

**VT ROSSIE HOUSE INVESTMENT MANAGEMENT FUNDS ICVC**

**PROSPECTUS**

**7 AUGUST 2019**

Prepared in accordance with the FCA Handbook of Rules and Guidance (including the Collective Investment Schemes Sourcebook)

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## IMPORTANT NOTES

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

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

This document constitutes the Prospectus for VT Rossie House Investment Management Funds ICVC, which has been prepared in accordance with the FCA Handbook of Rules and Guidance, including the Collective Investment Schemes Sourcebook.

This Prospectus is dated and is valid as at 7 August 2019 .

The Company is an investment company with variable capital incorporated with limited liability and registered in England under registered number IC000991. It is a non-UCITS retail scheme as defined in COLL.

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

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

The distribution of this Prospectus and the offering of Shares in certain jurisdictions may be restricted. Persons into whose possession this Prospectus comes are required by the Company to inform themselves about and to observe any such restrictions. Prospective investors should inform themselves as to the legal requirements of applying for shares and any applicable exchange control regulations and taxes in the countries of their respective citizenship, residence, domicile or incorporation. This Prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

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

United States Investment Company Act 1940 and similar requirements of such state securities law.

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

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

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

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

This Prospectus is based on information, law and practice at the date hereof. The Company cannot be bound by an out of date Prospectus when it has issued a new Prospectus, and investors should check with the ACD that this is the most recently published Prospectus. A copy of the most recently published Prospectus may also be found on the ACD's website at [www.valu-trac.com](http://www.valu-trac.com).

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

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

The ACD shall not divulge any confidential information concerning investors unless required to do so by law or regulation or as set out in this Prospectus or the ACD's Privacy Policy (available at [www.valu-trac.com](http://www.valu-trac.com) or otherwise on request). Shareholders and potential investors acknowledge that their personal data as well as confidential information contained in the application form and arising from the business relationship with the ACD may be stored, modified, processed or used in

any other way by the ACD, its agents, delegates, sub-delegates and certain third parties in any country in which the ACD conducts business or has a service provider (even in countries that do not provide the same statutory protection towards investors' personal data deemed equivalent to those prevailing in the European Union) for the purpose of administering and developing the business relationship with the investor. Subject to applicable law, investors may have rights in respect of their personal data, including a right to access and rectification of their personal data and, in some circumstances, a right to object to the processing of their personal data. Further details are set out in the ACD's Privacy Policy.

## DEFINITIONS

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

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

"**Act**" means the Financial Services and Markets Act 2000 or any amendment, substitution or re-enactment.

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

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

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

"**Auditor**" means Johnston Carmichael LLP, or such other firm as is appointed to act as the auditors of the Company from time to time.

"**Associate**" has the meaning given to it in the glossary of the FCA Handbook.

"**bps**" means basis points (one basis point being 0.01%).

"**Business Day**" means a day (other than a Saturday or Sunday) on which banks are open for normal business in London and on which the London Stock Exchange is open for the normal full duration of its trading hours.

"**COLL**" refers to the relevant chapter or rule in the Collective Investment Schemes Sourcebook forming part of the FCA Handbook as amended from time to time.

"**Company**" means VT Rossie House Investment Management Funds ICVC.

"**Dealing Day**" means any Business Day.

"**Derivatives**" means types of investment which derive their value from the value and characteristics of one or more underlying assets such as a security, an index or an interest rate.

"**Depository**" means NatWest Trustee and Depository Services Limited, or such other entity as is appointed to act as the depository of the Company from time to time.

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

"**FCA**" means the Financial Conduct Authority of 12 Endeavour Square, London, E20 1JN or any successor or replacement regulator.

"**FCA Handbook**" and "**FCA Rules**" means the FCA Handbook of Rules and Guidance.

"**Fund**" or "**Funds**" means 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.

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

"**ICVC**" means investment company with variable capital.

"**Instrument of Incorporation**" means the instrument of incorporation of the Company, as amended from time to time, registered by the Company in accordance with the OEIC Regulations and COLL.

"**Investment Manager**" means Rossie House Investment Management LLP, or such other entity as is appointed to act as the investment manager of the Company from time to time.

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

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

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

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

"**Regulations**" means the OEIC Regulations and the FCA Handbook (including COLL and FUND).

"**Scheme Property**" means the property of the Company to be given for safekeeping to the Depositary in accordance with COLL and FUND.

"**Share**" or "**Shares**" means a share or shares in the Company (including larger denomination shares and smaller denomination shares).

"**Shareholder(s)**" means holder(s) of registered Shares in the Company.

"**Switch**" means the exchange of Shares in a class for Shares in another class.

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

## **1. THE COMPANY**

### **1.1. General Information**

#### **1.1.1. General**

VT Rossie House Investment Management Funds ICVC (the "**Company**") is an open-ended investment company with variable capital, incorporated in England under the OEIC Regulations. It is governed by the Regulations and its Instrument of Incorporation. The registered number of the Company is IC000991 (PRN: 607962).

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

The Company was authorised by the FCA on 27 February 2014 and its Instrument of Incorporation was registered with the Registrar of Companies on the same date. The Company has an unlimited duration.

The object of the Company is to invest the Scheme Property in transferable securities, money market instruments, cash and near cash, derivatives and forward transactions, deposits, immovable property, gold and units or shares in collective investment schemes in accordance with the FCA Rules applicable to the Company and each Fund, with the aim of spreading investment risk and giving its Shareholders the benefit of the results of the management of that property.

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

#### **1.1.2. Head Office**

The address of the head office of the Company is Level 13 Broadgate Tower, 20 Primrose Street, London, EC2A 2EW. This is also the address where notices, or other documents, can be served on the Company.

#### **1.1.3. Share Capital**

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

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

#### **1.1.4. Base Currency**

The base currency of the Company and of each Fund is pounds Sterling.

### 1.1.5. Director

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

## 1.2. The Structure of the Company

The Company is an ICVC and a non-UCITS retail scheme for the purposes of COLL.

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 FCA and the agreement of the Depositary. 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 currently has only one Fund available, details of which are set out in Appendix A.

Each Fund is a segregated portfolio of assets and, accordingly, the assets of a Fund belong exclusively to that Fund and shall not (other than as permitted by applicable law) be used to discharge directly or indirectly the liabilities of, or claims against, any other person or body, including the Company, or any other Fund, and shall not be available for any such purpose. While the provisions of the OEIC Regulations provide for segregated liability between sub-funds, the concept of segregated liability is relatively new. Accordingly, where claims are brought by local creditors in foreign courts or under foreign law contracts, it is not yet known how those foreign courts will react to regulations 11A and 11B of the OEIC Regulations.

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 COLL 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 A.

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. Unless Appendix A stipulates otherwise in respect of a Fund, the ACD and the Depositary have agreed that the liabilities, expenses, costs and charges of the Company attributable to that Fund (including any fee payable to the ACD), will be charged against the capital of such Fund. Where Appendix A stipulates that charges are made to the income of a Fund, but insufficient income is available to meet those charges, the ACD and Depositary have agreed that all or part of the charges may be treated as a capital expense of such Fund. **Any charge against the capital of a Fund may result in capital erosion or constrain capital growth.**

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 of the Company generally, but they will normally be allocated to all Funds pro rata to the Net Asset Value of the relevant Funds.

### **1.3. Shares**

Several Classes of Share may be issued in respect of each Fund, details of which are set out in Appendix A. The ACD may make available within each Class net and gross income Shares and net and gross accumulation Shares. Shareholders are entitled (subject to certain restrictions) to switch all or part of their Shares in a class for Shares in another class.

Where a Fund has different Classes, each Class may attract different charges and expenses and so monies may be deducted from Classes in unequal proportions. In these circumstances the proportionate interests of the Classes within a Fund will be adjusted in accordance with the terms of issue of Shares of those Classes. Also, each Class may have its own investment minima or other features, such as (in the case of the second or further Class of Shares in a Fund) restricted access, at the discretion of the ACD.

Details of each Class and the rights attached to each Class in so far as they vary from the rights attached to other Classes are set out in Appendix A.

#### **Classes of Shares**

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

Holders of net or gross income Shares are entitled to be paid the income attributed to such Shares on the Company's annual income allocation date applying to the relevant Fund.

Holders of net or gross accumulation Shares are not paid the income attributable to such Shares, but that income is automatically transferred to (and retained as part of) the capital assets of the Company at the end of the relevant distribution period and is reflected in the price of an accumulation share. Accumulation shares are not currently available in respect of the Company.

##### *Net Shares and Gross Shares*

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

Gross Shares are Shares in respect of which income allocated to them is distributed periodically to the Shareholders (in the case of gross income Shares) or added periodically to capital (in the case of gross accumulation Shares) in accordance with relevant tax law, without any tax being deducted or accounted for by the relevant Fund.

Gross Shares are not currently available but, should such Shares become available in the future, they shall only be available 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 sections 933-937 of the Income Tax Act 2007. No UK corporation tax accrual needs to be provided within the price of gross income and gross accumulation Shares.

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

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

If a Shareholder, at any time, has title to more than 1,000 of the smaller denomination Shares of any one Class, then sufficient smaller denomination Shares of that Class will be consolidated into larger denomination Shares of the same Class, in a ratio of 1,000 smaller denomination Shares to one larger denomination Share, so that he has title to less than 1,000 smaller denomination Shares of that Class.

The ACD may at any time for the purpose of effecting a transaction with a Shareholder in Shares, substitute that Shareholder's entitlement to one or more larger denomination Shares into an entitlement to smaller denomination Shares of the same Class, in a ratio of one larger denomination Share to 1,000 smaller denomination Shares.

### **Registered Shares**

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

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

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

## **1.5. Typical Investor**

A typical investor in the Company will be a sophisticated individual investor who has at least a five year investment horizon and who understands and is prepared to accept the risks involved in investing in the Shares of the Company, including the risks set out in Section 12 of this Prospectus

**1.6. Periodic Reporting**

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

**1.7. Historical Performance Data**

Historical performance data in relation to the Company is set out in Appendix A.

