

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

Host Capital 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. Host Capital Limited accepts responsibility accordingly.

**PROSPECTUS**

**OF**

**HC CHARTERIS ICVC**

**(An open-ended investment company  
incorporated with limited liability and  
registered in England and Wales  
under registered number IC529)**

This document constitutes the Prospectus for HC Charteris ICVC which has been prepared in accordance with the Collective Investment Schemes Sourcebook and the Investment Funds Sourcebook.

This Prospectus is dated, and is valid as at 17<sup>th</sup> December 2016.

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

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

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

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

The provisions of the Instrument of Incorporation are binding on each of the Shareholders a summary of which are included in this Prospectus and a copy of the Instrument of Incorporation is available on request.

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

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

This Prospectus is based on information, law and practice at the date hereof. The Company cannot be bound by an out of date prospectus when it has issued a new prospectus and investors should check with Host Capital Limited that this is the most recently published prospectus.

### **International Tax Reporting**

As of 2014, in order to fulfil our legal obligations in accordance with the requirements of FATCA and other intergovernmental arrangements, the Company is required to obtain confirmation of the tax residency of Shareholders to comply with certain reporting requirements. We may ask for evidence of the tax identification number, and country and date of birth of individual Shareholders, or for the Global Intermediary Identification number (GIIN) of corporate Shareholders. If certain conditions apply, information about your shareholding may be passed to HM Revenue & Customs ("HMRC") in order to be passed on to other tax authorities, where the UK has an agreement with that country. Any

shareholder that fails to provide the required information may be subject to a compulsory redemption of their Shares and/or monetary penalties.

1. **DEFINITIONS**

- "ACD"** Host Capital Limited, the authorised corporate director of the Company;
- "ACD Agreement"** an agreement between the Company and the ACD;
- "AIFM Directive"** the Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2004/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010;
- "Approved Bank"** (in relation to a bank account opened by the Company):
- (a) if the account is opened at a branch in the United Kingdom:
1. the Bank of England; or
  2. the central bank of a member state of the OECD; or
  3. a bank; or
  4. a building society; or
  5. a bank which is supervised by the central bank or other banking regulator of a member state of the OECD; or
- (b) if the account is opened elsewhere:
1. a bank in (a); or
  2. a credit institution established in an EEA State other than in the United Kingdom and duly authorised by the relevant Home State Regulator; or
  3. a bank which is regulated in the Isle of Man or the Channel Islands;

or

4. a bank supervised by the South African Reserve Bank;

<b>"Auditor"</b>	Grant Thornton LLP, or such other entity as is appointed to act as auditor to the Company from time to time;
<b>"business day"</b>	means any day on which the London Stock Exchange is open for normal business;
<b>"Class" or "Classes"</b>	in relation to Shares, means (according to the context) all of the Shares related to a single Sub-fund or a particular class or classes of Share related to a single Sub-fund;
<b>"COLL"</b>	refers to the appropriate chapter or rule in the COLL Sourcebook;
<b>"the COLL Sourcebook"</b>	the Collective Investment Schemes Sourcebook issued by the FCA as amended, replaced or restated from time to time;
<b>"Company"</b>	HC Charteris ICVC;
<b>"Conversion"</b>	the Conversion of shares in one class in a Sub-fund to shares of another Class in the same Sub-fund and <b>"Convert"</b> shall be construed accordingly;
<b>"Dealing Day"</b>	Monday to Friday where these days are business days;
<b>"Depositary"</b>	Citibank Europe Plc, UK Branch, or such other entity as is appointed to act as depositary pursuant to the Regulations;
<b>"EEA State"</b>	a member state of the European Union and any other state which is within the European Economic Area;
<b>"Efficient Portfolio Management" or "EPM"</b>	an investment technique where derivatives are used for one or more of the following purposes: reduction of risk, reduction of cost or generation of additional income with an

acceptably low level of risk;

**“Eligible Institution”**

one of certain eligible institutions as defined in the glossary of definitions to the FCA Handbook;

**“FATCA”**

the provisions, enacted in the USA, commonly known as the Foreign Account Tax Compliance Act (as amended, consolidated or supplemented from time to time) including any regulations issued pursuant to it;

**“the FCA”**

means the Financial Conduct Authority or any other successor entity from time to time;

**“the Fund Accountant”**

Apex Fund Services (UK) Ltd, Veritas House, 125 Finsbury Pavement, London EC2A 1NQ;

**“the FCA Handbook”**

the FCA Handbook of Rules and Guidance, as amended from time to time;

**“FUND Sourcebook”**

the Investment Fund Sourcebook issued by the FCA as amended or replaced from time to time

**“ICVC”**

investment company with variable capital;

**“Instrument of Incorporation” or “Instrument”**

the instrument of incorporation of the Company as amended from time to time;

**“Investment Manager”**

the investment manager to the ACD in respect of the Company;

**“Leverage”**

means any method by which the exposure of a Fund is increased, whether through borrowing of cash or transferrable securities or leverage embedded in derivative positions or by any other means;

**“Net Asset Value” or “NAV”**

the value of the Scheme Property of the Company or of any Sub-fund (as the context may require) less the liabilities of the Company (or of the Sub-fund concerned) as calculated in accordance with the Instrument of Incorporation;



<b>“Non UCITS Retail Scheme” or “NURS”</b>	an authorised fund which is neither a UCITS scheme nor a qualified investor scheme;
<b>“OEIC Regulations”</b>	the Open-Ended Investment Companies Regulations 2001 as amended or replaced from time to time;
<b>“Professional Liability Risks”</b>	shall have the meaning given to it in IPRU(INV) 11.3.12 EU of the FCA Handbook;
<b>“Register”</b>	the register of Shareholders of the Company;
<b>“Registrar”</b>	WAY Fund Managers Limited trading as Investor Administration Solutions Limited, or such other entity as is appointed to act as Registrar to the Company from time to time;
<b>“Regulated Activities Order”</b>	the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544);
<b>“Regulations”</b>	the OEIC Regulations, and the FCA Handbook (including the COLL Sourcebook and FUND Sourcebook, as relevant);
<b>“Scheme Property”</b>	the scheme property of the Company or a Sub-fund (as appropriate) required under the COLL Sourcebook to be given for safekeeping to the Depositary;
<b>“Share” or “Shares”</b>	a share or shares in the Company;
<b>“Shareholder”</b>	a holder of registered Shares in the Company;
<b>“Specified US Person”</b>	a Shareholder who falls within the definition of <b>“Specified U.S. Person”</b> for the purposes of FATCA;
<b>“Sub-fund” or “Sub-funds”</b>	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;

**“Switch”**

the exchange where permissible of Shares of one Sub-fund for Shares of another Sub-fund and **“Switching”** shall be construed accordingly;

**“UCITS Directive”**

the European Parliament and Council Directive of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investments in transferable securities (UCITS) (No. 2009/65/EC) (as amended from time to time);

**“US Persons”**

a person who falls within the definition of “US Person” as defined in rule 902 of regulation S of the United States Securities Act 1933;

**“Valuation Point”**

the point on a Dealing Day whether on a periodic basis or for a particular valuation, at which the ACD carries out a valuation of the Scheme Property for the Company or a Sub-fund (as the case may be) for the purpose of determining the price at which Shares of a Class may be issued, cancelled or redeemed. The current Valuation Point is 12.00pm UK time on each Dealing Day;

**“VAT”**

UK value added tax.

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

### 2.1 **General information**

#### 2.1.1 **General**

HC Charteris ICVC (the Company) is an open-ended investment company with variable capital incorporated in England and Wales under registered number IC529 and authorised by the Financial Conduct Authority with effect from 09 May 2007. The Company has an unlimited duration.

Shareholders are not liable for the debts of the Company.

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

#### 2.1.2 **Head Office**

The head office of the Company is at 73 New Bond Street, London, W1S 1RS.

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

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

#### 2.1.4 **Base Currency**

The base currency of the Company and each Sub-fund is Pounds Sterling.

#### 2.1.5 **Share Capital**

Maximum            £100,000,000,000

Minimum            £1,000,000

Shares have no par value. The share capital of the Company at all times equals the sum of the Net Asset Values of each of the Sub-funds.

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

Each of the Sub-funds of the Company is designed and managed to support longer-term investment and active trading is discouraged. Short-term or excessive trading into and out of a Sub-fund may harm performance by disrupting portfolio management strategies and by increasing expenses. The ACD may at its discretion refuse to accept applications for, or switching of, Shares, especially where transactions are deemed disruptive, particularly from possible market timers or investors who, in its opinion, have a pattern of short-term or excessive trading or whose trading has been or may be disruptive to a Sub-fund(s). For these purposes, the ACD may consider an investor's trading history in the Sub-fund(s) or other Host Capital Limited funds and accounts under common ownership or control.

## **2.2 The Structure of the Company**

### **2.2.1 The Sub-funds**

The Company is structured as an umbrella company, in that different Sub-funds may be established from time to time by the ACD with the approval of the FCA. The Company currently issues Shares in three sub-funds as described in Appendix I. On the introduction of any new Sub-fund or Class, a revised prospectus will be prepared setting out the relevant details of each Sub-fund or Class.

The Company is a "Non-UCITS Retail Scheme" for the purposes of the OEIC Regulations.

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

Any proposals to change a Sub-fund's investment objective or investment policy will typically be treated by the ACD (with the agreement of the Depositary) as a "fundamental event" requiring prior approval of the majority of Shareholders in the Sub-fund (see section 8 "Shareholder Meetings and Voting Rights" for further details). However, Shareholders should be aware that the ACD may change a Sub-fund's investment objective and/or its investment policy without first obtaining Shareholder consent to the extent necessary to satisfy any changes to the Regulations. In these circumstances, Shareholders shall be given as much notice as is practicable in the circumstances.

The requirement for a Shareholder meeting depends on the proposed change to the Company or Sub-fund. Changes to the Company or Sub-fund may fall within one of the following three categories:

- “Fundamental events” which change the purpose or nature of the Company or Sub-fund or the basis on which the investor invested, for example changes to an investment objective, its risk profile or something that would cause material prejudice to the investors would require investor approval. Fundamental changes require prior approval at a meeting of Shareholders;
- “Significant events” are those which would materially affect an investor's investment, affect a Shareholder's ability to exercise his rights in relation to this investment, result in material increased payments out of the Company or Sub-fund, or could reasonably be expected to cause investors to reconsider their participation in the Company or Sub-fund. Those should be notified pre-event to the investors and in sufficient time to enable them to leave the Company, if they wish, before the change takes effect. 60 days’ minimum notice is required for these changes; and
- “Notifiable events” for which the ACD would decide when and how Shareholders should be notified, depending on the type of event. In these cases notification could be after the event. This may take the form of the sending of an immediate notification to Shareholders or the information being included in the next long report of the Company.

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

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

#### Segregated Liability

Sub-funds established by the Company are segregated portfolios of assets, and, accordingly, the assets of a Sub-Fund belong exclusively to that Sub-fund, and shall not be used to discharge directly or indirectly the liabilities of, or claims against, any other person or body, including the Company or any other Sub-fund, and shall not be available for any such purpose.

While the provisions of the OEIC Regulations provide for segregated liability between the Sub-funds, the concept of segregated liability is relatively new and these provisions have yet to be tested in the courts. 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. It is therefore not free from doubt that the assets of a Sub-fund will always be "ring fenced" from the liabilities of other Sub-funds of the Company.

In certain circumstances the Company may sue and be sued in respect of a particular Sub-fund and may exercise rights of set-off in relation to that Sub-fund.

Subject to the above, each Sub-fund will be charged with the liabilities, expenses, costs and charges of the Company attributable to that Sub-fund, and within each Sub-fund charges will be allocated between Classes in accordance with the terms of issue of Shares of those Classes. Any assets, liabilities, expenses, costs or charges not attributable to a particular Sub-fund may be allocated by the ACD in a manner which it believes is fair to the Shareholders generally. This will normally be pro rata to the Net Asset Value of the relevant Sub-funds.

## 2.2.2 **Shares**

### **Classes of Share within the Sub-funds**

The Instrument permits income and accumulation shares to be issued under such designation as the ACD (in accordance with the Instrument) shall decide and as set out in this Prospectus.

The details of the Shares presently available for each Sub-fund, including details of their criteria for subscription and fee structure, are set out in Appendix I.

Further Classes of Shares may be established from time to time by the ACD in accordance with the Instrument and the applicable Regulations. On the introduction of a new Class of Share a revised Prospectus will be prepared setting out the details of the Share Class.

The base currency for each new Class of Share will be determined at the date of creation and set out in the Prospectus.

Each Share is deemed to represent one undivided unit of entitlement in the property of the Company. No bearer Shares are issued.

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

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

Net Shares are shares in respect of which income allocated to them is distributed periodically to the relevant Shareholder (in the case of income Shares) or credited periodically to capital (in the case of accumulation Shares), in either case in accordance with relevant tax law, net of any tax deducted or accounted for by the Company. Gross shares are income or accumulation Shares where, in accordance with relevant tax law, distribution or allocation of income is made without any tax being deducted or accounted for by the Company.

If both income and accumulation Shares are in existence, the income of the relevant Sub-fund is allocated as between income Shares and accumulation Shares according to the respective units of entitlement in the property of the Sub-fund represented by the accumulation Shares

and income Shares in existence at the end of the relevant accounting period.

Where a Sub-fund has different Share Classes, each Class may attract different charges and so monies may be deducted from the scheme property attributable to such Classes in unequal proportions.

