shareholders;
- 7.1.5 fees in respect of the publication and circulation of details of the Net Asset Value and prices;
- 7.1.6 the fees and expenses of the auditors and any tax, legal and other professional advisers of the Company;
- 7.1.7 fees of the FSA under the Financial Services and Markets Act 2000 and the corresponding periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which Shares are or may lawfully be marketed;

- 7.1.8 the costs of convening and holding Shareholder meetings (including meetings of Shareholders in any particular Fund, or any particular Class within a Fund);
- 7.1.9 costs incurred in taking out and maintaining any insurance policy in relation to the Company and/or its Directors;
- 7.1.10 expenses incurred in company secretarial duties, including the cost of minute books and other documentation required to be maintained by the Company;
- 7.1.11 the costs of preparing, updating and printing this Prospectus, the Simplified Prospectuses or the Key Investor Information Document (KIID) as appropriate, the Instrument of Incorporation and contract notes and the costs of distributing this Prospectus and the Instrument of Incorporation (apart from the costs and expenses of distributing any Simplified Prospectus or the Key Investor Information Document (KIID) as appropriate) and the costs of printing and distributing reports and accounts and any other administrative expenses related to this clause 7.1.11;
- 7.1.12 tax and duties payable by the Company;
- 7.1.13 interest on and charges incurred in borrowings;
- 7.1.14 any amount payable by the Company under any indemnity provisions contained in the Instrument of Incorporation or any agreement with any functionary of the Company;
- 7.1.15 any payments otherwise due by virtue of changes to the Regulations;
- 7.1.16 costs (apart from promotional payments) in respect of communications with investors ;
- 7.1.17 fees of any paying, representative or other agents of the Company or the ACD;
- 7.1.18 any costs in modifying the ACD Agreement and any other relevant document required under the Regulations; and
- 7.1.19 the fees of any stock lending agent and the fees of the ACD for arranging any stock lending, subject to giving Shareholders 60 days' prior written notice of the details of these fees.

VAT may be payable on these charges.

It is not currently proposed to seek a listing for the Shares on any stock exchange, but if a listing is sought in the future the fees connected with the listing will be payable by the Company.

Expenses are allocated between capital and income in accordance with the COLL Sourcebook.

Some Funds may receive a quarterly rebate of the management fees paid to the Investment Manager in respect of any underlying collective investment scheme managed by the Investment Manager or an associate of the Investment Manager so that there is no duplication of management fees. For details of the Funds which this applies to please see Appendix I.

7.2 Charges payable to the ACD

In payment for carrying out its duties and responsibilities the ACD is entitled to take an annual management charge out of each Fund. The annual management charge is calculated and accrued on a daily basis by reference to the Net Asset Value of the Fund on the previous Dealing Day and the amount due for each month is payable on the last working day of the month. The current management charge for each Fund (expressed as a percentage per annum of the Net Asset Value of each Fund) is set out in Appendix I.

The ACD is also entitled to all reasonable, properly documented, out of pocket expenses incurred in the performance of its duties.

VAT may be payable on these charges.

Where the investment objective of a Fund is to treat the generation of income as a higher priority than capital growth, or the generation of income and capital growth have equal priority, all or part of the ACD's fees may be charged against capital instead of against income as set out in Appendix I. This will only be done with the approval of the Depositary. This treatment of the ACD's fee will increase the amount of income (which may be taxable) available for distribution to Shareholders in the Fund concerned, but may constrain capital growth.

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.

7.3 Increase in the charges payable to the ACD

Any increase of the annual management charge by the ACD will be carried out in accordance with the Regulations.

7.4 Depositary's fees and expenses

The Depositary is entitled to receive out of the property of each Fund by way of remuneration, a periodic charge which will accrue and be calculated daily and will be payable monthly in respect of each calendar month as soon as practicable after the month end. The rate or rates and/or amounts of the Depositary's periodic charge in respect of each Fund shall be agreed between the ACD and the Depositary from time

to time. The Depositary's periodic charge is currently calculated on the aggregate value of all the Funds on the following basis

0.015% per annum on the first £1 billion;

0.0125% per annum on the next £1 billion; and

0.01% per annum on any excess.

The resultant charge is then apportioned between the Funds pro rata to the Net Asset Value of each Fund subject to a minimum annual charge of £5,000 per Fund.

The Depositary's charge is calculated daily on the Net Asset Value of each Fund on the previous business day. The valuation used for each day which is not a business day will be the value calculated on the previous business day. Value Added Tax may be payable on these charges.

In the event of the termination of a Fund, the Depositary shall continue to be entitled to a periodic charge in respect of that Fund for the period up to and including the day on which the final distribution in the termination of the Fund shall be made or, in the case of a termination following the passing of an extraordinary resolution approving the scheme of arrangement, up to and including the final day on which the Depositary is responsible for the safekeeping of the Scheme Property of the Fund. Such periodic charge will be calculated, be subject to the terms and accrue and be paid as described above, except that for the purpose of calculating the periodic charge in respect of any day falling after the day on which the termination day of the Fund commences, the value of the Scheme Property of the Fund shall be the Net Asset Value determined at the beginning of each such day.

The Depositary Agreement between the Company and the Depositary provides that the Depositary may also be paid by way of remuneration, out of the property of the Company, custody fees where it acts as Custodian and other transaction and bank charges. At present the Depositary delegates the function of custody of the Scheme Property to State Street Bank & Trust Company ("SSBTC").

The remuneration for acting as custodian is calculated at such rate, rates and/or amounts as may be agreed from time to time. The current remuneration ranges from between 0.005% per annum to 0.5% per annum of the value of the property of each Fund, plus VAT (if any) represented by the Net Asset Value of the Fund calculated on the last business day of each month. The valuation used for each day which is not a business day will be the value calculated on the previous business day. The current range of transaction charges is between £10 and £100 per transaction plus VAT (if any). Custody and transaction charges will be payable monthly out the property of each Fund in arrears.

In addition to the remuneration referred to above, the Depositary is entitled to receive out of the property of the Company reimbursement for expenses properly incurred by it in discharge of its duties or exercising any powers conferred upon it in relation to the Company and each Fund. Such expenses include, but are not restricted to:

- 7.4.1 charges and expenses payable to SSBTC or to any person (whether or not an associate of the Depositary) to whom any function of custody or control in relation to Scheme Property is delegated or whose services are retained to assist in the performance of any such function;
- 7.4.2 all charges imposed by, and any expenses of, any agents appointed by the Depositary to assist in the discharge of its duties;
- 7.4.3 all charges and expenses incurred in connection with the collection and distribution of income;
- 7.4.4 all charges and expenses incurred in relation to the preparation of the Depositary's annual report to Shareholders;
- 7.4.5 all charges and expenses incurred in relation to stock lending or other transactions;
- 7.4.6 fees and expenses payable to any professional advisors advising or assisting the Depositary.

VAT (if any) in connection with any of the above is payable in addition.

On a winding up of the Company, termination of a Fund or the redemption of all outstanding Shares of a Class the Depositary is entitled to its pro rata fees and expenses to the date of such winding up, termination or redemption and any additional expenses necessarily realised in settling or receiving any outstanding obligations.

7.5 **Fund Accountant's fee**

The Fund Accountant's fee is payable out of the property of each Fund for the provision of accounting services to the Funds. The fee will accrue and be calculated daily and will be payable monthly in respect of each calendar month as soon as practicable after the month end.

The Fund Accountant's fee is currently calculated on the value of each of the Funds individually on the following basis:

0.025% per annum on the 1st £250,000,000;

0.015% per annum on the next £500,000,000; and

0.001% per annum on any excess.

The above fees cover two Share Classes per Fund and are subject to a minimum annual charge of £25,000 per fund. Where a Fund has more than two Share Classes an additional fee will be charged of £500 for each additional Share Class.

The fee is calculated daily on the Net Asset Value of each Fund on the previous business day. The valuation used for each day which is not a business day will be the value calculated on the previous business day. Value Added Tax may be payable on these charges.

7.6 Administrator's fee

An administration fee (plus VAT if any) is payable out of the property of each Fund for the provision of administration services to the Funds. The fee will be less than 0.06% and will accrue and be calculated daily and will be payable monthly in respect of each calendar month as soon as practicable after the month end.

7.7 Allocation of fees and expenses between Funds

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

8. **SHAREHOLDER MEETINGS AND VOTING RIGHTS**

8.1 **Class and Fund Meetings**

The Company has dispensed with the need to hold Annual General Meetings.

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

8.2 **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.

8.3 **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.

8.4 **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.

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 senior 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 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 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 a Fund 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 entered on the register at a time to be determined by the ACD and stated in the notice of the meeting which must not be more than 48 hours before the time fixed for the meeting.

9. TAXATION

9.1 General

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

9.2 The Funds

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

The Funds are generally exempt from United Kingdom tax on capital gains realised on the disposal of investments (including interest-paying securities and derivatives but excluding on non-reporting offshore funds) held within them.

Dividends from United Kingdom and non-United Kingdom companies are received by a Fund with a tax credit and no further tax is payable by the Fund on that income. The Funds will each be subject to corporation tax at 20% on most other types of income but after deducting allowable management expenses and the gross amount of any interest distributions. Where a Fund suffers foreign tax on income received, this may normally be treated as an expense or deducted from any United Kingdom tax payable on that income.

9.3 Shareholders

9.3.1 Income – Equity Funds

Funds which are so called “Equity” Funds for the purposes of tax will pay any distributable income as dividend distributions, (which will be automatically retained in the Fund in the case of accumulation Shares). Details of whether a particular Fund is an “Equity” Fund or a “Bond” Fund for tax purposes are set out in Appendix I. Dividend distributions will be paid with a 10% tax credit. United Kingdom resident individuals liable to income tax on investment income at the basic rate will have no further liability to tax. Higher rate taxpayers will have to pay an additional amount of income tax, as will additional rate taxpayers. Non-taxpayers may not reclaim the tax credits on dividend distributions paid.

Corporate Shareholders who receive dividend distributions may have to divide them into two (in which case the division will be indicated on the tax voucher). Any part representing dividends received from a company will be

treated as dividend income (that is, franked investment income) and no further tax will be due on it. The remainder will be received as an annual payment after deduction of income tax at the basic rate, and corporate Shareholders may, depending on their circumstances, be liable to tax on the grossed up amount, with the benefit of the 20% income tax credit attached or to reclaim part of the tax credit as shown on the tax voucher.

Non-United Kingdom resident Shareholders will generally not be entitled to reclaim any part of the tax credit on the dividend distribution from HM Revenue and Customs although it will normally satisfy their United Kingdom tax liability on that income. They may also be able to offset the tax credit against their liability to tax in their own country.

9.3.2 **Income - Bond Funds**

Funds which are so called "Bond" Funds for the purposes of tax currently pay interest distributions (which will be automatically retained in the case of accumulation Shares). Details of whether a particular Fund is an "Equity" Fund or a "Bond" Fund for tax purposes are set out in Appendix I. These distributions are made after income tax has been deducted and paid to HM Revenue and Customs. A tax voucher will be supplied to Shareholders showing the total interest distribution before the deduction of tax (gross interest), and where relevant the tax deducted and the amount of the interest distribution after tax has been deducted (net interest).