## 2. THE SERVICE PROVIDERS

### 2.1. The Authorised Corporate Director and AIFM

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

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

The ACD's registered office is at:

Level 13 Broadgate Tower  
20 Primrose Street  
London  
EC2A 2EW

and its head office is at:

Orton  
Moray  
IV32 7QE

The ACD has an issued and paid up share capital of £1,673,295 comprising 1,673,295 ordinary shares of £1 each.

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

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

#### **Terms of Appointment**

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

The ACD Agreement provides that the appointment of the ACD may be terminated upon 6 months' written notice by the ACD or 3 months' written notice by the Company, although in certain circumstances the ACD Agreement may be terminated forthwith by notice in writing by the ACD to the Company, or by the Depositary or the Company to the ACD. Termination cannot take effect until the FCA has approved it and a new authorised corporate director approved by the FCA has been appointed.

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

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

The ACD shall account to the Company for any profit it makes on the issue or re-issue or cancellation of Shares which it has redeemed.

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

## **2.2. The Depositary**

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

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

### *Duties of the Depositary*

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

### *Conflicts of interest*

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

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

interests of Shareholders collectively so far as practicable, having regard to its obligations to other clients.

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

Up to date information regarding (i) the Depositary's name, (ii) the description of its duties and any conflicts of interest that may arise between the Company, the shareholders or the ACD and the depositary, and (iii) the description of any safekeeping functions delegated by the Depositary, the description of any conflicts of interest that may arise from such delegation, and the list showing the identity of each delegate and sub-delegate, will be made available to Shareholders on request.

#### *Delegation of safekeeping functions*

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

The Depositary has delegated safekeeping of the Scheme Property to RBC Investor Services Trust (UK Branch) ("the Custodian"). In turn, the Custodian has delegated the custody of assets in certain markets in which the Company may invest to various sub-delegates ("Sub-custodians").

#### *Updated information*

Up-to-date information regarding the Depositary, its duties, its conflicts of interest, the delegation of its safekeeping functions and a list showing the identity of each delegate and sub-delegate will be made available to unitholders on request.

#### *Terms of Appointment*

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

Under the Depositary Agreement, the Depositary is free to render similar services to others and the Depositary, the Company and the ACD are subject to a duty not to disclose confidential information.

The powers, duties, rights and obligations of the Depositary, the Company and the ACD under the Depositary Agreement shall, to the extent of any conflict, be overridden by the FCA rules.

Under the Depositary Agreement, the Depositary will be liable to the Company for any loss of financial instruments held in custody or for any liabilities incurred by the Company as a result of the Depositary's negligent or international failure to fulfil its obligations.

However, the Depositary Agreement excludes the Depositary from any liability except in the case of fraud, wilful default, negligence or failure to exercise due care and diligence in the performance or non-performance of its obligations.

It also provides that the Company will indemnify the Depositary for any loss suffered in the performance or non-performance of its obligations except in the case of fraud, wilful default, negligence or failure to exercise due care and diligence on its part.

The Depositary Agreement may be terminated on 90 days' notice by the Company or the Depositary or earlier on certain breaches or the insolvency of a party. However, termination of the Depositary Agreement will not take effect, nor may the Depositary retire voluntarily, until the appointment of a new Depositary.

Details of the fees payable to the Depositary are given in paragraph 5.3.

### **2.3. The Investment Manager**

The ACD has appointed the Investment Manager, Rossie House Investment Management LLP, to provide investment management services to the ACD. The Investment Manager is authorised and regulated by the Financial Conduct Authority.

The Investment Manager's registered office is at Forgardenny, Perth, PH2 9EH.

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

The terms of the Investment Management Agreement between the ACD and the Investment Manager provide that the Investment Manager has authority to make decisions on behalf of the ACD on a discretionary basis in respect of day to day investment management of the Scheme Property of each Fund including authority to place purchase orders and sale orders. Subject to the agreement of the ACD, the Investment Manager may appoint its Associates to discharge some or all of these duties.

The Investment Management Agreement may be terminated by the ACD on not less than six months' written notice and by the Investment Manager on not less than three months' written notice. It may also be terminated earlier by either party upon the happening of certain specified events.

The Investment Manager will receive a fee paid by the ACD out of its remuneration received each month from the Funds as explained in paragraph 5.4 below.

### **2.4. The Administrator and Registrar**

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

**2.5. The Auditor**

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

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

**2.6. Register of Shareholders**

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

**2.7. Conflicts of Interest**

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

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

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

### 3. VALUATIONS AND PRICING

#### 3.1. Valuations

The price of a Share in the Company is calculated by reference to the Net Asset Value (or the relevant proportion of the Net Asset Value) of the Company.

Unless otherwise stated in Appendix A (Details of the Company), each Fund has a regular Valuation Point at 4.30 p.m. on each Dealing Day and a deal cut-off point at 10 a.m. on the same Dealing Day.

The ACD may create an additional Valuation Point for any Fund at any time.

For orders received after a cut-off point on any Dealing Day, Shares will be sold/redeemed at a price determined as at the Valuation Point on the next Dealing Day.

The Scheme Property attributed to each Fund will be valued at each Valuation Point of that Fund to determine the proportion of the Net Asset Value attributable to each Class in that Fund for the purpose of calculating the price of each Class in that Fund.

The value of the Scheme Property attributed to the Fund will be the value of its assets less the value of its liabilities. All the Scheme Property attributed to the Fund will be included in each valuation. All instructions to issue or cancel Shares given for a prior Valuation Point shall be assumed to have been carried out (and any cash paid or received).

The valuation will be based on the following:

- (a) Cash and amounts held in current and deposit accounts and in other time-related deposits will be valued at their nominal value.
- (b) Except in the case of units or shares in a collective investment scheme, all transferable securities will be valued:
  - (i) if an appropriate single price for buying and selling the security is quoted or obtainable, at that price;
  - (ii) if appropriate separate bid and offer prices are quoted or obtainable, the average of these two prices adjusted if necessary taking account of dealing sizes and any other relevant factors;
  - (iii) otherwise, where no appropriate price is quoted or obtainable, at a price which, in the opinion of the ACD, is a fair and reasonable mid-market price for the security adjusted to take account of dealing sizes and other relevant factors.
- (c) Units or shares in a collective investment scheme will be valued:

- (i) if a single price for buying and selling units or shares is quoted, at that price;
  - (ii) 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 redemption charge attributable thereto; or
  - (iii) if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no recent price exists, at a value which, in the opinion of the ACD, is fair and reasonable.
- (d) A contingent liability transaction will be valued at the net value on closing out, excluding transaction costs, whether as a positive or negative value. If the property is an off-exchange derivative, the method of valuation will be agreed between the ACD and the Depositary.
- (e) Immovable property shall be valued by a standing independent valuer appointed by the ACD and approved by the Depositary in accordance with the FCA Rules.
- (f) All other Scheme Property will be priced at a value which, in the opinion of the ACD, represents a fair and reasonable midmarket price.
- (g) If there are any agreements for the unconditional sale or purchase of Scheme Property which are in existence but have not yet settled or been performed, then the valuation will be carried out on the basis that such agreements have settled or been performed and all consequential action required to have been taken. However, such agreements need not be taken into account if made less than half an hour before the Valuation Point and, in the opinion of the ACD, their omission shall not materially affect the final net asset amount.

Not included in this paragraph are any futures or contracts for differences which are not yet due to be performed and are unexpired, and any unexercised written or purchased options.

- (h) Added to the valuation will be:
- (i) any accrued and anticipated tax repayments of the Company attributed to the Fund;
  - (ii) any money due to the Company, and attributed to the Fund, because of Shares issued prior to the Valuation Point;
  - (iii) income due and attributed to the Fund but not received by the Company; and

- (iv) any other credit of the Company due to be received by the Company and attributed to the Fund.

Amounts which are de minimis may be omitted from the valuation.

- (i) Deducted from the valuation will be:
  - (i) any anticipated tax liabilities of the Company attributed to the Fund;
  - (ii) any money due to be paid out by the Company and attributed to the Fund because of Shares cancelled prior to the Valuation Point;
  - (iii) the principal amount and any accrued but unpaid interest on any borrowings and attributed to the Fund; and
  - (iv) any other liabilities of the Company attributed to the Fund, with periodic items accruing on a daily basis.

Amounts which are de minimis may be omitted from the valuation.

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

#### **Price per Share**

Shares are "single priced". This means that (subject to any preliminary charge, switching charge, redemption charge, SDRT provision and/or dilution levy (see section 4 of this Prospectus)) the price of a Share of the relevant class for both buying and selling purposes will be the same and determined by reference to a particular Valuation Point. The price of a Share is calculated at or about the Valuation Point on each Dealing Day (to at least four significant figures) by:

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

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

Company by close of business on the Business Day following receipt of money from the investor; or (ii) the ACD holds the money in the course of redeeming Shares provided that the proceeds of that redemption are paid to an investor by close of business on the Business Day following receipt from the Depositary.

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

### **Pricing Basis**

The Company deals on a forward pricing basis only.

A forward price is the price calculated at the next Valuation Point after the sale or redemption is agreed.

### **Publication of Prices**

The most recent price of Shares will be published on the ACD's website ([www.valu-trac.com](http://www.valu-trac.com)). The prices of Shares may also be obtained by calling 01343 880 344 during the ACD's normal business hours.

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

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

The dealing office of the ACD is normally open from 8.30 a.m. to 5.30 p.m. (London time) on each Business Day to receive requests for the purchase, sale and switching of Shares. The ACD may vary these times at its discretion. Requests to deal in Shares may be made by sending clear written instructions (or an application form) to the ACD or by telephoning 01343 880344 (or such other number as published from time to time). The initial purchase must, at the discretion of the ACD, be accompanied by an application form.

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

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

In its dealings in Shares of the Funds the ACD is dealing as agent for and on behalf of the Company and not as principal.

##### **4.1. Money laundering**

As a result of legislation in force in the UK to prevent money laundering, the ACD is responsible for compliance with anti money laundering regulations. In order to implement these regulations, in certain circumstances investors may be asked to provide proof of identity when buying or redeeming Shares. Until satisfactory proof of identity is provided, the ACD reserves the right to refuse to issue Shares, pay the proceeds of a redemption of Shares, or pay income on Shares to the investor. In the case of a purchase of Shares where the applicant is not willing or is unable to provide the information requested within a reasonable period, the ACD also reserves the right to sell the Shares purchased and return the proceeds to the account from which the subscription was made. These proceeds may be less than the original investment.