The rights attaching to the Shares of all Classes may be expressed in two denominations and, in each of these Classes, the proportion of a larger denomination share represented by a smaller denomination share shall be one thousandth of the larger denomination.

No certificates will be issued in respect of a holding of Shares. Ownership of Shares will be evidenced by an entry in the Company's register of Shareholders. Should any Shareholder require evidence of title to shares the Registrar will, upon such proof of identity and the payment of such fee (if any) as the Registrar may reasonably require, supply the Shareholder with a certified copy of the relevant entry in the register relating to the Shareholder's holding of Shares.

Shareholders should notify the Registrar in writing of any change to their name or address.

A Regular Savings Plan is available on certain Classes of Share on certain Sub-funds. Details of which Share Classes and Sub-funds are set out in Appendix I.

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



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

The dealing office of the Registrar is normally open from 9.00 a.m. to 5.00 p.m. (UK time) on each business day to receive postal requests for the purchase, sale and switching of Shares. The ACD may vary these times at its discretion. Requests to deal in Shares may also be made by telephone on each business day (at the ACD's discretion) between 9.00 a.m. and 5.00 p.m. (UK time) directly to the office of the Registrar, WAY Fund Managers Limited trading as Investor Administration Solutions Limited (telephone: 01202 802 900 or such other number as published from time to time).

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

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

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

#### 3.1 **Money laundering**

As a result of legislation in force in the UK to prevent money laundering, the ACD is responsible for compliance with anti-money laundering regulations. In order to implement these regulations, in certain circumstances investors may be asked to provide proof of identity when buying or redeeming Shares. 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.

#### 3.2 **Buying Shares**

##### 3.2.1 **Procedure**

Shares may be bought directly from the ACD or through a professional adviser or other intermediary. Where permitted by the rules in the FCA handbook, an intermediary who recommends an investment in the Company to Shareholders may be entitled to receive commission from the ACD, which may include ongoing commission based on the value of

Shares held by a Shareholder. Any such payments and/or commissions will only be made or paid where permitted by the Regulations. In addition, the ACD may from time to time make arrangements to allow Shares to be bought through other communication media. For details of dealing charges see paragraph 3.8 below. Application forms may be obtained from the Registrar.

Different types of investor are eligible for different Classes of Share, as described in Appendix 1.

Valid applications to purchase Shares in a Sub-fund will be processed at the Share price calculated, based on the Net Asset Value per Share, at the next Valuation Point following receipt of the application, except in the case where dealing in a Sub-fund has been suspended as set out in paragraph 3.13.

The ACD, at its discretion, has the right to cancel a purchase deal if settlement is materially overdue and any loss arising on such cancellation shall be the liability of the applicant. For postal applications payment in full must accompany the instruction. At the ACD's discretion, payment for large purchases of Shares may be made by telegraphic transfer ("TT").

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

Any subscription monies remaining after a whole number of Shares have been issued will be returned to the applicant.

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 (except for those investors who subscribe through the Regular Savings Plan) 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.

### **Market Timing**

The ACD may refuse to accept a new investment if, in the opinion of the ACD, it has reasonable grounds for refusing to accept an investment. In particular, the ACD may exercise this discretion if it reasonably believes the Shareholder has been or intends to engage in market timing activities.

For these purposes, market timing activities include investment techniques which involve short term trading in and out of Shares generally to take advantage of variations in the price of Shares between the daily valuation points of the Sub-fund. 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.

Investments may be made into the Sub-fund via nominee or similar omnibus accounts. For the purposes of monitoring and detecting potential market timing activity, the ACD's responsibilities will be restricted to the registered legal holder of Shares rather than any underlying beneficial holder. The ACD will co-operate in helping to deter any potential market timing activities that the registered legal holder has detected in his monitoring of his underlying beneficial holders.

### **FATCA**

As part of the process of buying Shares, applicants will be required to provide the ACD with any information that the ACD considers necessary to enable the Company to comply with its domestic (and any overseas) obligations relating to FATCA.

FATCA aims to prevent US tax evasion by requiring foreign financial institutions (such as the Company) to report certain information in relation to any shareholder who is a Specified US Person to the Internal Revenue Service of the US ("IRS"). As a result of an intergovernmental agreement entered into between the US and UK governments, the ACD may be required to disclose information relating to Shareholders who fall within the definition of Specified US Person (and their investments in the Company) to HM Revenue & Customs, who will in turn exchange this information with the IRS.

By signing the application form to subscribe for Shares in the Company, each Applicant is agreeing to provide such information upon request

from the Company and/or the ACD (or their respective agents). Please note that the Company may treat investors as a Specified U.S. Person where the ACD is unable to establish that this is not the case.

Shareholders or applicants who are concerned about their position are encouraged to consult with their own tax advisers regarding the possible implications of FATCA on their interest in the Company.

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

A confirmation giving details of the number and price of Shares bought will be issued no later than the end of the business day following the Valuation Point by reference to which the price is determined, together with, where appropriate, a notice of the applicant's right to cancel.

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

Settlement is due, in cleared funds, within 4 business days of the Valuation Point. An order for the purchase of Shares will only be deemed to have been accepted by the ACD once it is in receipt of cleared funds for the application. If settlement is not made within the settlement period, then the ACD has the right to cancel any Shares issued in respect of the application.

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

### 3.2.3 **Regular Savings Plan**

The ACD may make available certain Classes of Shares of any Sub-fund through the Regular Savings Plan (details of current Classes of Shares and Sub-funds which are available are shown in Appendix 1). Further information on how to invest through the Regular Savings plan is available from the Registrar.

### 3.2.4 **Minimum subscriptions and holdings**

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

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

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

### **3.3 Redeeming Shares**

#### **3.3.1 Procedure**

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

Valid instructions to the ACD to redeem Shares in a Sub-fund will be processed at the Share price calculated, based on the Net Asset Value per Share, at the next Valuation Point following receipt of the instruction, except in the case where dealing in a Sub-fund has been suspended as set out in paragraph 3.13.

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

For details of dealing charges see paragraph 3.8 below.

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

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

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

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

### **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 Sub-fund to be redeemed is less than the minimum stated in respect of the appropriate Class in the Sub-fund in question (see Appendix I).

## **3.4 Conversion and Switching**

Subject to any restrictions on the eligibility of investors for a particular Share Class, a Shareholder in a Sub-fund may at any time:

- 3.4.1 Convert all or some of his Shares of one Class in a Sub-fund for Shares in another Class in the same Sub-fund; or
- 3.4.2 Switch all or some of his Shares in a Sub-fund for Shares in another Sub-fund in the Company.

However, investors wishing to Convert or Switch into Gross Shares (if they are available) must first complete a Declaration of Eligibility and Undertaking which may be obtained from the ACD.

## **3.5 Conversions**

Conversions will be effected by the ACD recording the change of Share Class on the Register of the Company.

If a Shareholder wishes to Convert Shares he should apply to the ACD in the same manner as for a sale as set out below.

Conversions may not be effected at the next Valuation Point and may be held over and processed with Conversion instructions given by other Shareholders. If you would like information about when your Conversion will be processed, please contact the Registrar on 01202 802 900.

There is no fee on Conversions.

The number of Shares to be issued in the new Class will be calculated relative to the price of the Shares being converted from.

### 3.6 **Switches**

Subject to the qualifications below, a Shareholder may at any time Switch all or some of his Shares of one Class in a Sub-fund ("**Original Shares**") for Shares of another Sub-fund ("**New Shares**").

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

The ACD may at its discretion make a charge on the Switching or Conversion of Shares between Sub-funds or Classes. Any such charge on Switching does not constitute a separate charge payable by a Shareholder, but is rather the application of any redemption charge on the Original Shares and any initial charge on the New Shares, subject to certain waivers. For details of the charges on switching currently payable, please see paragraph 3.9.3 "Charges on Conversion and Switching".

If a partial Switch would result in the Shareholder holding a number of Original Shares or New Shares of a value which is less than the minimum holding in the Class concerned, the ACD may, if it thinks fit, convert the whole of the applicant's holding of Original Shares to New Shares (and make a charge on Switching or 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 Registrar before the Cut Off Point in the Sub-fund concerned to be dealt with at the prices at the next Valuation Point on or at such other Valuation Point as the ACD at the request of the Shareholder giving the relevant instruction may agree. Switching requests received after a Cut Off Point will be held over until the next day which is a Dealing Day in each of the relevant Sub-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 Sub-fund for Shares in any other Sub-fund is treated as a redemption of the Original Shares and a purchase of New Shares and will, for persons subject to taxation, be a realisation of the Original Shares for the purposes of capital gains taxation, which may give rise to a liability to tax, depending upon the Shareholder's circumstances.**

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

### 3.8 **Dealing Charges**

The price per Share at which Shares are bought, redeemed, Converted or Switched is the Net Asset Value per Share. Any initial charge or redemption charge, (or dilution levy 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. All charges are stated exclusive of VAT which shall (if applicable) be payable in addition.

#### 3.8.1 **Initial charge**

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

The initial charge (which is deducted from subscription monies) is payable by the Shareholder to the ACD.

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

Where permitted to do so under the rules in the FCA Handbook, the ACD may pay a commission to relevant intermediaries either out of the initial charge or out of other of its own resources.

#### 3.8.2 **Redemption Charge**

The ACD may make a charge on the redemption of Shares in each Class. At present, no redemption charge is levied.

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



### 3.8.3 **Charges on Conversion and Switching**

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

The ACD's current policy is to only levy a charge on switching between Sub-funds that is no more than the excess of the initial charge applicable to New Shares over the initial charge applicable to the Original Shares. There is currently no charge for Switching between Sub-funds or for Converting Shares in one Class of a Sub-fund for Shares in another Class of the same Sub-fund.

### 3.8.4 **Dilution Levy**

The actual cost of purchasing, selling or switching assets and investments in a Sub-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 Sub-fund's underlying investments. These costs could have an adverse effect on the value of a Sub-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, sale or Switch of Shares in a Sub-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 Sub-fund.

***The ACD's policy regarding the Dilution Levy*** – At its absolute discretion, the ACD may charge a dilution levy on the price of Shares in the following circumstances:

- (i) Where the Company experiences a large level of net redemptions on any dealing day, relative to its size (i.e. net redemptions equivalent to greater than 2% of the Net Asset Value);
- (ii) Where the Company is in continuing decline, in terms of Net Asset Value, as a result of poor market conditions or continual net redemptions;

On large deals, which for this purpose is defined as a single purchase or redemption of shares equivalent to more than 2% of the Net Asset Value of the Company.

***How will it affect investors?*** - On the occasions when the dilution levy is not applied there may be an adverse impact on the total assets of the Company. As dilution is directly related to the inflows and outflows of monies from the Company it is not possible to accurately predict whether dilution will occur at any point in time. Consequently it is also not possible to accurately predict how frequently the ACD will need to make such a dilution levy. However, the ACD believes that the likely effect of not charging a dilution levy, excluding such cases referred to in "The ACD's policy regarding the Dilution Levy" above, will be negligible.

The ACD does not currently envisage that a Dilution Levy will be applied to any dealing in the Company, as it is unlikely that any single holder will have control of greater than 2% of the Company. However, where it is applied, the ACD believes that the amount will not normally exceed 2% of the Net Asset Value of Shares being bought or sold.

The ACD may alter its current dilution policy in accordance with the procedure set out in the Regulations.

### 3.9 **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 Registrar in order for the transfer to be registered by the ACD.

### 3.10 **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, Conversion or Switching of Shares.

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

- (a) are owned directly or beneficially in breach of any law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory; or
- (b) would result in the Company incurring any liability to taxation which the Company would not be able to recoup itself or suffering any other adverse consequence (including a requirement to register under any securities or investment or similar laws or governmental regulation of any country or territory); or
- (c) are held in any manner by virtue of which the Shareholder or Shareholders in question is/are not qualified to hold such Shares or if it reasonably believes this to be the case;
- (d) are owned by a shareholder who is registered in a jurisdiction (where the Sub-fund is not registered or recognised by the relevant competent authority) whereby communication with that Shareholder by the ACD, on behalf of the Sub-fund, might constitute a breach of the regulations in that jurisdiction (unless specific action is taken by the ACD to prevent such communications constituting a breach),

or if the ACD is not satisfied that any Shares may not give rise to a situation discussed in (a) to (d) above, 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 is 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.

### **3.11 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 Sub-fund in exchange for assets the holding of which would be inconsistent with the investment objective or policy of that Sub-fund.

### **3.12 In specie redemptions**

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

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

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

### **3.13 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 any or all of the Sub-funds where due to exceptional circumstances it is in the interests of all the Shareholders in the relevant Sub-fund or Sub-funds.

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

The ACD 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.

### 3.14 **Governing law**

All deals in Shares are governed by the law of England and Wales. The Company, the Instrument, this Prospectus and any matters arising out of or in connection with a Shareholder's investment in Shares in the Company and the establishment, management and administration of the Company shall be governed by and construed in accordance with the laws of England and Wales. The rights of the Shareholders and the construction and effect of the provisions of the Instrument and this Prospectus shall be subject to the exclusive jurisdiction of the courts of England and Wales.

## 4. VALUATION OF THE COMPANY

### 4.1 General

Valuations of the property of the Sub-funds for the purpose of the calculation of Share prices will be carried out in accordance with the rules for single-priced funds in COLL. The price of a Share is calculated by reference to the Net Asset Value of the Sub-fund to which it relates. The Net Asset Value per Share of a Sub-fund is currently calculated at 12.00 p.m. (UK time) (this being the Valuation Point) on each Dealing Day.

