Prospectus
Of
Clerical Medical Open Ended Investment Company
an Investment Company with Variable Capital
(in the process of being wound up)
Dated 28 June 2017

This Prospectus has been prepared in accordance with
The Financial Conduct Authority's Collective Investment Schemes Sourcebook
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DIRECTORY

Authorised Corporate Director
(authorised and regulated by the Financial Conduct Authority)
Clerical Medical Investment Fund Managers Limited
Registered Office
Trinity Road
Halifax
West Yorkshire HX1 2RG

Head Office
1 Lovell Park Road
Leeds
West Yorkshire LS1 1NS

Depositary
(authorised and regulated by the Financial Conduct Authority and by the Prudential Regulation Authority)
National Westminster Bank plc
Registered and Head Office
135 Bishopsgate
London
EC2M 3UR

Principal Place of Business
Trustee & Depositary Services
Younger Building
3 Redheughs Avenue
Edinburgh
EH12 9RH

Investment Adviser
(authorised and regulated by the Financial Conduct Authority)
Aberdeen Asset Investments Limited
Registered Office
Bow Bells House
1 Bread Street

\(^1\) The Investment Adviser was previously known as Scottish Widows Investment Partnership Limited.
London EC4M 9HH

Business Address
Edinburgh One
60 Morrison Street
Edinburgh EH3 8BE

Auditors
PricewaterhouseCoopers LLP
Atria One
144 Morrison Street
Edinburgh EH3 8EX

Administrator and Registrar
Scottish Widows Unit Trust Managers Limited
Registered office
Chariton Place
Andover
Hampshire
SP10 1RE

Administration office
15 Dalkeith Road
Edinburgh
Edinburgh
EH16 5WL (the register of shareholders can be inspected at this address)
Cl er i ca l  M e d i ca l O p en  E n d ed  I n ve s t m e n t  C o m p a n y

T H I S  D O C U M E N T  I S  I M P O R T A N T
The authorised corporate director of the Company, Clerical Medical Investment Funds Limited ("the ACD"), is the person responsible for the information contained in this Prospectus. To the best of the knowledge and belief of the ACD (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 FCA Rules to be included in it. It accepts responsibility accordingly.

A copy of this Prospectus has been sent to each of the Financial Conduct Authority and the Depositary.

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

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

The shares which are described in this Prospectus have not been and will not be registered under the United States Securities Act of 1933, the United States Investment Company Act of 1940 or the securities laws of any of the states of the United States of America and may not be directly or indirectly offered or sold in the United States of America to or for the account or benefit of any U.S. Person, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the United States Securities Act of 1933, the United States Investment Company Act of 1940 and similar requirements of such state securities laws.

Neither the Clerical Medical Open Ended Investment Company nor any of its sub-funds have been or will be registered under the United States Investment Company Act of 1940, as amended.

Investment in shares by or on behalf of US Persons is not permitted.

For the purposes of this Prospectus the terms “US” and “US Person” shall have the following meaning:

“US” the United States of America (including any states thereof and the District of Columbia), its territories, possessions and all other areas subject to its jurisdiction;

“US Person” unless otherwise determined by the ACD:
(i) a resident of the US;

(ii) a partnership, limited liability company, corporation or other entity organised in or under the laws of the US or any state or other jurisdiction thereof or any entity taxed as such or required to file a tax return as such under the US Federal income tax laws;
(iii) any estate of which any executor or administrator is a US Person;

(iv) any trust of which any trustee, beneficiary or, if the trust is revocable, any settlor is a US Person;

(v) any agency or branch of a foreign entity located in the US;

(vi) any discretionary or non-discretionary account or similar account (other than an estate or trust) held by a dealer or fiduciary for the benefit or account of a resident of the US;

(vii) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organised or incorporated in the US, or (if an individual) a resident of the US;

(viii) any employee benefit plan unless such employee benefit plan is established and administered in accordance with the laws of a country other than the US and the customary practices and documentation of such country;

and

(ix) any person or entity whose ownership of shares or solicitation for ownership of shares the ACD through its officers or directors shall determine may violate any securities laws or banking laws of the US or any state or other jurisdiction thereof.

Except that a US Person shall not include corporations, partnerships or other entities which are organised or incorporated under the laws of any non-US jurisdiction, unless such corporation, partnership or other entity was formed by such US Person principally for the purpose of investing in securities not registered under the US Securities Act of 1933, as amended.

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 Company's Instrument of Incorporation are binding on each of its Shareholders (who are taken to have notice of them). This Prospectus has been approved for the purpose of section 21 of the Financial Services and Markets Act 2000 by the ACD.

This Prospectus is dated, and is valid as at 28 June 2017. This Prospectus may at any time be replaced by a new Prospectus or extended by a supplement issued by the Company; investors should, therefore, check with the ACD that this is the most recently published Prospectus and that they have all (if any) supplements to it issued by the Company.

CHANGES TO THE COMPANY

Following the implementation of a series of schemes of arrangement involving each of the sub-funds of the Company (the “Funds”), the effective date of which was 26 November 2016, each of the Funds have been terminated. Accordingly, no Funds are available for investment.

For further details please contact Clerical Medical Investment Fund Managers Limited on 0345 845 0066.
Clerical Medical Open Ended Investment Company (the "Company") is an investment company with variable capital incorporated in Scotland under the Open-Ended Investment Companies Regulations 2001 (the "OEIC Regulations") with registered number SI 000007. It is a UCITS scheme which complies with chapter 5 of the Financial Conduct Authority's Collective Investment Schemes Sourcebook (the "COLL Sourcebook") and is an umbrella company as defined in the OEIC Regulations. The head office of the Company is at The Mound, Edinburgh EH1 1YZ. The authorisation from the Financial Services Authority (which has since been succeeded by the FCA) was made effective on 11 February 1999.

The Company is a collective investment scheme as defined by the Financial Services and Markets Act 2000. It is authorised by the Financial Conduct Authority as complying with the conditions necessary for it to enjoy rights conferred by the EU Directive for Undertakings for Collective Investment in Transferable Securities.

The Company currently has no sub-funds ("Funds"):

Subject to the COLL Sourcebook, the Authorised Corporate Director may establish additional Funds from time to time. On the introduction of any new Fund a revised prospectus will be prepared setting out the relevant details of each Fund.

Subject to the terms set out in this Prospectus, holders of shares in a Fund are entitled to receive (or have accumulated) the net income derived from the Fund and to redeem their shares at a price linked to the value of the property of the Fund. Shareholders do not have any proprietary interest in the underlying assets of any Fund.

The base currency for the Company is Pounds Sterling. The minimum size of the Company's capital is £1 and the maximum size is £6,000,000,000.

The operation of the Company is governed by the OEIC Regulations, the COLL Sourcebook, the Company's Instrument of Incorporation and this Prospectus.
THE SERVICE PROVIDERS

The Authorised Corporate Director (ACD)

The authorised corporate director of the Company is Clerical Medical Investment Fund Managers Limited (the "Authorised Corporate Director" or "ACD"). The ACD is a private limited company, incorporated in England and Wales on 19 February 1993 with registered number 2792006. The head office of the ACD is at 1 Lovell Park Road, Leeds, West Yorkshire LS1 1NS. The amount of the ACD's issued share capital as at the date of this Prospectus is 20,000,000 ordinary shares of £1 each, each fully paid. The ultimate holding company of the ACD is Lloyds Banking Group plc, which is incorporated in Scotland and whose company number is SC095000.

The ACD is authorised to carry on regulated activities in the United Kingdom by the FCA of 25 The North Colonnade, Canary Wharf, London E14 5HS.

When managing investments of the Company, the ACD will not be obliged to make use of information which in doing so would be a breach of duty of confidence to any other person or which comes to the notice of an employee or agent of the ACD but properly does not come to the notice of an individual managing the assets of the Company.

The ACD is entitled to be indemnified by the Company against liabilities incurred in acting as the ACD of the Company to the extent permitted by the OEIC Regulations and the COLL Sourcebook.

The ACD provides its services to the Company under the terms of a Service Agreement. The Service Agreement will terminate with immediate effect if the ACD ceases to hold office as such. In addition, the Company may by ordinary resolution remove any director notwithstanding anything in this Prospectus or in any agreement between the Company and such director. Such removal shall take effect only upon the satisfaction of either of the conditions appearing in Regulation 21(3) of the OEIC Regulations and shall be without prejudice to any claim such director may have for damages for breach of any such agreement. The resolution mentioned in this paragraph may not be moved at a meeting unless notice of the intention to move such a resolution has been given to the Company at least 28 days before the meeting.

Shareholders may inspect and obtain a copy of the Service Agreement from the ACD at its head office.

The Company has no other directors.
Details of the directors of the ACD are given in Appendix V.

The ACD may delegate its management and administration functions to third parties including associates subject to the provisions of the COLL Sourcebook. The ACD has delegated certain functions to the Investment Adviser and Registrar as set out below.

**The Investment Adviser**

Aberdeen Asset Investments Limited is the Investment Adviser of the Company, providing investment management and advice to the ACD. The registered office of Aberdeen Asset Investments Limited is Bow Bells House, 1 Bread Street, EC4M 9H2. Its principal business activity is investment management. The Investment Adviser is authorised and regulated by the Financial Conduct Authority.

The significant activities of the Investment Adviser, other than providing services to the Company as investment adviser, are providing investment management services to various clients including open-ended investment companies, unit trusts, investment trusts, insurance companies, pension funds, charities, local authorities, off-shore and specialist funds, together with providing marketing and administration services in connection with such investment management services.

The Investment Adviser has provided services in respect of the Company as an investment adviser since 24 May 2002. The Investment Adviser's services are currently provided pursuant to an Investment Management Agreement between the ACD and the Investment Adviser dated 31 March 2014 for an initial term of eight years. The Investment Management Agreement may be terminated by the Investment Adviser or the ACD giving twelve months' written notice to the other, in the case of the ACD giving notice the twelve months' notice period is not to expire before the end of the eight year initial term, and with immediate effect by the ACD where required to do so by the FCA Rules (which rules include a provision that the mandate must be withdrawn with immediate effect where it is in the interests of Shareholders to do so).

The Investment Adviser has responsibility for and has full discretion in making all investment decisions in relation to each of the Funds in accordance with the investment objectives and policies of the Funds as varied from time to time, the Instrument of Incorporation, the FCA Rules and any directions or instructions from time to time given by the ACD.

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2 Important Note: The Investment Adviser was acquired by Aberdeen Asset Management PLC on 31 March 2014. Prior to this, Scottish Widows Investment Partnership Limited (as the Investment Adviser was previously known) was in the same group of companies as the ACD.
The Investment Adviser is in compliance with the UK Stewardship Code in the exercise of voting rights in the investments it holds in relation to the Funds on behalf of the ACD. Details of the Stewardship Policy are available from the Investment Adviser.

No commission is payable to the Investment Adviser for any deal done or which could be done on behalf of the Company. Instead, the fees payable to the Investment Adviser will be calculated in accordance with a rate card agreed from time to time between the Investment Adviser and the ACD. Those fees will be paid by the ACD and will not be charged to the Company.

The Investment Adviser is authorised to enter into fee sharing arrangements with third parties.

The Depositary
The depositary of the Company is National Westminster Bank plc (the "Depositary"), which is incorporated in England & Wales as a public limited company. The registered and head office of the Depositary is at 135 Bishopsgate, London EC2M 3UR. The ultimate holding company of the Depositary is The Royal Bank of Scotland Group plc which is incorporated in Scotland.