For individual Shareholders, the gross interest will be subject to United Kingdom tax at 10% in the case of taxpayers who are liable to income tax at the starting rate on investment income, 20% in the case of basic rate taxpayers, 40% in the case of higher rate taxpayers and 50% in the case of additional rate taxpayers. The tax deducted will satisfy in full the tax liability on the interest of Shareholders subject to basic rate income tax. For Shareholders who are starting rate income taxpayers part of the tax deducted will satisfy their liability and part may be reclaimed from HM Revenue and Customs. Shareholders who are higher or additional rate taxpayers will have to pay further income tax. Non-taxpayers may reclaim the tax deducted from HM Revenue and Customs. Where Shares are held through ISAs their managers may reclaim any tax deducted.

Shareholders subject to United Kingdom corporation tax will be liable to tax on the gross interest but will receive credit for the 20% income tax deducted.

Non United Kingdom resident Shareholders may be entitled to a refund from HM Revenue and Customs of the tax deducted from their interest distributions (or a proportion of it). This will depend on their personal

circumstances and the terms of any double taxation agreement between their country of residence and the United Kingdom.

9.3.3 **Reporting requirements**

The Company may be required to report details of interest paid to United Kingdom residents

9.4 **Income equalisation**

The first income allocation received by an investor after buying Shares may include an amount of income equalisation. 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. Equalisation will be applied on all of the Funds.

9.5 **ISAs**

Shares held in the Funds are qualifying investments for the purposes of the stocks and shares component of an ISA.

9.6 **Gains**

Shareholders who are resident in the United Kingdom for tax purposes may, depending on their personal circumstances, be liable to capital gains tax or, if a corporate Shareholder, corporation tax on gains arising from the redemption, transfer or other disposal of Shares (but not on Switches between Classes within a Fund).

Corporate Shareholders in the "Bond" Funds who are subject to corporation tax must treat their Shareholding as a creditor relationship subject to a fair value basis of accounting.

Part of any increase in value of accumulation Shares represents the accumulation of income (including income equalisation but excluding tax credit). These amounts may be added to the acquisition cost when calculating the capital gain realised on their disposal.

Individual Shareholders will find further information in HM Revenue and Customs Help Sheets for the capital gains tax pages of their tax returns.

10. **WINDING UP OF THE COMPANY OR TERMINATION OF A FUND**

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. A Fund may only be terminated under the COLL Sourcebook.

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

The Company may be wound up or a Fund must be terminated under the COLL Sourcebook:

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

On the occurrence of any of the above:

- 10.4 COLL 6.2 (Dealing), COLL 6.3 (Valuation and Pricing) and COLL 5 (Investment and borrowing powers) will cease to apply to the Company or the relevant Fund;
- 10.5 the Company will cease to issue and cancel Shares in the Company, except in respect of the final cancellation, or the relevant Fund and the ACD shall cease to sell or redeem Shares or to arrange for the Company to issue or cancel them except in respect of the final cancellation for the Company or the relevant Fund;
- 10.6 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;
- 10.7 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; and

- 10.8 the corporate status and powers of the Company and, subject to 10.4 to 10.7 above, the powers of the Depositary shall continue until the Company is dissolved.

The ACD shall, as soon as practicable after the Company or the Fund falls to be wound up or terminated (as appropriate), 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/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 property of the Company or the Fund. If the ACD has not previously notified Shareholders of the proposal to wind up the Company or terminate the Fund, the ACD shall, as soon as practicable after the commencement of winding up of the Company or the termination of the Fund, give written notice of the commencement to Shareholders. When the ACD has caused all of the property to be realised and all of the liabilities of the Company or the particular Fund 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 or the particular Fund.

As soon as reasonably practicable after completion of the winding up of the Company or the termination of a particular Fund, the Depositary shall notify the FSA that the winding up or termination 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.

Following the completion of a winding up of the Company or termination of a Fund, the ACD must prepare a final account showing how the winding up/termination took place and how the property was distributed. The auditors of the Company shall make a report in respect of the final account stating their opinion as to whether the final account has been properly prepared. This final account and the auditors' report must be sent to the FSA and to each Shareholder (or the first named of joint Shareholders) on it within two months of the completion of the winding up or termination.

As the Company is an umbrella company, any liabilities attributable or allocated to a particular Fund under the COLL Sourcebook shall be met first out of the property attributable or allocated to that particular Fund. If the liabilities of a particular Fund are greater than the proceeds of the realisation of the property attributable or allocated to the Fund, the deficit shall be met out of the property attributable or allocated to the solvent Funds in respect of which the proceeds of realisation exceed liabilities and will be divided between those Funds in a manner which is fair to Shareholders in those solvent Funds.

11. GENERAL INFORMATION

11.1 Accounting Periods

The annual accounting period of the Company ends each year on 31 December (the accounting reference date) with an interim accounting period ending on 30 June. The first annual accounting period of the Company will end on 31 December 2010 and the first interim accounting period will end on 30 June 2010.

11.2 Income Allocations

Some Funds may have interim and final income allocations and other Funds may have quarterly income allocations and some Funds may only have final income allocation dates (see Appendix I). For each of the Funds income is allocated in respect of the income available at each accounting date.

In relation to income Shares, distributions of income for each Fund in which income Shares are issued are paid by cheque or BACS directly into a Shareholder's bank account on or before the relevant income allocation date in each year as set out in Appendix I. Income will normally be accumulated/distributed (as appropriate to the Share Class) within two months of the accounting date(s) but the ACD reserves the right to accumulate/pay at a later date but not later than four months after the accounting date(s) as permitted by the Regulations.

For Funds in which accumulation Shares are issued, income will become part of the capital property of the Fund 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 relevant Fund (or, if that no longer exists, to the Company).

The amount available for accumulation or distribution in any accounting period is calculated by taking the aggregate of the income received or receivable for the account of the relevant Fund in respect of that period, and deducting the charges and expenses of the relevant Fund paid or payable out of income in respect of that accounting period. The ACD then makes such other adjustments as it considers appropriate (and after consulting the 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.

With the agreement of the Depositary individual amounts of income of £10 or less may not be paid.

11.3 **Annual Reports**

The annual report of the Company will normally be published within two months of each annual accounting period although the ACD reserves the right to publish the annual report at a later date but not later than four months from the end of each annual accounting period and the half yearly report will be published within two months of each interim accounting period. The ACD has determined that the accounts contained in this report should be short reports and are available to any person free of charge on request. A report containing the full accounts is available to any person free of charge on request.

11.4 **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 IFDS House, St Nicholas Lane, Basildon, Essex SS15 5FS:

11.4.1 the Prospectus;

11.4.2 the most recent annual and half yearly reports of the Company;

11.4.3 the Instrument of Incorporation (and any amending documents); and

11.4.4 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 annual and half yearly reports of the Company and the Prospectus which are available free of charge to any person on request).

11.5 **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:

11.5.1 the ACD Agreement dated 9 September 2009 between the Company and the ACD; and

11.5.2 the Depositary Agreement dated 9 September 2009 between the Company the Depositary and the ACD.

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

11.6 **Strategy for the exercise of voting rights**

The ACD has a strategy for determining when and how voting rights attached to ownership of Scheme Property are to be exercised for the benefit of each Fund. A summary of this strategy is available from the ACD on 0845 002 0785 or www.ifdsmanagers.com as are the details of the actions taken on the basis of this strategy in relation to each Fund.

11.7 **Best Execution**

The ACD's best execution policy sets out the basis upon which the ACD will effect transactions and place orders in relation to the Company whilst complying with its obligations under the FSA Handbook to obtain the best possible result for the Company.

Details of the best execution policy are available upon request from the ACD.

11.8 **Inducements**

The provision of any benefits/payments will not result in any additional cost to the Company or the Funds.

The ACD will make disclosures to the Company in relation to inducements as required by the FSA Rules.

11.9 **Provision of Investment Advice**

All information concerning the Company and about investing in Shares of the Company is available from the ACD at PO Box 10204, Chelmsford CM99 2AQ. The ACD is not authorised to give 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.

11.10 **Telephone Recordings**

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

11.11 **Complaints**

Complaints concerning the operation or marketing of the Company may be referred to the Complaints Officer of the ACD at PO Box 10204, Chelmsford CM99 2AQ or, if you subsequently wish to take your complaint further, direct to the Financial Ombudsman Service at South Quay Plaza, 183 Marsh Wall, London E14 9SR.

11.12 **Risk Management**

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

11.12.1 the quantitative limits applying in the risk management of any Fund;

11.12.2 the methods used in relation to 11.9.1; and

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

11.13 **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.

11.14 **Notices**

All notices or documents required to be served on Shareholders shall be served by post to the address of the Shareholder as evidenced on the register. All documents and remittances are sent at the risk of the Shareholder.

APPENDIX I
FUND DETAILS

Name:	Defensive Assets Fund
Type of Fund:	UCITS scheme
Launch Date:	12 January 2010
Investment objective:	The Fund aims to achieve long-term capital appreciation.
Investment policies:	<p>The Fund will seek to achieve its objective by investing predominantly in:</p> <ul style="list-style-type: none">○ global fixed income securities;○ money market instruments, cash and near cash, deposits;○ collective investment schemes that invest predominantly in global fixed income securities, money market instruments, cash and near cash, deposits or schemes whose objective is to exceed a cash benchmark; and/or○ collective investment schemes that invest predominantly in equity securities or which adopt other appropriate investment strategies. <p>The Fund may use currency hedging techniques to reduce exposure to currencies other than Sterling. The Fund may also invest, at the ACD's discretion, in other transferable securities, money market instruments, cash and near cash, deposits and any other permitted asset type deemed appropriate to meet the investment objective. Use may also be made of derivatives for efficient portfolio management and, upon providing 60 days' written notice to the Shareholders, for investment purposes.</p>
Use of derivatives:	Shareholders should note the risk warning at section 5.20 of this Prospectus in relation to the Fund using derivatives for investment purposes following the giving of 60 days' pre-notification.
Final accounting date:	31 December
Interim accounting date:	30 June (for information only)
Income distribution date*:	28 February

Valuation Point: 07:00 hours
Cut Off Point: 17:00 hours on the preceding Dealing Day
Dealing frequency: Daily on a Dealing Day

Classes of Share*	Initial charge	Redemption charge	Annual Management Charge	Minimum initial investment	Minimum subsequent investment	Minimum holding	Minimum redemption	Regular Savings Plan	Regular Withdrawal Facility
A Class Income	3%	0%	1.35%	£1,000	£500	£1,000	£1,000	Yes (minimum payment of £100 per month (minimum £50 per Fund))	Yes (further details available from the Administrator)
A Class Accumulation	3%	0%	1.35%	£1,000	£500	£1,000	£1,000	Yes (minimum payment of £100 per month (minimum £50 per Fund))	Yes (further details available from the Administrator)
B Class Income (not yet launched)	3%	0%	0.85%	£1,000	£500	£1,000	£1,000	Yes (minimum payment of £100 per month (minimum £50 per Fund))	Yes (further details available from the Administrator)
B Class Accumulation	3%	0%	0.85%	£1,000	£500	£1,000	£1,000	Yes (minimum payment of £100 per month (minimum £50 per Fund))	Yes (further details available from the Administrator)
C Class Income	3%	0%	0.60%	£1,000	£500	£1,000	£1,000	Yes (minimum payment of £100 per month (minimum £50 per Fund))	Yes (further details available from the Administrator)
C Class Accumulation	3%	0%	0.60%	£1,000	£500	£1,000	£1,000	Yes (minimum payment of £100 per month (minimum £50 per Fund))	Yes (further details available from the Administrator)

* NB. All classes are net classes unless otherwise stated

Currency of denomination:	Pounds sterling
ISA status:	Qualifying investment for stocks and shares component
Charges taken from income or capital:	Income
Past performance:	Past performance information is set out in Appendix V
Status of Fund for tax purposes:	The Fund is a Bond Fund for the purposes of tax.
Whether Shares will be issued in any other currency:	No
Fee rebates:	The Fund will receive a quarterly rebate of the management fees paid to the Investment Manager in respect of the management fees paid to the Investment Manager in respect of any underlying collective investment scheme managed by the Investment Manager or an associate of the Investment Manager.