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

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

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

### 4.2 Calculation of the Net Asset Value

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

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

4.2.2 Scheme Property which is not cash (or other assets dealt with in paragraph **4.2.2.4** below) or a contingent liability transaction shall be valued as follows and the prices used shall (subject as follows) be the most recent prices which it is practicable to obtain:

4.2.2.1 Units or shares in a collective investment scheme:

- (a) if a single price for buying and redeeming units or shares is quoted, at that price; or
- (b) if separate buying and redemption prices are quoted, at the average of the two prices provided the buying price has been reduced by any initial charge included therein and the redemption price has been increased by any exit or redemption charge attributable thereto; or
- (c) if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no recent price exists or if the most recent price available does not reflect the ACD's best estimate of the value of the units or shares, at a value which, in the opinion of the ACD, is fair and reasonable;

4.2.2.2 Any other transferable security:

- (a) if a single price for buying and redeeming the security is quoted, at that price; or
- (b) if separate buying and redemption prices are quoted, at the average of the two prices; or
- (c) if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no recent price exists or if the most recent price available does not reflect the ACD's best estimate of the value of the security, at a value which, in the opinion of the ACD, is fair and reasonable;

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

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

4.2.3 Scheme Property which is a contingent liability transaction shall be treated as follows:

- 4.2.3.1 if it is a written option (and the premium for writing the option has become part of the Scheme Property), deduct the amount of the net valuation of premium receivable. If the Scheme Property is an off exchange option the method

of valuation shall be agreed between the ACD and the Depositary;

- 4.2.3.2 if it is an off exchange future, include it at the net value of closing out in accordance with a valuation method agreed between the ACD and the Depositary;
- 4.2.3.3 if it is any other form of contingent liability transaction, include it at the net value of margin on closing out (whether as a positive or negative value). If the Scheme Property is an off exchange derivative, include it at a valuation method agreed between the ACD and the Depositary.
- 4.2.4 In determining the value of the Scheme Property, all instructions given to issue or cancel Shares shall be assumed to have been carried out (and any cash paid or received) whether or not this is the case.
- 4.2.5 Subject to paragraphs **4.2.6** and **4.2.7** below, agreements for the unconditional sale or purchase of Scheme Property which are in existence but uncompleted shall be assumed to have been completed and all consequential action required to have been taken. Such unconditional agreements need not be taken into account if made shortly before the valuation takes place and if, in the opinion of the ACD, their omission will not materially affect the final net asset amount.
- 4.2.6 Futures or contracts for differences which are not yet due to be performed and unexpired and unexercised written or purchased options shall not be included under paragraph **4.2.5**.
- 4.2.7 All agreements are to be included under paragraph **4.2.5** which are, or ought reasonably to have been, known to the person valuing the Scheme Property.
- 4.2.8 An estimated amount for anticipated tax liabilities at that point in time including (as applicable and without limitation) capital gains tax, income tax, corporation tax, VAT, stamp duty, SDRT and any foreign taxes or duties will be deducted.
- 4.2.9 An estimated amount for any liabilities payable out of the Scheme Property and any tax or duty thereon, treating periodic items as accruing from day to day will be deducted.
- 4.2.10 The principal amount of any outstanding borrowings whenever repayable and any accrued but unpaid interest on borrowings will be deducted.



- 4.2.11 An estimated amount for accrued claims for tax of whatever nature which may be recoverable will be added.
- 4.2.12 Any other credits or amounts due to be paid into the Scheme Property will be added.
- 4.2.13 A sum representing any interest or any income accrued due or deemed to have accrued but not received will be added.
- 4.2.14 Currencies or values in currencies other than Sterling shall be converted at the relevant Valuation Point at a rate of exchange that is not likely to result in any material prejudice to the interests of Shareholders or potential Shareholders.

#### 4.3 **Price per Share in each Sub-fund and each Class**

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

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

#### 4.4 **Pricing basis**

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

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

The prices of shares are available from [www.hostcapital.com](http://www.hostcapital.com) or by calling 01202 8022900 during normal business hours and will be published daily on [www.fundlistings.com](http://www.fundlistings.com).

The ACD issues and redeems Shares in respect of the Company on a forward pricing basis, not on the basis of the published prices. The ACD shall have no liability for the prices published being incorrect unless the prices are incorrect as a direct result of the acts or omissions of the ACD.

## 5. **RISK FACTORS**

Potential investors should consider the following risk factors before investing in the Company (or in the case of specific risks applying to specific Sub-funds, in those Sub-funds).

### 5.1 **General**

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

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

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

In particular, where a redemption charge is payable, investors should note that the percentage rate at which the redemption charge is calculated is based on the market value rather than the initial value of the Shares. If the market value of the Shares has increased the redemption charge will show a corresponding increase. Currently there is no redemption charge levied on Shares.

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

### 5.3 **Dilution provision**

A Sub-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.

### 5.4 **Suspension of Dealings in Shares**

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

## 5.5 **Liabilities of the Company**

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

## 5.6 **Currency Exchange Rates**

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

## 5.7 **Derivatives**

Subject in all cases to any restrictions relating to a Sub-fund, the Company may enter into derivatives transactions (i.e. options, futures or contracts for differences) dealt in or traded on approved derivative markets, forward transactions in currencies, off-exchange options or contracts for differences resembling options, or synthetic futures in certain circumstances.

**Derivatives may be used by the Sub-funds for investment; the net asset value of the Sub-funds may therefore, at times, be highly volatile and the risk profile of the Sub-funds may increase.** However, it is the Investment Manager's intention that the Sub-funds, owing to their portfolio composition or the portfolio management techniques used, will not have volatility over and above the general market volatility of the markets of their underlying investments.

**It is not intended that the use of derivatives in this way will alter the risk profile of the Sub-funds.**

## 5.8 **Emerging Markets**

Investments in emerging markets may be more volatile than investments in more developed markets. Some of these markets may have relatively unstable governments, economies based on only a few industries and securities markets that trade only a limited number of securities. Many emerging markets do not have well developed regulatory systems and disclosure standards may be less stringent than those of developed markets.

The risks of expropriation, nationalisation and social, political and economic instability are greater in emerging markets than in more developed markets.

The following is a brief summary of some of the more common risks associated with emerging markets investment:

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

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

Settlement and Custody Risks – Settlement and custody systems in emerging markets are not as well developed as those in developed markets. Standards may not be as high and supervisory and regulatory authorities not as sophisticated. As a result there may be risks that settlement may be delayed and that cash or securities could be disadvantaged.

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

Accounting – Accounting, auditing and financial reporting standards, practices and disclosure requirements applicable to companies in emerging markets differ from those applicable in more developed markets in respect of the nature, quality and timeliness of the information disclosed to investors and, accordingly, investment possibilities may be difficult to properly assess.

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

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

The value of a fixed interest security will fall in the event of the default or reduced credit rating of the issuer. Generally, the higher the rate of interest, the higher the perceived credit risk of the issuer. High yield bonds with lower credit ratings (also known as sub-investment grade bonds) are potentially more risky (higher credit risk) than investment grade bonds. A sub-investment grade bond has a Standard & Poor's credit rating of below BBB or equivalent.

#### 5.10 **Property Market Downturn**

The performance of a Sub-fund may be adversely affected by the impact on the price at which property securities trade in a downturn in the property market in terms of capital value or a weakening of rental yields. This may also have an affect on the amount and value of any dividends or other distributions payable in respect of any investment in property securities.

#### 5.11 **Charges to Capital**

Where the investment objective of a Sub-fund is to treat the generation of income as a higher priority than capital growth, or the generation of income and capital growth have equal priority, all or part of the fees charges and expenses of operating that Sub-fund may be charged against capital instead of against income. The treatment of fees charges and expenses in this way may increase the amount of income (which may be taxable) available for distribution to Shareholders in the Sub-fund concerned but may cause capital erosion and constrain capital growth.

This risk applies to HC Charteris Property Fund.

#### 5.12 **Concentrated Sub-funds**

Where a Sub-fund holds a limited number of securities, and one or more of those securities declines in value or is otherwise adversely affected, this may have a more pronounced effect on that Sub-fund's NAV than if a large number of securities were held.

These are Sub-funds which are typically restricted to a narrow range of stocks and do not enjoy the benefits of diversification.

#### 5.13 **Regular Savings Plan**

If a Shareholder is making regular monthly investments in a Sub-fund with a view to saving for a specific objective, they should regularly review whether these savings will be sufficient to achieve their objective. Shareholders may not achieve their objective if they do not continue to invest regularly with a sufficient amount or if the investment does not appreciate sufficiently.

#### 5.14 **Cancellation Rights**

Where cancellation rights are applicable, if Shareholders choose to exercise their cancellation rights and the value of the investment falls before notice of cancellation is received by the ACD in writing, a full refund of the original investment may not be provided but rather the original amount less the fall in value.

## 5.15 **Leverage**

Leverage of the Company's assets is limited to the permanent borrowing referred to in section 21 (Borrowing and Leverage) of Appendix III (Investment and Borrowing Powers of the Company).

## 6. MANAGEMENT AND ADMINISTRATION

### 6.1 Regulatory Status

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

### 6.2 Authorised Corporate Director

#### 6.2.1 General

The ACD is Host Capital Limited which is a private company limited by shares incorporated in England and Wales under the Companies Act 1985 on 7 January 1999.

The directors of the ACD are:

CT Finch  
B Primrose  
GL Brooks  
S Anderson  
S Chaudhri

The Company has no other directors.

**Registered Office:**

73 New Bond Street  
London  
W1S 1RS

**Share Capital:**

It has an issued share capital of £1,341,684 ordinary shares of £1 each, fully paid.

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

It has therefore delegated to the Investment Manager the function of managing and acting as the investment manager for the investment and reinvestment of the assets of the Sub-funds (as further explained in paragraph 6.4 below). It has also delegated the functions relating to fund valuation and fund accounting to the Sub-fund Accountant.

### 6.2.2 **Terms of Appointment:**

The ACD provides its services to the Company under the terms of a service agreement. The material provisions of that service agreement are as follows:

The service agreement provides that the appointment may be terminated by either party after the expiry of 6 months written notice or forthwith by the Company in the case of fraud, wilful default or gross negligence on the part of the ACD. The service agreement will also terminate on expiry of notice given by the Depositary in accordance with Rule 6.5.4(3) of the COLL Sourcebook (liquidation, receivership or an administration order in respect of the ACD). The ACD is entitled to payment of its fees to the date of termination but no additional compensation.

The service agreement provides that the Company will indemnify the ACD against any liability incurred by it in managing the Company and carrying out its duties as authorised corporate director of the Company except to the extent such liability arises from the gross negligence, wilful default or fraud of the ACD or its breach of the Financial Services and Markets Act 2000 ("**FSMA**") or the regulatory system under FSMA.

Details of the fees payable to the ACD are set out in paragraph 7.3 "Charges payable to the ACD" below.

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

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



## 6.3 The Depositary

### 6.3.1 Introduction and key duties

Under the terms of a Depositary Agreement, Citibank Europe plc, acting through its London Branch (the "**Depositary**") has been appointed as depositary of the assets of the Sub-funds and the assets of the Sub-funds have been entrusted to the Depositary for safekeeping.

The key duties of the Depositary consist of:

- cash monitoring and verifying each Sub-fund's cash flows;
- safekeeping of the financial instruments which can be registered in the Depositary's name and verifying the ownership by each Sub-fund of other assets belonging to the Sub-fund including verification of ownership;
- ensuring that the sale, issue, re-purchase, redemption, cancellation and valuation of shares are carried out in accordance with the Instrument of Incorporation constituting the Company, this Prospectus, and applicable law, rules and regulations;
- ensuring that in transactions involving the scheme property of a Sub-fund that any consideration is remitted to the relevant Sub-fund within the usual time limits;
- ensuring that each Sub-fund's income is applied in accordance with Instrument of Incorporation;
- constituting the Company, this Prospectus, applicable law, rules and regulations; and
- carrying out instructions from the ACD unless they conflict with the Instrument of Incorporation, this Prospectus, or applicable law, rules and regulations.

### 6.3.2 Information about the Depositary

The Depositary is a public limited company with registered number 132781 domiciled in Ireland whose registered office is at 1 North Wall Quay, Dublin 1. The Depositary conducts its business in Great Britain from its branch offices at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB. The branch was established on 15 September 2015. The Depositary is authorised by the Central Bank of Ireland and the Prudential Regulation Authority but in respect of its services as a

depository in Great Britain is subject to limited regulation by the Financial Conduct Authority and the Prudential Regulation Authority.

### 6.3.3 **Liability of the Depository**

As a general rule the Depository is liable for any losses suffered as a result of the Depository's, its agent's or sub-custodian's negligence, intentional failure or fraud in fulfilling its obligations except that it will not be liable for any loss where:

- the event which has led to the loss is not the result of any act or omission of the Depository or a third party to whom the Depository has delegated its safekeeping function;
- the Depository could not have reasonably prevented the occurrence of the event which led to the loss despite adopting all precautions incumbent on a diligent depository as reflected in common industry practice; and
- despite rigorous and comprehensive due diligence, the Depository could not have prevented the loss.

However, in the case of loss of a financial instrument by the Depository, or by a third party who is its own associate or an associate of the ACD of the Sub-fund, the Depository is under an obligation to return a financial instrument of identical type or corresponding amount without undue delay.