##### **4.2. Buying Shares**

###### **4.2.1. Procedure**

Shares may be bought directly from the ACD or through a professional adviser or other intermediary. In addition, the ACD may from time to time make arrangements to allow Shares to be bought through other communication media. For details of dealing charges see clause 4.6 below. Application forms may be obtained from the ACD.

Subject to any applicable cut-off point, valid applications to purchase Shares in a Fund will be processed at the Share price calculated, based on the Net Asset Value per Share, at the next Valuation Point following acceptance of the application, except in the case where dealing in a Fund has been suspended as set out in paragraph 4.11.

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 irrevocable except in the case where cancellation rights are applied. However, subject to its obligations under the Regulations, the ACD has the right to reject, on reasonable grounds, any application for Shares in whole or part and in this event the ACD will return any money sent, or the balance of such monies, at the risk of the applicant.

Payment for any purchase of Shares must be made by electronic bank transfer to the bank account detailed on the application form.

Settlement is due within 4 business days of the relevant Valuation Point.

The ACD, at its discretion, has the right to cancel a purchase deal if settlement is materially overdue (being more than five Business Days of receipt of an application form or other instruction) and any loss arising on such cancellation shall be the liability of the applicant.

In the event of such a cancellation, the ACD shall be entitled to transfer the relevant Shares to such persons as it shall specify and recover any shortfall from the investor.

The ACD also reserves the right to charge interest at 2% above the prevailing London Interbank Offered Rate (LIBOR), on the value of any settlement received later than the 4th Business Day following the Valuation Point.

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

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. The ACD may extend cancellation rights to other investors but is under no obligation to do so.

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

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

determined, together with, where appropriate, a notice of the applicant's right to cancel.

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

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

#### **4.2.3. Minimum subscriptions and holdings**

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

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 Shares 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 Shares. 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.

### **4.3. Redeeming Shares**

#### **4.3.1. Procedure**

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

Subject to any cut-off point, valid instructions to the ACD to redeem Shares in a Fund will be processed at the Share price calculated, based on the Net Asset Value per Share, at the next Valuation Point following acceptance of the instruction, except in the case where dealing in a Fund has been suspended as set out in paragraph 4.11.

A redemption instruction in respect of Shares in writing or by telephone or any other communication media made available is a legally binding contract. However, an instruction to the ACD to redeem Shares, although irrevocable, may not be accepted or 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, if insufficient documentation or anti-money laundering information has been received by the ACD or in any other case where the ACD has reasonable grounds to refuse the redemption of the relevant Shares.

For details of dealing charges see paragraph 4.6 below.

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

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

Payment of redemption proceeds will normally be made 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.

Unless the ACD has reasonable grounds for withholding all or any part of the relevant proceeds, redemption proceeds will be paid by close of business on the fourth Business Day following the later of: (a) the Valuation Point at which the price for the redemption was determined; and (b) 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, appropriate evidence of title and any required anti-money laundering related documentation.

#### **4.3.3. Minimum redemption**

Part of a Shareholder's holding may be redeemed but the ACD reserves the right to refuse a redemption request if the value of the Shares 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 A).

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

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

The ACD may at its discretion make a charge on the switching of Shares between 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 4.6.3 "Charges on Switching".

If a Switch would result in the Shareholder holding a number of Original Shares or New Shares of a value which is less than the minimum holding in the Class concerned, the ACD may, if it thinks fit, convert the whole of the applicant's holding of Original Shares to New Shares (and make a charge on switching on such conversion) or refuse to effect any Switch of the Original Shares.

Save as otherwise specifically set out, the general provisions on procedures relating to redemption will apply equally to a Switch. Written instructions must be received by the ACD before the cut-off point on a Dealing Day in the Fund or Funds concerned to be dealt with at the prices at the Valuation Point on that Dealing Day or at such other Valuation Point as the ACD at the request of the Shareholder giving the relevant instruction may agree. Switching requests received after the cut-off point on any Dealing Day 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 normally 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 conversion of Shares in one Class for Shares in another Class in relation to the same Fund will not normally be treated as a realisation for UK tax purposes.

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.

#### **4.5. Market Timing**

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

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

#### **4.6. Dealing Charges**

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

##### **4.6.1. Initial charge**

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

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

##### **4.6.2. Redemption Charge**

The ACD may make a charge on the redemption of Shares in each Class. Details of the current redemption charge payable in respect of each Class are provided in Appendix A. The ACD may waive or discount the redemption charge at its discretion.

##### **4.6.3. 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 on switching. If a redemption charge is payable in respect of the Original Shares, this may become payable instead of, or as well as, the then prevailing initial charge for the New Shares. The charge on Switching is payable by the Shareholder to the ACD.

Unless otherwise stated in Appendix A in respect of a Fund, there is currently no switching charge on any switch from a Class of Shares in one Fund to the same Class of Shares in a different Fund. Unless otherwise stated in Appendix A in respect of a Fund, any switch from one Share Class to a different Share Class (either within the same Fund or to a different Fund) will be treated as a redemption and subscription such that any redemption charge in respect of the Original Shares and any initial charge in respect of the New Shares is payable.

#### 4.6.4. Dilution Levy

The actual cost of purchasing, selling or switching underlying investments in a Fund may deviate from the mid-market value used in calculating its Share price, due to dealing charges, taxes and any spread between buying and selling prices of the Fund's underlying investments. These dealing 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 make a dilution levy on the purchase, redemption or Switch of Shares in a Fund. A dilution levy is a separate charge of such amount or at such rate as is determined by the ACD to be made for the purpose of reducing the effect of dilution. This amount is not retained by the ACD, but is paid into the relevant Fund.

The dilution levy is calculated by reference to the costs of dealing in the underlying investments of the relevant Fund, including any dealing spreads, commission and transfer taxes.

The need to charge a dilution levy will depend on the volume of purchases and redemptions. It is not possible to predict accurately whether dilution is likely to occur at any point in time.

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

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

In fact, based on future projections and on its experience of managing other funds the ACD considers that it is likely that a dilution levy will be imposed because the dealing costs relating to a Shareholder transaction are likely to be significant and have an impact on the Company.

The level of dilution is not fixed and may change from time to time to reflect the underlying market conditions and the composition of the portfolio. If a dilution levy is required then, based on future projections, the estimated rate or amount of such levy will be from 0.5% to 1%.

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

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

#### 4.6.5. Stamp duty reserve tax ("SDRT")

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

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

#### 4.7. Transfers

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

#### 4.8. 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 including if it comes to the notice of the ACD that any Shares (the "**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; which might (including by the actions of such person) cause the Company or its Shareholders a pecuniary or material administrative disadvantage or other adverse consequence which the Company might not otherwise incur or suffer; or
- (d) where the ACD determines, in its absolute discretion, that it is in the best interests of the Company or its Shareholders for such person not to acquire or hold shares in the Company.

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 30 days after the date of such notice transfer his affected Shares to a person qualified to own them or submit a written request for their redemption to the ACD or establish to the satisfaction of the ACD (whose judgement is final and binding) that he or the beneficial owner is qualified and entitled to own the affected Shares, he shall be deemed upon the expiry of that 30 day period to have given a request in writing for the redemption or cancellation (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.

#### **4.9. Issue of Shares in exchange for in specie assets**

The ACD may arrange for the Company to issue Shares in exchange for assets other than cash, but will only do so where the Depositary has taken reasonable care to determine that the Company's acquisition of those assets in exchange for the Shares concerned is not likely to result in any material prejudice to the interests of Shareholders.

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

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

#### **4.10. In specie redemptions**

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

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

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

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

The ACD and the 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 FCA of the suspension and the reasons for it and will follow this up as soon as practicable with written confirmation of the suspension and the reasons for it.

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 FCA of the review and any change to the information given to Shareholders.

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

#### **4.12. Liquidity Risk Management**

- 4.12.1. The Company is managed so that the liquidity profile is aligned with its requirement to need redemption requests from Shareholders on each Dealing Day. In normal circumstances, redemption requests will be processed as set out in Clause 4.3. However, in exceptional circumstances, if there is insufficient liquidity in the Company to meet redemption requests, the ACD may need to temporarily suspend dealing in the Company (as further described in Clause 4.11)
- 4.12.2. The ACD may also address temporary liquidity constraints in relation to the Company by (i) borrowing cash (within the limits of Appendix B) to meet redemptions; or (ii) applying the in specie redemption provisions in Clause 4.10.
- 4.12.3. The ACD will manage and monitor liquidity risk in accordance with liquidity risk management procedures. The liquidity risk management procedures include the management, implementation and maintaining of appropriate liquidity limits for the Company and periodic stress testing of the liquidity risk of the Company under both normal and exceptional liquidity conditions to ensure that anticipated redemption requests can be met.
- 4.12.4. If the ACD's policy for managing liquidity should change then this will be set out in the annual report.

#### **4.13. Deferral of redemptions**

In respect of any Fund which has at least one Valuation Point on each Business Day, the ACD shall be entitled to defer redemptions at a Valuation Point to the next Valuation Point where the requested redemptions exceed 5%, or some other reasonable proportion disclosed in Appendix A, of that Fund's value.

Any such deferral will be undertaken in a way which ensures:

- (a) the consistent treatment of all Shareholders who have sought to redeem Shares at any Valuation Point at which redemptions are deferred; and

- (b) that all deals relating to an earlier Valuation Point are completed before those relating to a later Valuation Point are considered.

**4.14. Governing law**

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

## 5. FEES, CHARGES AND EXPENSES

### 5.1. General

All costs, charges, fees and expenses, other than the charges made in connection with the subscription and redemption of Shares (see paragraph 4.6) payable by a Shareholder or out of Scheme Property are set out in this section.