The principal business activity of the Depositary is banking. The Depositary is authorised and regulated by the Financial Conduct Authority.

The Depositary provides its services under the terms of a Depositary Agreement which may be terminated by 3 months' written notice given by either party (and may in certain circumstances be terminated by immediate notice in writing). The Depositary is required to carry out the duties specified in the COLL Sourcebook and the OEIC Regulations, including responsibility for the safekeeping of all of the scheme property of the Company entrusted to it. The terms and conditions on which it is appointed are set out in an Agreement dated 23 August 2006 between the Company, the ACD and the Depositary.

Subject to the COLL Sourcebook, the Depositary has full power to delegate (and to authorise its delegate to sub-delegate) its duties. In particular, the Depositary has power to delegate custody of the scheme property and, in exercise of those powers, has appointed The Northern Trust Company as global custodian. The Depositary Agreement provides for indemnities in favour of the Depositary, and exempts it from liability, in certain circumstances. The Depositary's rights of indemnity are subject always to the provisions of the OEIC Regulations and the COLL Sourcebook.
The Custodian

The Depositary has delegated the custody of the assets of the Funds to The Northern Trust Company, who will act as custodian. The arrangements prohibit The Northern Trust Company as such custodian from releasing documents evidencing title to such assets into the possession of a third party without the consent of the Depositary.

The Registrar

The ACD has delegated the function of registrar of the Company to Scottish Widows Unit Trust Managers Limited ("the Registrar").

The Register of Shareholders and any plan registers are maintained by the Registrar at its office at 15 Dalkeith Road, Edinburgh EH16 5WL and may be inspected at that address during normal business hours by any Shareholder or any Shareholder's duly authorised agent.

Administration

All administration functions are delegated to the Scottish Widows Administration Services Limited (with sub-delegation to State Street Bank and Trust Company Limited ("SSBTC")) and Scottish Widows Services Limited.

Auditors

The Auditors of the Company are PricewaterhouseCoopers LLP of Level 4, Atria One, 144 Morrison Street; Edinburgh EH3 8EX.
SHARES IN THE COMPANY

Share classes
- Income shares and accumulation shares
The Company's Instrument of Incorporation permits the Company to issue income shares and accumulation shares in relation to each Fund.

Holders of income shares will receive distributions, where payable. Tax vouchers will be issued in respect of distributions made and tax accounted for.

Holders of accumulation shares do not receive payments of income. Any income arising in respect of an accumulation share is automatically accumulated and is reflected in the price of each share. Tax vouchers will be issued in respect of accumulations made and tax accounted for.

Income shares and accumulation shares are not currently available.

- Other classes of shares
The Company’s Instrument of Incorporation permits the Company to issue other classes of shares in relation to each Fund. Creation of such further classes will not affect the rights of holders of shares of the existing classes.

Register
A register of shareholders is maintained at Scottish Widows Unit Trust Managers Limited, 15 Dalkeith Road, Edinburgh EH16 5WL. Certificates are not issued. To assist shareholders in monitoring their holdings of shares a half-yearly valuation showing current holdings will be sent (with tax vouchers where applicable) to all shareholders, or the first named shareholder in the case of joint holdings, of a Fund.

The register is prima facie evidence as to matters properly entered in it. No notice of any trust express, implied or constructive may be entered in the register or be receivable by the Company. The Registrar is not obliged to register more than four persons as the joint holders of any shares.

Should any shareholder require evidence of title to shares the ACD will, upon such proof of identity as the ACD 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.
**General**

Shareholders must notify the Registrar of any change of name or address.

Shares in the Funds are not listed or dealt in on any investment exchange.

No bearer shares are issued.

The shareholders of the Company will not be liable for the debts of the Company.

Shares in the Funds are currently only available to be acquired, switched or held by persons that are resident in the UK (unless the ACD agrees otherwise). The ACD is unable to accept business from persons who are US residents or subsequently become US residents.
VALUATIONS

General
Each share in a Fund represents the overall property of the Fund: so valuation of shares in a Fund is achieved by valuing the property in the Fund less expenses and charges and dividing the value attributable to the share class in question by the number of shares in that class in existence.

Valuations
Regular valuations are made on each dealing day (which is any business day on which the London Stock Exchange is open for business) as at the valuation point for each Fund (being 12 noon).

The calculation of prices of shares commences at or about the valuation point on each dealing day. The ACD may carry out additional valuations in accordance with the COLL Sourcebook if it considers it desirable to do so. Valuations may be carried out for effecting a scheme of amalgamation or reconstruction which do not create a valuation point for the purposes of dealings. Where permitted and subject to the COLL Sourcebook, 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. Valuations will not be made during a period of suspension of dealings. The ACD is required to notify share prices to the Depositary on completion of a valuation.

The property of a Fund is valued on the following basis in accordance with the Company's Instrument of Incorporation:

- Transferable securities for which market quotations are available are valued at their quoted price where available (or, if separate buying and selling prices are quoted, the average of such prices); in the case of order-driven markets the most recently known price at which the securities were traded on the relevant exchange is used. In the case of collective investment schemes with separate bid and offer prices, the value is taken as the average of such prices before application of any initial or exit charges. Where no price (or no recent price) exists, or, in the case of transferable securities or collective investment schemes, the ACD considers that the price obtained is unreliable, or no recent traded price is available or if no price exists, or the most recent price available does not reflect the ACD’s best estimate of the value of the transferable security or collective investment scheme the asset concerned will be attributed a value which in the ACD’s opinion is fair and reasonable.
• Any other property will be valued at what the ACD considers a fair and reasonable price.

• Cash and amounts held in current and deposit accounts and other time-related deposits are valued at their nominal value.

• Contingent liability transactions will be valued using a method agreed between the ACD and the Depositary incorporating the following requirements: written options will be valued after deduction of the premium receivable; off-exchange futures will be valued at the mark to market value; all other contingent liability transactions will be valued at the net value of margin on closing out.

• In valuing assets, any fiscal or other charges paid or payable on the acquisition or disposal of the asset are excluded.

• Deductions are made for anticipated tax liabilities and for an estimated amount of other liabilities payable out of the property of the Fund, and for outstanding borrowings together with accrued but unpaid interest.

• Amounts are added in respect of estimated, recoverable tax and any other amounts due to be paid into the Fund.

• A sum representing any interest or any income accrued due or deemed to have accrued but not received will be added.

For the above purposes, instructions given to issue or cancel shares are assumed to have been carried out (and any cash paid or received); and uncompleted arrangements for the unconditional sale or purchase of property are (with certain exceptions) assumed to have been completed and all consequential action taken.

Allocation of assets and liabilities to Funds
Each Fund has a specific portfolio of securities to which that Fund’s assets and liabilities are attributable.

The assets of a Fund belong exclusively to that Fund and shall not be used or made available to discharge (directly or indirectly) the liabilities of, or claims against, any other person or body, including the Company and any other Fund and shall now be available for such purpose.
Subject to the above, each Fund will be charged with the liabilities, expenses, costs and charges of the Company attributable to that Fund. Any assets, liabilities, expenses, costs or charges not attributable to a particular Fund may be allocated by the ACD in a manner which is fair to the Shareholders of the Company generally, but they will normally be allocated to all Funds pro rata to the value of the net assets of the relevant Funds.

**Prices of shares**
The Company deals on a forward price basis, that is at the price for each class of share in each Fund at the next valuation point following receipt of a request to issue or redeem shares. There shall be a single price for a share in each class of each Fund.

The Company operates on the basis of "single pricing", ie, subject to any SDRT provision and the initial charge, the issue and redemption price of a share at a particular valuation point will be the same. The price of a share is calculated (to four significant figures) by:

- taking the value of the relevant Fund attributable to the share class in question at the next valuation of the Fund; and
- dividing the result by the number of shares of the relevant class in that Fund in issue immediately before the valuation concerned.

**Dilution Adjustment**
Where the Company buys or sells underlying investments in response to a request for the issue or redemption of shares, it will generally incur a cost, made up of dealing costs and any spread between the bid and offer prices of the investments concerned, which is not reflected in the issue or redemption price paid by or to the shareholder and which is referred to as "dilution". It is not possible to predict accurately whether dilution will occur at any point in time. To mitigate the effects of this cost (which, if it is material, disadvantages continuing shareholders), the ACD will have discretion to make a dilution adjustment (also known as "swinging single pricing") on the purchase or redemption of shares in a Fund in line with the COLL Sourcebook. A dilution adjustment is an adjustment to the share price. Any dilution adjustment will in percentage terms affect the price of a share of each class in a Fund identically.

The ACD may apply a dilution adjustment on any Dealing Day:

- where there is a net inflow or outflow at Fund level; or
- in any other case where the ACD is of the opinion that the interests of shareholders require a dilution adjustment to be made.
On the occasions when the dilution adjustment is not applied, there may be an adverse impact on the total assets of the relevant Fund.

As dilution is directly related to the inflows and outflows of monies from the relevant Fund, it is not possible to accurately predict whether dilution will occur at any future point in time. Consequently it is also not possible to accurately predict how frequently the ACD will need to make such a dilution adjustment. However, for illustrative purposes, over the period from 1 March 2014 to 28 February 2015, a dilution adjustment would have been made on 83 occasions.

Where there are net inflows into the relevant Fund, the dilution adjustment will increase the price of shares in that Fund and if there are net outflows, the price of shares in that Fund will be decreased. A typical adjustment to the share price might range from 0.01% to 1% where the dilution relates to net inflows, and range from 0.01% to 1% where dilution relates to net outflows.

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

**Stamp Duty Reserve Tax and SDRT provision**

Stamp duty or SDRT may in certain limited circumstances be payable by the Company on the purchase of investments or in respect of any transfers of assets between Funds.

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³ As of 30 March 2014, the SDRT charge on surrenders of interests in UK unit trusts and open-ended investment companies in Part 2 of Schedule 19 to the Finance Act 1999 has been abolished.
ISSUE, REDEMPTION AND SWITCHING OF SHARES

General
Requests for the issue, redemption and switching of shares are normally dealt with by the issue or cancellation of shares by the Company. However, in certain circumstances the ACD may in accordance with the COLL Sourcebook, deal with such requests by selling shares to, and/or repurchasing them from, the applicant as appropriate. The ACD is entitled to hold shares for its own account and to satisfy requests for the sale of shares from its own holding; it is required by the COLL Sourcebook to procure the issue or cancellation of shares by the Company where necessary to meet any obligation to sell or redeem shares.

The ACD may not sell a share at a higher price, or redeem a share at a lower price (in both cases before application of any initial charge), than the price notified to the Depositary in respect of the valuation point concerned.

Where the ACD deals as principal in shares of the Company, any profits or losses arising from such transaction shall accrue to the ACD and not the relevant Fund of the Company.

The ACD is under no obligation to account to the Company or to shareholders or any of them for any profit it makes on the issue of shares or on the reissue or cancellation of shares which it has redeemed and will not do so.

Exemption from the Financial Conduct Authority (FCA) client money rules
The ACD may choose to make use of the “Delivery Versus Payment” exemption within the FCA’s client money and asset (CASS) rules. This means that when Shares are purchased or redeemed there could be a period of time (up to close of business the day after the ACD has received the proceeds from any such transaction) where the payment or redemption monies for these Shares is not protected under the CASS rules. If in the unlikely event that the ACD became insolvent during this period, there is a risk that the impacted investor may not receive back the payment or redemption monies.