In addition, in the case of loss of a financial instrument by the Depository or by a third party who is neither an associate of its own nor an associate of the ACD of the Sub-fund to whom its custody has been properly delegated, the Depository is under an obligation to return a financial instrument of identical type or corresponding amount without undue delay, but it will not be under such an obligation:

- if it can prove that the loss arose as a result of an external event beyond the Depository's reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary; or
- if it can prove that:
  - the lost financial instrument was held in custody by a third party;
  - the Depository had properly delegated its functions to the third party;

- a written contract between the Depositary and the third party:
    - expressly transfers such obligation to the third party; and
    - enables the Sub-fund, or the ACD acting on behalf of the Sub-fund, to make a claim against the third party in respect of the loss of the financial instrument, or for the Depositary to make such a claim on their behalf; and
  - a written contract between the Depositary and the Sub-fund, or the ACD acting on behalf of the Sub-fund, expressly allows a transfer of the Depositary's said obligation and establishes an objective reason for the transfer.
- if the Depositary delegates custody functions to a custodian in any of the following circumstances:
    - where the Depositary has no presence in the jurisdiction where any such financial instrument is issued or commonly held; or holding such financial instrument other than through a Sub-custodian would be inefficient or uneconomic; or it is not practicable to hold the financial instrument other than through a Clearance System in which the Depositary is not a participant; or
    - where the Depositary intends to retain the services of a global Sub-custodian of the Sub-fund's Deposited Property, but the Depositary has no practicable way of holding assets of the type in which the Sub-fund and/or the ACD wishes to invest without appointing such global custodian; or
    - where the Sub-fund (or the ACD on behalf of the Sub-fund) enters into an agreement with a prime broker and the prime broker would not otherwise provide services to the Sub-fund and the ACD unless the Depositary appoints the same legal entity as a custodian, and the use of the same legal entity as a custodian enables the Depositary to provide an efficient and cost-effective service; or

- the law of a country requires certain financial instruments to be held in custody by a local entity and there are no local entities that are subject to effective prudential regulation and supervision and, despite this, the Sub-fund or (the ACD on behalf of the Sub-fund) has instructed the Depositary to delegate the custody of such financial instruments to a local entity,

and the contract between the Depositary and such custodian or local entity contains a clause transferring the liability of the Depositary to such custodian or local entity and makes it possible for the Sub-fund or the ACD acting on behalf of the Sub-fund to make a claim against such custodian or local entity in respect of the loss of a financial instrument belonging to the Sub-fund or for the Depositary to make such a claim on their behalf.

#### 6.3.4 **Delegation of safekeeping function**

Under the terms of the Depositary Agreement the Depositary has the power to delegate its safekeeping functions. The Depositary has delegated to Citibank N.A. the custody of financial instruments belonging to the Sub-funds and other assets of the Sub-funds entrusted to the Depositary for safekeeping.

As a general rule, whenever the Depositary delegates any of its custody functions to a delegate, the Depositary will remain liable for any losses suffered as a result of an act or omission of the delegate as if such loss had arisen as a result of an act or omission of the Depositary. However see under the preceding paragraph entitled "Liability of the Depositary" for situations in which the Depositary is not liable for acts or omission of a delegate which is not an associate of the Depositary or of the ACD of the Sub-fund.

In addition, a delegate (other than an associate of the Depositary or the ACD of the Sub-fund) ("**A**") to which custody of a financial instrument has been delegated by the Depositary and to which the obligation to return a financial instrument of the identical type or corresponding amount to the Sub-fund, or the investors of the Sub-fund, has been properly transferred, will be liable to return a financial instrument of identical type or corresponding amount unless it can prove that:

- the lost financial instrument was held in custody by another third party ("**B**");
- A had properly sub-delegated its functions to B;
- a written contract between A and B:
  - expressly transfers from A to B the obligation to return a financial instrument of the identical type or corresponding amount to the Sub-fund, or the investors of the Sub-fund; and
  - enables the Sub-fund, or the ACD acting on behalf of the Sub-fund, to make a claim against B in respect of the loss of the financial instrument, or for the Depositary to make such a claim on their behalf; and
- a written contract between A and the Depositary expressly allows a transfer of A's obligation to return a financial instrument of the identical type or corresponding amount to the Sub-fund, or the investors of the Sub-fund, and establishes an objective reason for the transfer.

#### 6.3.5 **Conflicts of interest**

From time to time conflicts may arise from the appointment by the Depositary of any of its delegates out of which may arise a conflict of interest. For example, Citibank N.A., which has been appointed by the Depositary to act as custodian of the Sub-fund's assets, also performs certain investment operations and functions and derivatives collateral management functions delegated to it by the ACD. It is therefore possible that a conflict of interest could arise. Citibank N.A. and any other delegate are required to manage any such conflict having regard to the FCA Handbook and its duties to the Depositary and the ACD.

#### 6.3.6 **Reuse of scheme property by the Depositary**

Under the Depositary Agreement the Depositary has agreed that it, and any person to whom it delegates custody functions, may not re use any of the Sub-fund's assets with which it has been entrusted.

#### 6.3.7 **Terms of the Depositary Agreement**

The appointment of the Depositary has been made under an agreement between the Company, the ACD and the Depositary dated 22 July 2014

and amended on 16 December 2016, as may be amended, restated or supplemented from time to time (the "**Depositary Agreement**").

The Depositary Agreement may be terminated by not less than 90 days' written notice provided that no such notice shall take effect until the appointment of a successor to the Depositary.

To the extent permitted by COLL, The Company will indemnify the Depositary against costs, charges, losses and liabilities incurred by it in the proper execution, or in the purported proper execution, or exercise (reasonably and in good faith) of the Depositary's duties, powers, authorities and discretions to the Sub-funds, except in the case of any liability for a failure to exercise due skill, care and diligence in the discharge of its functions or any loss for which the Depositary is liable under the UCITS requirements as set out in COLL or any loss resulting from the negligence, intentional failure or fraud of the Depositary or any of its agents or sub-custodians.

The Depositary is entitled to the fees, charges and expenses as set out in more detail below in in paragraph 7.4 "Depositary's fee and expenses" below.

Shareholders may request an up to date statement regarding any of the information set out above from the ACD.

## 6.4 **The Investment Manager**

### 6.4.1 **General**

The ACD has appointed Charteris Treasury Portfolio Managers Limited ("Charteris") (the "Investment Manager") as the investment manager to the ACD in relation to the Sub-fund. The Investment Manager is authorised and regulated by the Financial Conduct Authority. The Investment Manager's principal activity is the provision of investment management services.

### 6.4.2 **Terms of Appointment:**

Under the terms of an agreement dated 2 December 2016 between the Investment Manager and the ACD (the "Investment Management Agreement"), the Investment Manager has the authority of the ACD to make decisions on behalf of the ACD in respect of the investments of the Sub-fund, subject always to the provisions of the Instrument, the Prospectus, the Regulations, and the investment objectives and policies of the Sub-fund. The Investment Manager is also authorised to deal on behalf of the Sub-fund. Subject to instances where the Investment Management Agreement may be terminated with immediate effect in

the interests of the shareholders, the Investment Management Agreement may be terminated by either party giving the other at least 6 months' written notice.

Under the terms of the Investment Management Agreement, the Investment Manager may delegate to any person the performance of its duties and services required to be performed by it under the Investment Management Agreement.

## 6.5 **The Registrar**

### 6.5.1 **General**

WAY Fund Managers Limited trading as Investor Administration Solutions Limited acts as registrar to the Company.

Investor Administration Solutions Limited's registered and head office is Cedar House, 3 Cedar Park, Cobham Road, Wimborne, Dorset BH21 7SB.

### 6.5.2 **Register of Shareholders**

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

The plan register, being a record of persons who subscribe for Shares through Individual Savings Accounts (ISAs), can be inspected at the office of the Registrar.

## 6.6 **The Auditor**

The auditor of the Company is Grant Thornton LLP, whose address is 30 Finsbury Square, London, EC2P 2YU.

## 6.7 **Conflicts of Interest**

The ACD, the Investment Manager and other companies within the ACD's and/or the Investment Managers' groups may, from time to time, act as investment managers or advisers to other funds or sub-funds which follow similar investment objectives to those of the Sub-funds. 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 a particular Sub-fund. 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 their obligations to act in the best interests of the Company so far as practicable, having regard to their obligations to other clients, when undertaking any investment business where potential conflicts of interest may arise.

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

The ACD and the Investment Manager may manage other accounts/portfolios with similar investment objectives to the Sub-funds.

## **7. FEES AND EXPENSES**

### **7.1 Ongoing**

All costs, charges, fees or expenses, other than the charges made in connection with the subscription and redemption of Shares (see paragraph 3.8) payable by a Shareholder or out of Scheme Property are set out in this section.

The Company or each Sub-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:

- 7.1.1 broker's commission, fiscal charges (including stamp duty) and other disbursements which are necessary to be incurred in effecting transactions for the Sub-funds and normally shown in contract notes, confirmation notes and difference accounts as appropriate;
- 7.1.2 fees and expenses in respect of establishing and maintaining the register of Shareholders, including any sub-registers kept for the purpose of the administration of (when applicable) Personal Equity Plans and Individual Savings Accounts, are payable quarterly out of the property of the Sub-funds;
- 7.1.3 any costs incurred in or about the listing of Shares in the Company on any Stock Exchange, and the creation, conversion and cancellation of Shares;
- 7.1.4 any costs incurred by the Company in publishing the price of the Shares in a national or other newspaper or any other form of media;
- 7.1.5 any costs incurred in producing and dispatching any payments made by the Company, or the yearly and half-yearly reports of the Company;
- 7.1.6 any fees, expenses or disbursements of any legal or other professional adviser of the Company;



- 7.1.7 any costs incurred in taking out and maintaining an insurance policy in relation to the Company;
- 7.1.8 any costs incurred in respect of meetings of Shareholders convened for any purpose;
- 7.1.9 any payment permitted by clause 6.7.15R of the COLL Sourcebook;
- 7.1.10 interest on borrowings and charges incurred in effecting or terminating such borrowings or in negotiating or varying the terms of such borrowings;
- 7.1.11 taxation and duties payable in respect of the Scheme Property of the Sub-funds or the issue or redemption of Shares;
- 7.1.12 the audit fees of the Auditor (including VAT) and any expenses of the Auditor;
- 7.1.13 the fees of the FCA, in accordance with the FCA's Fee Manual, together with any corresponding periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which shares in the Company are or may be marketed;
- 7.1.14 any expense incurred in relation to company secretarial duties including the cost of maintenance of minute books and other documentation required to be maintained by the Company;
- 7.1.15 the total amount of any cost relating to amending the prospectus where this is permitted by the Regulations;
- 7.1.16 any payments otherwise due by virtue of a change to the Regulations; and;
- 7.1.17 any value added or similar tax relating to any change or expense set out herein; and
- 7.1.18 any costs incurred in preparing, translating, producing (including printing), distributing and modifying the instrument of incorporation, Prospectus and NURS key investor information document ("**KIID**") (apart from the costs of distributing the NURS KIID) or reports, accounts, statements, contract notes and other like documentation, or any other relevant document required under the Regulations.

## 7.2 **Costs relating to EPM**

Certain direct and indirect operational costs and/or fees may arise from time to time as a result of Efficient Portfolio Management techniques being used for the benefit of the Company and/or the Sub-funds. These costs and/or fees are regarded as transaction costs and, therefore, would fall within 7.1.3 above. Further details on the payment of costs and/or fees relating to Efficient Portfolio Management techniques will be set out in the Annual Report.

### **Charges – general**

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

Expenses are allocated between capital and income in accordance with the Regulations. However, the approach for a given Sub-fund is set out in Appendix I. Where deductions are made from capital this may cause capital erosion and constrain growth. Where expenses are deducted in the first instance from income if and only if this is insufficient, deductions will be made from capital.

## **7.3 Charges payable to the ACD**

All charges are stated exclusive of VAT which shall (if applicable) be payable in addition.

### **7.3.1 *Annual Management Charge***

In payment for carrying out its duties and responsibilities the ACD is entitled to take an annual fee out of each Sub-fund as set out in Appendix I. The annual management charge will accrue on a daily basis in arrears by reference to the Net Asset Value of the Sub-fund on the immediately preceding Dealing Day and the amount due for each month is payable on the last Dealing Day of each month. The current annual management charges for the Sub-funds (expressed as a percentage per annum of the Net Asset Value of each Sub-fund) are set out in Appendix I.

### **7.3.2 *Registration Fees***

The Registrar is entitled to receive a fee out of the Scheme Property for providing registration services, (including establishing and maintaining sub-registers where applicable) at a rate agreed from time to time and in accordance with COLL.

The Registrar currently receives a fixed fee of £25,000 per annum payable monthly. This fee covers all funds for which the ACD has appointed the Registrar and allocated by Net Asset Value of the funds.

In addition, a variable dealing registration fee per Sub-fund of 0.03% per annum shall apply, subject to a minimum fee of £1,500 per annum per Sub-fund. This fee is capped at £15,000 per annum per Sub-fund.

### 7.3.3 *Expenses*

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

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

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

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

## 7.4 **Depositary's fee and expenses**

The Depositary receives a periodic fee for providing depositary services to the Sub-funds. The fee is based upon the value of the property of the Sub-funds accruing daily between each valuation point and payable monthly out of the property attributable to each Sub-fund. The periodic fees are subject to review on an annual basis. The current depositary fee for each Sub-fund is 0.04% per annum on the value of each Sub-fund subject to a minimum annual charge of £16,000 per Sub-fund.