The Company or each Fund (as the case may be) may, so far as the COLL Sourcebook allows, also pay out of the Scheme Property all relevant costs, charges, fees and expenses including the following:

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

- (k) any costs of printing and distributing annual and half yearly reports and any prospectus, including the costs incurred as a result of periodic updates of any prospectus, and other reports provided for Shareholders;
- (l) any costs of listing the prices of Shares in publication and information services selected by the ACD;
- (m) any costs of establishing and authorising the Company (or any sub-fund) and of its initial offer or issue of shares;
- (n) any fees and expenses in respect of establishing and maintaining the Register of Shareholders and any sub-register of shareholders;
- (o) any costs incurred in producing and despatching any payment made by the Company;
- (p) any costs incurred in taking out and maintaining an insurance policy in relation to the Company;
- (q) the periodic fees of the FCA together with any corresponding periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which the Shares in the Company are or may be marketed;
- (r) any expense incurred in relation to company secretarial duties including the cost of maintenance of minute books and other documentation required to be maintained by the Company;
- (s) any costs associated with the admission of Shares to listings on any stock exchange and with the maintenance of that listing (including, for the avoidance of doubt, the fees levied by the exchange in questions as a condition of the admission to listing of the shares and the periodic renewal of that listing), any offer of Shares, including the preparation and printing of any prospectus and the creation, conversion and cancellation of shares associated with such prospectus;
- (t) any expense incurred with respect to the publication and circulation of details of the Net Asset Value of the Company;
- (u) any amount payable by the Company under any indemnity provisions provided for in the Instrument of Incorporation or any agreement to which the Company is party;
- (v) expenses properly incurred by the ACD in the performance of its duties as ACD of the Company, including without limitation any costs incurred in preparing, translating, producing (including printing), distributing and modifying, any instrument of incorporation any prospectus or key information document (apart from the costs of distributing the key investor information document), or reports, accounts, statements, contract notes and other like documentation or any other relevant documentation required under the Regulations;

- (w) any costs associated with valuation of moveable or immovable property;
- (x) any costs associated with the authorisation of the Company in other jurisdictions;
- (y) taxation and other duties payable by the Company; and
- (z) any other fees, charges or expenses that may be payable by the Company in accordance with COLL, including such other fees, charges and expenses as the ACD resolves are properly payable out of the property of the Company.

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

The liabilities, expenses, costs and charges of the Company (including any fee payable to the ACD) will be charged against the capital of the Company unless otherwise specified in Appendix A.

## **5.2. ACD Annual Management Charge, Initial Charge and Expenses**

In consideration for carrying out its duties and responsibilities the ACD is entitled to receive an annual management charge from the Scheme Property attributable to each Fund as set out in Appendix A. Such annual management charge is comprised of a fixed element which is retained by the ACD for its own account and a variable element which is paid by the ACD to the Investment Manager in consideration for the investment management services provided by the Investment Manager.

The annual management charge accrues on a daily basis and is payable monthly in arrears within fourteen days of the last Business Day of each month.

In respect of each calendar month, the variable element of the annual management charge is calculated by reference to the Net Asset Value of any relevant Fund or Share Class on the last Business Day of such calendar month.

The current annual management charge for each Fund is set out in Appendix A.

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

Unless Appendix A states otherwise, the annual management charge for each Fund will be charged against the capital of such Fund.

The ACD may make a preliminary charge on the sale or issue of Shares. The level of any such preliminary charge (if any) varies for different Classes and Funds, and is expressed as a percentage of the Net Asset Value of the Shares being acquired.

The ACD may also make a charge on the switching of Shares in a Class or a Fund for Shares in another Class within the same Fund or for Shares within a different Fund. Again, the level of this charge (if any) varies for different Classes and Funds, and is expressed as a percentage of the Net Asset Value of the Shares being acquired.

The Instrument of Incorporation of the Company also authorises the ACD to make a charge on the redemption of Shares. The level of any such redemption charge (if any) varies for different Classes and Funds, and is expressed as a percentage of the Net Asset Value of the Shares being acquired.

Details of the current preliminary charge, switching charge and redemption charge (if any) for each Class and Funds are given in Appendix A.

The ACD may introduce a new category of remuneration for its services or increase the current rate or amount of its remuneration payable out of the Scheme Property of the Fund or introduce or increase the amount of any dealing charge, in each case in accordance with COLL.

### **5.3. Depositary's Fees, Charges and Expenses**

The Depositary receives for its own account a periodic fee which will accrue and is due monthly on the last business day in each calendar month in respect of that day and the period since the last business day in the preceding month and is payable within seven days after the last business day in each month.

In respect of each calendar month, the Depositary fee is calculated by reference to the Net Asset Value of the Company on the last Business Day of such calendar month.

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

- Up to £25million – 4 bps per annum
- £25 million to £50 million – 3.75 bps per annum
- £50 million to £100 million – 3.5 bps per annum
- thereafter – 3 bps per annum

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

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

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

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

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

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

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

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

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

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

#### **5.4. Investment Manager's fees and expenses**

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

The Investment Manager is also entitled to be repaid out of the assets of each Fund, all reasonable, properly documented, out of pocket expenses incurred in the performance of its duties as provided in the Investment Management Agreement.

**5.5. Allocation of Fees, Charges and Expenses between Funds**

All the fees, charges and expenses described in this Section 5 (other than those borne by the ACD) will be charged to the Fund in respect of which they were incurred but where any fee, charge or expense is not considered to be attributable to any one Fund, it will normally be allocated to all Funds pro rata to the Net Asset Value of the Funds, although the ACD has discretion to allocate it in a manner which it considers fair to Shareholders generally.

## **6. DETERMINATION AND DISTRIBUTION OF INCOME**

### **6.1. Accounting Periods**

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

### **6.2. Income Allocations**

Allocations of income (both final and interim) are made in respect of the income available for allocation in each accounting period of each Fund. Each Fund will have a final income allocation date of 28 February and an interim income allocation date of 31 August.

Distributions of income in respect of income Shares are paid on or before the Company's income allocation date (as set out in Appendix A) in each year.

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

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

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

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

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

### **6.3. Income Equalisation**

Equalisation will be applied to the Company. An allocation of income to be made in respect of each Share issued or sold by the ACD during an accounting period in respect of which that income allocation is made may

include a capital sum ("**income equalisation**") representing the ACD's best estimate of the amount of income included in the price of that Share.

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

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

Annual reports of the Company will be published within four months of each annual accounting period and half-yearly reports will be published within two months of each interim accounting period. The report containing the full accounts will be available free of charge upon request.

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

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

The ACD may convene a general meeting at any time.

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

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

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

### **7.3. Voting Rights**

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

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

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

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

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

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

#### **7.4. Fund and Class Meetings**

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

#### **7.5. Annual General Meeting**

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

## 8. WINDING UP OF THE COMPANY

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

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

The Company may be wound up or a Fund terminated under COLL if:

- (a) an extraordinary resolution to that effect is passed by Shareholders; or
- (b) the period (if any) fixed for the duration of the Company or a particular Fund by the Instrument of Incorporation expires or the event (if any) occurs on the occurrence of which the Instrument of Incorporation provides that the Company or a particular Fund is to be wound up (for example, if the share capital of the Company is below its prescribed minimum or (in relation to any Fund) the Net Asset Value of the Fund is less than £1,000,000 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);
- (c) on the date of effect stated in any agreement by the FCA to a request by the ACD for the winding up of the Company or a request for the termination of the relevant Fund;
- (d) on the effective date of a duly approved scheme of arrangement which is to result in the Company or Fund ceasing to hold any Scheme Property; or
- (e) on the date on which all of the Funds of the Company fall within paragraph (d) above or have otherwise ceased to hold any Scheme Property, notwithstanding that the Company may have assets and liabilities that are not attributable to any particular Fund.

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

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

- (i) COLL 6.2 (Dealing), COLL 6.3 (Valuation and Pricing) and COLL 5 (Investment and Borrowing Powers) will cease to apply to the Company or the particular Fund;

- (ii) the Company will cease to issue and cancel Shares in the Company or the particular Fund except in respect of the final cancellation;
- (iii) the ACD shall cease to sell or redeem Shares or to arrange for the Company to issue or cancel them for the Company or the particular Fund except in respect of the final cancellation;
- (iv) no transfer of a Share shall be registered and no other change to the Register shall be made without the sanction of the ACD;
- (v) 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;
- (vi) the corporate status and powers of the Company and, subject to the preceding provisions of (i) to (v) above, the powers of the ACD shall remain until the Company is dissolved.

The ACD shall, as soon as practicable after winding up or termination has commenced, realise the assets and meet the liabilities of the Company or Fund and, after paying out or retaining adequate provision for all liabilities properly payable and retaining provision for the costs of winding up, provided that there are sufficient liquid funds available, arrange for the Depositary to make one or more interim distributions out of the proceeds to Shareholders proportionately to their rights to participate in the Scheme Property of the Company or the Fund at the commencement of the winding up or termination. The ACD must instruct the Depositary how the proceeds must be held prior to being utilised to meet liabilities or make distributions to Shareholders with a view to the prudent protection of creditors and Shareholders against loss. In the case of the Company, the ACD shall also publish notice of the commencement of the winding up of the Company in the Edinburgh Gazette.

If the ACD has not previously notified Shareholders of the proposal to wind up the Company 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 the Scheme Property to be realised and all the liabilities of the Company or the particular Fund to be realised, the ACD shall arrange for all Shares in issue to be cancelled and 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 is reasonably practicable after the completion of the winding up of the Company or the particular Fund, the ACD shall notify the FCA that it has done so.

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

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

In accordance with the Regulations, any liabilities attributable or allocated to a particular Fund shall be met solely out of the Scheme Property attributable or allocated to that particular Fund.

## **9. TAXATION**

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

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

#### **9.1.1. Income**

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

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

Each Fund is exempt from corporation tax on chargeable gains.

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

#### **9.2.1. Income**

Any income distribution made by the Company will be treated as if it were a dividend from a UK company. No deduction of UK income tax is made from a dividend distribution. From 6 April 2016, the tax credit on dividends paid by UK companies will be removed. Instead, the first £5,000 of dividend income paid to individuals will be exempt from income tax. Dividend income in excess of this amount will be taxed at a rate of either 7.5% (for basic rate taxpayers), 32.5% (for higher rate taxpayers), or 38.1% for additional rate tax payers.