Issue
- Applications
Dealings are at forward prices ie at a price calculated by reference to the next valuation point following receipt of an application. Shares to satisfy an application received before the valuation point of 12 noon on a dealing day will be issued at a price based on that day's valuation point and shares to satisfy an application received after that time, or on a day which is not a dealing day, will be issued at a price calculated at the valuation point made on the next dealing day.
Applications may be made by completing an application form and delivering it to the Registrar (acting on behalf of the ACD) at 15 Dalkeith Road, Edinburgh EH16 5WL or by placing an order by telephone during normal working hours on 0845 845 0066. The ACD will not accept instructions to buy shares given by electronic mail. The ACD may from time to time, at its discretion, make arrangements to allow shares to be bought online or through other communication media but currently does not intend to do so. Applications are irrevocable. Subject to its obligations under the COLL Sourcebook, the ACD reserves the right to reject any application in whole or in part. If the ACD has reasonable grounds for doing so, it may also refuse to issue new shares to an investor. In these events application moneys or any balance will be returned to the applicant by post at his or her risk.

The Company and the ACD are subject to the Money Laundering Regulations 2003 and the ACD may in its absolute discretion require verification of identity from any person applying for shares (the “Applicant”) including, without limitation, any Applicant who:

(a) tenders payment by way of cheque or banker's draft on an account in the name of a person or persons other than the Applicant; or

(b) appears to the ACD to be acting on behalf of some other person.

In the former case verification of the identity of the Applicant may be required. In the latter case, verification of the identity of any person on whose behalf the Applicant appears to be acting may be required.

Telephone calls and instructions may be recorded and monitored to check what was said and also to train our staff and those of our delegates.

Applications will not be acknowledged but a contract note will be sent for lump sum investments on or before the business day next following the relevant dealing day. Where the total price payable for all shares for which the application is made would include a fraction of one penny it will be rounded up or down to the nearest penny.

If an applicant defaults in making any payment, the ACD may in its discretion delay arranging for the issue of shares until payment has been received.

Shares may not be issued other than to a person who is resident in the UK (unless the ACD agrees otherwise) and who shall, to the ACD, (a) represent that they are not
a US person and are not purchasing the shares for the account or benefit of a US Person and (b) agree to notify the ACD promptly if, at any time while they remain a holder of any shares, they should become a US Person or shall hold any shares for the account or benefit of a US Person.

- **In specie application**
  The ACD may, by special arrangement and at its discretion (but subject always to the requirements set out in the COLL Sourcebook), agree to arrange for the issue of shares in exchange for assets other than cash but only if the Depositary has taken reasonable care to determine that acquisition of the assets in exchange for the number of shares to be created is not likely to result in any material prejudice to the interests of holders or potential holders of shares in the Fund concerned.

- **Minimum holding/purchase for income shares and accumulation shares**
  The minimum holding is £1,000 per Fund. This does not apply to a person investing through a regular payment savings plan where there is no minimum holding nor to those investors who hold shares purchased through lump sum investments before 9 August 2004 where a minimum holding of £500 per Fund applies. At its discretion, the ACD may allow a person to hold a lesser amount.

  The current minimum value of income shares and/or accumulation shares which may be the subject of any one transaction for the purchase of shares is:

  - £10,000 for an initial lump sum investment in the Company aggregated across all Funds and £1,000 for each subsequent lump sum investment in income shares and/or accumulation shares in the Company. A minimum of £1,000 must be invested in one Fund. The ACD will waive the limit for subsequent lump sum investments (made directly with the Company rather than through a financial advisor) by those investors who hold shares purchased before 9 August 2004. For those investors, the minimum for each subsequent lump sum investment in the Company is £500 per Fund.

  - £400 per month in the Company for a person investing through a regular payment savings plan by direct debit aggregated across all Funds. A minimum of £100 per month must be invested in any Fund. The minimum increase to a regular investment is £25 per month. For persons investing through a regular payment savings plan by direct debit who wish to top-up with a lump sum investment, the minimum is £1,000. Unless we agree otherwise, investments through a regular payment savings plan must be made by direct debit on either the 1st or 15th (or, if that day is not a business day, the next business day) of each month.
The ACD will waive the limits relating to regular payment savings plans for top-up investments (made directly with the Company rather than through a financial advisor) by those investors who hold shares purchased before 9 August 2004. For those investors, the current minimum investment amount through a regular payment savings plan by direct debit is £50 per Fund per month. The minimum increase to a regular investment is £10 per month. For investors who want to top-up with a lump sum investment, the minimum is £500.

Unless the ACD agrees otherwise, regular investments can only be used to buy accumulation shares in the Funds.

Each of the minimum and maximum amounts set out above may be varied from time to time at the discretion of the ACD.

"Smaller denomination shares" (in effect, fractions of shares equal to 1/1000th of an ordinary share) may be issued and all investments will be rounded up to the nearest smaller denomination share.

Redemption

Application
Shares in each Fund may be redeemed on any dealing day. Dealings are at forward prices as explained under "Issue" above. Shares to be redeemed pursuant to a redemption request received before the valuation point of the appropriate Fund on a dealing day will be redeemed at a price based on that day's valuation point and shares to be redeemed pursuant to a redemption request received after that time, or on a day which is not a dealing day, at a price calculated at the valuation point made on the next dealing day.

Redemption instructions may be given by delivering to the Registrar (acting on behalf of the ACD) written instructions for redemption (by letter) or by telephoning the Registrar on 0845 845 0066 during normal working hours. The ACD will not accept instructions to redeem shares given by electronic mail. Redemption instructions are irrevocable.

Telephone calls and instructions may be recorded and monitored to check what was said and also to train our staff and those of our delegates.
A redemption contract note will be sent on or before the business day next following
the relevant dealing day together with a form of renunciation for completion and
execution by the shareholder or shareholders. Where the total consideration for the
transaction would include a fraction of one penny it will be rounded up or down to the
nearest penny. The redemption proceeds will be sent to the registered address of the
shareholder and made payable to the order of the shareholder (or, in the case of joint
holders, made payable and sent to the registered address of the first named holder
on the register) not later than the close of business on the fourth business day after
the later of the following times:

(a) the valuation point immediately following the receipt by the Registrar of the
request to redeem the shares; and

(b) the time when the Registrar has received the form of renunciation (or other
sufficient written instructions) duly signed by the relevant shareholder or
shareholders together with such evidence as the Company may lawfully
require as proof of the identity of the shareholder and all other duly executed
instruments and authorisations as effect (or enable the Registrar to effect)
transfer of title to the shares.

But neither the Company, the ACD nor the Registrar is required to make payment in respect
of a redemption of shares where the money due on the earlier issue of those shares has not
yet been received or where the Registrar considers it necessary to carry out or complete
identification procedures in relation to the holder or another person pursuant to a statutory,
regulatory or European Community obligation (such as the Money Laundering Regulations
2003).

- **Regular withdrawals**

Shareholders who have bought accumulation shares in a Fund through lump sum
investment(s) may instruct the ACD to make regular withdrawals of up to 7.5% per
annum of the total value of their investment in accumulation shares in the Company.
This percentage is normally calculated on the value of the initial investment in
accumulation shares in the Company and is re-calculated on each subsequent
anniversary of the initial investment based on the total value of the shareholder's
investment in accumulation shares in the Company at that date. It is also
recalculated following any additional investment or withdrawal (other than a regular
withdrawal). We will advise you of any changes to your regular withdrawal amount.
Withdrawals can be taken either monthly, quarterly, termly (i.e. every four months),
half-yearly or annually and will be paid by direct credit on 15th of each relevant month
(or, if that day is not a business day, on the next business day). The minimum withdrawal is £240 per annum. However, the ACD is not obliged to accept a request for regular withdrawals if it would result in the holder holding less than the minimum holding of shares of the class in question. Regular withdrawals will be funded by selling sufficient shares. Shares will be sold in the order in which they were bought, i.e. those bought first will be the first to be sold. The sale of shares will normally take place five business days prior to the payment date. The ACD will sell shares in each Fund in the same proportion as the holding of accumulation shares in that Fund represents to the shareholder's total holding of accumulation shares in the Company.

- **In specie redemption**
  Where a shareholder requests redemption of a number of shares, the ACD at its discretion may, by serving a notice of election on the shareholder not later than the close of business on the second business day following the day of receipt of the request, elect that the shareholder shall not be paid the redemption price of his or her shares but instead there shall be a transfer to that holder of property of the relevant Fund having the appropriate value. Where such a notice is so served on a shareholder, the shareholder may serve a further notice on the ACD not later than the close of business on the fourth business day following the day of receipt by the shareholder of the first mentioned notice requiring the ACD, instead of arranging for a transfer of property, to arrange for a sale of that property and the payment to the shareholder of the net proceeds of that sale. The selection of scheme property to be transferred (or sold) is made by the ACD in consultation with the Depositary, with a view to achieving no more advantage or disadvantage to the shareholder requesting redemption of his or her shares than to continuing shareholders. It should be noted that the shareholder will also be liable to fixed rate stamp duty of £5 on each transfer of UK assets received.

- **Minimum redemption**
  A redemption request may not be made in respect of some only of the investor's shares of a Fund if it would result in a holding of less than the minimum value or if it relates to shares having a value (calculated by reference to their current price net of any initial charge) of less than:

  - in the case of a person who is a lump sum investor £1,000; or
  - in the case of a person with a regular payment savings plan £1,000.
The ACD will waive the limits relating to the minimum value of shares for a redemption request for those investors who hold shares purchased before 9 August 2004. For those investors, the current minimum value in the case of a person who is a lump sum investor is £500 and in the case of a person with a regular payment savings plan it is £50.

Each of the minimum amounts set out above may be varied from time to time at the discretion of the ACD.

**Switching between Funds**

With the qualifications mentioned below, a shareholder is entitled to switch shares of one class in a Fund ("original shares") for the appropriate number of shares of another class in the same Fund or for shares of a class in a different Fund ("new shares"). The appropriate number of shares is determined by the following formula:

\[
N = \frac{O \times (CP \times ER)}{SP}
\]

Where \(N\) is the number of new shares to be issued, rounded down to the nearest whole number of smaller denomination shares; \(O\) is the number of original shares to be switched, \(CP\) is the price at which one original share can be redeemed, and \(ER\) is one where the original shares and new shares are designated in the same currency and, in any other case, is the exchange rate determined by the ACD in its absolute discretion (but subject to COLL Sourcebook) as representing the effective rate of exchange between the two relevant currencies as at the date the exchange notice is received by the Company having adjusted such rate as may be necessary to reflect any costs incurred by the Company in making any transfer of assets as may be required as a consequence of such an exchange being effected; and \(SP\) is the price at which one new share can be purchased (net of any initial charge), in both cases at the applicable valuation point (see below). Smaller denomination shares are treated as fractions of shares for the purpose of this calculation.

The right to switch is subject to the following:

- the ACD and the Depositary are not obliged to give effect to a request for a switch if the value of the shares to be switched is less than £1,000 or if it would result in the shareholder holding shares of any Fund of less than the minimum holding for that Fund; and

- If the ACD has reasonable grounds for doing so, the ACD may refuse to issue new shares to an investor. If the ACD decides that it can apply this rule to a holder who requests to switch, it will carry out the instruction to redeem original shares but will...
not issue new shares as part of that request. The ACD will pay the holder the proceeds from the sale of the original shares in line with this prospectus.