*** Income will normally be accumulated/distributed (as appropriate to the Share Class) within two months of the accounting date(s) but the ACD reserves the right to accumulate/pay at a later date but not later than four months after the accounting date(s) as permitted by the regulations.**

Name:	Real Assets Fund
Type of Fund:	UCITS scheme
Launch Date:	30 November 2009
Investment objective:	The Fund aims to achieve long term capital appreciation.
Investment policy:	<p>The Fund will seek to achieve its objective by investing predominantly in:</p> <ul style="list-style-type: none"> o collective investment schemes and other investments (for example transferable securities) that provide exposure to alternative asset classes such as global property, infrastructure, commodities (indirectly, for example through exchange traded commodity index futures) and inflation linked securities; o global fixed income securities; and/or o global equity securities. <p>The Fund may use currency hedging techniques to reduce exposure to currencies other than Sterling.</p> <p>The Fund may also invest, at the ACD's discretion, in other transferable securities, money market instruments, cash and near cash, deposits and any other permitted asset type deemed appropriate to meet the investment objective. Use may also be made of derivatives for efficient portfolio management and, upon providing 60 days' written notice to Shareholders, for investment purposes.</p>
Use of derivatives:	Shareholders should note the risk warning at section 5.20 of this Prospectus in relation to the Fund using derivatives for investment purposes following the giving of 60 days' pre-notification.
Final accounting date:	31 December
Interim accounting date:	30 June (for information only)
Income distribution date*:	28 February
Valuation Point:	07:00 hours
Cut Off Point:	17:00 hours on the preceding Dealing Day
Dealing frequency:	Daily on a Dealing Day

Classes of Share*	Initial charge	Redemption charge	Annual Management Charge	Minimum initial investment	Minimum subsequent investment	Minimum holding	Minimum redemption	Regular Savings Plan	Regular Withdrawal Facility
A Class Income	3%	0%	1.50%	£1,000	£500	£1,000	£1,000	Yes (minimum payment of £100 per month (minimum £50 per Fund))	Yes (further details available from the Administrator)
A Class Accumulation	3%	0%	1.50%	£1,000	£500	£1,000	£1,000	Yes (minimum payment of £100 per month (minimum £50 per Fund))	Yes (further details available from the Administrator)
B Class Income (not yet launched)	3%	0%	1.00%	£1,000	£500	£1,000	£1,000	Yes (minimum payment of £100 per month (minimum £50 per Fund))	Yes (further details available from the Administrator)
B Class Accumulation (not yet launched)	3%	0%	1.00%	£1,000	£500	£1,000	£1,000	Yes (minimum payment of £100 per month (minimum £50 per Fund))	Yes (further details available from the Administrator)
C Class Income	3%	0%	0.75%	£1,000	£500	£1,000	£1,000	Yes (minimum payment of £100 per month (minimum £50 per Fund))	Yes (further details available from the Administrator)
C Class Accumulation	3%	0%	0.75%	£1,000	£500	£1,000	£1,000	Yes (minimum payment of £100 per month (minimum £50 per Fund))	Yes (further details available from the Administrator)

* NB. All classes are net classes unless otherwise stated

ISA status:	Qualifying investment for stocks and shares component
Charges taken from income or capital:	Income
Past performance:	Past performance information is set out in Appendix V
Status of Fund for tax purposes:	The Fund is an Equity Fund for the purposes of tax.
Whether Shares will be issued in any other currency:	No
Fee rebates:	The Fund will receive a quarterly rebate of the management fees paid to the Investment Manager in respect of the management fees paid to the Investment Manager in respect of any underlying collective investment scheme managed by the Investment Manager or an associate of the Investment Manager.

*** Income will normally be accumulated/distributed (as appropriate to the Share Class) within two months of the accounting date(s) but the ACD reserves the right to accumulate/pay at a later date but not later than four months after the accounting date(s) as permitted by the regulations.**

Name:	UK Growth Assets Fund
Type of Fund:	UCITS scheme
Launch Date:	12 January 2010
Investment objective:	The Fund aims to achieve long-term capital appreciation.
Investment policy:	<p>The Fund will seek to achieve its objective by investing predominantly in:</p> <ul style="list-style-type: none"> o Sterling denominated equity securities; o collective investment schemes which invest predominantly in Sterling denominated equity securities; and/or o other investments permitted by the COLL Sourcebook (for example depositary receipts), that gain exposure to Sterling denominated equity securities or Sterling denominated fixed income securities. <p>The Fund may also invest in investments permitted by the COLL Sourcebook that have exposure to other asset classes such as fixed income securities. Up to 100% of the Fund's net assets may be allocated to investments permitted by the COLL Sourcebook that are growth assets (such as equities which generate capital growth).</p> <p>The Fund may also invest, at the ACD's discretion, in other transferable securities, money market instruments, cash and near cash, deposits and any other permitted asset type deemed appropriate to meet the investment objective. Use may also be made of derivatives for efficient portfolio management and, upon providing 60 days' written notice to the Shareholders, for investment purposes.</p>
Use of derivatives:	Shareholders should note the risk warning at section 5.20 of this Prospectus in relation to the Fund using derivatives for investment purposes following the giving of 60 days' pre-notification.
Final accounting date:	31 December
Interim accounting date:	30 June (for information only)
Income distribution date*:	28 February
Valuation Point:	07:00 hours
Cut Off Point:	17:00 hours on the preceding Dealing Day
Dealing frequency:	Daily on a Dealing Day

Classes of Share*	Initial charge	Redemption charge	Annual Management Charge	Minimum initial investment	Minimum subsequent investment	Minimum holding	Minimum redemption	Regular Savings Plan	Regular Withdrawal Facility
A Class Income	3%	0%	1.65%	£1,000	£500	£1,000	£1,000	Yes (minimum payment of £100 per month (minimum £50 per Fund))	Yes (further details available from the Administrator)
A Class Accumulation	3%	0%	1.65%	£1,000	£500	£1,000	£1,000	Yes (minimum payment of £100 per month (minimum £50 per Fund))	Yes (further details available from the Administrator)
B Class Income Not yet launched)	3%	0%	1.15%	£1,000	£500	£1,000	£1,000	Yes (minimum payment of £100 per month (minimum £50 per Fund))	Yes (further details available from the Administrator)
B Class Accumulation (Not yet launched)	3%	0%	1.15%	£1,000	£500	£1,000	£1,000	Yes (minimum payment of £100 per month (minimum £50 per Fund))	Yes (further details available from the Administrator)
C Class Income	3%	0%	0.90%	£1,000	£500	£1,000	£1,000	Yes (minimum payment of £100 per month (minimum £50 per Fund))	Yes (further details available from the Administrator)
C Class Accumulation	3%	0%	0.90%	£1,000	£500	£1,000	£1,000	Yes (minimum payment of £100 per month (minimum £50 per Fund))	Yes (further details available from the Administrator)

* NB. All classes are net classes unless otherwise stated

Currency of denomination:	Pounds sterling
ISA status:	Qualifying investment for stocks and shares component
Charges taken from income or capital:	Income
Past performance:	Past performance information is set out in Appendix V
Status of Fund for tax purposes:	The Fund is an Equity Fund for the purposes of tax.
Whether Shares will be issued in any other currency:	No
Fee rebates:	The Fund will receive a quarterly rebate of the management fees paid to the Investment Manager in respect of the management fees paid to the Investment Manager in respect of any underlying collective investment scheme managed by the Investment Manager or an associate of the Investment Manager.

*** Income will normally be accumulated/distributed (as appropriate to the Share Class) within two months of the accounting date(s) but the ACD reserves the right to accumulate/pay at a later date but not later than four months after the accounting date(s) as permitted by the regulations.**

Name:	International Growth Assets Fund
Type of Fund:	UCITS scheme
Launch Date:	12 January 2010
Investment objective:	The Fund aims to achieve long-term capital appreciation.
Investment policy:	<p>The Fund will seek to achieve its objective by investing predominantly in:</p> <ul style="list-style-type: none"> o non-Sterling denominated equity securities; o collective investment schemes which invest predominantly in non-Sterling denominated equity securities; and/or o other investments permitted by the COLL Sourcebook (for example American Depositary Receipts and Global Depositary Receipts) that gain exposure to non-Sterling denominated equity securities or Sterling denominated fixed income securities. <p>The Fund may also invest in investments permitted by the COLL Sourcebook that have exposure to other asset classes such as fixed income securities. Up to 100% of the Fund's net assets may be allocated to investments permitted by the COLL Sourcebook that are growth assets (such as equities which generate capital growth).</p> <p>The Fund may use currency hedging techniques to reduce exposure to currencies other than Sterling.</p> <p>The Fund may also invest, at the ACD's discretion, in other transferable securities, money market instruments, cash and near cash, deposits and any other permitted asset type deemed appropriate to meet the investment objective. Use may also be made of derivatives for efficient portfolio management and, upon providing 60 days' written notice to the Shareholders, for investment purposes.</p>
Use of derivatives:	Shareholders should note the risk warning at section 5.20 of this Prospectus in relation to the Fund using derivatives for investment purposes following the giving of 60 days' pre-notification.
Final accounting date:	31 December
Interim accounting date:	30 June (for information only)
Income distribution date*:	28 February
Valuation Point:	07:00 hours
Cut Off Point:	17:00 hours on the preceding Dealing Day
Dealing frequency:	Daily on a Dealing Day

Classes of Share *	Initial charge	Redemption charge	Annual Management Charge	Minimum initial investment	Minimum subsequent investment	Minimum holding	Minimum redemption	Regular Savings Plan	Regular Withdrawal Facility
A Class Income	3%	0%	1.70%	£1,000	£500	£1,000	£1,000	Yes (minimum payment of £100 per month (minimum £50 per Fund))	Yes (further details available from the Administrator)
A Class Accumulation	3%	0%	1.70%	£1,000	£500	£1,000	£1,000	Yes (minimum payment of £100 per month (minimum £50 per Fund))	Yes (further details available from the Administrator)
B Class Income (Not yet launched)	3%	0%	1.20%	£1,000	£500	£1,000	£1,000	Yes (minimum payment of £100 per month (minimum £50 per Fund))	Yes (further details available from the Administrator)
B Class Accumulation (Not yet launched)	3%	0%	1.20%	£1,000	£500	£1,000	£1,000	Yes (minimum payment of £100 per month (minimum £50 per Fund))	Yes (further details available from the Administrator)
C Class Income	3%	0%	0.95%	£1,000	£500	£1,000	£1,000	Yes (minimum payment of £100 per month (minimum £50 per Fund))	Yes (further details available from the Administrator)
C Class Accumulation	3%	0%	0.95%	£1,000	£500	£1,000	£1,000	Yes (minimum payment of £100 per month (minimum £50 per Fund))	Yes (further details available from the Administrator)

* NB. All classes are net classes unless otherwise stated

Currency of denomination:	Pounds sterling
ISA status:	Qualifying investment for stocks and shares component
Charges taken from income or capital:	Income
Past performance:	Past performance information is set out in Appendix V
Status of Fund for tax purposes:	The Fund is an Equity Fund for the purposes of tax.
Whether Shares will be issued in any other currency:	No
Fee rebates:	The Fund will receive a quarterly rebate of the management fees paid to the Investment Manager in respect of the management fees paid to the Investment Manager in respect of any underlying collective investment scheme managed by the Investment Manager or an associate of the Investment Manager.