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

### **9.2.2. Capital Gains**

Shareholdings may be liable to capital gains tax on gains arising from the redemption, transfer or other disposal of Shares. The rate of tax, and available reliefs, will be as applicable from time to time.

An exchange of Shares in one Fund of the Company for Shares in another Fund will normally be treated as a disposal for this purpose.

By contrast, an exchange of Shares in one Fund for a different Class of Shares in the same Fund will not normally constitute a Capital Gains Tax disposal if the Original Shares and the New Shares are of substantially the same value and there is no change in the underlying Fund's property nor in the rights of participants to share in the capital and income in relation to that property.

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

Shareholders chargeable to UK corporation tax must include all chargeable gains realised on the disposal of Shares in their taxable profits. The amount chargeable will be reduced by an indexation allowance.

### **9.2.3. Inheritance Tax**

Shareholdings of an individual shareholder may become subject to an inheritance tax liability under the following circumstances. During an individual's lifetime, any transfer of shareholdings at less than market value may be liable.

Additionally, transfer following the death of the individual may also be liable. The charge to inheritance tax is not restricted to UK individuals. Reliefs and exemptions may apply to reduce or extinguish any liability to inheritance tax. Investors should seek professional advice if they are unclear on the inheritance tax consequences of investing in any of the Funds.

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

Details of SDRT liabilities arising in relation to dealings in Shares are set out in clause 4.6.5 above.

### **9.4. Reporting of tax information**

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

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

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

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

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

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

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

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

- a Shareholder failing (or delaying) to provide relevant information to the ACD;
- a Shareholder failing (or delaying) to enter into a direct agreement with the IRS;

- the Fund becoming liable under FATCA or any legislation or regulation to account for tax in any jurisdiction in the event that a Shareholder or beneficial owner of a Share receives a distribution, payment or redemption, in respect of their Shares or disposes (or be deemed to have disposed) of part or all of their Shares in any way;

(each a “Chargeable Event”),

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

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

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

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

## **10. GENERAL INFORMATION**

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

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

All notices or documents required to be served on Shareholders shall be served by post (or by email if the Shareholder agrees) to the last address (or email address as appropriate) notified in writing to the Company by the Shareholder.

### **10.2. Complaints**

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

### **10.3. Material Contracts**

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

- (a) the ACD Agreement between the Company and the ACD;
- (b) the investment management agreement between the ACD and the Investment Manager; and
- (c) the Depositary Agreement between the Company, the ACD and the Depositary.

Details of the above contracts are given under the heading "The Service Providers" in Section 2 of this Prospectus. Copies of the above agreements are available on request.

### **10.4. Telephone Recordings**

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

### **10.5. Risk Management**

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

- (a) the quantitative limits which apply in the risk management of the Company;

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

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

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

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

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

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

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

10.7.2 the current risk profile of the Company, and information on the risk management systems used by the ACD to manage those risks;

10.7.3 the total amount of leverage employed by the Company calculated in accordance with the gross and commitment methods; and

10.7.4 any material changes to the information above.

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

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

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

Certain changes to the Company may require approval by the FCA in advance.

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

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

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

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

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

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

10.10.1 acting in the best interest of the Company and of the investors;

10.10.2 executing the investment decisions taken for the account of the Company in accordance with the objectives, the investment policy and the risk profile of the Company;

10.10.3 ensuring that the interests of any group of investors are not placed above the interests of any other group of investors;

10.10.4 ensuring that fair, correct and transparent pricing models and valuation systems are used for the Company managed;

10.10.5 preventing undue costs being charged to the company and investors;

10.10.6 taking all reasonable steps to avoid conflicts of interests and, when they cannot be avoided, identifying, managing, monitoring and, where applicable, disclosing those conflicts of interest to prevent them from adversely affecting the interests of investors; and

10.10.7 recognising and dealing with complaints fairly.

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

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

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

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

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

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

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

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

### **10.12. Financial Services Compensation Scheme**

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

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

Tel: 0800 678 1100

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

### **10.13. Governing law and jurisdiction**

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

## **11. INSTRUMENT OF INCORPORATION**

### **11.1. General**

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

The Instrument of Incorporation may be amended by resolution of the ACD to the extent permitted by the FCA Handbook.

In the event of any conflict arising between any provision of the Instrument of Incorporation and either the OEIC Regulations or the COLL Sourcebook, the OEIC Regulations will prevail.

### **11.2. Removal of ACD**

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

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

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

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

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

### **11.4. Indemnity**

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

## **12. RISK WARNINGS**

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

### **12.1. General**

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

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

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

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

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

In particular, where a redemption charge is payable, investors should note that the percentage rate at which the redemption charge is calculated is based on the market value of the Shares at the time of the redemption 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.

**12.3. Dilution**

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

**12.4. Taxation**

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

**12.5. Suspension of Dealings in Shares**

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

**12.6. Currency Exchange Rates**

Depending on an investor's currency of reference, currency fluctuations may adversely affect the value of an investment. Exchange rate changes may also cause the value of underlying overseas investments of the Company and any income from them to go down as well as up.

**12.7. Market Risk**

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

**12.8. Smaller Companies**

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

**12.9. Overseas and Emerging Markets**

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

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

involvement in, and influence on, the economy may affect the value of securities in certain overseas or emerging markets.

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

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

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

- (a) to accounting, auditing and financial reporting standards, practices in disclosure requirements comparable to those applicable to companies in major markets; or
- (b) to the same level of government supervision and regulation of stock exchanges as countries with more advanced securities markets. Accordingly, certain overseas or emerging markets may not afford the same level of investor protection as would apply in more developed jurisdictions.

#### **12.10. Interest Rate Risk**

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

#### **12.11. Derivatives**

**Subject to any restrictions set out in this Prospectus, the Funds may use derivatives in accordance with the FCA Rules for the purpose of meeting their investment objective and for efficient portfolio management (including hedging) ("EPM"). The use of derivatives and forward transactions for the purpose of meeting a Fund's investment objectives may increase the risk profile of that Fund.**

**To the extent that derivative instruments are utilised for hedging purposes, the risk of loss to the Funds may be increased where the value of the derivative instrument and the value of the security or position which it is hedging are insufficiently correlated. Derivatives can expose Scheme Property to a higher degree of risk.** For example, because of the effect of gearing, relatively small market movements can result in disproportionately high levels of loss. Off exchange transactions can carry higher levels of risk due to lack of liquidity, difficulty in valuing the investments and determining a fair price.

The following are also risk associated with a selection of derivatives which a Fund may invest in:

### **12.11.1. Derivatives and Forward Transactions for investment purposes**

Where the investment policy of a Fund permits the use of derivatives and/or forward transactions for investment purposes, the Fund may be leveraged, potentially increasing the volatility and risk of the Fund. Investment in derivatives and forwards may result in losses to a Fund in excess of the amount invested.

### **12.11.2. Volatility**

When undertaking derivative and forward transactions, the low margin deposits normally required may lead to a high degree of leverage, which may also lead to greater fluctuations in the price of a Fund.

### **12.11.3. Risk of Credit Derivatives**

The behaviour of credit derivatives can be different from the equivalent cash securities. Their prices may fluctuate more and the markets could be less liquid which could entail greater risk.

### **12.11.4. Particular Risks of Exchange Traded Derivative Transactions**

#### *Suspensions of Trading*

Each securities exchange or derivatives market typically has the right to suspend or limit trading in all securities or derivatives which it lists. Such a suspension would render it impossible for a Fund to liquidate positions and, accordingly, expose a Fund to losses and delays in its ability to redeem Shares.

### **12.11.5. Particular Risks of OTC Derivative Transactions**

#### *Absence of regulation; counterparty default*

In general, there is less governmental regulation and supervision of transactions in the OTC markets (in which, for example, forward, spot and option contracts on currencies, credit default swaps and total return swaps are generally traded) than of transactions entered into on organised exchanges. In addition, many of the protections afforded to participants on some organised exchanges, such as the performance guarantee of an exchange clearing house, may not be available in connection with OTC transactions.

Therefore, any Fund entering into OTC transactions will be subject to the risk that its direct counterparty will not perform its obligations under the transactions and that a Fund will sustain losses. A Fund will only enter into transactions with counterparties which it believes to be creditworthy, and may reduce the exposure incurred in connection with such transactions through the receipt of letters of credit or collateral from certain counterparties.

Regardless of the measures a Fund may seek to implement to reduce counterparty credit risk, however, there can be no assurance that a counterparty will not default or that a Fund will not sustain losses as a result.

*Necessity for counterparty relationships*

As noted above, participants in the OTC market typically enter into transactions only with those counterparties which they believe to be sufficiently creditworthy, unless the counterparty provides margin, collateral, letters of credit or other credit enhancements. While a Fund and its investment manager may believe that they will be able to establish multiple counterparty business relationships to permit the Fund to effect transactions in the OTC market and other counterparty markets (including credit default swaps, total return swaps and other swaps market as applicable), there can be no assurance that it will be able to do so. An inability to establish or maintain such relationships would potentially increase the Fund's counterparty credit risk, limit its operations and could require the Fund to cease investment operations or conduct a substantial portion of such operations in the futures markets. Moreover, the counterparties with which a Fund expects to establish such relationships will not be obligated to maintain the credit lines extended to the Fund, and such counterparties could decide to reduce or terminate such credit lines at their discretion.

*Counterparty ceasing to trade in certain instruments*

From time to time, the counterparties with which a Fund effects transactions might cease making markets or quoting prices in certain of the instruments. In such instances, the Fund might be unable to enter into a desired transaction in currencies, credit default swaps or total return swaps or to enter into an offsetting transaction with respect to an open position, which might adversely affect its performance.

**12.12. Concentration Risk**

Funds which invest in a narrow range of stocks or in specialised sectors may be more volatile than more broadly diversified equity funds.

**12.13. Legal and Regulatory Risks**

Legal and regulatory (including taxation) changes could adversely affect the Company. Regulation (including taxation) of investment vehicles such as the Company is subject to change. The effect of any future legal or regulatory (including taxation) change on the Company is impossible to predict, but could be substantial and have adverse consequences on the rights and returns of Shareholders.