Custody and transaction fees incurred by the Sub-funds are also payable to the Depositary out of the property attributable to each Sub-fund. The Custodian is Citibank N.A. Transaction charges for the Sub-funds currently range between £7 and £114 per transaction, according to market location. Transaction charges accrue at the time transactions are effected and are payable as soon as is reasonably practicable, as agreed between the Depositary and the ACD.

In addition to the fees and charges payable, the Depositary is entitled to be reimbursed for expenses incurred in the proper performance of its duties (or the exercise of powers conferred upon it by the Regulations or COLL) referable to (but not limited to): (i) custody of assets (including overseas custody services); (ii) the acquisition holding and disposal of property; (iii) the collection of dividends, interest and any other income; (iv) the maintenance of distribution accounts; (v) the conversion of foreign currency; (vi) registration of assets in the name of the Depositary or its nominees or agents; (vii) borrowings, stock lending or other permitted transactions; (viii) communications with any parties (including,

facsimile and SWIFT); (ix) taxation matters; (x) insurance matters; and (xi) dealings in derivatives.

The Depositary will also be reimbursed by the Company out of the property attributable to each Sub-fund, expenses properly incurred in the performance of, or arranging the performance of, functions conferred on it by the Depositary Agreement, the Regulations or by the general law.

The amount or rate of any of the Depositary's fees and charges referred to above shall (unless otherwise stated) be determined by reference to the scale or tariff or other basis from time to time agreed between the ACD and the Depositary and notified to the ACD by the Depositary, else as set by third parties and agreed reasonable between the ACD and Depositary.

The Depositary shall be entitled to recover its fees, charges and expenses when the relevant transaction or other dealing is effected or relevant service is provided or as may otherwise be agreed between the Depositary and the Company or the ACD.

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

Any VAT on any fees, charges or expenses payable to the Depositary will be added to such fees, charges or expenses as required.

Expenses not directly attributable to a particular Sub-fund will be allocated between Sub-funds, fairly, as agreed between the Depositary and the ACD. Such expenses and disbursements will be payable whether incurred by the Depositary, the ACD or an associate or nominee of the Depositary or of the ACD who has had the relevant duty delegated to it pursuant to COLL by the Depositary.

## 7.5 **Investment Manager's fee**

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.

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

## 7.6 **Allocation of fees and expenses between Sub-funds**

All the above fees, duties and charges (other than those borne by the ACD) will be charged to the Sub-fund in respect of which they were incurred. This includes any charges and expenses incurred in relation to the Register of Shareholders, except that these will be allocated and charged to each class of Shares on a basis agreed between the ACD and the Depositary.

Where an expense is not considered to be attributable to any one Sub-fund, the expense will, subject to the Regulations, normally be allocated to all Sub-funds pro rata to the value of the Net Asset Value of the Sub-funds, although the ACD has discretion to allocate these fees and expenses in a manner which it considers fair to Shareholders generally.

All charges are taken from capital in the HC Charteris Property Fund. This may cause capital erosion and constrain capital growth.

## 8. **INSTRUMENT OF INCORPORATION**

The Instrument of Incorporation is available for inspection at the ACD's offices at 73 New Bond Street, London, W1S 1RS.

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

### 9.1 **Class, Company and Sub-fund Meetings**

The Company will not hold annual general meetings.

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

### 9.2 **Requisitions of Meetings**

The ACD may requisition a general meeting at any time.

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

### 9.3 **Notice and Quorum**

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

### 9.4 **Voting Rights**

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

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

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

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

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

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

Where all the Shares in a Sub-fund are registered to, or held by, the ACD or its associates and they are therefore prohibited from voting and a resolution (including an extraordinary resolution) is required to conduct business at a meeting, it shall not be necessary to convene such a meeting and a resolution

may, with the prior written agreement of the Depositary, instead be passed with the written consent of Shareholders representing 50% or more, or for an extraordinary resolution 75% or more, of the Shares in issue.

“Shareholders” in this context means Shareholders entered on the register at a time to be determined by the ACD and stated in the notice of the meeting which must not be more than 48 hours before the time fixed for the meeting.

## 10. **TAXATION**

### 10.1 **General**

***The information below is a general guide based on current United Kingdom law and HM Revenue & Customs practice, all of which are subject to change. It 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.***

### 10.2 **The Company**

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

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

Dividends from United Kingdom companies (whether received directly or through another authorised investment fund) are received by a Sub-fund with a tax credit and no further tax is payable by the Sub-fund on that income. The Sub-funds will each be subject to corporation tax at 20% on most other types of income but after deducting allowable management expenses and the gross amount of any interest distributions. Where a Sub-fund suffers foreign tax on income received, this may normally be deducted from the United Kingdom tax due on that income.

A Sub-fund will make dividend distributions except where over 60% of its property has been invested throughout the distribution period in interest-paying investments, in which case it may make interest distributions.

### 10.3 **Shareholders**

#### 10.3.1 **Income**

The Sub-funds will pay distributions (which will be automatically retained in the Sub-fund in the case of accumulation Shares) with a tax

credit. Individuals liable to income tax at the basic rate will have no further liability to tax. Higher rate taxpayers will have to pay an additional amount of income tax of 25% of the amount received. Non-taxpayers may reclaim the tax credits on interest distributions paid, and starting rate taxpayers may reclaim part of them, but neither can reclaim tax credits on dividend distributions.

Corporate Shareholders who receive dividend distributions may have to divide them into two (in which case the division will be indicated on the tax voucher). Any part representing dividends received from a United Kingdom company will be treated as dividend income (that is, franked investment income) and no further tax will be due on it. The remainder will be received as an annual payment after deduction of income tax at the lower rate, and corporate Shareholders may, depending on their circumstances, be liable to tax on the grossed up amount, with the benefit of a 20% income tax credit attached or to reclaim part of the tax credit as shown on the tax voucher. Corporate Shareholders are also subject to corporation tax on the gross amount of interest distributions.

#### 10.3.2 **Income equalisation**

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

#### 10.3.3 **Gains**

Shareholders may, depending on their personal circumstances, be liable to capital gains tax or, if a corporate Shareholder, corporation tax on gains arising from the redemption, transfer or other disposal of Shares (but not usually on Conversions between Classes within a Sub-fund). Any corporate Shareholder in a Sub-fund which is over 60% invested in interest-paying investments at a material time must treat the holding as a creditor relationship.

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



#### 10.3.4 **EU Savings Directive**

The EU Council Directive 2003/48/EC on taxation of savings income (the "Directive") came into force on 1 July 2005. Member States of the European Union ("Member States") are required to provide to the tax authorities of other Member States details of payments of interest and other similar income (which in the case of a collective investment fund may include income arising as a result of the sale and redemption of the Sub-fund's shares) paid by a person who is a "paying agent" for the purposes of the Directive to an individual (or certain "residual entities") resident for the purposes of the Directive in another Member State. However, Austria, Belgium and Luxembourg will instead impose a system of withholding tax for a transitional period unless during such period they elect otherwise.

### 11. **WINDING UP OF THE COMPANY OR TERMINATION OF A SUB-FUND**

The Company will not be wound up except as an unregistered company under Part V of the Insolvency Act 1986 or under the COLL Sourcebook. A Sub-fund may be terminated under chapter 7.3 of COLL or wound up under Part V of the Insolvency Act 1986 (as modified by the OEIC Regulations) as an unregistered company.

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

The Company shall be wound up or a Sub-fund terminated under the COLL Sourcebook:

- 11.1 if an extraordinary resolution to that effect is passed by Shareholders; or
- 11.2 on the effective date of a duly approved scheme of arrangement which is to result in the Company ceasing to hold any Scheme Property; or
- 11.3 when the period (if any) fixed for the duration of the Company or a particular Sub-fund by the Instrument of Incorporation expires, or any event occurs on the occurrence of which the Instrument of Incorporation provides that the Company or a particular Sub-fund is to be wound up (for example, if the Share capital of the Company or (in relation to any Sub-fund) the Net Asset Value of the Sub-fund is below £1 million, or if a change in the laws or regulations of any country means that, in the ACD's opinion, it is desirable to terminate the Sub-fund); or

- 11.4 on the date stated in any agreement by the FCA to a request by the ACD for the revocation of the authorisation order in respect of the Company or for the termination of the relevant Sub-fund.

On the occurrence of any of the above:

- 11.5 COLL 6.2 (Dealing), COLL 6.3 (Valuation and Pricing) and COLL 5 (Investment and borrowing powers) will cease to apply to the Company or the relevant Sub-fund;
- 11.6 the Company will cease to issue and cancel Shares in the Company or the relevant Sub-fund and the ACD shall cease to sell or redeem Shares or arrange for the Company to issue or cancel them for the Company or the relevant Sub-fund;
- 11.7 no transfer of a Share shall be registered and no other change to the Register of Shareholders shall be made without the sanction of the ACD;
- 11.8 where the Company is being wound up, the Company shall cease to carry on its business except in so far as it is beneficial for the winding up of the Company;
- 11.9 the corporate status and powers of the Company and subject to 11.4 to 11.7 above, the powers of the Depositary shall continue until the Company is dissolved.

The ACD shall, as soon as practicable after the Company or the Sub-fund falls to be wound up, realise the assets and meet the liabilities of the Company and, after paying out or retaining adequate provision for all liabilities properly payable and retaining provision for the costs of winding up, 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. If the ACD has not previously notified Shareholders of the proposal to wind up the Company or terminate the Sub-fund, the ACD shall, as soon as practicable after the commencement of winding up of the Company or the termination of the Sub-fund, give written notice of the commencement to Shareholders. When the ACD has caused all of the Scheme Property to be realised and all of the liabilities of the Company or the particular Sub-fund to be realised, the ACD shall arrange for the Depositary to make a final distribution to Shareholders on or prior to the date on which the final account is sent to Shareholders of any balance remaining in proportion to their holdings in the Company or the particular Sub-fund.

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

On completion of a winding up of the Company, the Company will be dissolved and any money (including unclaimed distributions) still standing to the account of

the Company, will be paid into court by the ACD within one month of the dissolution.

Following the completion of a winding up of either the Company or a Sub-fund, the ACD must prepare a final account 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. This final account and the auditor's report must be sent to the FCA and to each Shareholder (or the first named of joint Shareholders) on it within two months of the completion of the winding up or termination.

## 12. **GENERAL INFORMATION**

### 12.1 **Accounting Periods**

The annual accounting period of the Company ends each year on 30 April (the accounting reference date) with an interim accounting period ending on 31 October.

The ACD may even out the payments of income within an accounting period by carrying forward income otherwise distributable with a view to augmenting amounts to be paid out at a later date. Details of the Sub-funds for which this policy is currently considered are set out in Appendix I.

### 12.2 **Notice to Shareholders**

All notices or other documents sent by the ACD to a Shareholder will be sent by normal post to the last address notified in writing to the Company by the Shareholder.

### 12.3 **Income Allocations**

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

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

For Sub-funds in which accumulation Shares are issued, income will become part of the capital property of the Sub-fund and will be reflected in the price of each such accumulation Share as at the end of the relevant accounting period.

If a distribution made in relation to any income Shares remains unclaimed for a period of six years after it has become due, it will be forfeited and will revert to the relevant Sub-fund (or, if that no longer exists, to the Company).

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

#### 12.4 **Annual Reports**

The annual report of the Company will be published and sent to Shareholders within four months from the end of each annual accounting period and the half yearly report will be published within two months of each interim accounting period. The ACD will issue short reports. A long report containing the full accounts is available to any person free of charge on request.

The short and long reports of the Company shall (if relevant) contain details of:

- (a) the percentage of each Sub-fund's assets that are subject to special arrangements arising from their illiquid nature;
- (b) any new arrangements that the ACD has made for managing a Sub-fund's liquidity;
- (c) each Sub-fund's current risk profile and the risk management systems employed by the ACD to manage those risks.

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

The following documents may be inspected free of charge during normal business hours on any business day at the offices of the ACD at 73 New Bond Street, London, W1S 1RS:

- 12.5.1 the Prospectus and the Simplified Prospectus;
- 12.5.2 the most recent annual and half yearly reports of the Company;
- 12.5.3 the Instrument of Incorporation (and any amending documents); and
- 12.5.4 the material contracts referred to below.

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

## 12.6 **Material Contracts**

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

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

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

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

## 12.7 **Provision of Investment Advice**

All information concerning the Company and about investing in Shares of the Company is available from the ACD at 73 New Bond Street, London, W1S 1RS. The ACD is not authorised to give investment advice and persons requiring such advice should consult a professional financial adviser. All applications for Shares are made solely on the basis of the current prospectus of the Company, and investors should ensure that they have the most up to date version.

## 12.8 **Telephone Recordings**

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

## 12.9 **Complaints**

Complaints concerning the operation or marketing of the Company may be referred to the Compliance Officer of the ACD at 73 New Bond Street, London, W1S 1RS or, if you subsequently wish to take your complaint further, direct to the Financial Ombudsman Service at Exchange Tower, London E14 9SR.

## 12.10 **Risk Management**

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

12.10.1 the quantitative limits applying in the risk management of any Sub-fund;

12.10.2 the methods used in relation to 12.10.1; and

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

#### **12.11 Indemnity**

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

#### **12.12 Professional Liability Risks**

As the Company is an 'Alternative Investment Fund' for the purposes of the AIFMD, the ACD is required to ensure that certain Professional Liability Risks are covered at all times, either through additional own funds and/or through appropriate coverage of professional indemnity insurance. The ACD satisfies its obligations to cover Professional Liability Risks in relation to the Company by: (a) holding professional indemnity insurance (in accordance with the Regulations) and maintaining an amount of own funds to meet the capital requirements under the AIFMD; and (b) complying with the qualitative requirements in the AIFMD that address professional liability risks.