*** Income will normally be accumulated/distributed (as appropriate to the Share Class) within two months of the accounting date(s) but the ACD reserves the right to accumulate/pay at a later date but not later than four months after the accounting date(s) as permitted by the regulations.**

APPENDIX II

ELIGIBLE SECURITIES MARKETS AND ELIGIBLE DERIVATIVES MARKETS

All the Funds may deal through the following securities markets:

- a) A market made by dealers which are regulated by the United States National Association of Securities Dealers and the United States Securities and Exchange Commission;
 - b) the market organised by the International Capital Markets Association;
 - c) the market conducted by listed money market institutions as described in the Financial Services Authority publication "The regulation of the wholesale cash and OTC derivative markets: The Grey Paper" (as amended from time to time);
 - d) the market comprising dealers which are regulated by the Federal Reserve Bank of New York;
 - e) the over the counter market in the United States conducted by primary and secondary dealers regulated by the United States Financial Industry Regulatory Authority and the United States Securities and Exchange Commission;
 - f) NASDAQ; and
 - g) the Over-the-Counter market in Japan regulated by the Securities Dealers Association of Japan.
- h) the following securities markets established in an EEA State :

Austria	Vienna Stock Exchange (official market) Vienna Stock Exchange (Second Regulated Market)
Belgium	Euronext Brussels
Bulgaria	Bulgarian Stock Exchange
Cyprus	Cyprus Stock Exchange
Czech Republic	Prague Stock Exchange RM-System Czech Stock Exchange
Denmark	GXG Markets NASDAQ Copenhagen Stock Exchange (an OMX Exchange Nordic)
Finland	NASDAQ OMX Helsinki (an OMX Exchange Nordic)
France	Bluenext Euronext Paris (NYSE Euronext Markets)
Germany	Boerse Berlin Equiduct Trading Dusseldorf Stock Exchange Eurex Deutschland (EUREX Exchange) Frankfurt Stock Exchange Hamburg Stock Exchange Hanover Stock Exchange Munich Stock Exchange Stuttgart Stock Exchange Tradegate Exchange (Owned by Deutsche Borse)

Greece	Athens Exchange Securities Market Electronic Secondary Exchange Market
Hungary	Budapest Stock Exchange
Iceland	NASDAQ OMX Iceland (OMX Exchange Nordic)
Italy	Bondvision – Government Bonds Borsa Italiana - Electronic Bond Market Borsa Italiana - Electronic Share Market Borsa Italiana – Electronic ETFs and ETCs Market (ETF-Plus) Borsa Italiana – Market for Investment Vehicles (MIV) MTS - Wholesale Italian and Foreign Government Bond Market MTS Corporate - Wholesale Non-Government Bonds and Securities issued by IOGP
Ireland	Irish Stock Exchange
Latvia	NASDAQ OMX Riga
Lithuania	NASDAQ OMX Vilnius
Luxembourg	Luxembourg Stock Exchange
Netherlands	Euronext Amsterdam – Cash (NYSE Euronext Markets)
Norway	Oslo Stock Exchange – Equity, Bonds, AXESS NASDAQ OMX Norwegian (OMX Exchange Nordic)
Poland	Bondspot Securities Market
Portugal	Eurolist by Euronext Lisbon (NYSE Euronext Markets) MTS Portugal – Special Market for Public Debt (MEDIP)
Romania	Bucharest Stock Exchange Spot Regulated Market Monetary-Financial and Commodities Exchange – Spot Regulated Market
Slovakia	Bratislava Stock Exchange
Slovenia	Ljubljana Stock Exchange – Official Market
Spain	Bolsa de Barcelona Bolsa de Bilbao Bolsa de Madrid Bolsa de Valencia Mercados de Deuda Publica en Anotaciones
Sweden	NASDAQ OMX Stockholm (OMX Exchange Nordic) Nordic Growth Market NGM AB
United Kingdom	London Stock exchange PLUS Stock Exchange (PLUS Markets Group) Turquoise Equities (Part of LSE Group)

c)

i) The following securities markets established in a non-EEA State:

Argentina	Buenos Aires Stock Exchange Mercado Abierto Electronico
Australia	Australian Securities Exchange
Brazil	Bahi, Sergipe, Alagoas Stock Exchange Far South Stock Exchange Parana Stock Exchange Regional Stock Exchange Santos Stock Exchange
Canada	Toronto Stock Exchange (Part of TMX Group Exchanges)
Chile	Santiago Stock Exchange
China	Shanghai Stock Exchange Shenzen Stock Exchange
Croatia	Zagreb Stock Exchange

Estonia	NASDAQ OMX Tallinn
Hong Kong	Kong Kong Stock Exchange (a KKEEx Exchange)
India	Bombay Stock Exchange National Stock Exchange of India OTC Exchange of India
Indonesia	Indonesia Stock Exchange
Israel	Tel Aviv Stock Exchange
Japan	Nagoya Stock Exchange Osaka Securities exchange Tokyo Stock Exchange
Kazakhstan	Kazakhstan Stock exchange
Malaysia	Bursa Malaysia
Mexico	Bolsa Mexicana de Valores
Morocco	Casablanca Stock Exchange
New Zealand	New Zealand Exchange
Pakistan	Islamabad Stock Exchange Karachi Stock exchange Lahore Stock Exchange
Peru	Lima Stock exchange
Philippines	Philippines Stock Exchange
Russia	International Order Book (in London) Moscow InterBank Currency Exchange Russion Trading System Stock Exchange
Singapore	Singapore Exchange
South Africa	JSE – Equity Market
South Korea	Korea Exchange
Taiwan	Taiwan Stock Exchange
Turkey	Istanbul Stock Exchange
United States	Chicago Stock Exchange NASDAQ OMX BX New York Stock Exchange (NYSE Euronext Markets)
Vietnam	Ho Chi Minh Stock Excahnge

Each Fund may also deal through the following EEA and non-EEA derivatives markets indicated below:

a) EEA

Austria	Vienna Stock Exchange (Derivatives)
Belgium	LIFFE Brussels The regulated off-exchange market in linear bonds, split securities and Treasury certificates of Belgium
Denmark	NASDAQ Copenhagen Stock Exchange (OMX Exchange Nordic)
Finland	NASDAQ OMX Helsinki (OMX Exchange Nordic)
France	Euronext Paris MATIF (NYSE Euronext Markets) Euronext Paris – MONEP (NYSE Euronext Markets)
Germany	Eurex Deutschland (a Eurex Exchange) European Energy Exchange (a Eurex Exchange) Stuttgart Stock Exchange
Greece	Athens exchange Derivatives Market
Ireland	Irish Stock Exchange

Italy	Borsa Italiana – Electronic Securitised Derivatives Market (SeDeX)
Netherlands	Borsa Italian – Italian Derivatives Exchange Market (IDEM) Euronext Amsterdam – Derivatives (NYSE Euronext Markets) ENDEX European Energy Derivatives Exchange Financiele Termijnmarkt Amsterdam
Norway	Oslo Stock Exchange – Derivatives International Maritime Exchange (IMAREX) Fish Pool – Derivatives Market (Commodity) NASDAQ OMX Commodities Europe (OMX Exchange Nordic)
Poland	Warsaw Stock Exchange
Portugal	Mercado de Futuros e Opcoes Mercado Regulamentado de Derivados do Mibel NYSE Euronext – Mercado de Futuros e Opcoes
Romania	Bucharest Stock Exchange – Derivatives Regulated Market Monetary-Financial and Commodities Exchange – Derivatives Regulated Market
Spain	AIAF Mercado de Renta Fija MEFF Renta Fija MEFF Renta Variable Mercado de Futuros de Aceite De Oliva
Sweden	NASDAQ OMX Stockholm (OMX Exchange Nordic)
United Kingdom	ICE Futures Europe (in London) LIFFE (NYSE Euronext Markets) PLUS Derivatives Exchange (PLUS Markets Group) Turquoise Derivatives (LSE Group)

*** Note Iceland and Liechtenstein are not eligible markets for the purposes of futures and options**

b) Non-EEA

Brazil	BM&FBOVESPA S.A
Canada	Montreal Exchange (TMX Group Exchanges) TSX Venture Exchange (TMX Group Exchange)
Chile	Chilean Electronic Stock Exchange
Hong Kong	Hong Kong Futures Exchange (a HKEx Exchange)
Japan	Tokyo Financial Exchange Tokyo Stock Exchange
Malaysia	Malaysian Derivatives Exchange Berhad
Mexico	Mercado Mexicano de Derivados
New Zealand	New Zealand Exchange
South Africa	JSE – Currency Derivatives Market (Yield-X) JSE – Equity Derivatives Market JSE –Interest Rate Market (Yield-X)
Switzerland	Eurex Repo (EUREX Exchange)
Thailand	Thailand Futures Exchange
United States	Chicago Board of Trade (CME Group Exchanges) Chicago Board Options Exchange Chicago Mercantile Exchange (CME Group Exchanges) ICE Futures U.S. (in NY) International Securities Exchange (Eurex Exchange) Kansas City Board of Trade NASDAQ OMX Futures Exchange NASDAQ OMX PHLX

NASDAQ Options Market
New York Mercantile Exchange
NYSE AMEX
NYSE Arca Options
The Commodity Exchange Inc

APPENDIX III

INVESTMENT AND BORROWING POWERS OF THE COMPANY

1. General

The Scheme Property of each Fund will be invested with the aim of achieving the investment objective of that Fund but subject to the limits set out in the investment policy, this Prospectus and the limits set out in Chapter 5 of the COLL Sourcebook ("COLL 5") that are applicable to UCITS schemes.