**12.14. Lack of Operating History**

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

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

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

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

In the longer term, there is likely to be a period of uncertainty as the UK seeks to negotiate its exit from the European Union. The UK's laws and regulations concerning funds may in future diverge from those of the European Union. This may lead to changes in the operation of the Company or the rights of investors or the territories in which the Shares of the Company may be promoted and sold.

**12.16. Cyber Security Risk**

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

intermediaries and companies in which the Fund invests or with which it does business.

#### **12.17. Liquidity**

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

#### **12.18. Corporate Bonds**

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

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

#### **12.19. Convertibles**

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

#### **12.20. Unregulated Collective Investment Schemes**

Up to 20% of the value of a non-UCITS retail scheme may be invested in unregulated collective investment schemes. Such schemes are subject to less onerous regulatory supervision than regulated schemes, and therefore may be considered higher risk.

#### **12.21. Sub Investment Grade Securities**

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

## APPENDIX A: DETAILS OF THE COMPANY

## VT ROSSIE HOUSE PORTFOLIO FUND

<b>PRN:</b>	637678
<b>Type of Fund:</b>	Non-UCITS retail scheme
<b>Investment Objective:</b>	The Fund's objective is to achieve long term capital and income growth.
<b>Investment Policy:</b>	<p>The Fund will aim to meet its objective by investing primarily, though not exclusively, in investment trusts and collective investment schemes that invest predominantly in equity securities. The Fund may also have some direct exposure to bonds and other non-equity investments, including cash, gold and derivatives.</p> <p>The Fund can use derivatives for the purpose of meeting its investment objective and for efficient portfolio management (including hedging) ("EPM"). It is envisaged however that the Investment Manager will not make a significant use of derivatives in the ordinary course of investing the assets of the Fund.</p>
<b>Benchmark</b>	The Fund does not have a specific benchmark. However, the performance of the Fund can be assessed by considering whether the objective is achieved (i.e. whether there has been capital growth over the long term (+5 years))

<b>Final accounting date:</b>	31 December
<b>Interim accounting date:</b>	30 June
<b>Income distribution dates:</b>	28 February (final) 31 August (interim)

<b>Shares Classes:</b>	A Class <sup>1</sup> B Class
------------------------	---------------------------------

<sup>1</sup> Unless the ACD determines otherwise in its discretion, the Class A shares are only available to employees and partners of the Investment Manager and certain clients of the Investment Manager at the discretion of the ACD.

**Types of Shares:** Net Income Shares; Net Accumulation Shares

**Initial charge:\*** A Class: 9%

B Class: 9%

**Redemption Charge:\*** A Class: 3%

B Class: 3%

**Switching Charge:\*** See paragraph 4.6.3 of the Prospectus

**Annual Management Charge:** The annual management charge is comprised of a fixed element which is retained by the ACD for its own account and a variable element which is paid by the ACD to the Investment Manager.

The fixed element, which is equal to £10,000 per annum, is taken from A Class and B Class Shares pro-rata to their Net Asset Value.

The variable element in respect of the A Class Shares is nil.

The variable element in respect of the B Class Shares is equal to 0.8% per annum of the Net Asset Value of the B Class Shares.

**Depository Fee:** See paragraph 5.3 of the Prospectus

**Other Fees, Charges and Expenses:** See paragraph 5.1 of the Prospectus

**Charges taken from:** Capital

**Investment minima: \***

Lump sum subscription A Class: £250,000

B Class: £10,000

Top-up A Class: £1,000

B Class: £1,000

Holding A Class: £1,000

B Class: £1,000

Redemption	A Class: lower of £1,000 or total remaining holding B Class: lower of £1,000 or total remaining holding
Switching	A Class: £10,000 B Class: £10,000

**Initial price of Shares:** £1

**Past Performance:** Past performance information is set out below

**Performance Fee:** Not applicable

**\* May be reduced or waived at the discretion of the ACD.**

#### **Historical Performance Data**

This performance information is for Class B Net Income Shares and is net of tax and charges (subscription and redemption fees) but does not include the effect of any preliminary charge that may be paid on the purchase of an investment. Please note that all performance information is at 31 December 2017. For more up-to-date performance information, please contact the ACD.

<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
3.88%	9.19%	11.14%	12.04%

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

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

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

Target Market for MiFID II:

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

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

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

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

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

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

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

Distribution channel: This product is eligible for all distribution channels (e.g. investment advice, portfolio management, non-advised sales and pure execution services)

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

### 1. General rules of investment

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

### 2. Prudent spread of risk

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

The requirements on spread of investments do not apply until 12 months after the later of:

- (a) the date when the authorisation order in respect of the Fund takes effect; and
- (b) the date the initial offer commenced;

provided that the requirement to maintain a prudent spread of risk in this section 2 is complied with.

The limits in COLL 5.6.19R regarding investment in immovables do not apply until 24 months after the later of:

- (a) the date when the authorisation order in respect of the Fund takes effect; and
- (b) the date the initial offer commenced;

provided that the requirement to maintain a prudent spread of risk in this section 2 is complied with.

The limit in COLL 5.6.19 R (7) relating to immovables which are unoccupied and non-income producing or are in the course of substantial development, redevelopment or refurbishment applies from the later of the date when the authorisation order in respect of the Fund takes effect and the date the initial offer period commenced.

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

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

- (a) transferable securities permitted under COLL 5.2.7 R and COLL 5.2.7A R;

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

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

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

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

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

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

- 5.1. An approved money-market instrument is a money-market instrument which is normally dealt in on the money-market, is liquid and has a value which can be accurately determined at any time.

- 5.2. A money-market instrument shall be regarded as normally dealt in on the money-market if it:
- 5.2.1. has a maturity at issuance of up to and including 397 days;
  - 5.2.2. has a residual maturity of up to and including 397 days;
  - 5.2.3. undergoes regular yield adjustments in line with money-market conditions at least every 397 days; or
  - 5.2.4. has a risk profile, including credit and interest rate risks, corresponding to that of an instrument which has a maturity as set out in 5.2.1 or 5.2.2 or is subject to yield adjustments as set out in 5.2.3.
- 5.3. A money-market instrument shall be regarded as liquid if it can be sold at limited cost in an adequately short time frame, taking into account the obligation of the ACD to redeem Shares at the request of any qualifying Shareholder.
- 5.4. A money-market instrument shall be regarded as having a value which can be accurately determined at any time if accurate and reliable valuations systems, which fulfil the following criteria, are available:
- 5.4.1. enabling the ACD to calculate a net asset value in accordance with the value at which the instrument held in the Scheme Property of a Fund could be exchanged between knowledgeable willing parties in an arm's length transaction; and
  - 5.4.2. based either on market data or on valuation models including systems based on amortised costs.
- 5.5. A money-market instrument that is normally dealt in on the money-market and is admitted to or dealt in on an eligible market shall be presumed to be liquid and have a value which can be accurately determined at any time unless there is information available to the ACD that would lead to a different determination.

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

- 6.1. To protect investors, the markets on which investments of a scheme are dealt in or traded on should be of an adequate quality ("eligible") at the time of acquisition of the investment and until it is sold.
- 6.2. Where a market ceases to be eligible, investments on that market cease to be approved securities. The 20% restriction on investing in non approved securities applies.
- 6.3. A market is eligible for the purposes of the rules if it is:
- 6.3.1. a regulated market as defined in the FCA Handbook; or

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

6.3.3. any market which satisfies the criteria below:

- (i) the ACD, after consultation and notification with the Depositary, decides that market is appropriate for investment of, or dealing in, the Scheme Property;
- (ii) the market is included in a list in the Prospectus; and
- (iii) the Depositary has taken reasonable care to determine that:
  - (a) adequate custody arrangements can be provided for the investment dealt in on that market; and
  - (b) all reasonable steps have been taken by the ACD in deciding whether that market is eligible.

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

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

## 7. Spread: general

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

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

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

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

- 7.3. The limit of 10% in 2) above is raised to 25% in value of the Scheme Property of a Fund in respect of Covered Bonds.
- 7.4. In applying the above paragraph 2), Certificates Representing Certain Securities are treated as equivalent to the underlying security.
- 7.5. The exposure to any one counterparty in an OTC derivative transaction must not exceed 10% in value of the scheme.
- 7.6. Not more than 35% in value of the Scheme Property is to consist of the units of any one collective investment scheme. Where the second scheme is an umbrella, this provision applies to each Fund as if it were a separate scheme.
- 7.7. The exposure of an OTC derivative may be reduced to the extent that collateral is held in respect of it if the collateral meets the conditions specified in COLL 5.6.7 R (8).
- 7.8. OTC derivative positions with the same counterparty may be netted provided that the netting procedures comply with COLL 5.6.7 R (9).
- 7.9. All derivative transactions are deemed to be free of counterparty risk if they are performed on an exchange where the clearing house meets each of the conditions in COLL 5.6.7 R (10).
- 7.10. For the purposes of this section, a single body is:
  - (a) in relation to transferable securities and money market instruments, the person by whom they are issued; and
  - (b) in relation to deposits, the person with whom they are placed.

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

- 8.1. The following section applies in respect of a transferable security or an approved money-market instrument (“such securities”) that is issued by:
  - 8.1.1. an EEA state;
  - 8.1.2. a local authority of an EEA state;
  - 8.1.3. a non-EEA state; or
  - 8.1.4. a public international body to which one or more EEA states belong
- 8.2. Where no more than 35% in value of the Scheme Property of a Fund is invested in such securities issued by any one body, there is no limit on the amount which may be invested in such securities or in such securities issued by any one body or of any one issue.
- 8.3. A Fund may invest more than 35% of its value in such securities issued by any one body provided that:

- 8.3.1. the ACD has before any such investment is made consulted with the Depositary and as a result considers that the issuer of such securities is one which is appropriate in accordance with the investment objectives of a Fund;
  - 8.3.2. no more than 30% in value of the Scheme Property consists of such securities of any one issue;
  - 8.3.3. the Scheme Property includes such securities issued by that or another issuer, of at least six different issues; and
  - 8.3.4. the disclosures required by COLL 5.2.12 (4) have been made in the most recently published prospectus of the Fund.
- 8.4. In relation to such securities:
- 8.4.1. issue, issued and issuer include guarantee, guaranteed and guarantor; and
  - 8.4.2. an issue differs from another if there is a difference as to repayment date, rate of interest, guarantor or other material terms of the issue.
- 8.5. **More than 35% of the Scheme Property of the Fund or a Sub-Fund may be invested in Government and other public securities issued or guaranteed by the United Kingdom and/or the Government of the United States of America.**

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

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

**10. Investment in collective investment schemes**

- 10.1. The Fund's investment policy permits investment in units or shares of collective investment schemes.