#### **12.13 Data Protection**

Shareholder information will be stored and processed by computer systems so that the ACD can provide the services required. Such information may be passed on to third party service providers used by the ACD in relation to the Company. The use of personal information is covered by the ACD's registration as a "data controller" under the Data Protection Act 1998.

To assist in confirming a potential shareholder's identity, the ACD may make searches with credit reference agencies who will supply the ACD with credit information, as well as information from other sources such as the UK electoral register. Any information provided by shareholders will be used to enable the ACD to provide the services as set out in this Prospectus.

The ACD may wish to contact you for market research purposes and to provide you with information about the ACD's products and services from time to time. Shareholders may write to the ACD to request to be removed from the ACD's mailing list, correct their personal data or, upon payment of the appropriate fee, obtain a copy of their personal data held by the ACD.

## APPENDIX I

### SUB-FUND DETAILS

<b>Name:</b>	HC Charteris Property Fund
<b>Type of Sub-fund:</b>	Non-UCITS Retail Scheme
<b>Investment Objective and Policy:</b>	<p>The investment objective of the Sub-fund is to provide long-term income and capital growth from investment in a diversified portfolio of property related investments including property funds, listed securities and REITS. The Sub-fund may also hold fixed interest securities, cash and money market instruments. Investments will not be confined to any particular economic or geographic sectors. The Sub-fund will not hold either gold or immovable property.</p> <p><b>The use of derivatives and/or hedging transactions is permitted in connection with the efficient portfolio management of the Sub-fund, and borrowing will be permitted in accordance the Regulations. The Sub-fund may, in addition to its other investment powers, use derivatives and forward transactions for investment purposes. It is not intended that the use of derivatives in this way will change the risk profile of the Sub-fund.</b></p>
<b>Performance Benchmark</b>	None
<b>Final accounting date:</b>	30 April
<b>Interim accounting date:</b>	31 October
<b>Income distribution date:</b>	30 June (except the interim period to 30 June 2010 will which be moved to 30 April 2010)
<b>Interim distribution date:</b>	31 December
<b>Shares Classes and type of Shares:</b>	A Shares Income and Accumulation B Shares Income and Accumulation R Shares Income and Accumulation
<b>Share Classes and eligibility</b>	<p>A Shares are available for general subscription</p> <p>B Shares are only available for subscription by The Smith &amp; Pinching Group Limited.</p> <p>R Shares are only available for subscription by external IFAs and fund platforms</p>

<b>Initial charge:</b>	A Shares	0%
	B Shares	5%
	R Shares	5%
<b>Redemption charge:</b>		Nil
<b>Switching charge:</b>		Nil
<b>Annual Management Charge:</b>	A Shares	1.0%
	B Shares	1.5%
	R Shares	1.5%
<b>Charges taken from Income:</b>		No. Charges are taken from capital and this may cause capital erosion and constrain capital growth.
<b>Investment minima:*</b>		
Lump sum	A Shares	£1,000
	B Shares	£1,000
	R Shares	£1,000
Holding	A Shares	£1,000
	B Shares	£1,000
	R Shares	£1,000
Top-up		N/A (providing minimum holding is maintained) £500 minimum subsequent subscription or £50 if using the Regular Savings Plan
PEP/ISA		Yes
Regular Savings Plan		Yes (applicable to A, B and R Shares)
Redemption		N/A (provided minimum holding is maintained)
<b>Past performance:</b>		Past performance information is set out in Appendix V

\*The ACD may waive the minimum levels at its discretion.



## APPENDIX II

### ELIGIBLE SECURITIES MARKETS AND ELIGIBLE DERIVATIVES MARKETS

All the Sub-funds may deal through securities markets which are regulated markets (as defined in the glossary to the FCA Handbook) or markets established in an EEA State (which as at the date of this Prospectus includes the UK, Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden) which are regulated, operate regularly and are open to the public.

Each Sub-fund may also deal through the securities markets and derivatives markets indicated below:

#### Eligible Securities Markets:

Australia	Australian Securities Exchange (ASX)
Canada	Toronto Stock Exchange TSX Venture Exchange
Hong Kong	Hong Kong Stock Exchange
Japan	Tokyo Stock Exchange Osaka Securities Exchange Nagoya Stock Exchange
Korea	Korea Exchange (KRX)
Mexico	Bolsa Mexicana de Valores (BMV)
New Zealand	New Zealand Stock Exchange (NZX)
Singapore	Singapore Exchange (SGX)
South Africa	JSE Limited
Switzerland	The SIX Swiss Exchange (SWX)
Thailand	The Stock Exchange of Thailand (SET)
United States of America	NYSE New York The NASDAQ Stock Market (NASDAQ) NYSE MKT

**Eligible Derivatives Markets:**

UK	London International Financial Futures and Options Exchange (LIFFE)
U.S.	Chicago Board of Trade Chicago Mercantile Exchange Chicago Board Options Exchange

## **APPENDIX III**

### **INVESTMENT AND BORROWING POWERS OF THE COMPANY**

#### **1. General**

The Scheme Property of a Sub-fund will be invested with the aim of achieving the investment objective of that Sub-fund but subject to the limits set out in the Sub-fund's investment policy, this Prospectus and the limits set out in Chapter 5 of the COLL Sourcebook ("COLL 5") that are applicable to Non-UCITS Retail Schemes. These limits apply to each Sub-fund as summarised below.

Normally, a Sub-fund will be fully invested save for an amount to enable redemption of Shares, efficient management of a Sub-fund in relation to its strategic objective and other purposes which may be reasonably regarded as ancillary to the investment objectives of the Sub-funds.

This amount will vary depending upon prevailing circumstances and although it would normally not exceed 10% of the total value of a Sub-fund, there may be times when the Investment Manager considers stock markets to be overpriced or that a period of instability exists which presents unusual risks. In such cases or during such periods, a higher level of liquidity may be maintained and, if considered prudent, the amount of cash or near cash instruments held would be increased. Unless market conditions were deemed unusually risky, the increased amount and period would not be expected to exceed 30% and six months respectively.

It is not intended that the Sub-funds will have any interest in any immovable property or tangible movable property.

#### **1.1 Prudent spread of risk**

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

#### **1.2 Cover**

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

1.2.2 Where a rule in the COLL Sourcebook permits an investment transaction to be entered into or an investment to be retained only if that investment transaction, or the retention, or other similar transactions, are covered:

1.2.2.1 it must be assumed that in applying any of those rules, a Sub-fund must also simultaneously satisfy any other obligation relating to cover; and

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

## 2. **Non-UCITS Retail Schemes - general**

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

2.1.1 transferable securities;

2.1.2 money-market instruments;

2.1.3 units or shares in permitted collective investment schemes;

2.1.4 permitted derivatives and forward transactions;

2.1.5 permitted deposits;

2.1.6 permitted immovables; and

2.1.7 gold up to a limit of 10% in value of the Scheme Property of the Sub-funds.

2.2 Transferable securities and money-market instruments held within a Sub-fund must (subject to paragraph **2.3** of this Appendix) be:

2.2.1 admitted to or dealt on an eligible market as described below;

2.2.2 be approved money-market instruments not admitted or dealt in on an eligible market below which satisfy the requirement of paragraph 9 in this Appendix;

2.2.3 recently issued transferable securities provided that:

2.2.3.1 the terms of issue include an undertaking that application will be made to be admitted on an eligible market; and

2.2.3.2 such admission is secured within a year of issue.

2.3 Not more than 20% in value of the Scheme Property is to consist of transferable securities, which are not approved securities (aggregated with the value of the

Scheme Property which can be invested in unregulated collective investment schemes as set out in paragraph **6.1.1.5**) or money-market instruments which are liquid and have a value which can be determined accurately at any time..

2.4 The requirements on spread of investments generally and in relation to investment in government and public securities do not apply during any period in which it is not reasonably practical to comply, provided that the requirement to maintain prudent spread of risk in paragraph 1.1 of this Appendix is complied with.

2.5 Up to 5% of the Scheme Property of the Sub-funds may be invested in warrants.

### 3. **Eligible markets regime: purpose**

3.1 To protect investors the markets on which investments of a Sub-fund are dealt in or traded on should be of an adequate quality ("eligible") at the time of acquisition of the investment and until it is sold.

3.2 Where a market ceases to be eligible, investments on that market cease to be approved securities. The 20% restriction on investing in non-approved securities applies and exceeding this limit because a market ceases to be eligible will generally be regarded as an inadvertent breach.

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

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

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

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

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

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

3.4.3 the Depositary has taken reasonable care to determine that:

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

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

3.5 In paragraph **3.4.1**, a market must not be considered appropriate unless it is

regulated, operates regularly, is recognised, is open to the public, is adequately liquid and has adequate arrangements for unimpeded transmission of income and capital to or for the order of investors.

4. **Spread: general**

- 4.1 This rule on spread does not apply to government and public securities.
- 4.2 Not more than 20% in value of the Scheme Property of a Sub-fund is to consist of deposits with a single body.
- 4.3 Not more than 10% in value of the Scheme Property of a Sub-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).
- 4.4 The limit of 10% in paragraph 4.3 above is raised to 25% in value of the Scheme Property of a Sub-fund in respect of covered bonds (none of the Sub-funds currently invest in covered bonds).
- 4.5 In applying paragraph 4.3, certificates representing certain securities are to be treated as equivalent to the underlying security.
- 4.6 Not more than 35% in value of the Scheme Property of a Sub-fund is to consist of the units or shares of any one collective investment scheme.
- 4.7 The exposure to any one counterparty in an OTC derivative transaction must not exceed 10% in value of the Scheme Property of a Sub-fund.
- 4.8 For the purpose of calculating the limit in paragraph 4.7, the exposure in respect of an OTC derivative may be reduced to the extent that collateral is held in respect of it if the collateral meets each of the following conditions:
  - 4.8.1 it is marked-to-market on a daily basis and exceeds the value of the amount at risk;
  - 4.8.2 it is exposed only to negligible risks (e.g. government bonds of first credit rating or cash) and is liquid;
  - 4.8.3 it is held by a third party custodian not related to the provider or is legally secured from the consequences of a failure of a related party; and
  - 4.8.4 can be fully enforced by a Sub-fund at any time.
- 4.9 For the purposes of calculating the limits in paragraph 4.7, OTC derivative positions with the same counterparty may be netted provided that the netting procedures:

- 4.9.1 comply with the conditions set out in Section 3 (Contractual netting (Contracts for novation and other netting agreements)) of Annex III to the Banking Consolidation Directive; and
  - 4.9.2 are based on legally binding agreements.
- 4.10 In applying this paragraph (Spread: general), all derivatives transactions are deemed to be free of counterparty risk if they are performed on an exchange where the clearing house meets each of the following conditions:
- 4.10.1 it is backed by an appropriate performance guarantee; and
  - 4.10.2 it is characterised by a daily mark-to-market valuation of the derivative positions and at least daily margining.
5. **Spread: government and public securities**
- 5.1 The following section applies to government and public securities ("such securities").
- 5.2 Where no more than 35% in value of the Scheme Property is invested in such securities issued by any one body, there is no limit on the amount which may be invested in such securities or in any one issue.
- 5.3 The Company or any Sub-fund may invest more than 35% in value of the Scheme Property in such securities issued by any one body provided that:
- 5.3.1 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 objective of a Sub-fund;
  - 5.3.2 no more than 30% in value of the Scheme Property of a Sub-fund consists of such securities of any one issue;
  - 5.3.3 the Scheme Property of a Sub-fund includes such securities issued by that or another issuer, of at least six different issues;
  - 5.3.4 the disclosures in the Prospectus required by the FCA have been made.
- 5.4 In giving effect to the foregoing object more than 35 % of the property of the Company or any Sub-fund, as the case may be, may be invested in Government and other public securities issued or guaranteed by the Government of the United Kingdom and Northern Ireland, the Scottish Administration, the Executive Committee of the Northern Ireland Assembly or the National Assembly of Wales, the Governments of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, and Sweden, and the

Governments of Australia, Canada, Japan, New Zealand, Switzerland or the United States of America, and securities issued by the European Investment Bank.

## 6. **Investment in collective investment schemes**

6.1 Up to 100% of the value of the Scheme Property of a Sub-fund may be invested in units or shares in other collective investment schemes ("Second Scheme") provided that Second Scheme satisfies all of the following conditions.

6.1.1 The Second Scheme must:

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

6.1.1.2 be authorised as a Non-UCITS Retail Scheme; or

6.1.1.3 be recognised under the provisions of s.264, s.270 or s.272 of the Financial Services and Markets Act 2000; or

6.1.1.4 be constituted outside the United Kingdom and have investment and borrowing powers which are the same or more restrictive than those of a Non-UCITS Retail Scheme; or

6.1.1.5 be a scheme not falling within paragraphs 6.1.1.1 to 6.1.1.4 and in respect of which no more than 20% in value of the Scheme Property (including any transferable securities which are not approved securities) is invested.

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

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

(b) Approved the scheme's management company, rules and depositary/custody arrangements.

6.1.2 The Second Scheme is a scheme which operates on the principle of the prudent spread of risk.

6.1.3 The Second Scheme is prohibited from having more than 15% in value of the scheme property consisting of units or shares in collective investment schemes.

6.1.4 The participants in the Second Scheme must be entitled to have their units or shares redeemed in accordance with the scheme at a price



related to the net value of the property to which the units or shares relate and determined in accordance with the scheme.