- Switches may be subject to a charge.

A switch of shares in one Fund for shares in another Fund is treated as a redemption and sale and will, for persons subject to United Kingdom taxation, be a realisation for the purposes of the taxation of capital gains. A switch of shares of one class in a Fund for shares in another class in relation to the same Fund will not normally be treated as a realisation for UK tax purposes.

In no circumstances will a shareholder who switches shares of one class in a Fund for shares of another class in the same Fund or for shares of a class in a different Fund be given a right by law to withdraw from or cancel the transaction.

- Application

A shareholder wishing to switch should apply in the same way as for a redemption. A switch to be made pursuant to a request received before the valuation point of the Fund(s) concerned on a day which is a dealing day for both Funds (or, if the valuation points on that day differ, before the first to occur) will be effected at prices based on that day’s valuation point(s); where a request is received after that time, or on a day which is not a dealing day for both Funds, the switch will be effected at a price calculated on the valuation point(s) made on the next such dealing day.

A contract note giving details of the switch will be sent on or before the business day next following the relevant dealing day.

Transfer of Shares

A shareholder is entitled (subject as mentioned below) to transfer shares by an instrument of transfer in any usual or common form or in any other form approved by the ACD. The ACD is not obliged to accept a transfer if it would result in the holder, or the transferee, holding less than the minimum holding of shares of the class in question. The instrument of transfer, duly stamped if it is required to be stamped, must be lodged with the Registrar for registration. The transferor remains the holder until the name of the transferee has been entered in the register. The Company may require the transferee to pay an amount to cover its liability to SDRT (if any) in respect of the transfer. The Company may refuse to register the transfer until any such amount is paid.
The Company or the Registrar may require the payment of such reasonable fee as the ACD and the Company may agree for the registration of any grant of probate, letters of administration or any other documents relating to or affecting the title to any share.

**Suspension of dealings**

The ACD may, with the prior agreement of the Depositary, or must if the Depositary so requires, temporarily suspend the issue, cancellation, sale and redemption of Shares, where due to exceptional circumstances it is in the interests of all the shareholders. This suspension may be restricted to any single Fund or Class within that Fund.

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

On suspension, the ACD, or the depositary, if it has required the ACD to suspend dealings in Shares, must immediately inform the FCA, stating its reasons and, as soon as practicable, give written confirmation of the suspension and the reasons for it to the FCA. The ACD must also ensure that a notification of the suspension is made to shareholders as soon as practicable after the suspension commences. The ACD must ensure that it publishes (on its website or by other general means) sufficient details to keep shareholders appropriately informed about the suspension including, if known, its likely duration.

The ACD and the depositary must formally review the suspension at least every 28 days and inform the FCA of the results of this review and any change to the information provided to them. The ACD must notify the FCA of the proposed restart of any dealings in Shares and immediately after the restart must confirm this by giving notice to them.

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.

**Restrictions and Mandatory transfer and redemption of shares**

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 circumstances (the “relevant circumstances”):

1. which constitutes a 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
2. which would require the Company, the ACD or the investment manager to be registered under any law or regulation of any country or territory or cause the Company to apply for registration or comply with any registration requirements in respect of any of its shares whether in the US or any other jurisdiction in which it is not currently registered; or

3. which would (or would if other shares were acquired or held in like circumstances), in the opinion of the ACD, result in the Company, any of its shareholders, the ACD or the investment manager incurring any liability to taxation or suffering any other legal, regulatory, pecuniary or other adverse consequence which it or they might not have otherwise suffered; or

4. where such person is a US Person or is holding the shares for the account or benefit of a US Person.

For the purposes of the “relevant circumstances” above, “investment manager” shall include the Investment Adviser and any other person appointed by the ACD and/or the Company to provide investment management and/or investment advisory services in respect of the scheme property of the Company or in respect of the Funds.

In this connection, the ACD may, inter alia, reject in its discretion any application for the purchase, sale or switching of shares.

If it comes to the notice of the ACD that any shares (“affected shares”) are owned directly or beneficially in any of the relevant circumstances or if it reasonably believes this to be the case, the ACD may give notice to the holder(s) of the affected shares requiring the transfer of such shares to a person who is qualified or entitled to own them or the switch, where possible, of the affected shares for other shares in the Company the holding of which would not fall within the relevant circumstances or that a request in writing be given for the repurchase of such shares in accordance with the COLL Sourcebook. If any person on whom such a notice is served does not within thirty days after the date of such notice transfer his affected shares to a person qualified to own them or switch his shares for other shares the holding of which would not fall within any of the relevant circumstances 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 on the expiration of that thirty day period to have given a request in writing for the redemption of all the affected shares pursuant to the COLL Sourcebook.
If the Company or the ACD becomes aware that the holder of shares in respect of which income is allocated or paid without deduction of UK income tax ("gross paying shares") has failed or ceased to be entitled to have income so allocated or paid, then the Company shall, without delay, treat the shareholder concerned as if he had served on the Company a switching notice requesting switching of all gross paying shares owned by such shareholder for shares in respect of which income is allocated or paid net of tax ("net paying shares") of the class or classes which, in the opinion of the ACD, most nearly equates to the class or classes of gross paying shares held by that shareholder.

A person who becomes aware that he is holding or owns affected shares in any of the relevant circumstances, shall forthwith, unless he has already received a notice as aforesaid, either transfer all his affected shares to a person qualified to own them or, where possible, switch the affected shares for other shares in the Company the holding of which would not fall within any of the relevant circumstances or give a request in writing for the redemption of all of his affected shares in accordance with the COLL Sourcebook.

If a shareholder who holds gross paying shares fails or ceases to be entitled to have income so allocated or paid without deduction of UK income tax, then he shall, without delay, give notice thereof to the Company and the Company shall, upon receipt of such a notice treat the shareholder concerned as if he had served on the Company a switching notice requesting switching of all gross paying shares owned by such shareholder for net paying shares of the class or classes which, in the opinion of the ACD, most nearly equates to the class or classes of gross paying shares held by that shareholder.

**Publication of prices**

Currently, the prices of shares in each class of shares in each Fund are published daily in the Financial Times and are also available on the website which, as at the date of this prospectus, is [http://www.clericalmedical.co.uk/Business/FundsPrices/DailyFundPrices.asp](http://www.clericalmedical.co.uk/Business/FundsPrices/DailyFundPrices.asp) or by calling our Administrator.

The ACD issues and redeems shares on a forward pricing basis, not on the basis of the published prices.
**DISTRIBUTIONS AND ACCUMULATION**

The annual accounting period for the Company ends on 28 February (the "accounting reference date") or a day chosen by the ACD, if the ACD notifies the Depositary, being within seven days of that date. The half-yearly accounting period ends on the day six months before the accounting reference date or a day chosen by the ACD, with the agreement of the Depositary, being within seven days of that date.

The amount of income to be distributed or accumulated by a Fund is calculated on the last day of the relevant accounting period.

Any income from debt securities will be distributed on an effective yield basis.

Tax certificates will be sent to shareholders in a Fund at the time of each annual, half yearly and quarterly distribution or accumulation of income in the Fund. Current valuations will also be sent to shareholders in a Fund at the time of each annual and half yearly distribution or accumulation of income. Unless the ACD agrees otherwise, a direct credit or warrant for the amount of the net distribution will be sent to the bank account of the shareholder (or, in the case of joint holders, to the first named on the register). The ACD may also agree to make payment by cheque to the registered address of the shareholder and made payable to the order of the shareholder (or, in the case of joint holders, made payable and sent to the registered address of the first named holder on the register). The ACD may also agree that income is reinvested in further shares of the same class in the same Fund.

When the average of the allocations of income to holders (excluding the ACD, the Depositary, and their associates) would be less than £10, the ACD may, in its discretion, as an alternative to arranging for the distribution of income, either (a) carry forward such income to the next accounting period, or (b) credit such income to capital.

The Company is entitled to reclaim any distribution which has been unclaimed for a period of six years from the date payment was due.

**Determination of distributable income**

The income available for distribution in relation to a Fund is determined in accordance with the Company’s Instrument of Incorporation. Broadly it comprises all sums deemed by the Company, after consultation with the auditor, to be in the nature of income received or receivable, and deducting the ACD’s best estimate of any tax charge on income, for the account of the Company and attributable to the Fund in respect of the accounting period concerned, after deducting net charges and expenses paid or payable out of such income in respect of the period. The ACD then adds its best estimate of any relief from tax on such charges and expenses and makes such adjustments as it considers appropriate, after
consulting the auditors in accordance with the COLL Sourcebook, in relation to taxation and other matters.

**Income equalisation**
The price of a share of a particular class in a Fund is based on the value of the relevant Fund attributable to that share class including the income of the Fund since the previous distribution or, in the case of accumulation shares, deemed distribution. In the case of the first distribution received or accumulation made in respect of a share, part of the amount, namely the equalisation payment, is a return of capital. For individual shareholders subject to UK taxation, it is not taxable as income but this amount is, however, deducted from the cost of the share in computing any chargeable gains. For UK resident corporate shareholders, any equalisation on dividend distributions/accumulations is deducted from the cost of the share in computing any chargeable gain. For UK resident corporate shareholders, any equalisation on interest distributions/accumulations is deducted from the cost of the share for loan relationship purposes. In addition, for all accumulation shares, the equalisation payment is accumulated as part of the total amount accumulated. This total is normally added to the cost of the share.

Equalisation applies only to shares purchased during the relevant accounting period. It is calculated as the average amount of income included in the issue price of all shares of the Fund concerned issued during the period.
THE FEES AND EXPENSES OF THE ACD AND INVESTMENT ADVISER

Initial charge
An initial charge, which is paid by the Company to the ACD, is calculated as a percentage of the price of a share and is added to the price of that share. The current initial charges are set out in Appendix I for each Fund.

Switching charge
The Instrument of Incorporation authorises the Company to make a charge on switches which is payable to the ACD. The current charge is 1% on switches between shares of one class in a Fund for shares of another class in the same Fund or for shares of a class in a different Fund. The level is expressed as a percentage of the price of the shares being exchanged. Until further notice, the ACD will waive this charge on switches. However this will not prevent the ACD from making a charge of 1% on switches in the future.

Periodic charge
The ACD is entitled to make a periodic charge, calculated and accruing on each dealing day at each valuation point (the "Calculation Date"), and payable out of the property of each Fund by way of remuneration for the services of the ACD and the Investment Adviser. The periodic charge is payable to the ACD within five business days of each Calculation Date. The charge will be calculated separately in respect of each Fund and share class, as a percentage rate per annum of the total value of the shares of the Fund represented by the share classes on the Calculation Date.

Current
The first accrual will be in respect of the period from the day on which the first valuation of the Fund or share class, as appropriate, is made to the following Calculation Date, and the above provisions will apply accordingly. The Periodic Charge will cease to be payable in relation to a Fund on the date of commencement of its termination, and in relation to the Company as a whole on the date of the commencement of its winding up or, if earlier the date of the termination of the ACD's appointment as such. The amounts accruing due on the last Calculation Date before the event concerned will be adjusted accordingly.

Exit Charge
At present no charge is levied on the redemption of shares. The ACD has the right (subject to COLL Sourcebook) to introduce a charge on the redemption of shares in the future, but this will not affect shares issued prior to its introduction.
Expenses

Certain expenses incurred by the ACD may be reimbursed by the Company (as set out in “Other Payments to the Company”).