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

10.1.1. The second scheme must:

- (a) satisfy the conditions necessary for it to enjoy the rights conferred by the UCITS Directive; or
- (b) be authorised as a non-UCITS retail scheme; or
- (c) be a recognised scheme; or

- (d) be constituted outside the United Kingdom and the investment and borrowing powers of which are the same or more restrictive than those of a non-UCITS retail scheme; or
- (e) be a scheme not falling within paragraphs (a) to (d) above and in respect of which no more than 20% in value of the Scheme Property (aggregated with investment in any transferable securities which are not approved securities) is invested.

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

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

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

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

## 11. Derivatives - general

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

- 11.1. A transaction in derivatives or a forward transaction must not be effected for a Fund unless the transaction is of a kind specified in paragraph 13 (Permitted transactions (derivatives and forwards)) below, and the transaction is covered, as required by paragraph 18 (Cover for transactions in derivatives and forward transactions) of this Appendix.
- 11.2. Where a Fund invests in derivatives, the exposure to the underlying assets must not exceed the limits set out in the COLL Sourcebook in relation to COLL 5.6.7R (Spread: general (see also paragraph 7 above)) and COLL 5.6.8R (Spread: government and public securities (see also paragraph 8 above)) except for index based derivatives where the rules below apply.
- 11.3. Where a transferable security or approved money-market instrument embeds a derivative, this must be taken into account for the purposes of complying with this section.

- 11.4. Where a Fund invests in an index based derivative, provided the relevant index falls within COLL 5.6.23R (Financial Indices underlying derivatives), the underlying constituents of the index do not have to be taken into account for the purposes of COLL 5.6.7 and COLL 5.6.8 (as referred to above in paragraphs 7 and 8). The relaxation is subject to the ACD continuing to ensure that the property provides a prudent spread of risk.

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

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

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

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

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

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

- 13.1. A transaction in a derivative must be in an approved derivative; or be one which complies with COLL 5.2.20
- 13.2. A transaction in a derivative must have the underlying consisting of any one or more of the following to which a Fund is dedicated:
  - 13.2.1. transferable securities;
  - 13.2.2. Approved Money Market Instruments;
  - 13.2.3. deposits;

- 13.2.4. derivatives;
  - 13.2.5. collective investment scheme units;
  - 13.2.6. financial indices;
  - 13.2.7. interest rates;
  - 13.2.8. foreign exchange rates;
  - 13.2.9. currencies; and
  - 13.2.10. permitted immovables and gold and all of the attributes thereof.
- 13.3. A transaction in an approved derivative must be effected on or under the rules of an eligible derivatives market.
- 13.4. A transaction in a derivative must not cause a Fund to diverge from its investment objectives as stated in the Instrument of Incorporation and the most recently published version of this Prospectus.
- 13.5. A transaction in a derivative must not be entered into if the intended effect is to create the potential for an uncovered sale of one or more, transferable securities, approved money-market instruments, units in collective investment schemes, or derivatives.
- 13.6. Any forward transaction must be with an Eligible Institution or an Approved Bank.
- 13.7. A derivative includes an instrument which fulfils the following criteria:
- 13.7.1. it allows the transfer of the credit risk of the underlying independently from the other risks associated with that underlying;
  - 13.7.2. it does not result in the delivery or the transfer of assets other than those referred to in COLL 5.6.4 R (5) including cash;
  - 13.7.3. in the case of an OTC derivative, it complies with the requirements in COLL 5.2.23 R (OTC transactions in derivatives);
  - 13.7.4. its risks are adequately captured by the risk management process of the ACD, and by its internal control mechanisms in the case of risks of asymmetry of information between the ACD and the counterparty to the derivative, resulting from potential access of the counterparty to non-public information on persons whose assets are used as the underlying by that derivative.

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

A derivative or forward transaction which will or could lead to the delivery of property for the account of a Fund may be entered into only if that property can be held for the account of the Fund and the ACD having taken reasonable care determines that delivery of the property under the

transaction will not occur or will not lead to a breach of the COLL Sourcebook.

## 15. Requirement to cover sales

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

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

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

## 16. OTC Transactions in derivatives

16.1. Any transaction in an OTC derivative must be:

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

16.1.2. on approved terms; the terms of the transaction in derivatives are approved only if, the ACD: carries out, at least daily, a reliable and verifiable valuation in respect of that transaction corresponding to its fair value and which does not rely only on market quotations by the counterparty and can enter into one or more further transactions to

sell, liquidate or close out that transaction at any time, at its fair value; and

16.1.3. capable of reliable valuation; a transaction in derivatives is capable of reliable valuation only if the ACD having taken reasonable care determines that, throughout the life of the derivative (if the transaction is entered into), it will be able to value the investment concerned with reasonable accuracy:

- (a) on the basis of an up-to-date market value which the ACD and the Depositary have agreed is reliable; or
- (b) if the value referred to in 24.1.3(a) is not available, on the basis of a pricing model which the ACD and the Depositary have agreed uses an adequate recognised methodology; and

16.1.4. subject to verifiable valuation: a transaction in derivatives is subject to verifiable valuation only if, throughout the life of the derivative (if the transaction is entered into) verification of the valuation is carried out by:

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

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

## **17. Derivative Exposure**

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

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

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

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

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

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

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

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

19.1. Any investment in land or a building held within the Scheme Property must be an 'immovable' within the meaning of 19.2 to 19.5.

19.2. In the event that any Fund invests in immovable property, for the purpose of COLL 5.6.18(2)(a) the country or territory in which investment in land or building held within the Scheme Property will be situated will be set out in this section 19.2 and if situated in:

- (a) England and Wales or Northern Ireland, be a freehold or leasehold interest or in Scotland, be any interest or estate in or over land or heritable right including a long lease; or
- (b) if not situated in the jurisdictions referred to in 19.2(a)), be equivalent to any of the interests in 19.2(a) or, if no such equivalent interest is available in the jurisdiction, be an interest that grants beneficial ownership of the immovable to a Fund and provides as good a title as any of the interests above.

19.3. The ACD must have taken reasonable care to determine that the title to the immovable is a good marketable title.

19.4. The ACD of the Company must:

19.4.1. have received a report from an appropriate valuer which:

- (a) contains a valuation of the immovable (with and without any relevant subsisting mortgage); and
- (b) states that in the appropriate valuer's opinion the immovable would, if acquired by the Company be capable of being disposed of reasonably quickly at that valuation; or

19.4.2. have received a report from an appropriate valuer as required by (4)(a)(i) and stating that:

- (a) the immovable is adjacent to or in the vicinity of another immovable included in the relevant Fund or is another legal interest as defined in 19.2(a) or (b) in an immovable which is already included in the Fund; and
- (b) in the opinion of the appropriate valuer, the total value of both immovables would at least equal the sum of the price payable for the immovable and the existing value of the other immovable.

19.5. An immovable must:

19.5.1. be bought or be agreed by enforceable contract to be bought within six months after receipt of the report of the appropriate valuer under 19.4;

19.5.2. not be bought, if it is apparent to the ACD that the report in 19.5,1 could no longer reasonably be relied upon; and

19.5.3. not be bought at more than 105% of the valuation for the relevant immovable in the report in 19.4.

19.6. Any furniture, fittings or other contents of any building may be regarded as part of the relevant immovable.

19.7. An appropriate valuer must be a person who:

19.7.1. has knowledge of and experience in the valuation of immovables of the relevant kind in the relevant area;

19.7.2. is qualified to be a standing independent valuer or a non-UCITS retail scheme or is considered by the Fund's standing independent valuer to hold an equivalent qualification;

19.7.3. is independent of the Fund, the ACD and the Depositary; and

19.7.4. has not engaged himself or any of his associates in relation to the finding of the immovable for the Fund or the finding of the Fund for the immovable.

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

20.1. An overseas immovable may be held by a scheme through an intermediate holding vehicle whose purpose is to enable the holding of immovables by the scheme or a series of such intermediate holding vehicles, provided that the interests of unitholders are adequately protected. Any investment in an intermediate holding vehicle for the purpose of holding an overseas immovable shall be treated as if it were a direct investment in that immovable.

- 20.2. An intermediate holding vehicle must be wholly owned by the scheme or another intermediate holding vehicle or series of intermediate holding vehicles wholly owned by the scheme, unless and to the extent that local legislation or regulation relating to the intermediate holding vehicle holding the immovable requires a proportion of local ownership.

**21. Investment Limits for immovables**

The following limits apply in respect of immovables held as part of scheme property of a Fund:

- 21.1. not more than 15% in value of the Scheme Property of a Fund is to consist of any one immovable;
- 21.2. immovables within COLL 5.6.18 R (4) (b) (Investment in property) must be regarded as one immovable;
- 21.3. the figure of 15% in (1) may be increased to 25% once the immovable has been included in the scheme property in compliance with (1);
- 21.4. The income receivable from any one group of companies in any accounting period must not be attributable to immovables comprising more than 25% or, in the case of a government or public body, more than 35% of the value of the Scheme Property;
- 21.5. not more than 20% in value of the scheme property is to consist of immovables that are subject to a mortgage and any mortgage must not secure more than 100% of the value in COLL 5.6.18 R (4) (on the assumption the immovable is not mortgaged);
- 21.6. not more than 20% in value of the Scheme Property is to consist of mortgaged immovables and the maximum mortgage on any one property must not exceed 100% of the value in the appropriate valuer's report (an immovable may be mortgaged up to 100% of such value provided that no more than 20% of the value of the Scheme Property consists of such immovables aggregated with any borrowings of the Fund under COLL 5.6.22 R (5) and any transferable securities which are not approved securities);
- 21.7. not more than 50% in value of the scheme property is to consist of immovables which are unoccupied and non-income producing or in the course of substantial development, redevelopment or refurbishment; and
- 21.8. no option may be granted to a third party to buy any immovable comprised in the scheme property unless the value of the relevant immovable does not exceed 20% of the value of the scheme property together with, where appropriate, the value of investments in:
- (a) unregulated collective investment schemes; and
  - (b) any transferable securities which are not approved securities.