Normally, a Fund will be fully invested save for an amount to enable the pursuit of a Fund's investment objective, redemption of Shares, efficient management of the Fund in relation to its strategic objectives and other purposes which may be reasonably regarded as ancillary to the investment objectives of the Fund. This amount will vary depending upon prevailing circumstances and although it would normally not exceed 10% of the total value of each Fund, there may be times when the Investment Manager considers stock markets to be overpriced or that a period of instability exists which presents unusual risks. In such cases or during such periods, a higher level of liquidity may be maintained and, if considered prudent, the amount of fixed interest, cash or near cash instruments held would be increased. Unless market conditions were deemed unusually risky, the increased amount and period would not be expected to exceed 30% and six months respectively.

1.1 Prudent spread of risk

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

1.2 Cover

1.2.1 Where the COLL Sourcebook allows a transaction to be entered into or an investment to be retained only (for example, investment in warrants and nil and partly paid securities and the general power to accept or underwrite) if possible obligations arising out of the investment transactions or out of the retention would not cause any breach of any limits in COLL 5, it must be assumed that the maximum possible liability of the Fund under any other of those rules has also to be provided for.

1.2.2 Where a rule in the COLL Sourcebook permits an investment transaction to be entered into or an investment to be retained only if

that investment transaction, or the retention, or other similar transactions, are covered:

1.2.2.1 it must be assumed that in applying any of those rules, the Fund must also simultaneously satisfy any other obligation relating to cover; and

1.2.2.2 no element of cover must be used more than once.

1.3 **Transferable Securities**

1.3.1 A transferable security is an investment falling within article 76 (Shares etc), article 77 (instruments creating or acknowledging indebtedness), article 77A (alternative debentures) article 78 (government and public securities), article 79 (instruments giving entitlement to investments) and article 80 (certificates representing certain securities) of the Regulated Activities Order.

1.3.2 An investment is not a transferable security if the title to it cannot be transferred, or can be transferred only with the consent of a third party.

1.3.3 In applying paragraph 1.3.2 of this Appendix to an investment which is issued by a body corporate, and which is an investment falling within articles 76 (shares, etc), 77 (instruments creating or acknowledging indebtedness) or article 77A (alternative debentures) of the Regulated Activities Order, the need for any consent on the part of the body corporate or any members or debenture holders of it may be ignored.

1.3.4 An investment is not a transferable security unless the liability of the holder of it to contribute to the debts of the issuer is limited to any amount for the time being unpaid by the holder of it in respect of the investment.

1.3.5 A Fund may invest in a transferable security only to the extent that the transferable security fulfils the following criteria:

1.3.5.1 the potential loss which the Fund may incur with respect to holding the transferable security is limited to the amount paid for it;

1.3.5.2 its liquidity does not compromise the ability of the ACD to comply with its obligation to redeem Shares at the request of any qualifying Shareholder under the COLL Sourcebook;

1.3.5.3 reliable valuation is available for it as follows:

- (a) in the case of a transferable security admitted to or dealt in on an eligible market, where there are accurate, reliable and regular prices which are either market prices or prices made available by valuation systems independent from issuers;
 - (b) in the case of a transferable security not admitted to or dealt in on an eligible market, where there is a valuation on a periodic basis which is derived from information from the issuer of the transferable security or from competent investment research;
- 1.3.5.4 appropriate information is available for it as follows:
- (a) in the case of a transferable security admitted to or dealt in on an eligible market, where there is regular, accurate and comprehensive information available to the market on the transferable security or, where relevant, on the portfolio of the transferable security;
 - (b) in the case of a transferable security not admitted to or dealt in on an eligible market, where there is regular and accurate information available to the ACD on the transferable security or, where relevant, on the portfolio of the transferable security;
- 1.3.5.5 it is negotiable; and
- 1.3.5.6 its risks are adequately captured by the risk management process of the ACD.
- 1.3.6 Unless there is information available to the ACD that would lead to a different determination, a transferable security which is admitted to or dealt in on an eligible market shall be presumed:
- 1.3.6.1 not to compromise the ability of the ACD to comply with its obligation to redeem Shares at the request of any qualifying Shareholder; and
 - 1.3.6.2 to be negotiable.
- 1.3.7 Up to 5% of the Scheme Property of a Fund may be invested in warrants.
- 1.3.8 A unit or share in a closed end fund shall be taken to be a transferable security for the purposes of investment by a Fund, provided it fulfils

the criteria for transferable securities set out in paragraph 1.3.5 above and either:

1.3.8.1 where the closed end fund is constituted as an investment company or a unit trust:

(a) it is subject to corporate governance mechanisms applied to companies; and

(b) where another person carries out asset management activity on its behalf, that person is subject to national regulation for the purpose of investor protection; or

1.3.8.2 where the closed end fund is constituted under the law of contract:

(a) it is subject to corporate governance mechanisms equivalent to those applied to companies; and

(b) it is managed by a person who is subject to national regulation for the purpose of investor protection.

1.3.9 A Fund may invest in any other investment which shall be taken to be a transferable security for the purposes of investment by a Fund provided the investment:

1.3.9.1 fulfils the criteria for transferable securities set out in 1.3.5 above; and

1.3.9.2 is backed by or linked to the performance of other assets, which may differ from those in which a Fund can invest.

1.3.10 Where an investment in contains an embedded derivative component the requirements of this Section with respect to derivatives and forwards will apply to that component.

2. **UCITS schemes - general**

2.1 Subject to the investment objectives and policy of a Fund, the Scheme Property of a Fund must, except where otherwise provided in COLL 5 only consist of any or all of:

2.1.1 transferable securities;

2.1.2 approved money market instruments;

2.1.3 permitted units or shares in permitted collective investment schemes;

- 2.1.4 permitted derivatives and forward transactions;
 - 2.1.5 permitted deposits; and
 - 2.1.6 moveable and immoveable property that is essential for the direct pursuit of the Company's business in accordance with COLL 5.
- 2.2 Transferable securities and money market instruments held within a Fund must (subject to paragraph 2.3 of this Appendix) be:
- 2.2.1 admitted to or dealt on an eligible market as described below; or
 - 2.2.2 dealt in on a market in an EEA State which is regulated, operates regularly and is open to the public; or
 - 2.2.3 admitted to or dealt in on an eligible market which has been designated an eligible market by the ACD in consultation with the Depositary (as described below); or
 - 2.2.4 a money-market instrument within COLL 5.2.10 AR(1) (is as described in paragraph 8.5 of investment in approved Money Market Instruments" below); or
 - 2.2.5 recently issued transferable securities provided that:
 - 2.2.5.1 the terms of issue include an undertaking that application will be made to be admitted to an eligible market; and
 - 2.2.5.2 such admission is secured within a year of issue.
- 2.3 Not more than 10% in value of the Scheme Property of a Fund may consist of transferable securities, which do not fall within paragraph 2.2 or of approved money market instruments, which do not fall within COLL 5.2.10 AR(1) (i.e. as described in paragraph 9.5 of investment in approved Money Market Instruments" below).
- 2.4 The requirements on spread of investments generally and in relation to investment in government and public securities do not apply during any period in which it is not reasonably practical to comply, provided that the requirement to maintain prudent spread of risk in paragraph 1.1 of this Appendix is complied with.
3. **Eligible markets regime: purpose**
- 3.1 To protect investors the markets on which investments of a Fund are dealt in or traded on should be of an adequate quality ("eligible") at the time of acquisition of the investment and until it is sold.

3.2 Where a market ceases to be eligible, investments on that market cease to be approved securities. The 10% restriction on investing in non approved securities applies and exceeding this limit because a market ceases to be eligible will generally be regarded as an inadvertent breach.

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

3.3.1 a regulated market as defined in the FSA Handbook; or

3.3.2 a market in an EEA State which is regulated, operates regularly and is open to the public.

3.4 A market not falling within paragraph 3.3 of this Appendix is eligible for the purposes of COLL 5 if:

3.4.1 the ACD, after consultation and notification with the Depositary, decides that market is appropriate for investment of, or dealing in, the Scheme Property of a Fund;

3.4.2 the market is included in a list in the Prospectus; and

3.4.3 the Depositary has taken reasonable care to determine that:

3.4.3.1 adequate custody arrangements can be provided for the investment dealt in on that market; and

3.4.3.2 all reasonable steps have been taken by the ACD in deciding whether that market is eligible.

3.5 In paragraph 3.4, a market must not be considered appropriate unless it is regulated, operates regularly, is recognised as a market or exchange or as a self-regulating organisation by an overseas regulator, is open to the public, is adequately liquid and has adequate arrangements for unimpeded transmission of income and capital to or for the order of investors.

4. **Spread: general**

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

4.2 For the purposes of this requirement companies included in the same group for the purposes of consolidated accounts as defined in accordance with Directive 83/349/EEC or in the same group in accordance with international accounting standards are regarded as a single body.

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

- 4.4 Not more than 5% in value of the Scheme Property of a Fund is to consist of transferable securities (or certificates representing such securities) or approved money market instruments issued by any single body, except that the limit of 5% is raised to 10% in respect of up to 40% in value of the Scheme Property of a Fund (covered bonds need not be taken into account for the purposes of applying the limit of 40%).
- 4.5 The limit of 5% is raised to 25% in value of the Scheme Property of a Fund in respect of covered bonds provided that when a Fund invests more than 5% in covered bonds issued by a single body, the total value of covered bonds held must not exceed 80% in value of the Scheme Property.
- 4.6 The exposure to any one counterparty in an OTC derivative transaction must not exceed 5% in value of the Scheme Property of a Fund. This limit is raised to 10% where the counterparty is an Approved Bank.
- 4.7 Not more than 20% in value of the Scheme Property is to consist of the units or shares of any one collective investment scheme.
- 4.8 Not more than 20% in value of the Scheme Property may consist of transferable securities and approved money market instruments issued by the same group.
- 4.9 In applying the limits in paragraphs 4.3, 4.4 and 4.6 and subject to paragraph 4.5 not more than 20% in value of the Scheme Property of a Fund is to consist of any combination of two or more of the following:
- transferable securities (including covered bonds) or approved money market instruments issued by; or
 - deposits made with; or
 - exposures from OTC derivatives transactions made with,
- a single body.

5. **Counterparty risk and issuer concentration**

- 5.1 The ACD must ensure that counterparty risk arising from an OTC derivative is subject to the limits set out in paragraphs 4.6 and 4.9 above.
- 5.2 When calculating the exposure of a Fund to a counterparty in accordance with the limits in paragraph 4.6 the ACD must use the positive mark-to-market value of the OTC derivative contract with that counterparty.
- 5.3 An ACD may net the OTC derivative positions of a Fund with the same counterparty, provided they are able legally to enforce netting agreements with the counterparty on behalf of the Fund.