Charges to capital

Subject to and in accordance with the COLL Sourcebook, the ACD is entitled (at its discretion) to charge the capital account and/or the income account of the relevant Fund for any expenses or charges of the ACD.

Changes to charges and expenses

Any change to a fee or expense of the Company may be made only in accordance with the COLL Sourcebook and after the ACD has made available a revised version of the Prospectus showing the new rate of charge and/or expense and the date of its commencement.

Remuneration Policy

The ACD has in place a remuneration policy (the “Remuneration Policy”) that satisfies the requirements of SYSC 19E of the FCA Handbook (UCITS Remuneration Code) and is governed by the Remuneration Committee (the “Committee”). The Committee comprises Non-Executive Directors from a wide background to provide a balanced and independent view on remuneration matters.

The Remuneration Policy is designed to ensure that the ACD’s remuneration practices are:

- consistent with and promote sound and effective risk management;
- provide a clear link between pay and performance;
- attract and retain staff of the highest calibre;
- do not encourage risk taking and are consistent with the risk profiles, the Instrument of Incorporation or Prospectus of the UCITS funds it manages;
- do not impair the ACD’s compliance with its duty to act in the best interests of those UCITS; and
- include fixed and variable components of remuneration including salaries and discretionary pension benefits (although the policy is not to offer discretionary pension benefits).

The ACD considers the Remuneration Policy to be appropriate to the size, internal organisation and the nature, scope and complexity of the ACD’s activities.
The Remuneration Policy is in line with the long-term business strategy, business objectives, risk appetite, values and interests of:

- the ACD;
- the UCITS it manages; and
- the Shareholders.

It includes measures to avoid conflicts of interest.

The matters covered by the Remuneration Policy include:

- an assessment of the individual member of staff’s performance against the balanced scorecard objectives of values and behaviours, codes of business and personal responsibility and, where appropriate, leadership identity and colleague identity;
- the restrictions on the awarding of guaranteed variable remuneration;
- the criteria for setting fixed and variable remuneration;\(^4\)
- details of the long term incentive plans;
- payment of share-based remuneration;
- a mandatory deferral period for the payment of a portion of the variable remuneration component;

The Remuneration Policy will apply to the fixed and variable (if any) remuneration received by the staff covered by the Remuneration Policy (known as Remuneration Code Staff).

Up-to-date details of the Remuneration Policy, including but not limited to a description of how remuneration benefits are calculated, are available at http://reference.scottishwidows.co.uk/docs/groupremun.pdf. The identities of the members of the Committee, together with information about membership, meetings and principal matters considered, as well as advice to the Committee, are available in the most recent Directors’ Remuneration Report, which is available from http://www.lloydsbankinggroup.com/Investors/annual-reports/. Paper copies of these documents will be made available free of charge on request.

**THE FEES AND EXPENSES OF THE DEPOSITARY**
The Depositary is entitled to receive out of the property of each Fund by way of remuneration a periodic charge which will be calculated and accrue daily and be paid monthly as soon as practicable after the end of each month, and certain additional charges and expenses. The periodic charge commences on the day on which the first Valuation Point occurs. The rate of the Depositary’s periodic charge in respect of each Fund will be such rate or rates as agreed from time to time between the ACD and the Depositary in accordance with the COLL Sourcebook. The rate of periodic charge may in respect of each Fund be subject to a minimum annual charge of £10,000 per annum plus VAT. The current rate of the Depositary’s periodic charge in respect of each Fund is:

- 0.01 per cent per annum of the value of the property of the Fund for the first £50 million of net assets of the Fund;

- 0.005 per cent per annum of the value of the property of the Fund for the next £100 million of net assets of the Fund; and

- 0.0025 per cent per annum of the value of the property of the Fund for the remainder of the Fund;

represented by the net asset value of the Fund calculated on each business day. The valuation used for each day which is not a business day will be the value calculated on the previous business day. Value Added Tax on the amount of the periodic charge will be paid out of each Fund in addition.

The valuation used for each day which is not a business day will be the value calculated on the previous business day. Value Added Tax on the amount of the periodic charge will be paid out of each Fund in addition.

The Depositary Agreement between the Company and the Depositary provides that in addition to a periodic charge the Depositary may also be paid by way of remuneration custody fees where it acts as Custodian and other transaction and bank charges. At present the Depositary delegates the function of custody of the scheme property to The Northern Trust Company (“TNTC”). The remuneration for acting as custodian is calculated at such rate and/ or amount as the ACD, the Depositary and the Custodian may agree from time to time.

The current remuneration ranges from between 0.001% per annum to 0.60% per annum of the value of the property of each Fund represented by the net asset value of the Fund calculated on each business day. The valuation used for each day which is not a business day will be the value calculated on the previous business day. The current range of transaction charges is between £5 and £150 per transaction.
In addition to the remuneration referred to above, the Depositary is entitled to receive reimbursement for expenses properly incurred by it in discharge of its duties or exercising any powers conferred upon it in relation to the Company and each Fund. Such expenses include, but are not restricted to:

(i) the charges and expenses payable to TNTC to whom the Depositary has delegated the function of custody of the scheme property, such charges being the subject of agreement between the Depositary, the Company and TNTC from time to time;

(ii) all charges imposed by, and any expenses of, any agents appointed by the Depositary to assist in the discharge of its duties;

(iii) all charges and expenses incurred in connection with the collection and distribution of income;

(iv) all charges and expenses incurred in relation to the preparation of the Depositary’s annual report to shareholders;

(v) all charges and expenses incurred in relation to stocklending or other transactions;

(vi) fees and expenses payable to any professional advisors advising or assisting the Depositary.

Expenses not directly attributable to a particular Fund will be allocated between Funds. In each such case such expenses and disbursements will also be payable if incurred by any person (including 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 the COLL Sourcebook by the Depositary.

The Depositary’s periodic charge, the remuneration of the custodian and the expenses to be reimbursed to the Depositary are payable out of the capital or income property of the Company but are currently met by the ACD. The ACD may charge the Depositary’s periodic charge and the expenses to be reimbursed to the Depositary against the relevant Fund or share class, as appropriate.

**OTHER PAYMENTS OF THE COMPANY**

The following expenses (being the actual amounts incurred) may also be payable by the Company out of its capital or income at the discretion of the ACD:
(1) broker's commissions, fiscal charges and other disbursements which are properly incurred in effecting transactions for the Company;
(2) interest on and other charges relating to permitted borrowings;
(3) taxation and other duties payable by the Company;
(4) any costs incurred in amending the Instrument of Incorporation or this Prospectus, including costs incurred in respect of meetings of shareholders and/or directors convened for purposes which include the purpose of amending the Instrument of Incorporation or this Prospectus;
(5) any costs incurred in respect of any other meeting of shareholders convened on a requisition by holders not including the ACD or an associate of the ACD;
(6) in relation to a scheme of arrangement where the property of a body corporate (such as an investment company) or of another collective investment scheme is transferred to the Company in consideration of the issue of shares in the Company to shareholders in that body corporate or to participants in that other scheme, any liability arising after the transfer which, had it arisen before the transfer, could properly have been paid out of that other property provided the ACD is of the opinion that proper provision was made for meeting such liabilities as were known or could reasonably have been anticipated at the time of the transfer;
(7) the audit fee and any proper expenses of the auditor;
(8) the fees and any proper expenses of any professional advisors retained by the Company or by the ACD in relation to the Company these may include legal and professional expenses of the ACD in relation to the proper performance of the ACD's duties under the ACD Agreement, or related to documents amending the ACD Agreements, all postage and communication costs incurred in the proper performance of duties under the ACD Agreement and all expenses incurred in notarising documents;
(9) the fees of the FCA and the corresponding periodic fees of any relevant regulatory authority outside the UK;
(10) any sum due by virtue of any provision in the COLL Sourcebook, such as cancellation proceeds and reasonable stock lending expenses;
(11) the fees and expenses in respect of establishing and maintaining any ISA plan register.
(12) the fees and expenses in respect of establishing and maintaining any Regular Savings sub-register.
(13) the costs of printing and distributing annual, half yearly and quarterly reports and any other reports or information provided for shareholders (except the costs and expenses of distributing any simplified prospectus or key investor information document or supplementary investor information document);
(14) the costs of listing the prices of the Funds in publication and information services selected by the ACD including The Financial Times;

(15) the fees of the Registrar for providing registration and administration services for the Funds.

(16) any other charges/expenses that may be taken out of the Company's property in accordance with the COLL Sourcebook.

Expenses not directly attributable to a particular Fund will be allocated between the Funds as appropriate.

Expenses may be payable out of the capital property or the income property of the relevant Fund(s) at the discretion of the ACD, subject to any restrictions set out in the Instrument of Incorporation, and to the COLL Sourcebook.

The expenses of the Company are payable out of the property of the Company but those listed in (4) to (16) above are currently met by the ACD. The ACD may charge the expenses against the relevant Fund or share class, as appropriate.

**SET UP COSTS**

Subject to the COLL Sourcebook, the ACD may seek reimbursement (in one or more tranches) of set up costs incurred in relation to the creation of any further Funds.

**RISK FACTORS**

(a) **Market Risk**

The investments of the Company may go up and down in value and are subject to other risks inherent in investing in securities. The value of investments and the income derived from them may fall as well as rise. Investors may not get back the original amount invested in the Company. What investors will get back will depend on investment performance, nothing is guaranteed. Past performance is no guarantee of future performance. There is no guarantee that the investment objective of any Fund will actually be achieved.

(b) **Performance Risk**

There will be a variation in performance between Funds with similar objectives due to the different assets selected. Funds will also diverge from their benchmarks depending on these selections.
Funds aiming for relatively high performance can incur greater market movement than those adopting a more standard investment approach. The performance of your investment is not guaranteed.

If you invest in the Fund(s) to build up a particular sum by a certain date you may not achieve the target amount if you do not maintain your contributions or the investment value does not grow sufficiently.

(c) **Capital Risk**
Where there is an initial or redemption charge, an investor who sells their Shares after a short period may not (even in the absence of a fall in value of the relevant investments) realise the amount originally invested as the Fund will not have grown by an amount sufficient to cover the amount of initial or redemption charge deducted. Therefore, the Shares should be viewed as a medium to long term investment.

(d) **Cancellation of Shares**
If you decide to use your right to cancel a lump sum investment within the first 30 days and the value of the Shares purchased by that investment has fallen by the time we receive your instructions at our administration unit, the amount you will receive will be less than the amount you invested.

(e) **Concentration of investments**
A Fund could be subject to significant losses if it holds a large position in a particular region that declines in value or is otherwise adversely affected. A Fund may be more vulnerable to particular geographic, economic, political, regulatory or other developments than would a more diversified investment.

(f) **Currency Exchange Rates**
Depending on an investor's currency of reference, rises and falls in the value of currency may adversely affect the value of an investment.

(g) **Inflation**
As Shares in the Funds should be viewed as medium to long term investments the impact of inflation on any growth in the Funds must be considered. The impact of inflation is to reduce the value of such growth in real terms.

(h) **Investor Taxation**
Tax regulations, concessions and accounting rules are not guaranteed and can change at any time. Their value to a shareholder will depend on individual circumstances.