- 6.1.5 Where the Second Scheme is an umbrella, the provisions in paragraphs 6.1.2 to 6.1.4 apply to each sub-fund as if it were a separate scheme.
- 6.1.6 Investment may only be made in other collective investment schemes managed by the ACD or an associate of the ACD if the Prospectus of the Company clearly states that the Sub-funds may enter into such investments and the rules on double charging contained in the COLL Sourcebook are complied with. Sub-funds in the Company are not permitted to invest in other Sub-funds of the Company.
- 6.1.7 Investment may be made in collective investments schemes established in any jurisdiction, subject to compliance with the requirements of section 6.1.1 above.
- 6.2 A Sub-fund may invest in or dispose in shares of another Sub-fund within the Company (the "second fund") only if the following conditions are satisfied:
- (a) the second fund does not hold shares in any other Sub-fund of the Company;
  - (b) the conditions in COLL 5.2.16R (Investment in other group schemes) and COLL 5.6.11R (Investment in associated collective investment schemes) are complied with (as modified by COLL 5.6.11R(2));
  - (c) not more than 35% in value of the investing or disposing Sub-fund is to consist of units in the second fund; and
  - (d) the investing or disposing Sub-fund must not be a feeder UCITS to that second fund.
7. The Sub-funds may, subject to the limit set out in paragraph 6.1 above, invest in collective investment schemes managed or operated by, or whose authorised corporate director is, the ACD of the Sub-funds or one of its associates (including an ICVC whose operator is the ACD or an associate of the ACD), provided that the ACD pays into the relevant scheme property the amount or equivalent of any charges on issue or disposal of such units or shares (excluding any form of dilution levy) borne by the Company in accordance with COLL 5.2.16R.
8. **Investment in nil and partly paid securities**
- 8.1 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 a Sub-fund, at the time when payment is required, without contravening the rules in COLL 5.

## 9. **Investment in money-market instruments**

- 9.1 A Sub-fund may invest up to 100% in money-market instruments which are within the provisions of 2.2 above or 9.2 below and subject to the limit of 20% referred to in 2.3 above, which are normally dealt in or on the money-market, are liquid and whose value can be accurately determined at any time.
- 9.2 In addition to instruments admitted to or dealt in on an eligible market, a Sub-fund may invest in an approved money-market instrument provided it fulfils the following requirements:
- 9.2.1 the issue or the issuer is regulated for the purpose of protecting investors and savings; and
  - 9.2.2 the instrument is issued or guaranteed in accordance with COLL 5.2.10BR.
- 9.3 The issue or the issuer of a money-market instrument, other than one dealt in on an eligible market, shall be regarded as regulated for the purpose of protecting investors and savings if:
- 9.3.1 the instrument is an approved money-market instrument;
  - 9.3.2 appropriate information is available for the instrument (including Information which allows an appropriate assessment of the credit risks related to investment in it), in accordance with COLL 5.2.10CR; and
  - 9.3.3 the instrument is freely transferable.

## 10. **Derivatives: general**

**The Company may use derivatives and forward transactions for investment purposes, in which case the net asset value of the sub-funds may at times be highly volatile (in the absence of compensating investment techniques) and the risk profile of the Sub-funds may be higher than they would otherwise have been. However, it is the ACD's intention that the Sub-funds, owing to their portfolio composition, or the portfolio management techniques used, will not have volatility over and above the general market volatility of the markets of their underlying investments. It is not anticipated that the use of derivatives in this way will alter the risk profile of the sub-funds.**

- 10.1 A transaction in derivatives or a forward transaction must not be effected for a Sub-fund unless the transaction is of a kind specified in paragraph 12 below (Permitted transactions (derivatives and forwards)); and the transaction is covered, as required by paragraph **20** (Cover for transactions in derivatives and forward transactions).

- 10.2 Where a Sub-fund invests in derivatives, the exposure to the underlying assets must not exceed the limits set out in the COLL Sourcebook in relation to spread (COLL 5.2.11R Spread: general, COLL 5.2.12R Spread: government and public securities) except for index based derivatives where the rules below apply.
- 10.3 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.
- 10.4 A transferable security or an approved money-market instrument will embed a derivative if it contains a component which fulfils the following criteria:
- 10.4.1 by virtue of that component some or all of the cash flows that otherwise would be required by the transferable security or approved money-market instrument which functions as host contract can be modified according to a specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, and therefore vary in a way similar to a stand-alone derivative;
  - 10.4.2 its economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract; and
  - 10.4.3 it has a significant impact on the risk profile and pricing of the transferable security or approved money-market instrument.
- 10.5 A transferable security or an approved money-market instrument does not embed a derivative where it contains a component which is contractually transferable independently of the transferable security or the approved money-market instrument. That component shall be deemed to be a separate instrument.
- 10.6 Where a Sub-fund invests in an index based derivative, provided the relevant index falls within COLL 5.6.2R (Relevant Indices) the underlying constituents of the index do not have to be taken into account for the purposes of COLL 5.6.7R and COLL 5.6.8R.

## 11. **Efficient Portfolio Management**

- 11.1 The Company may utilise the Scheme Property to enter into transactions for the purposes of Efficient Portfolio Management ("EPM"). Permitted EPM transactions (excluding stock lending arrangements) are transactions in derivatives e.g. to hedge against price or currency fluctuations, dealt with or traded on an eligible derivatives market; off-exchange options or contracts for differences resembling options; or synthetic futures in certain circumstances. The ACD must take reasonable care to ensure that the transaction is economically appropriate to the reduction of the relevant risks (whether in the price of investments, interest rates or exchange rates) or to the reduction of the relevant costs and/or to the generation of additional

capital or income with an acceptably low level of risk. The exposure must be fully "covered" by cash and/or other property sufficient to meet any obligation to pay or deliver that could arise.

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

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

11.2.2 Transactions for the generation of additional capital growth or income for a Sub-fund by taking advantage of gains which the ACD reasonably believes are certain to be made (or certain, barring events which are not reasonably foreseeable) as a result of:

11.2.2.1 pricing imperfections in the market as regards the property which a Sub-fund holds or may hold; or

11.2.2.2 receiving a premium for the writing of a covered call option or a cash covered put option on property of a Sub-fund which the Company is willing to buy or sell at the exercise price, or

11.2.2.3 stock lending arrangements.

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

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

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

12.1 A transaction in a derivative must be:

12.1.1 in an approved derivative; or

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

- 12.2 A transaction in a derivative must have the underlying consisting of any one or more of the following to which a Sub-fund is dedicated:
- 12.2.1 transferable securities;
  - 12.2.2 money-market instruments;
  - 12.2.3 deposits;
  - 12.2.4 permitted derivatives under this paragraph;
  - 12.2.5 collective investment scheme units permitted under paragraph 6 (Investment in collective investment schemes);
  - 12.2.6 permitted immovables;
  - 12.2.7 gold;
  - 12.2.8 financial indices which satisfy the criteria set out in COLL 5.2.20R;
  - 12.2.9 interest rates;
  - 12.2.10 foreign exchange rates; and
  - 12.2.11 currencies.
- 12.3 The exposure to the underlying in paragraph 12.2 above must not exceed the limits in paragraphs 4 and 5 above.
- 12.4 A transaction in an approved derivative must be effected on or under the rules of an eligible derivatives market.
- 12.5 A transaction in a derivative must not cause a Sub-fund to diverge from its investment objectives as stated in the Instrument of Incorporation and the most recently published version of this Prospectus.
- 12.6 A transaction in a derivative must not be entered into if the intended effect is to create the potential for an uncovered sale of transferable securities, money-market instruments, units in collective investment schemes, or derivatives, provided that a sale is not to be considered as uncovered if the conditions in paragraph 15.2 are satisfied.
- 12.7 Any forward transaction must be with an Eligible Institution or an Approved Bank.
13. **Financial indices underlying derivatives**
- 13.1 The financial indices referred to in paragraph 12.2 are those which satisfy the following criteria:

- 13.1.1 the index is sufficiently diversified;
  - 13.1.2 the index represents an adequate benchmark for the market to which it refers; and
  - 13.1.3 the index is published in an appropriate manner.
- 13.2 A financial index is sufficiently diversified if:
- 13.2.1 it is composed in such a way that price movements or trading activities regarding one component do not unduly influence the performance of the whole index;
  - 13.2.2 where it is composed of assets in which a Sub-fund is permitted to invest, its composition is at least diversified in accordance with the requirements with respect to spread and concentration set out in this Appendix; and
  - 13.2.3 where it is composed of assets in which a Sub-fund cannot invest, it is diversified in a way which is equivalent to the diversification achieved by the requirements with respect to spread and concentration set out in this Appendix.
- 13.3 A financial index represents an adequate benchmark for the market to which it refers if:
- 13.3.1 it measures the performance of a representative group of underlying in a relevant and appropriate way;
  - 13.3.2 it is revised or rebalanced periodically to ensure that it continues to reflect the markets to which it refers, following criteria which are publicly available; and
  - 13.3.3 the underlying are sufficiently liquid, allowing users to replicate it if necessary.
- 13.4 A financial index is published in an appropriate manner if:
- 13.4.1 its publication process relies on sound procedures to collect prices, and calculate and subsequently publish the index value, including pricing procedures for components where a market price is not available; and
  - 13.4.2 material information on matters such as index calculation, rebalancing methodologies, index changes or any operational difficulties in providing timely or accurate information is provided on a wide and timely basis.
- 13.5 Where the composition of underlying of a transaction in a derivative does not satisfy the requirements for a financial index, the underlying for that transaction shall

where they satisfy the requirements with respect to other underlying pursuant to paragraph 12.2 be regarded as a combination of those underlying.

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

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

**15. Requirement to cover sales**

15.1 No agreement by or on behalf of a Sub-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 a Sub-fund by delivery of property or the assignment (or, in Scotland, assignation) of rights, and the property and rights above are owned by a Sub-fund at the time of the agreement. This requirement does not apply to a deposit.

15.2 The above does not apply where:

15.2.1 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

15.2.2 the ACD or the Depositary has the right to settle the derivative in cash and cover exists within the Scheme Property of a Sub-fund which falls within one of the following asset classes:

15.2.2.1 cash;

15.2.2.2 liquid debt instruments (e.g. government bonds of first credit rating) with appropriate safeguards (in particular, haircuts); or

15.2.2.3 other highly liquid assets having regard to their correlation with the underlying of the financial derivative instruments, subject to appropriate safeguards (e.g. haircuts where relevant).

15.3 In the asset classes referred to in paragraph 15.2, 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 under paragraph 12.1.2 must be:
- 16.1.1 in a future or an option or a contract for differences
  - 16.1.2 with an approved counterparty; A counterparty to a transaction in derivatives is approved only if the counterparty is an Eligible Institution or an Approved Bank; or a person whose permission (including any requirements or limitations), as published in the FCA Register or whose Home State authorisation, permits it to enter into the transaction as principal off-exchange;
  - 16.1.3 on approved terms; the terms of the transaction in derivatives are approved only if, before the transaction is entered into, the Depositary is satisfied that the counterparty has agreed with the Company: to provide at least daily and at any other time at the request of the Company or the ACD, a reliable and verifiable valuation in respect of that transaction corresponding to its fair value (being the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction) and which does not rely only on market quotations by the counterparty; and that it or an alternate counterparty will, at the request of the Company or the ACD, enter into a further transaction to sell, liquidate or close out that transaction at any time, at a fair value arrived at under the reliable market value basis or pricing model agreed under the following paragraph; and
  - 16.1.4 capable of reliable valuation; a transaction in derivatives is capable of reliable valuation only if the ACD having taken reasonable care determines that, throughout the life of the derivative (if the transaction is entered into), it will be able to value the investment concerned with reasonable accuracy:
    - 16.1.4.1 on the basis of an up-to-date market value which the ACD and the Depositary have agreed is reliable; or
    - 16.1.4.2 if the value referred to in paragraph 16.1.4.1 is not available, on the basis of a pricing model which the ACD and the Depositary have agreed uses an adequate recognised methodology; and
  - 16.1.5 subject to verifiable valuation: a transaction in derivatives is subject to verifiable valuation only if, throughout the life of the derivative (if the transaction is entered into) verification of the valuation is carried out by:



16.1.5.1 an appropriate third party which is independent from the counterparty of the derivative at an adequate frequency and in such a way that the ACD is able to check it; or

16.1.5.2 a department within the ACD which is independent from the department in charge of managing the Scheme Property of a Sub-fund and which is adequately equipped for such a purpose.

## 17. **Risk management**

17.1 The ACD uses a risk management process, enabling it to monitor and measure as frequently as appropriate the risk of a Sub-fund's positions and their contribution to the overall risk profile of a Sub-fund.

## 18. **Investments in deposits**

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

## 19. **Schemes replicating an index**

19.1 A Sub-fund may invest up to 20% in value of its Scheme Property in shares and debentures which are issued by the same body where the stated investment policy is to replicate the performance or composition of a relevant index as defined below.

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

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

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

19.4.1 the composition is sufficiently diversified;

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

19.4.3 the index is published in an appropriate manner.