- 5.4 The netting agreements in paragraph 5.3 are permissible only with respect to OTC derivatives with the same counterparty and not in relation to any other exposures the Fund may have with that same counterparty.
- 5.5 The ACD may reduce the exposure of Scheme Property to a counterparty of an OTC derivative through the receipt of collateral. Collateral received must be sufficiently liquid so that it can be sold quickly at a price that is close to its pre-sale valuation.
- 5.6 The ACD must take collateral into account in calculating exposure to counterparty risk in accordance with the limits in paragraph 4.6 when it passes collateral to an OTC counterparty on behalf of a Fund.
- 5.7 Collateral passed in accordance with paragraph 5.6 may be taken into account on a net basis only if the ACD is able legally to enforce netting arrangements with this counterparty on behalf of that Fund.
- 5.8 The ACD must calculate the issuer concentration limits referred to in paragraph 4.9 on the basis of the underlying exposure created through the use of OTC derivatives pursuant to the commitment approach.
- 5.9 In relation to the exposure arising from OTC derivatives as referred to in paragraph 4.9, the ACD must include any exposure to OTC derivative counterparty risk in the calculation.

6. **Spread: government and public securities**

- 6.1 The following section applies to government and public securities ("such securities").
- 6.2 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 any one issue.
- 6.3 The Company or any Fund may invest more than 35% in value of the Scheme Property of a Fund in such securities issued by any one body provided that:
- 6.3.1 the ACD has before any such investment is made consulted with the Depositary and as a result considers that the issuer of such securities is one which is appropriate in accordance with the investment objectives of the authorised Fund;
 - 6.3.2 no more than 30% in value of the Scheme Property consists of such securities of any one issue;
 - 6.3.3 the Scheme Property of a Fund includes such securities issued by that or another issuer, of at least six different issues;

the disclosures in the Prospectus required by the FSA have been made.

7. **Investment in collective investment schemes**

7.1 Up to 100% of the value of the Scheme Property may be invested in units or shares in other collective investment schemes ("Second Scheme"), including schemes managed by either the Investment Manager or one of its associates, provided that Second Scheme satisfies all of the following conditions and no more than 30% of the value of the Scheme Property is invested in Second Schemes within paragraph 6.1.1.2 to 6.1.1.5.

7.1.1 The Second Scheme must:

7.1.1.1 satisfy the conditions necessary for it to enjoy the rights conferred by the UCITS Directive; or

7.1.1.2 be recognised under the provisions of s.270 of the Financial Services and Markets Act 2000; or

7.1.1.3 be authorised as a non-UCITS retail scheme (provided that the requirements of Article 50(1)(e) of the UCITS Directive are met; or

7.1.1.4 be authorised in another EEA State provided the requirements of Article 50(1)(e) of the UCITS Directive are met; or

7.1.1.5 be authorised by the competent authority of an OECD member country (other than another EEA State) which has:

(a) signed the IOSCO Multilateral Memorandum of Understanding; and

(b) approved the Second Scheme's management company, rules and depositary/custody arrangements;

(provided the requirements of article 50(1)(e) of the UCITS Directive are met).

7.1.2 In relation to the schemes mentioned at paragraphs 7.1.1.3 to 6.1.1.5 above, the requirements of Article 50(1)(e) of the UCITS Directive are that:

7.1.2.1 the scheme is authorised under laws which provide that it is subject to supervision considered by UCITS competent

authorities to be equivalent to that laid down in community law and that co-operation between authorities is sufficiently assured;

7.1.2.2 the level of protection for unitholders in the scheme is equivalent to that provided for unitholders in UCITS schemes and, in particular, the rules on asset segregation, borrowing, lending and uncovered sales of transferable securities and money market instruments are equivalent to the requirements of the UCITS Directive;

7.1.2.3 the business of the scheme is reported in half-yearly and annual reports to enable an assessment to be made of the assets and liabilities income and operations over the reporting period;

7.1.2.4 no more than 10% in value of the scheme asset's, whose acquisition is contemplated, can, according to its funds rules or instrument of incorporation, be invested in aggregate units of other UCITS or other collective investment undertakings.

7.1.3 Any scheme in which a Fund invests must have terms which prohibit more than 10% in value of the scheme property consisting of units in collective investment schemes.

7.1.4 Investment may only be made in other collective investment schemes managed by the ACD or an associate of the ACD if the Prospectus of the investing Fund clearly states that it may enter into such investments and the rules on double charging contained in the COLL Sourcebook are complied with.

7.1.5 Where the Second Scheme is an umbrella, the provisions in paragraphs 7.1.3 to 7.1.4 apply to each sub-fund as if it were a separate scheme.

7.2 The Funds may, subject to the limit set out in 7.1 above, invest in collective investment schemes managed or operated by, or whose authorised corporate director is, the ACD of the Funds or one of its associates.

7.3 Investment may only be made in other collective investment schemes managed or operated by, or whose authorised corporate director is, the ACD of the Funds or one of its associates if the rules on double charging contained in the COLL Sourcebook are complied with,

7.4 If a substantial proportion of a Fund's assets are invested in other collective investment schemes including schemes managed by either the Investment

Manager or one of its associates, the maximum level of management fees that may be charged by an investee collective investment scheme to the Fund concerned will be 3%.

8. Investment in nil and partly paid securities

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

9. Investment in approved money market instruments

9.1 A Fund may invest in approved money market instruments which are money market instruments normally dealt in on the money market, are liquid and whose value can be accurately determined at any time.

9.2 A money-market instrument shall be regarded as normally dealt in on the money market if it:

- (a) has a maturity at issuance of up to and including 397 days;
- (b) has a residual maturity of up to and including 397 days;
- (c) undergoes regular yield adjustments in line with money market conditions at least every 397 days; or
- (d) has a risk profile, including credit and interest rate risks, corresponding to that of an instrument which has a maturity as set out in 9.2(a) or 9.2(b) or is subject to yield adjustments as set out in 9.2(c).

9.3 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.

9.4 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:

- (a) enabling the ACD to calculate a net asset value in accordance with the value at which the instrument held in the Fund could be exchanged between knowledgeable willing parties in an arm's length transaction; and
- (b) based either on market data or on valuation models including systems based on amortised costs.

- (c) 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.

- 9.5 In addition to instruments admitted to or dealt in on an eligible market, a Fund may invest in an approved money-market instrument provided it fulfils the following requirements:
 - (a) the issue or the issuer is regulated for the purpose of protecting investors and savings; and
 - (b) the instrument is issued or guaranteed in accordance with paragraph 9.7 below.

- 9.6 The issue or the issuer of a money-market instrument, other than one dealt in on an eligible market, shall be regarded as regulated for the purpose of protecting investors and savings if:
 - (a) the instrument is an approved money-market instrument;
 - (b) appropriate information is available for the instrument (including information which allows an appropriate assessment of the credit risks related to investment in it), in accordance with paragraphs 9.9, 9.10 and 9.11 below; and
 - (c) the instrument is freely transferable.

- 9.7 A Fund may invest in an approved money-market instrument if it is:
 - (a) issued or guaranteed by any one of the following:
 - (i) a central authority of an EEA State or, if the EEA State is a federal state, one of the members making up the federation;
 - (ii) a regional or local authority of an EEA State;
 - (iii) the European Central Bank or a central bank of an EEA State;
 - (iv) the European Union or the European Investment Bank;
 - (v) a non-EEA State or, in the case of a federal state, one of the members making up the federation;
 - (vi) a public international body to which one or more EEA States belong; or

- (b) issued by a body, any securities of which are dealt in on an eligible market; or
- (c) issued or guaranteed by an establishment which is:
 - (i) subject to prudential supervision in accordance with criteria defined by European Community law; or
 - (ii) subject to and complies with prudential rules considered by the FSA to be at least as stringent as those laid down by European Community law.

9.8 An establishment shall be considered to satisfy the requirement in paragraph 9.7 C(ii) if it is subject to and complies with prudential rules, and fulfils one or more of the following criteria:

- (a) it is located in the European Economic Area;
- (b) it is located in an OECD country belonging to the Group of Ten;
- (c) it has at least investment grade rating;
- (d) on the basis of an in-depth analysis of the issuer, it can be demonstrated that the prudential rules applicable to that issuer are at least as stringent as those laid down by European Community law.

9.9 In the case of an approved money-market instrument within paragraphs 9.7 and 9.8 above or issued by a body of the type referred to in COLL 5.2.10EG, or which is issued by an authority within paragraph 9.7(a)(ii) or a public international body within paragraph 9.7(a)(vi)(a) but is not guaranteed by a central authority within 9.7(a)(i), the following information must be available:

- (a) information on both the issue or the issuance programme, and the legal and financial situation of the issuer prior to the issue of the instrument, verified by appropriately qualified third parties not subject to instructions from the issuer;
- (b) updates of that information on a regular basis and whenever a significant event occurs; and
- (c) available and reliable statistics on the issue or the issuance programme.

9.10 In the case of an approved money-market instrument issued or guaranteed by an establishment within paragraph 9.7(c), the following information must be available:

- (a) information on the issue or the issuance programme or on the legal and financial situation of the issuer prior to the issue of the instrument;
- (b) updates of that information on a regular basis and whenever a significant event occurs; and
- (c) available and reliable statistics on the issue or the issuance programme, or other data enabling an appropriate assessment of the credit risks related to investment in those instruments.

9.11 In the case of an approved money-market instrument:

- (a) within paragraphs 9.7(a)(i), 9.7(a)(iv) or 9.7(a)(v); or
- (b) which is issued by an authority within paragraph 9.7(a)(ii) or a public international body within paragraph 9.7(a)(vi) and is guaranteed by a central authority within paragraph 9.7(a)(i);
- (c) information must be available on the issue or the issuance programme, or on the legal and financial situation of the issuer prior to the issue of the instrument.

10. Efficient Portfolio Management

10.1 The Funds may utilise property to enter into transactions for the purposes of Efficient Portfolio Management. There is no limit on the amount or value of the Scheme Property which may be used for EPM but the ACD must ensure that the transaction is economically appropriate in that they are realised in a cost effective way, they are entered into for one or more of the following specific aims: reduction of the relevant risks (whether in the price of investments, interest rates or exchange rates) or to the reduction of the relevant costs and/or to the generation of additional capital or income with a risk level which is consistent with the risk profile of the scheme and the risk diversification rules in COLL. The exposure must be fully “covered” by cash and/or other property sufficient to meet any obligation to pay or deliver that could arise. **The use of derivatives for EPM should not lead to an increase in risk to the Fund.**

10.2 Permitted transactions are those that the Fund reasonably regards as economically appropriate to EPM, that is:

10.2.1 Transactions undertaken to reduce risk or cost in terms of fluctuations in prices, interest rates or exchange rates where the ACD reasonably believes that the transaction will diminish a risk or cost of a kind or level which it is sensible to reduce; or

10.2.2 Transactions for the generation of additional capital growth or income for the Fund by taking advantage of gains which the ACD reasonably

believes are certain to be made (or certain, barring events which are not reasonably foreseeable) as a result of:

10.2.2.1 pricing imperfections in the market as regards the property which the Fund holds or may hold; or

10.2.2.2 receiving a premium for the writing of a covered call option or a covered put option on property of the Fund which the Fund is willing to buy or sell at the exercise price, or

10.2.2.3 Stock lending arrangements.

A permitted arrangement in this context may at any time be closed out.