(i) **Deferred Redemptions**
In times of high redemption, to protect the interests of continuing shareholders, the ACD may defer redemptions at a particular Valuation Point to the next Valuation Point where requested redemptions exceed a specified percentage of a fund's value. This will allow the ACD to match the sale of scheme property to the level of redemption, thereby reducing the impact of dilution on the Fund. Requests for redemption in these circumstances will be treated on a pro rata basis to ensure the consistent treatment of all shareholders. At the next such Valuation Point all deals relating to an earlier Valuation Point will be completed before those relating to the later Valuation Point are considered.

(j) **Suspension of Dealings in Shares**
Investors are reminded that in certain circumstances their right to sell Shares (which also includes switches) may be suspended (see "Suspension of Dealings" section).

(k) **Liabilities of the Company and the Funds**
Under the OEIC Regulations, the assets of each Fund can only be used to meet the liabilities of, or claims against, that Fund. Whilst the provisions of the OEIC Regulations provide for segregated liability between funds, the concept of segregated liability is relatively new. Accordingly, where claims are brought by local creditors in foreign courts or under foreign law contracts, it is not yet known whether a foreign court would give effect to the segregated liability and cross-investment provisions contained in the OEIC Regulations. Therefore, it is not possible to be certain that the assets of a Fund will always be completely insulated from the liabilities of another Fund of the Company in every circumstance.

**ADDITIONAL RISK FACTORS APPLYING TO SOME FUNDS**
The following risks apply to the Funds as set out in the table below.

(l) **Smaller Companies and Newer Markets**
Funds investing in smaller companies invest in transferable securities which may be less liquid than the securities of larger companies, as a result of inadequate trading volume or restrictions on trading. Securities in smaller companies may possess greater potential for capital appreciation, but also involve risks, such as limited
product lines, markets and financial or managerial resources and trading in such securities may be subject to more abrupt price movement than trading in the securities of larger companies.

(m) Use of Derivatives

*Efficient portfolio management*

The use of these instruments may from time to time expose a particular Fund to volatile investment returns and increase the volatility of the net asset value of a Fund. Derivative transactions are used by the Funds solely for the purposes of Efficient Portfolio Management (as defined below) and are not intended to increase the risk profile of the Funds or the Company.

The Funds may make use of EPM techniques (including securities lending and reverse repurchase transactions) to reduce risk and/or costs in the Fund and to produce additional capital or income in the Funds in a manner which is economically appropriate and with an acceptable level of risk. Techniques used by the Fund may include using derivatives for hedging against price or currency fluctuations, engaging in securities lending and reverse repurchase transactions. Further details on efficient portfolio management and securities lending can be found in Appendix B (Investment and Borrowing Powers of the Company).

It is not intended that using derivatives for EPM will increase the volatility of the Funds and indeed EPM is intended to reduce volatility. In adverse situations, however, a Fund’s use of EPM techniques may be ineffective and that Fund may suffer losses as a result. The Fund’s ability to use EPM strategies may be limited by market conditions, regulatory limits and tax considerations.

EPM techniques may involve a Fund entering into derivative transactions or securities lending transactions with a counterparty where there may be a risk that a counterparty will wholly or partially fail to honour its contractual obligations. To mitigate that risk, the counterparties to these transactions may be required to provide collateral to the Fund. The counterparty will forfeit its collateral if it defaults on the transaction. However, in the event of counterparty default, if the collateral is in the form of securities, there is a risk that when it is sold it will realise insufficient cash to settle the counterparty’s liability to the Fund. This may result in losses for investors. To manage this risk, the ACD has in place a collateral management policy which details the eligible categories of acceptable collateral and the haircuts which will typically be applied when valuing certain categories of collateral received. Please
see “Other information” below for further information on the collateral management policy.

There is no guarantee that the Fund will achieve the objective for which it entered into a transaction in relation to EPM. Securities lending transactions may, in the event of a default by the counterparty, result in the securities lent being recovered late or only in part. This may result in losses for investors.

(n) International taxation of underlying investments
As a result of operating in an international remit, a Fund’s performance may be adversely impacted by the tax regimes in those overseas jurisdictions and in particular changes to the same.

(o) Anticipated Tracking Error
Where a Fund seeks to perform in line with an index there is the risk of performance deviation from the index. Factors which can lead to deviation in performance from the index include, but are not limited to, transaction costs, differences in the weights held in individual securities to that of the index, subscriptions and redemptions, small amounts of cash not being invested in securities and efficient portfolio management techniques.
TAXATION

The information given under this heading is for general guidance only and does not constitute legal or tax advice. Prospective investors should consult their own professional advisers as to the implications of subscribing for, purchasing, holding, Switching or disposing of Shares under the laws of the jurisdiction in which they are resident for tax purposes.

The Company

Each Fund is exempt from UK tax on dividends received from UK companies and, with effect from 1 July 2009, this exemption has been extended to dividends received from overseas companies (subject to certain conditions). Each Fund can choose to elect to tax particular overseas dividends and, where it makes such an election, these dividends will be included in the taxable income of the Fund. Most other sources of income (e.g. interest income) will also constitute taxable income of each Fund. Each Fund will be subject to corporation tax at 20% on its taxable income after deducting allowable expenses and interest distributions (see below) and subject to relief for any foreign tax suffered in respect of that taxable income.

Gains and losses on creditor relationships (e.g. loan stocks, corporate bonds, gilts) will not be taxable if they are included in the accounts as ‘net gains/losses on investments’ or ‘other gains/losses’.

Capital gains realised on the disposal of the investments held by any of the Funds are not subject to UK corporation tax. However, in certain circumstances, income may be deemed to arise for tax purposes in respect of certain investments (e.g. interests in limited partnerships and material interests in offshore funds) notwithstanding that the income concerned has not been received as such by the Fund.

The Funds may be subject to overseas tax and the extent of this tax charge will be dependent on the countries the fund invests into, the types of investments held and any double tax treaties in place between the UK and overseas territory. These local tax laws are subject to change.

Stamp Duty/SDRT*

Stamp duty or SDRT may be payable by the Company on the purchase of investments or in respect of any transfers of assets between Funds.

Shareholders

Allocations of income to Shareholders are treated as taxable distributions regardless of whether the income is retained within the Fund or actually paid to Shareholders.

Income – dividend distributions

Any dividend distribution made by a Fund will be treated as if it were a dividend from a UK company. No deduction of UK income tax is made from a dividend distribution, but the dividend distribution will come with an associated tax credit of one-ninth of the amount of the dividend. This tax credit will satisfy the tax liability of UK resident individual Shareholders subject to basic rate income tax.

Individual Shareholders who are liable to income tax at the higher rate or additional rate may need to pay more tax and should consult their own professional tax advisers or tax office.

* As of 30 March 2014, the SDRT charge on surrenders of interests in UK unit trusts and open-ended investment companies in Part 2 of Schedule 19 to the Finance Act 1999 has been abolished. There is a principal charge that applies for in specie redemptions when non-pro rated.
Shareholders who are UK resident non-taxpayers will be unable to reclaim any part of the tax credit. Likewise, no reclaim can be made in respect of Shares held through an ISA or Child Trust Fund.

Shareholders within the charge to UK corporation tax will receive dividend distributions “streamed” into franked and unfranked components depending on the amount of underlying income of the Fund, if any, which has been charged to corporation tax. The franked stream is treated as franked investment income in the hands of the corporate shareholder. The unfranked stream is treated as an annual payment received after deduction of tax at a rate equal to the basic rate of income tax. This tax deducted may be repayable in full or be available for offset against any Shareholder UK corporation tax liability.

Both the proportions of a dividend distribution that are to be treated as franked and unfranked investment income and the Shareholder’s proportion of the Fund’s net UK corporation tax liability, if any, will be shown on tax vouchers accompanying dividend distributions.

For corporate Shareholders, an investment in any fund which holds more than 60% of its assets in qualifying investments at any time while the corporate holder invests in the fund, will be treated as a loan relationship asset. If it makes a dividend distribution, as from 27 February 2012, the amount streamed as franked investment income will be treated as loan relationship income with no tax credit. The amount streamed as unfranked investment income will be treated as above.

Non-UK resident Shareholders will generally not be entitled to a refund from HMRC of the tax credit (or any proportion of it) in respect of dividend income allocations although this tax credit will usually satisfy their UK income tax liability (if any) on that income. They may also be assessable on this dividend income in their country of residence but this liability may depend on the terms of any double taxation agreement which exists between their country of residence and the UK. In certain circumstances the tax credit may be offset against any liability to income tax in their country of residence.

**Income – interest distributions**

A Fund for which the market value of its "qualifying investments" (mainly interest generating assets) exceeds 60% of the market value of all its investments throughout the distribution period (a “Bond” fund for UK tax purposes) may make an interest distribution instead of a dividend distribution. The amount of the interest distribution derived from taxable income is deductible in computing the Fund’s income for corporation tax purposes.

Interest distributions are normally paid after deduction of UK income tax at the rate of 20%. However, income tax will not need to be deducted from interest distributions to certain categories of Shareholders, including individuals not ordinarily resident in the UK, non-resident companies (provided certain conditions are met), ISA investors, Child Trust Fund investors, charities, pension funds, companies within the charge to UK corporation tax and partnerships where every partner would be entitled to gross payment. Investors who demonstrate that they fall within one of these categories may hold gross paying Shares in the relevant Fund, if available.

For individual UK resident Shareholders, the gross interest distributions will be subject to basic withholding tax (currently 20%). For higher rate and additional rate tax payers, they may be subject to more tax on their income and should consult their own professional tax advisers or tax office.

Shareholders eligible for the starting rate of tax for savings income or non-taxpayers may be entitled to reclaim part or all of the basic rate tax suffered at source. In the case of Shares held through an ISA or Child Trust Fund, the account manager may claim a refund from HMRC of any UK income tax deducted. A non-resident Shareholder may also be entitled to
receive a repayment of any UK income tax deducted, under a relevant double taxation agreement.

UK companies are subject to UK corporation tax on gross interest distributions, whether paid or allocated to them.

Capital Gains

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

Capital gains made by individual Shareholders on disposals from all chargeable sources of investment will be tax free if the net gain (after deduction of allowable losses) falls within an individual's annual capital gains exemption. Where an individual's annual exemption has been utilised, there may be tax considerations on disposals and investors should consult their own professional tax advisers or their tax office. Shareholders chargeable to UK corporation tax must include all chargeable gains realised on the disposal of Shares in their taxable profits. The amount chargeable will be reduced by indexation allowance.

A life insurance company investing in a Fund may in certain circumstances be treated as realising an annual chargeable gain based on the deemed disposal of its Shares for the purposes of corporation tax on capital gains. Any gain or allowable loss arising on the deemed disposal is brought into account for tax purposes as to one-seventh in the accounting period of disposal, and one-seventh (reduced pro rata if an accounting period is less than 12 months) in respect of each of the six subsequent accounting periods.

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

Investor Reporting

EU Savings Directive

Following implementation of the EU Savings Directive into UK law, details of "savings income payments" made to individuals resident in another member state within the European Union or resident within certain other jurisdictions, must be reported to HMRC. In the context of the Company and a UK established paying agent, a distribution from a Fund will be a "savings income payment" if the Fund holds more than 15% of its assets in money debts. In addition,
income realised upon the sale or redemption of Shares will be a savings income payment if the Fund holds more than 25% of its assets in money debts.