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

- 20.1 A Sub-fund may invest in derivatives and forward transactions as long as the exposure to which a Sub-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.
- 20.2 Cover ensures that a Sub-fund is not exposed to the risk of loss of property, including money, to an extent greater than the net value of its Scheme Property. Therefore, a Sub-fund must hold Scheme Property sufficient in value or amount to match the exposure arising from a derivative obligation to which a Sub-fund is committed. Detailed requirements for cover of a Sub-fund are set out below.
- 20.3 A future is to be regarded as an obligation to which a Sub-fund is committed (in that, unless closed out, the future will require something to be delivered, or accepted and paid for; a written option as an obligation to which a Sub-fund is committed (in that it gives the right of potential exercise to another thereby creating exposure); and a bought option as a right (in that the purchaser can, but need not, exercise the right to require the writer to deliver and accept and pay for something).
- 20.4 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.
- 20.5 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 scheme is or may be committed by another person is covered globally.
- 20.6 Exposure is covered globally if adequate cover from within the Scheme Property is available to meet the scheme'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.
- 20.7 Cash not yet received into the Scheme Property but due to be received within one month is available as cover.
- 20.8 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.
- 20.9 The global exposure relating to derivatives held in a Sub-fund may not exceed the net value of the Scheme Property.

## 21. **Borrowing and Leverage**

- 21.1 Cash obtained from borrowing, and borrowing which the ACD reasonably regards an Eligible Institution or an Approved Bank to be committed to provide, is available for cover under paragraph 20 of this Appendix as long as the normal limits on borrowing (see below) are observed.
- 21.2 Where, for the purposes of this paragraph the Company borrows an amount of currency from an Eligible Institution or an Approved Bank; and keeps an amount in another currency, at least equal to such borrowing for the time on deposit with the lender (or his agent or nominee), then this applies as if the borrowed currency, and not the deposited currency, were part of the Scheme Property, and the normal limits on borrowing under paragraph 25 (General power to borrow) of this Appendix do not apply to that borrowing.
- 21.3 The ACD will not employ Leverage in respect of its management of the Company save where it undertakes certain derivatives and forward transactions for the limited purposes described in this Appendix III and subject at all times to the requirements and restrictions set out in the Regulations insofar as they relate to Non-UCITS Retail Schemes. Therefore the Company will not be regarded as a type of fund using Leverage on a substantial basis (as described in the AIFM Directive).

## 22. **Cash and near cash**

- 22.1 Cash and near cash must not be retained in the Scheme Property except to the extent that, where this may reasonably be regarded as necessary in order to enable:
- 22.1.1 the pursuit of a Sub-fund's investment objectives; or
  - 22.1.2 the redemption of shares; or
  - 22.1.3 efficient management of a Sub-fund in accordance with its investment objectives; or
  - 22.1.4 other purposes which may reasonably be regarded as ancillary to the investment objective of a Sub-fund.
- 22.2 During the period of the initial offer the Scheme Property may consist of cash and near cash without limitation.

## 23. **General**

- 23.1 It is envisaged that a Sub-fund will normally be fully invested but there may be times that it is appropriate not to be fully invested when the ACD reasonably regards this as necessary in order to enable the redemption of units, efficient

management of a Sub-fund or any one purpose which may reasonably be regarded as ancillary to the investment objectives of a Sub-fund.

23.2 Where the Company invests in or disposes of units or shares in another collective investment scheme which is managed or operated by the ACD or an associate of the ACD, the ACD must pay to the Company by the close of business on the fourth business day the amount of any preliminary charge in respect of a purchase, and in the case of a sale, any charge made for the disposal.

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

## 24. **Underwriting**

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

## 25. **General power to borrow**

25.1 The ACD may, on the instructions of the Company and subject to the COLL Sourcebook, 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. This power to borrow is subject to the obligation of the Company to comply with any restriction in the Instrument of Incorporation.

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

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

26.1 None of the money in the Scheme Property may be lent and, for the purposes of this paragraph, 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 paragraph 26.1 nor is the placing of money on deposit or in a current account.

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

- 27.1 Scheme Property other than money must not be lent by way of deposit or otherwise.
- 27.2 Transactions permitted by paragraph 30 (Stock lending) are not to be regarded as lending for the purposes of paragraph 27.1.
- 27.3 Nothing in this paragraph 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 the Company in accordance with COLL 5.

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

- 28.1 Any power in COLL 5 to invest in transferable securities may be used for the purpose of entering into transactions to which this section applies, subject to compliance with any restriction in the Instrument of Incorporation. This section applies, to any agreement or understanding: which is an underwriting or sub-underwriting agreement, or which contemplates that securities will or may be issued or subscribed for or acquired for the account of a Sub-fund.
- 28.2 This ability does not apply to an option, or a purchase of a transferable security which confers a right to subscribe for or acquire a transferable security, or to convert one transferable security into another.
- 28.3 The exposure of a Sub-fund to agreements and understandings as set out above, on any business day be covered and be such that, if all possible obligations arising under them had immediately to be met in full, there would be no breach of any limit in the COLL Sourcebook.

**29. Guarantees and indemnities**

- 29.1 The Company or the Depositary for the account of the Company or a Sub-fund must not provide any guarantee or indemnity in respect of the obligation of any person.
- 29.2 None of the Scheme Property of a Sub-fund may be used to discharge any obligation arising under a guarantee or indemnity with respect to the obligation of any person.
- 29.3 Paragraphs 29.1 and 29.2 do not apply in respect of a Sub-fund to any indemnity or guarantee given for margin requirements where the derivatives or forward transactions are being used in accordance with COLL 5, and:
  - 29.3.1 an indemnity falling within the provisions of regulation 62(3) (Exemptions from liability to be void) of the OEIC Regulations;
  - 29.3.2 an indemnity (other than any provision in it which is void under regulation 62 of the OEIC Regulations) given to the Depositary against any liability

incurred by it as a consequence of the safekeeping of any of the Scheme Property by it or by anyone retained by it to assist it to perform its function of the safekeeping of the Scheme Property; and

- 29.3.3 an indemnity given to a person winding up a scheme if the indemnity is given for the purposes of arrangements by which the whole or part of the property of that scheme becomes the first property of a Sub-fund and the holders of units in that scheme become the first shareholders in a Sub-fund.

## 30. **Stock lending**

- 30.1 The entry into stock lending transactions and repo contracts for the account of a Sub-fund is permitted for the generation of additional income for the benefit of a Sub-fund, and hence for its investors.
- 30.2 The specific method of stock lending permitted in this section is in fact not a transaction which is a loan in the normal sense. Rather it is an arrangement of the kind described in section 263B of the Taxation of Chargeable Gains Act 1992, under which the lender transfers securities to the borrower otherwise than by way of sale and the borrower is to transfer those securities, or securities of the same type and amount, back to the lender at a later date. In accordance with good market practice, a separate transaction by way of transfer of assets is also involved for the purpose of providing collateral to the "lender" to cover him against the risk that the future transfer back of the securities may not be satisfactorily completed.
- 30.3 The stock lending permitted by this section may be exercised by a Sub-fund when it reasonably appears to the Company to be appropriate to do so with a view to generating additional income for a Sub-fund with an acceptable degree of risk.
- 30.4 The Company, or the Depositary at the request of Company, may enter into a stock lending arrangement of the kind described in section 263B of the Taxation of Chargeable Gains Act 1992 (without extension by section 263C), but only if all the terms of the agreement under which securities are to be reacquired by the Depositary for the account of the Company, are in a form which is acceptable to the Depositary and are in accordance with good market practice, the counterparty is an authorised person or a person authorised by a home state regulator, and collateral is obtained to secure the obligation of the counterparty. Collateral must be acceptable to the Depositary, adequate and sufficiently immediate.
- 30.5 The Depositary must ensure that the value of the collateral at all times is at least equal to the value of the securities transferred by the Depositary. This duty may be regarded as satisfied in respect of collateral the validity of which is about to expire or has expired where the Depositary takes reasonable care to determine that sufficient collateral will again be transferred at the latest by the close of business on the day of expiry.

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

## **APPENDIX IV**

### **LIST OF OTHER AUTHORISED COLLECTIVE INVESTMENT SCHEMES OPERATED BY THE ACD**

The ACD is authorised and regulated by the FCA. The ACD acts as authorised corporate director and unit trust manager to the following collective investment schemes authorised in the United Kingdom:

#### ICVCs

HC FCM Salamanca Global Property Fund 1  
Host Capital Sequel Investment Funds ICVC II  
Host Capital Investment Funds ICVC III  
HC KB Enterprise Funds  
HC KB Endeavour Funds  
HC KB Capital Growth Fund  
Host Capital UK Student Accommodation Fund

#### Unit Trusts

Host Capital UK Student Accommodation Umbrella Feeder Trust



## APPENDIX V

### PAST PERFORMANCE AND INVESTOR PROFILE

#### Past Performance

Below we have shown the historical performance, for the period to 30 September 2015. Where possible, we have shown the performance over and the last 5 years, for each complete year, to the last quarter end. However, where the Sub-fund has been in existence for less than any of the above periods, we show the performance since the launch of the Sub-fund, plus for each complete year, to last quarter end.

In respect of Income shares (where they are available), the performance shown will assume that any income has been reinvested.

#### HC Charteris Property Fund – Class A Pounds Sterling (£) NET Accumulation Shares

Percentage Growth year to 30 September 2011	Percentage Growth year to 30 September 2012	Percentage Growth year to 30 September 2013	Percentage Growth year to 30 September 2014	Percentage Growth year to 30 September 2015	Percentage Growth from Launch to 30 September 2015
-1.61%	8.96%	7.51%	6.43%	13.92%	-11.69%

Launch Date: 21 May 2007

#### HC Charteris Property Fund – Class A Pounds Sterling (£) NET Income Shares

Percentage Growth year to 30 September 2011	Percentage Growth year to 30 September 2012	Percentage Growth year to 30 September 2013	Percentage Growth year to 30 September 2014	Percentage Growth year to 30 September 2015	Percentage Growth from Launch to 30 September 2015
-3.30%	8.64%	7.47%	6.29%	13.94%	-13.95%

Launch Date: 21 May 2007

#### HC Charteris Property Fund – Class B Pounds Sterling (£) NET Accumulation Shares

Percentage Growth year to 30 September 2011	Percentage Growth year to 30 September 2012	Percentage Growth year to 30 September 2013	Percentage Growth year to 30 September 2014	Percentage Growth year to 30 September 2015	Percentage Growth from Launch to 30 September 2015
-1.63%	8.75%	6.71%	5.64%	13.08%	-13.79%

Launch Date: 21 May 2007

**HC Charteris Property Fund – Class B Pounds Sterling (£) NET Income Shares**

Percentage Growth year to 30 September 2011	Percentage Growth year to 30 September 2012	Percentage Growth year to 30 September 2013	Percentage Growth year to 30 September 2014	Percentage Growth year to 30 September 2015	Percentage Growth from Launch to 30 September 2015
-3.19%	8.42%	6.83%	5.62%	13.08%	-15.68%

Launch Date: 21 May 2007

**HC Charteris Property Fund – Class R Pounds Sterling (£) NET Accumulation Shares**

Percentage Growth year to 30 September 2011	Percentage Growth year to 30 September 2012	Percentage Growth year to 30 September 2013	Percentage Growth year to 30 September 2014	Percentage Growth year to 30 September 2015	Percentage Growth from Launch to 30 September 2015
-1.61%	8.75%	6.70%	5.66%	13.07%	-13.82%

Launch Date: 21 May 2007

**HC Charteris Property Fund – Class R Pounds Sterling (£) NET Income Shares**

Percentage Growth year to 30 September 2011	Percentage Growth year to 30 September 2012	Percentage Growth year to 30 September 2013	Percentage Growth year to 30 September 2014	Percentage Growth year to 30 September 2015	Percentage Growth from Launch to 30 September 2015
-3.30%	8.43%	6.77%	5.68%	13.02%	-15.85%

Launch Date: 21 May 2007

Percentage annual and cumulative performance, income shares (total return), based on Financial Express data.

**Investor profile**

The Sub-funds are marketable to all eligible investors provided they can meet the minimum age and subscription levels. The Sub-funds may be suitable for investors who see collective investment schemes as a convenient way of participating in investment markets. They may

be suitable for investors wishing to seek to achieve defined investment objectives. Such investors must have experience with, or understand, products where the capital is at risk. Investors must be able to accept some risk to their capital, thus the Sub-funds may be suitable for investors who are looking to set aside the capital for at least 5 years. If you are uncertain whether these products are suitable for you, please contact a financial adviser.

## **APPENDIX VI**

### **DIRECTORY**

#### **The Company and Head Office:**

HC Charteris ICVC  
c/o Host Capital Limited  
73 New Bond Street  
London  
W1S 1RS

#### **Authorised Corporate Director:**

Host Capital Limited  
73 New Bond Street  
London  
W1S 1RS  
(Authorised and regulated by the Financial Conduct Authority)

#### **Registrar and Transfer Agent**

Investor Administration Solutions Limited  
Cedar House 3 Cedar Park  
Cobham Road, Wimborne  
Dorset  
BH21 7SB

#### **Depository:**

Citibank Europe Plc, UK Branch  
Citigroup Centre, Canada Square  
Canary Wharf, London E14 5LB  
(Authorised by the Central Bank of Ireland and the Prudential Regulation Authority and subject to limited regulation by the Financial Conduct Authority and Prudential Regulation Authority)

#### **Investment Manager:**

Charteris Treasury Portfolio Managers Limited  
8-9 Lovat Lane  
London  
EC3R 8DW

#### **Fund Accountant:**

Apex Fund Services (UK) Limited  
Veritas House  
125 Finsbury Pavement  
London  
EC2A 1NQ

#### **Auditor:**

Grant Thornton UK LLP  
30 Finsbury Square  
London  
EC2P 2YU