10.3 Transactions may take the form of “derivatives transactions” (that is, transactions in options, futures or contracts for differences) or forward currency transactions. A derivatives transaction must either be in a derivative which is traded or dealt in on an eligible derivatives market (and effected in accordance with the rules of that market), or be an off-exchange derivative which complies with the relevant conditions set out in the FSA Rules, or be a “synthetic future” (i.e. a composite derivative created out of two separate options). Forward currency transactions must be entered into with counterparties who satisfy the FSA Rules. A permitted transaction may at any time be closed out.

11. **Derivatives: general**

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 12 (Permitted transactions (derivatives and forwards)) below, and the transaction is covered, as required by paragraph 21 (Cover for investment in derivatives) 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 spread (COLL 5.2.11R Spread: general, COLL 5.2.12R Spread: government and public securities) 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 A transferable security or an approved money-market instrument will embed a derivative if it contains a component which fulfils the following criteria:

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

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

11.6 Where a Fund invests in an index based derivative, provided the relevant index falls within COLL 5.2.33R (Relevant Indices) the underlying constituents of the index do not have to be taken into account for the purposes of COLL 5.2.11R and COLL 5.2.12R.

11.7 In the context of this Prospectus, "efficient portfolio management" means the use of derivatives (which are reasonably regarded by the ACD as economically appropriate and are fully covered) in order to achieve a reduction in certain relevant risks, a reduction of costs, or to generate additional capital or income for the Funds with no, or an acceptably low level of risk.

The Funds will be able to use derivatives for the purpose of efficient portfolio management purposes.

On giving Shareholders 60 days' notice, the Funds will be able to also use derivatives for investment purposes. Shareholders should note the risk warning at section 5.20 of this Prospectus in relation to the Funds using derivatives for investment purposes following the giving of 60 days' pre-notification.

12. Permitted transactions (derivatives and forwards)

12.1 A transaction in a derivative must be:

12.1.1 in an approved derivative; or

12.1.2 be one which complies with paragraph 16 (OTC transactions in derivatives) of this Appendix.

- 12.2 A transaction in a derivative must have the underlying consisting of any one or more of the following to which the scheme is dedicated: transferable securities, approved money market instruments permitted under paragraph 8 (Investment in approved money market instruments), deposits, permitted derivatives under this paragraph, collective investment scheme units or shares permitted under paragraph 6 (Investment in collective investment schemes), financial indices which satisfy the criteria set out in COLL 5.2.20, interest rates, foreign exchange rates, and currencies.
- 12.3 A transaction in an approved derivative must be effected on or under the rules of an eligible derivatives market.
- 12.4 A transaction in a derivative must not cause a Fund to diverge from its investment objectives as stated in the Instrument constituting the scheme and the most recently published version of this Prospectus.
- 12.5 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, money market instruments, units or shares in collective investment schemes, or derivatives.
- 12.6 Any forward transaction must be with an Eligible Institution or an Approved Bank.

13. **Financial indices underlying derivatives**

- 13.1 The financial indices referred to in 13.2 are those which satisfy the following criteria:
- (a) the index is sufficiently diversified;
 - (b) the index represents an adequate benchmark for the market to which it refers; and
 - (c) the index is published in an appropriate manner.
- 13.2 A financial index is sufficiently diversified if:
- (a) it is composed in such a way that price movements or trading activities regarding one component do not unduly influence the performance of the whole index;
 - (b) where it is composed of assets in which a Fund is permitted to invest, its composition is at least diversified in accordance with the requirements with respect to spread and concentration set out in this section; and

(c) where it is composed of assets in which a Fund cannot invest, it is diversified in a way which is equivalent to the diversification achieved by the requirements with respect to spread and concentration set out in this section.

13.3 A financial index represents an adequate benchmark for the market to which it refers if:

- (a) it measures the performance of a representative group of underlyings in a relevant and appropriate way;
- (b) it is revised or rebalanced periodically to ensure that it continues to reflect the markets to which it refers, following criteria which are publicly available; and
- (c) the underlyings are sufficiently liquid, allowing users to replicate it if necessary.

13.4 A financial index is published in an appropriate manner if:

- (a) its publication process relies on sound procedures to collect prices, and calculate and subsequently publish the index value, including pricing procedures for components where a market price is not available; and
- (b) material information on matters such as index calculation, rebalancing methodologies, index changes or any operational difficulties in providing timely or accurate information is provided on a wide and timely basis.

13.5 Where the composition of underlyings of a transaction in a derivative does not satisfy the requirements for a financial index, the underlyings for that transaction shall where they satisfy the requirements with respect to other underlyings pursuant to paragraph 12.2, be regarded as a combination of those underlyings.

14. **Transactions for the purchase of property**

A derivative or forward transaction which will or could lead to the delivery of property for the account of the Company may be entered into only if that property can be held for the account of the Company, 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 rules in the COLL Sourcebook.

15. **Requirement to cover sales**

No agreement by or on behalf of the Company to dispose of property or rights may be made unless the obligation to make the disposal and any other similar obligation could immediately be honoured by the Company by delivery of

property or the assignment (or, in Scotland, assignation) of rights, and the property and rights above are owned by the Company at the time of the agreement. This requirement does not apply to a deposit.

16. **OTC transactions in derivatives**

16.1 Any transaction in an OTC derivative under paragraph 12.1.2 must be:

16.1.1 in a future or an option or a contract for differences;

16.1.2 with an approved counterparty; A counterparty to a transaction in derivatives is approved only if the counterparty is an Eligible Institution or an Approved Bank; or a person whose permission (including any requirements or limitations), as published in the FSA Register or whose Home State authorisation, permits it to enter into the transaction as principal off-exchange;

16.1.3 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 a fair value; and

16.1.4 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:

16.1.4.1 on the basis of an up-to-date market value which the ACD and the Depositary have agreed is reliable; or

16.1.4.2 if the value referred to in 16.1.4.1 is not available, on the basis of a pricing model which the ACD and the Depositary have agreed uses an adequate recognised methodology; and

16.1.5 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:

- 16.1.5.1 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
- 16.1.5.2 a department within the ACD which is independent from the department in charge of managing the Fund and which is adequately equipped for such a purpose.

For the purposes of 16.1.3 above, "fair value" is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

17. **Valuation of OTC derivatives**

17.1 For the purposes of paragraph 16.1.3 the ACD must:

17.1.1 establish, implement and maintain arrangements and procedures which ensure appropriate, transparent and fair valuation of the exposures of a Fund to OTC derivatives; and

17.1.2 ensure that the fair value of OTC derivatives is subject to adequate, accurate and independent assessment.

17.1.3 Where the arrangements and procedures referred to in paragraph 17.1.1 involve the performance of certain activities by third parties, the ACD must comply with the requirements in SYSC 8.1.13 R (Additional requirements for a management company) and COLL 6.6A.4 R (4) to (6) (Due diligence requirements of AFMs of UCITS schemes).

17.2 The arrangements and procedures referred to in paragraph 17.1 must be:

17.2.1 adequate and proportionate to the nature and complexity of the OTC derivative concerned; and

17.2.2 adequately documented.

18. **Risk management**

18.1 The ACD uses a risk management process (including a risk management policy) in accordance with COLL 6.12, enabling it to monitor and measure at any time the risk of a Fund's positions and their contribution to the overall risk profile of the Fund. Before using the process, the ACD will notify the FSA of the details of the risk management process. The following details of the risk management process must be regularly notified to the FSA and at least on an annual basis:

- 18.1.1 a true and fair view of the types of derivatives and forward transactions to be used within a Fund together with their underlying risks and any relevant quantitative limits.
- 18.1.2 the methods for estimating risks in derivative and forward transactions.
- 18.2 The ACD must notify the FSA in advance of any material alteration to the details above.
- 19. **Investments in deposits**
- 19.1 The Fund may invest in deposits only with an Approved Bank and which are repayable on demand or have the right to be withdrawn, and maturing in no more than 12 months.
- 20. **Stock lending**
- 20.1 The entry into stock lending or repo transactions for the account of the Fund is permitted for the generation of additional income for the benefit of the Fund, and hence for its investors.
- 20.2 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.
- 20.3 The stock lending permitted by this section may be exercised by the Fund when it reasonably appears to the Fund to be appropriate to do so with a view to generating additional income for the Fund with an acceptable degree of risk.
- 20.4 The Company or the Depositary at the request of 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:
 - 20.4.1 all the terms of the agreement under which securities are to be reacquired by the Depositary for the account of the Fund, are in a form which is acceptable to the Depositary and are in accordance with good market practice;
 - 20.4.2 the counterparty is:

- 20.4.2.1 an authorised person; or
 - 20.4.2.2 a person authorised by a Home State regulator; or
 - 20.4.2.3 a person registered as a broker-dealer with the Securities and Exchange Commission of the United States of America; or
 - 20.4.2.4 a bank, or a branch of a bank, supervised and authorised to deal in investments as principal, with respect to OTC derivatives by at least one of the following federal banking supervisory authorities of the United States of America:
 - (a) the Office of the Comptroller of the Currency;
 - (b) the Federal Deposit Insurance Corporation;
 - (c) the Board of Governors of the Federal Reserve System; and
 - (d) the Office of Thrift Supervision, and
 - 20.4.3 collateral is obtained to secure the obligation of the counterparty under the terms referred to in paragraph 20.4.1 and the collateral is:
 - 20.4.3.1 acceptable to the depositary;
 - 20.4.3.2 adequate; and
 - 20.4.3.3 sufficiently immediate.
 - 20.4.4 The counterparty for the purpose of paragraph 20.4 is the person who is obliged under the agreement referred to in paragraph 20.4.1 to transfer to the depositary the securities transferred by the depositary under the stock lending arrangement or securities of the same kind.
 - 20.4.5 20.4.3 does not apply to a stock lending transaction made through Euroclear Bank SA/NV's Securities Lending and Borrowing Programme.
- 20.5 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. 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.

20.6 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 the Fund.

20.7 There is no limit on the value of the Scheme Property of a Fund which maybe the subject of stock lending transactions.

21. **Schemes replicating an index**

21.1 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 stated investment policy is to replicate the composition of a relevant index as defined below.

21.2 The 20% limit can be raised for a particular Fund up to 35% in value of the Scheme Property, but only in respect of one body and where justified by exceptional market conditions.

21.3 In the case of a Fund replicating an index the Scheme Property of a Fund need not consist of the exact composition and weighting of the underlying in the relevant index where deviation from this is expedient for reasons of poor liquidity or excessive cost to the scheme in trading in an underlying investment.

21.4 The indices referred to above are those which satisfy the following criteria:

21.4.1 the composition is sufficiently diversified;

21.4.2 the index is a representative benchmark for the market to which it refers; and

21.4.3 the index is published in an appropriate manner.

22. **Cover for investment in derivatives**

22.1.1 A Fund may invest in derivatives and forward transactions as part of its investment policy provided:

22.1.2 its global exposure relating to derivatives and forward transactions held in the Fund does not exceed the net value of the scheme property; and

22.1.3 its global exposure to the underlying assets does not exceed in aggregate the investment limits laid down in paragraph 4 above.

23. **Cover and Borrowing**

23.1 Cash obtained from borrowing, and borrowing which the ACD reasonably regards an Eligible Institution or an Approved Bank to be committed to provide, is available for cover under paragraph 21 (Cover for investment in derivatives) of this Appendix as long as the normal limits on borrowing (see below) are observed.