**US Foreign Account Tax Compliance Act ("FATCA")**

The U.K. has entered into an inter-governmental agreement ("IGA") with the U.S. to facilitate FATCA compliance. Under this agreement, FATCA compliance will be enforced under U.K. local tax legislation and reporting. The Company may require additional information from shareholders in order to comply with relevant obligations, and the non-provision of such information may result in mandatory redemption of Shares or other appropriate action taken by the ACD at its discretion in accordance with the constitutional documents of the Company. Each prospective investor should consult its own tax advisers on the requirements applicable to it under FATCA.

The 30% withholding tax regime could apply if there is a failure to provide certain required information and these rules apply to such payments made after 1 July 2014.

**UK International Tax Compliance Agreements ("ITC")**

In addition to the agreement signed by the UK with the US to implement the Foreign Account Tax Compliance Act ("FATCA"), the UK has now signed additional agreements ("IGAs") with a number of other jurisdictions. Details of the jurisdictions and agreements can be found at http://www.hmrc.gov.uk/fatca/index.htm.

These additional IGAs, as transposed into UK law, require UK Financial Institutions, to report to HMRC the details of relevant taxpayers holding assets with those Financial Institutions so the UK can exchange this information with the relevant jurisdiction on an automatic basis. The IGAs are effective on or after 1 July 2014 and include the Company as a UK Financial Institution, and require the Company to obtain mandatory evidence as to the tax residency(s) of any individual, or in the case of non-individuals, their ITC classification. The Company is also required to identify any existing Shareholder as a relevant taxpayer or in the case of non-individuals to identify what their ITC classification is, within the meaning of the IGAs based on the records the Company holds.

Further, under UK law implementing the IGAs the Company is required to disclose such information as maybe required under the IGAs to HMRC on any Shareholder who is considered to have become a relevant taxpayer, within the meaning of the IGA. Investors should consult their own tax advisers regarding any potential obligations that the IGAs may impose on them.

**Common Reporting Standard ("CRS")**

The UK and a number of other jurisdictions have also agreed to enter into multilateral arrangements modelled on the Common Reporting Standard for Automatic Exchange of Financial Account Information published by the Organisation for Economic Co-operation and Development (OECD). These agreements and arrangements, as transposed into UK law, may require the Company to provide certain information to HMRC about shareholders from the jurisdictions which are party to such arrangements (which information will in turn be provided to the relevant tax authorities). The Company as a UK Financial Institution is expected to comply with the requirements of CRS from 1 January 2016.

In light of the above, shareholders in the Company may be required to provide certain information to the Company to comply with the terms of the UK regulations.

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

REPORTS AND ACCOUNTS
The annual accounting period of the Company ends on 28 February or a day chosen by the ACD, with the agreement of the Depositary, being within seven days of that date.

The annual report of the Company will be published on or before 30 June and the half yearly report on or before 31 October in each year.

The ACD will provide short reports to shareholders relating to the particular Fund(s) in which they hold Shares annually and half yearly. These short reports may be contained within a booklet covering all Funds of the Company. Long report and accounts covering all Funds of the Company will be available on request.

Copies of the most recent short and long annual and half yearly reports may be inspected at, and copies obtained free of charge from the ACD at its head office during ordinary office hours.

The Company does not hold an Annual General Meeting.

Shareholders may inspect and obtain a copy of the Service Agreement from the ACD at its head office.

VOTING
Voting rights
Entitlement to receive notice of a particular meeting or adjourned meeting and to vote at such a meeting is determined by reference to:

(a) those persons who are holders of shares in the Company on the time to be determined by the ACD and stated in the notice of meeting which is a reasonable time before the notice is sent; or

(b) in respect of shares which are participating securities (as defined in the Uncertificated Securities Regulations 1995), those persons who are entered on the register at a time determined by the ACD (and stated in the notice) not more than 48 hours before the time fixed for the meeting,

but excluding any persons who are known to the ACD not to be holders at the time of the meeting.

At a meeting of shareholders, on a show of hands every holder who (being an individual) is present in person or by proxy or, if a corporation, is present by a properly authorised
representative, has one vote. On a poll votes may be given either personally or by proxy and
the voting rights attached to a share are such proportion of the total voting rights attached to
all shares in issue as the price of the share bears to the aggregate price(s) of all shares in
issue at the date selected by the ACD which is a reasonable time before the notice of
meeting is sent or, where any share is a participating security, at a date not more than twenty
one days before the notice of meeting is sent. A holder entitled to more than one vote need
not, if he votes, use all his or her votes or cast all the votes he uses in the same way. A vote
will be decided on a show of hands unless a poll is (before or on the declaration of the result
of the show of hands) demanded by the chairman, by the Depositary or by two shareholders
present or by proxy.

An instrument appointing a proxy may be in any usual or common form or in any other form
approved by the ACD. It should be in writing under the hand of the appointor or his or her
attorney or, if the appointor is a corporation, either under the common seal or under the hand
of a duly authorised officer or attorney. A person appointed to act as a proxy need not be a
holder.

The quorum at a meeting of holders is two shareholders present in person or by proxy or (in
the case of a corporation) by a duly authorised representative, if after a reasonable time from
the time set for an adjourned meeting there is not two shareholders present in person or by
proxy, the quorum of an adjourned meeting shall be one shareholder entitled to count in a
quorum present at the meeting.

A corporation, being a holder, may by resolution of its directors or other governing body,
authorise such person as it thinks fit to act as its representative at any meeting of holders
and the person so authorised is entitled to exercise the same powers on behalf of the
corporation which he represents as the corporation could exercise if it were an individual
holder.

In the case of joint holders the vote of the senior who tenders a vote, whether in person or by
proxy, will be accepted to the exclusion of the votes of the other joint holders and for this
purpose seniority is determined by the order in which the names stand in the register of
holders.

The ACD is entitled to attend any meeting but, except in relation to third party shares, is not
entitled to vote or be counted in the quorum and any shares it holds are treated as not being
in issue for the purpose of such meeting. An associate of the ACD is entitled to attend any
meeting and may be counted in the quorum, but may not vote except in relation to third party
shares. For this purpose third party shares are shares held on behalf of or jointly with a
person who, if himself the registered shareholder, would be entitled to vote, and from whom the ACD or the associate (as relevant) has received voting instructions.

Where a resolution (including an extraordinary resolution) is required to conduct business at a meeting of shareholders and every shareholder is prohibited under rule 4.4.8R(4) of the COLL Sourcebook (Voting rights) from voting, it shall not be necessary to convene such a meeting and a resolution may, with the prior written agreement of the Depositary to the process, instead be passed with the written consent of shareholders representing 50% or more, or for an extraordinary resolution 75% or more, of the shares of the relevant Fund or the Company.

**Powers of a shareholders’ meeting**
The Company’s Instrument of Incorporation and the COLL Sourcebook empower the shareholders in general meeting to sanction or require various steps (usually subject to Financial Conduct Authority’s approval), including (among other things):

- changes to certain provisions of the Company’s Instrument of Incorporation and this Prospectus
- the removal of the ACD
- the amalgamation or reconstruction of the Company.

In certain cases (for example, the approval of changes to the investment objectives of a Fund) an extraordinary resolution, ie a resolution notified and proposed as such and passed by a majority of not less than three-quarters of the votes validly cast, is required.

Other provisions of the Company’s Instrument of Incorporation and the Prospectus may be changed by the ACD without the sanction of a shareholders’ meeting in accordance with the COLL Sourcebook.

**Class rights**
The provisions about notice and conduct of meetings summarised above will apply, with the necessary alterations, to class meetings.

**WINDING UP OF THE COMPANY AND TERMINATION OF FUNDS**
Winding up the Company

The Company may be wound up or a Fund may be terminated under the provisions of the COLL Sourcebook or as an unregistered company under Part V of the Insolvency Act 1986. Winding up under the COLL Sourcebook is only permitted with the approval of the FCA and if a statement has been lodged with the FCA by the ACD confirming that the Company will be able to meet all its liabilities within twelve months of the date of the statement (a "solvency statement"). The Company must not be wound up or a Fund terminated under the COLL Sourcebook if there is a vacancy in the position of the ACD.

Subject to the foregoing, the Company will be wound up under the COLL Sourcebook:

a. if an extraordinary resolution to that effect is passed; or
b. when the period (if any) fixed for the duration of the Company or the Fund by the instrument of incorporation expires or any event occurs, for which the instrument of incorporation provides that the Company or the Fund is to be wound up or terminated; or

c. on the date stated in any agreement by the FCA in response to a request for the ACD for the winding up or the Company or a request for the termination of a Fund; or

d. on the effective date of a duly approved scheme of arrangement which is to result in the Company ceasing to hold any scheme property;

e. in the case of a Fund, on the effective date of a duly approved scheme of arrangement which is to result in the Fund ceasing to hold any scheme property; or

f. in the case of the Company, on the date on which all of the Funds fall within (e) above or have otherwise ceased to hold any scheme property, notwithstanding that the Company may have assets and liabilities that are not attributable to any particular Fund.

On the occurrence of any of the above:

a. the COLL Sourcebook relating to Valuation, Pricing, Dealing and Investment and Borrowing Powers will cease to apply to the Company or to the relevant Fund;

b. the Company will cease to issue and cancel Shares in the Company or relevant 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 relevant Fund;

c. 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;

d. 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;
e. the corporate status and powers of the Company and, subject to (a) and (d) above, the powers of the ACD shall continue until the Company is dissolved.

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

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

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

Following the completion of a winding up of either the Company or the termination of a Fund, the ACD must prepare a final account showing how the winding up took place and how the property was distributed. The auditors of the Company shall make a report in respect of the final account stating their opinion as to whether the final account has been properly prepared. This final account and the auditors’ report must be sent to the FCA and to each shareholder within two months of the completion of the winding up.
- **Delegation**

The ACD and, subject to exceptions specified in the COLL Sourcebook, the Depositary may retain (or arrange for the Company to retain) the services of other persons to assist them in the performance of their respective functions and, in relation to certain functions, the ACD or the Depositary (as applicable) will not be liable for the actions of the persons so appointed provided certain provisions of the COLL Sourcebook apply.

- **Changes to the Company**

Where any changes are proposed to be made to the Company or a Fund the ACD will assess whether the change is fundamental, significant or notifiable in accordance with Rule 4.3 of the COLL Sourcebook. If the change is regarded as fundamental, shareholder approval will be required. If the change is regarded as significant, not less than 60 days’ prior written notice will be given to shareholders. If the change is regarded as notifiable, shareholders will receive notice of the change in an appropriate manner and within appropriate timescales. The manner and timescale of notification will depend on the nature of the change.

- **Conflicts of interest**

The ACD or any associate of it may, from time to time, act as Investment Adviser to other companies or funds which follow similar investment objectives to those of the Funds. It is therefore possible that the ACD and/or the other service providers may in the course of their business have potential conflicts of interest with the Company or a particular Fund. Each of the ACD and the other service providers will, however, have regard in such event to its obligations under the ACD Agreement and the agreements with the ACD respectively and, in particular, to their obligation to act in the best interest of the Company so far as practicable, having regard to their obligation to other clients when undertaking any investment where potential conflicts of interest may arise.

The Depositary may, from time to time, act as the Depositary of other companies or funds.