**22. Standing independent valuer and valuation**

The ACD must ensure that any immovables in the scheme property of a Fund are valued by an appropriate valuer (standing independent valuer) appointed by the ACD with the approval of the depositary.

**23. Stocklending**

**The Company is not permitted to enter into any stock lending arrangement or repo contract in respect of the Scheme Property.**

**24. Cash and near cash**

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

24.1.1. the pursuit of a Fund's investment objectives; or

24.1.2. redemption of units; or

24.1.3. efficient management of the Fund in accordance with its investment objectives; or

24.1.4. other purposes which may reasonably be regarded as ancillary to the investment objectives of the Fund.

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

**25. Borrowing powers**

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

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

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

25.4. Borrowing includes, as well as borrowing in a conventional manner, any other arrangement (including a combination of derivatives) designed to achieve a temporary injection of money into a Fund in the expectation that the sum will be repaid.

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

**26. Restrictions on lending of money**

- 26.1. None of the money in the property of the Company may be lent and, for the purposes of this prohibition, money is lent by the Company if it is paid to a person ("the payee") on the basis that it should be repaid, whether or not by the payee.
- 26.2. Acquiring a debenture is not lending for the purposes of this section; nor is the placing of money on deposit or in a current account.
- 26.3. The above does not prevent the Company from providing an officer with funds to meet expenditure to be incurred by him for the purposes of the Company (or for the purposes of enabling him properly to perform his duties as an officer of the Company) or from doing anything to enable an officer to avoid incurring such expenditure.

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

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

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

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

**29. Guarantees and indemnities**

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

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

**30. Leverage**

- 30.1. This section explains in what circumstances and how the ACD may use leverage in respect of the Company where the investment policy of the Company permits its use of leverage, the different leverage calculation methods and maximum level of leverage permitted.
- 30.2. Leverage when used in this prospectus means the following sources of leverage can be used when managing the Company:
  - 30.2.1. cash borrowing, subject to the restrictions set out in paragraph 25 ("Borrowing Powers") of this Annex;
  - 30.2.2. financial derivative instruments and reinvestment of cash collateral in the context of securities lending, subject in each case to paragraphs 11 ("Derivatives - general"), 13 ("Permitted transactions (derivatives and forwards)"), 14 ("Transactions for the purchase of property"), 15 ("Requirement to cover sales"), 16 ("OTC transactions in derivatives"), 18 ("Cover for investments in derivatives and forward transactions") and 25 ("Borrowing") of this Annex.
- 30.3. The ACD is required to calculate and monitor the level of leverage of the Company, expressed as a ratio between the exposure of the Company and its Net Asset Value (Exposure/NAV), under both the gross method and the commitment method (so for the Company with no borrowing or derivative usage the leverage ratio would be 1:1).
- 30.4. Under the gross method, the exposure of the Company is calculated as follows:
  - 30.4.1. include the sum of all assets purchased, plus the absolute value of all liabilities;
  - 30.4.2. exclude cash and cash equivalents which are highly liquid investments held in the base currency of the Company, that are readily convertible to a known amount of cash, are subject to an insignificant risk of change in value and provide a return no greater than the rate of a three month high quality bond;
  - 30.4.3. derivative instruments are converted into the equivalent position in their underlying assets;
  - 30.4.4. exclude cash borrowings that remain in cash or cash equivalents and where the amounts payable are known;
  - 30.4.5. include exposures resulting from the reinvestment of cash borrowings, expressed as the higher of the market value of the investment realised or the total amount of cash borrowed; and
  - 30.4.6. include positions within repurchase or reverse repurchase agreements and securities lending or borrowing or other similar arrangements.

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

- 30.5. The maximum level of leverage which the Company may employ, calculated in accordance with the gross and commitment methods, is stated in Appendix 1.
- 30.6. In addition, the total amount of leverage employed by the Company will be disclosed in the Company's annual report.

**31. Schemes replicating an index**

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

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

**APPENDIX C: ELIGIBLE SECURITIES AND DERIVATIVES MARKETS**

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

Any authorised and regulated market in the UK and the European Economic Area which fulfils the requirements of the eligible markets regime as set out in COLL 5.
Australia - Australian Securities Exchange Ltd
Austria - Vienna Stock Exchange
Belgium - Euronext Brussels
Canada - Montreal Exchange, Toronto Stock Exchange
Denmark - Copenhagen Stock Exchange
Finland - Helsinki Stock Exchange
France - Euronext Paris
Germany - Deutsche Borse Group
Greece - Athens Stock Exchange
Hong Kong - Hong Kong Stock Exchange, Hong Kong Futures Exchange
Ireland - Irish Stock Exchange
Italy - Borsa Italiana, IDEM (Italian Derivatives Equity Market)
Japan -Tokyo Stock Exchange, Tokyo International Financial Futures Exchange, Osaka Securities Exchange
Korea - Korea Exchange
Mexico - Bolsa Mexicana de Valores
Netherlands - Euronext Amsterdam
New Zealand - New Zealand Stock Exchange
Norway - Oslo Bors
Portugal - Eurolist Lisbon
Singapore - Singapore Exchange (SGX)
South Africa - Johannesburg Stock Exchange, South Africa Futures Exchange
Spain - BME Spanish Exchange

Sweden - NASDAQ OMX Stockholm AB
Switzerland - SIX Swiss Exchange AG
UK - London Stock Exchange, Euronext LIFFE
USA - NASDAQ, New York Stock Exchange, NYSE Amex, NASDAQ OMX PHLX, Chicago Stock Exchange, CME (including COMEX, NYMEX, CBOT)
Pan-European - Eurex, NYSE Euronext, Nasdaq OMX Nordic

## APPENDIX D

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

<b>Directors of the ACD and their significant business activities not connected with the business of the Company</b>			
R Peter W Millar	Sole proprietor of Valu-Trac Research; sole proprietor of Orton Estate and Orton Farms and Director of Spey Fishing Trust Ltd.		
Anne Laing	None		
Martin Henderson	None		
Douglas Halley	None		
Michael Barron	None		
<b>Authorised collective investment schemes of which the ACD is the authorised corporate director</b>			
<b>Name</b>	<b>Place of registration</b>	<b>Registration number</b>	<b>Product Reference</b>
Alligator Fund ICVC	England and Wales	IC000203	407790
Moray Place Investment Company*	Scotland	IC000934	573760
The Beagle Fund*	England and Wales	IC000789	505177
The Discovery Fund	England and Wales	IC000365	413970
The Mulben Investment Funds	England and Wales	IC000816	516628
The Prestney Fund	England and Wales	IC000175	407766
The Teal Fund	England and Wales	IC000257	227831
The VT Cindabella Fund	England and Wales	IC001049	714901

The VT Oxeye Funds**	England and Wales	IC001063	743815
Valu-Trac Investment Funds ICVC	Scotland	IC000953	581955
Valu-Trac Proprietary Funds ICVC*	Scotland	IC000986	605631
VT AJ Bell ICVC	England and Wales	IC001082	769363
VT Cantab Funds ICVC	England and Wales	IC001114	808050
VT Cape Wrath Focus Fund*	England and Wales	IC001061	741524
VT Chelsea Managed ICVC	England and Wales	IC001085	773989
VT Clear Peak Capital ICVC	England and Wales	IC011866	841768
VT Dominion Holdings ICVC*	England and Wales	IC001093	778841
VT Esprit FS ICVC	England and Wales	IC001105	794635
VT Garraway Investment Funds ICVC	England and Wales	IC000935	573884
VT Garraway Investment Fund Series II	England and Wales	IC000025	188718
VT Garraway Investment Fund Series III	England and Wales	IC000584	472521
VT Garraway Investment Fund Series IV	England and Wales	IC000534	465988
VT Gravis Funds ICVC	England and Wales	IC001055	724240
VT Greystone ICVC	England and Wales	IC000403	434235
VT Greystone Cautious Managed ICVC*	England and Wales	IC000407	435265
VT Greystone Conservative Managed ICVC*	England and Wales	IC000533	465365
VT Grosvenor Funds ICVC	England and Wales	IC001077	762880
VT Halo Funds ICVC	England and	IC001018	629070

	Wales		
VT iFunds OEIC	England and Wales	IC000868	536578
VT Morningstar Informed Smartfund ICVC	England and Wales	IC001012	621247
VT Munro Smart-Beta Fund	England and Wales	IC000551	467964
VT Plain English Finance Funds ICVC	England and Wales	IC001096	782737
VT Price Value Partners Funds ICVC	England and Wales	IC001033	671132
VT Redlands Fund	England and Wales	IC001043	694999
VT Redlands NURS ICVC*	England and Wales	IC001089	776548
VT Reyker Funds ICVC	England and Wales	IC001121	812559
VT RM Funds ICVC	England and Wales	IC001108	800855
VT Rossie House Investment Management Funds ICVC*	England and Wales	IC000991	607962
VT Seneca Investment Funds	England and Wales	IC000342	407990
VT SG Defined Return Assets ICVC	England and Wales	IC001097	784172
VT Sorbus Vector Funds ICVC	England and Wales	IC001059	731963
VT Tatton Oak ICVC	England and Wales	IC000737	494501
VT Teviot Funds ICVC	England and Wales	IC001094	780433
VT Thistledown ICVC	England and Wales	IC001011	621244
VT Tyndall Funds ICVC	England and Wales	IC001050	715282
VT Ursus Arctos Funds ICVC	Scotland	IC001004	613236
VT Vanneck Equity Fund	England and Wales	IC001003	613235





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

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**Authorised Corporate Director:**

Valu-Trac Investment Management Limited  
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**Investment Manager:**

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Rossie House  
Forgandenny,  
Perth, PH2 9EH

**Registrar and Administrator:**

Valu-Trac Investment Management Limited  
Orton  
Moray, IV32 7QE

**Depositary:**

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**Auditor:**

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