23.2 Where, for the purposes of this paragraph the Company borrows an amount of currency from an Eligible Institution or an Approved Bank; and keeps an amount in another currency, at least equal to such borrowing for the time on deposit with the lender (or his agent or nominee), then this applies as if the borrowed currency, and not the deposited currency, were part of the Scheme Property, and the normal limits on borrowing under paragraph 28 (Borrowing powers) of this Appendix do not apply to that borrowing.

24. **Calculation of global exposure**

24.1 The ACD must calculate the global exposure of a Fund on at least a daily basis.

24.2 The ACD must calculate the global exposure of any Fund it manages either as:

24.2.1 the incremental exposure and leverage generated through the use of derivatives and forward transactions (including embedded derivatives as referred to in paragraph 11 (Derivatives: general), which may not exceed 100% of the net value of the Scheme Property; or

24.2.2 the market risk of the Scheme Property

24.3 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.

24.4 The ACD must calculate the global exposure of a Fund by using:

24.4.1 commitment approach; or

24.4.2 the value at risk approach.

24.5 The ACD must ensure that the method selected above is appropriate, taking into account:

24.5.1 the investment strategy pursued by the Fund;

24.5.2 types and complexities of the derivatives and forward transactions used; and

- 24.5.3 the proportion of the scheme property comprising derivatives and forward transactions.
- 24.6 Where a Fund employs techniques and instruments including repo contracts or stock lending transactions in accordance with paragraph 3.36 (Stock lending) in order to generate additional leverage or exposure to market risk, the authorised fund manager must take those transactions into consideration when calculating global exposure.
25. **Cash and near cash**
- 25.1 Cash and near cash must not be retained in the Scheme Property of a Fund except to the extent that, where this may reasonably be regarded as necessary in order to enable:
- 25.1.1 the pursuit of the Fund's investment objectives; or
 - 25.1.2 the redemption of units or shares; or
 - 25.1.3 efficient management of the Fund in accordance with its investment objective; or
 - 25.1.4 other purposes which may reasonably be regarded as ancillary to the investment objective of the Fund.
- 25.2 During the period of the initial offer the Scheme Property may consist of cash and near cash without limitation.
26. **General**
- 26.1 It is envisaged that the Funds will normally be fully invested but there may be times that it is appropriate not to be fully invested when the ACD reasonably regards this as necessary in order to enable the redemption of units or shares, efficient management of the Fund or any one purpose which may reasonably be regarded as ancillary to the investment objective of the Fund.
- 26.2 No Fund may invest in the Shares of another Fund of the Company.
- 26.3 Where a Fund invests in or disposes of units or shares in another collective investment scheme which is managed or operated by the ACD or an associate of the ACD, the ACD must pay to the Fund by the close of business on the fourth business day the amount of any preliminary charge in respect of a purchase, and in the case of a sale, any charge made for the disposal.
- 26.4 It is not intended that the Company have any interest in any immovable or moveable property for the direct pursuit of its business.

26.5 A potential breach of any of these limits does not prevent the exercise of rights conferred by investments held by the Fund but, in the event of a consequent breach, the ACD must then take such steps as are necessary to restore compliance with the investment limits as soon as practicable having regard to the interests of Shareholders.

27. **Underwriting**

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

28. **Borrowing powers**

28.1 The ACD may, on the instructions of the Fund and subject to the COLL Sourcebook, borrow money from an Eligible Institution or an Approved Bank for the use of the Fund on terms that the borrowing is to be repayable out of the Scheme Property.

28.2 Borrowing must be on a temporary basis, must not be persistent, and in any event must not exceed three months without prior consent of the Depositary, which may be given only on such conditions as appear appropriate to the Depositary to ensure that the borrowing does not cease to be on a temporary basis.

28.3 The ACD must ensure that borrowing does not, on any business day, exceed 10% of the value of the Fund.

28.4 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).

29. **Restrictions on lending of property other than money**

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

29.2 Transactions permitted by paragraph 20 (Stock lending) are not to be regarded as lending for the purposes of paragraph 30.1.

29.3 The Scheme Property must not be mortgaged.

29.4 Where transactions in derivatives or forward transactions are used for the account of a Fund, nothing in this paragraph prevents the Company or the Depositary at the request of the Company from:

29.4.1 Lending, depositing, pledging or charging Scheme Property for margin requirements; or

29.4.2 Transferring Scheme Property under terms of an agreement in relation to margin requirements provided that the ACD reasonably considers that both the agreement and the margin arrangements made under it (including in relation to the level of margin) provide appropriate protection to Shareholders.

30. **Restrictions on lending of money**

30.1 None of the money in the Scheme Property may be lent and, for the purposes of this paragraph, money is lent by the Fund if it is paid to a person ("the payee") on the basis that it should be repaid, whether or not by the payee.

30.2 Acquiring a debenture is not lending for the purposes of paragraph 29.1, nor is the placing of money on deposit or in a current account.

31. **Guarantees and indemnities**

31.1 The Depositary, for the account of a Fund, must not provide any guarantees or indemnity in respect of the obligation of any person.

31.2 Scheme Property may not be used to discharge any obligation arising under a guarantee or indemnity with respect to the obligation of any person.

31.3 Paragraphs 32.1 and 32.2 do not apply to any indemnity or guarantee given for margin requirements where derivatives or forward transactions are being used or an indemnity given to a person winding up a body corporate or other scheme in circumstances where share assets are becoming part of the Scheme Property by way of unitisation.

32. **Concentration**

A UCITS Scheme:

32.1 must not acquire transferable securities other than debt securities which:

32.1.1 do not carry a right to vote on any matter at a general meeting of the body corporate that issued them; and

32.1.2 represent more than 10% of these securities issued by that body corporate;

32.2 must not acquire more than 10% of the debt securities issued by any single issuing body;

- 32.3 must not acquire more than 25% of the units or shares in a collective investment scheme;
- 32.4 must not acquire more than 10% of the money market instruments issued by any single body;
- 32.5 need not comply with the limits in paragraphs 31.2, 31.3 and 31.4 and of this Appendix if, at the time of the acquisition, the net amount in issue of the relevant investment cannot be calculated.

33. **Significant Influence**

- 33.1 The Company must not acquire transferable securities issued by a body corporate and carrying rights to vote (whether or not on substantially all matters) at a general meeting of that body corporate if:

- 33.1.1 immediately before the acquisition, the aggregate of any such securities held by the Company gives that Company power significantly to influence the conduct of business of that body corporate; or

- 33.1.2 the acquisition gives the Company that power.

- 33.2 For the purposes of paragraph 34.1 the Company is to be taken to have power significantly to influence the conduct of business of a body corporate if it can, because of the transferable securities held by it, exercise or control the exercise of 20% or more of the voting rights in that body corporate (disregarding for this purpose any temporary suspension of voting rights in respect of the transferable securities of that body corporate).

APPENDIX IV

LIST OF OTHER AUTHORISED COLLECTIVE INVESTMENT SCHEMES OPERATED BY THE ACD

The ACD is also the authorised corporate director or authorised fund manager of the following open-ended investment companies or authorised unit trusts:

IFDS Apollo Multi Asset Management ICVC.
IFDS Brown Shipley Investment Company
IFDS Brown Shipley MultiManager Investment Company
IFDS Capital Balanced Fund
IFDS Frontier ICVC
IFDS Omnis Investments ICVC
IFDS Prism Capital Management ICVC
IM CAERUS Portfolio Funds
IM CAF Investment Fund
IM Distinction Multi Asset Funds
IM HEXAM Global Emerging Markets Fund
IM HEXAM Emerging Europe Fund (not launched)
IM Matterley Investment Funds
IM Matterley Investment Funds II
IM Octopus Investment Funds
IM Octopus Investments Specialist ICVC
IM SCDavies Funds
IM Truestone OEIC
IM Verbatim Funds
IM WHEB Asset Management Funds
The IM Thoroughbred Funds

APPENDIX V

PAST PERFORMANCE TABLES FOR EACH FUND AND INVESTOR PROFILE

34. **Historic performance, yield and risk category table:**

Name of Fund and Share Class	Percentage Growth 1 year to 30 September 2011	Percentage Growth from Launch to 30 September 2011
IM Russell Real Assets Fund A Class Share*	1.38%	10.10%
IM Russell Defensive Assets Fund A Class Share**	1.56%	3.13%
IM Russell International Growth Assets Fund A Class Share**	6.88%	3.73%
IM Russell UK Growth Assets Fund A Class Share**	4.88%	0.91%

* The fund was launched on 30 November 2009, but performance has been measured from the first dealing day date which was 2 December 2009.

** The funds were launched on 12 January 2010, but performance has been measured from the first dealing day date which was 19 January 2010.

Source: Lipper.

Based on A Class Accumulation Shares, Percentage Growth, Cumulative, Total Return, Ex Dividend, in Sterling.

Performance figures do not include the effect of subscription and redemption fees.

Past performance is no guarantee of future performance.

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

35. **Investor profiles**

It is anticipated that investors will invest in more than one Fund to achieve his/her target asset allocation in accordance with the investor's appetite for risk. However, if an investor were to invest in only in one fund, it is intended that the UK Growth Assets Fund and International Growth Asset Fund be suitable for investors with the longest time horizon and the highest risk appetite.

The Defensive Assets Fund is aimed at investors with a more limited risk appetite and a shorter time horizon. However, the Defensive Assets Fund is not aimed at an investor with a very low risk appetite as there is downside risk on this fund.

The Real Assets Fund is aimed at investors with a medium risk appetite and a medium time horizon. A typical investor would be a person saving for a long term goal such as retirement, perhaps through a SIPP, and who has between five and 25 years to retirement. These investors would usually access services of a professional advisor who typically would advise the investor to invest in more than one fund.

Shares in the Funds are widely available. The intended categories of investors are retail investors (who should seek independent financial advice before investing in a Fund) and institutional investors. Different Share Classes of a Fund are issued to different types of investors.

Shares in the Funds are marketed and made available sufficiently widely to reach the intended categories of investors for each Share Class and in the manner appropriate to attract those categories of investors.

APPENDIX VI

DIRECTORY

The Company and Head Office:

IM Russell ICVC

IFDS House, St Nicholas Lane, Basildon, Essex SS15 5FS

Authorised Corporate Director:

IFDS Managers Limited

IFDS House, St Nicholas Lane, Basildon, Essex SS15 5FS

Depositary:

HSBC Bank plc

8 Canada Square, London E14 5HQ

Investment Manager:

Russell Investments Limited

Rex House, 10 Lower Regent Street, London SW1Y 4PE

Fund Accountant and Custodian:

State Street Bank and Trust Company

525 Ferry Road, Edinburgh EH5 2AW

Administrator:

International Financial Data Services (UK) Limited

IFDS House, St Nicholas Lane, Basildon, Essex SS15 5FS

Registrar:

International Financial Data Services Limited

IFDS House, St Nicholas Lane, Basildon, Essex SS15 5FS

Legal Advisers to the Company:

Eversheds LLP

One Wood Street, London EC2V 7WS

Auditors:

Deloitte LLP

Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2DB