The Depositary, the ACD or any Investment Adviser or any associate of them may (subject to the COLL Sourcebook) hold money on deposit from, lend money to, or engage in stocklending transactions in relation to the Company, so long as the services concerned are provided on arm's length terms (as set out in the COLL Sourcebook) through a member of an investment exchange (acting as principal) who is an affected person in relation to the ACD.
The Depositary, the ACD, or any Investment Adviser or any associate of any of them may sell or deal in the sale of property to the Company or purchase property from the Company provided the applicable provisions of the COLL Sourcebook apply and are observed.

Subject to compliance with the COLL Sourcebook the ACD may be party to or interested in any contract, arrangement or transaction to which the Company is a party or in which it is interested. The ACD is entitled in its own discretion to determine the terms of its appointment as such, and consequently to amend the terms of the Service Agreement referred to on page 8.

The Depositary, the ACD, or any Investment Adviser or any associate of any of them will not be liable to account to the Company or any other person, including the holders of shares or any of them, for any profit or benefit made or derived from or in connection with:

(a) their acting as agent for the Company in the sale or purchase of property to or from the Funds; or

(b) their part in any transaction or the supply of services permitted by the COLL Sourcebook; or

(c) their dealing in property equivalent to any owned by (or dealt in for the account of) the Company.

The ACD and other companies within the Lloyds Banking Group maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps to prevent conflicts of interest as detailed in the FCA Handbook from constituting or giving rise to a material risk of damage to the interests of its clients. Further details relating to the ACD's conflicts of interest policy are available by contacting the ACD.

- **Best Execution and Client Order Handling**

The ACD is required to ensure shareholders' best interests are served when it, or the Investment Adviser, executes decisions to deal in the context of portfolio management or places orders to deal with securities dealings firms. The Investment Adviser on behalf of the ACD monitors the quality of the execution and client order handling arrangements they maintain with the brokers they use and promptly make
any changes where they identify a need to do so. Further details relating to the ACD’s policy are available by contacting the ACD.

- **Liability and indemnity**

With the exceptions mentioned below:

- The ACD, the Depositary and the Auditors are each entitled under the Instrument of Incorporation of the Company to be indemnified against any loss, damage or liability incurred by them in or about the execution of their respective powers and duties in relation to the Company; and

- the ACD and the Depositary are, under the terms of their respective agreements with the Company, exempted from any liability for any loss or damage suffered by the Company.

The above provisions will, however, only apply to the extent permitted by the OEIC Regulations and the COLL Sourcebook, and will not apply in the case of:

- any liability which would otherwise attach to the ACD or the Auditors in respect of any negligence, default, breach of duty or breach of trust in relation to the Company;

- any liability on the part of the Depositary for any failure to exercise due care and diligence in the discharge of its functions;

- any breach by the ACD or the Depositary of their respective obligations under the Financial Services and Markets Act 2000 or any rules made under or in pursuance of that Act.

- **Rebate of fees; commission**

The ACD may at its sole discretion rebate its initial or periodic charges in respect of any application for, or holding of, shares. Similarly the Company may rebate or waive its charges in relation to any exchange of shares. A proportion of the initial charge may be rebated to the introducer (the investor’s financial intermediary) in the form of a commission payment. The investor should check with the intermediary the amount of commission he or she has received.
- Risk Management

The ACD uses a risk management process, as reviewed by the Depositary, enabling it to monitor and measure as frequently as appropriate the risk of a Fund’s positions and their contribution to the overall risk profile of the Fund. A copy of the risk management process is available on request from the ACD.

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

a) the quantitative limits applying in the risk management of any Fund;

b) the methods used in relation to a); and

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

- Collateral Management policy

The ACD is required to have a collateral management policy and to keep that policy under regular review. The policy defines "eligible" types of collateral which the Funds may receive to mitigate counterparty exposure (including any applicable haircuts). A haircut is a reduction to the market value of the collateral in order to allow for a cushion in case the market value of that collateral falls. Collateral will generally be of high quality and liquid e.g. cash and government securities. The policy will also include any additional restrictions deemed appropriate by the ACD. The ACD will accept the following permitted types of collateral: cash, government securities, certificates of deposit; bonds or commercial paper issued by “relevant institutions”.

Collateral will be subject to a haircut depending on the class of assets received. The haircut policy depends on the quality of assets received, their price volatility, together with the outcome of any stress tests performed under normal and exceptional liquidity conditions.

Where cash collateral, is received, if it is reinvested, it will be diversified in accordance with the requirements of ESMA’s Guidelines on ETFs and other UCITS issues (ESMA/2012/832EN). Where a Fund re-invests cash collateral in one or more permitted types of investment, there is a risk that the investment will earn less than the interest that is due to the counterparty in respect of that cash and that it will return less than the amount of cash that was invested.

Transfer of Client Money

If transferring all or part of its business to a third party, the ACD may also transfer any client money balances to the same third party (where the client money relates to the business being transferred). Such monies will either be held by the third party in accordance with the FCA’s client money rules, or the ACD will exercise all due skill, care and diligence in assessing whether the third party will apply adequate measures to protect these monies.
**General**

Unless otherwise expressly provided, terms used in this Prospectus have the meanings given by the COLL Sourcebook.

Any complaint should be referred to the ACD at its head office. If a complaint cannot be resolved satisfactorily with the ACD it may be referred to the Financial Ombudsman Service at Exchange Tower, London E14 9SR or [www.financial-ombudsman.org.uk](http://www.financial-ombudsman.org.uk). Further details relating to the ACD's complaint management procedure are available by contacting the ACD.

All documents and remittances are sent at the risk of the shareholder. A notice of an applicant's right to cancel the agreement to purchase shares will be forwarded, where this is required by rules made under the Financial Services and Markets Act 2000 or where this is provided voluntarily by the ACD.

When the investment is a lump sum investment, an applicant who receives notice of the right to cancel and exercises that right will not get a full refund of the money paid by him if the purchase price of the shares falls before the cancellation notice is received by the ACD, because an amount equal to such fall (the "shortfall") will be deducted from the refund he would otherwise receive. Where the purchase price has not yet been paid the applicant will be required to pay the amount of the shortfall to the ACD. The deduction does not apply where the service of the notice of the right to cancel precedes the entering into of the agreement. Cancellation rights must be exercised by posting a cancellation notice to the ACD on or before the 30th day after the date on which the applicant receives the notice of the right to cancel the agreement.

The address for service on the Company of notices or other documents required or authorised to be served on it is 1 Lovell Park Road, Leeds, West Yorkshire, LS1 1NS.

Copies of this Prospectus may be inspected at, and obtained from, the ACD at 1 Lovell Park Road, Leeds, West Yorkshire, LS1 1NS during ordinary office hours.

Copies of the Instrument of Incorporation and any amendments thereto may be inspected and copies obtained from the ACD at 1 Lovell Park Road, Leeds, West Yorkshire, LS1 1NS during ordinary office hours - a fee may be charged for copies of the Instrument of Incorporation.
This Prospectus describes the constitution and operation of the Company at the date of this Prospectus. In the event of any materially significant change in the matters stated herein or any materially significant new matter arising which ought to be stated herein this Prospectus will be revised. Investors should check with the ACD that this is the latest version and that there have been no revisions or updates.
APPENDIX I
FUND DETAILS

All Funds were terminated with effect from 27 February 2017. As such, no Funds are available for investment.
APPENDIX II
INVESTMENT AND BORROWING POWERS AND RESTRICTIONS

Except as provided below the Company may exercise in respect of each Fund the full authority and powers permitted by the COLL Sourcebook but is subject to the restrictions set out in Chapter 5 of the COLL Sourcebook relevant to UCITS schemes and to each Fund's stated investment objective and policy.

**Prudent spread of risk:** The ACD must ensure that, taking account of the investment objectives and policy of the Fund, the scheme property of the Fund aims to provide a prudent spread of risk.

The requirements on spread and investment in government and public securities do not apply until the expiry of a period of six months after the date of effect of the authorisation order in respect of the Fund (or on which the initial offer commenced if later) provided that the requirement to maintain prudent spread of risk is complied with.

**Transferable Securities:** A transferable security is an investment falling within article 76 (Shares etc), article 77 (Instruments creating or acknowledging indebtedness), article 78 (Government and public securities), article 79 (Instruments giving entitlement to investments) and article 80 (Certificates representing certain securities) of the Regulated Activities Order.

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

In applying the above paragraph to an investment which is issued by a body corporate, and which is an investment falling within articles 76 (Shares, etc) or 77 (Instruments creating or acknowledging indebtedness) of the Regulated Activities Order, the need for any consent on the part of the body corporate or any members or debenture holders of it may be ignored.

The Company may invest in transferable securities only to the extent that the transferable securities fulfil the criteria in the Sourcebook.

The scheme property of the Fund must, except where otherwise provided in Chapter 5 of the COLL Sourcebook, only consist of any or all of transferable securities.

Transferable securities held within the Fund must (subject to the paragraph below concerning unapproved securities) be admitted to or dealt on an eligible market as described below.

**Unapproved securities:** Not more than 10% in value of the scheme property of the Fund is to consist of transferable securities, which are not approved securities.
**Eligible markets regime:** To protect investors the markets on which investments of the 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.

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

A market is eligible for the purposes of the rules if it is a regulated market or a market in an EEA State which is regulated, operates regularly and is open to the public or

(a) if the ACD, after consultation with and notification to the Depositary, decides that market is appropriate for investment of, or dealing in, the scheme property;

(b) the market is included in a list in the prospectus; and

(c) the Depositary has taken reasonable care to determine that adequate custody arrangements can be provided for the investment dealt in on that market and all reasonable steps have been taken by the ACD in deciding whether that market is eligible. In this paragraph, 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.

The eligible markets for all of the Funds are as set out in Appendices I and II.

**Spread: general**

This rule on spread does not apply to government and public securities (see below).

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

Not more than 5% in value of the scheme property is to consist of transferable securities issued by any single body. The limit of 5% in this paragraph is raised to 10% in respect of up to 40% in value of the scheme property. In applying this paragraph certificates representing certain securities are treated as equivalent to the underlying security.

Not more than 20% in value of the scheme is to consist of transferable securities issued by the same group (as referred to above).
In applying the limits above not more than 20% in value of the scheme property is to consist of any combination of two or more of the following:

(a) transferable securities issued by; or

(b) deposits (but only in so far as they relate to near cash) made with;

a single body.

Not more than 5% in value of the scheme is to consist of warrants.

**Spread: Government and public securities**

The above restrictions do not apply to Government and public securities. The restrictions in relation to such securities are set out below (“such securities”).

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.

**Investment in collective investment schemes:** Up to 20% in value of the property of a Fund may be invested in units or shares in another collective investment scheme (a “second scheme”) provided the second scheme satisfies all of the following conditions

(1) The second scheme must: 

(i) satisfy the conditions necessary for it to enjoy the rights conferred by the UCITS Directive; or

(ii) be recognised under the provisions of section 270 the Financial Services and Markets Act 2000;

(iii) be authorised as a non-UCITS retails scheme; or

(iv) be authorised in another EEA State; or

(v) be authorised by the competent authority of an OECD member country (other than an 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;
(in each of (iii) to (v) provided the requirements of article 50(1)(e) of the UCITS Directive are met; and

(2) the second scheme must comply, where relevant, with the rules in COLL 5.2.15R (Investment in associated collective investment schemes) and COLL 5.2.16R (Investment in other group schemes; and

(3) the second scheme must have terms which prohibit more than 10% in value of its scheme property consisting of units in collective investment schemes; and

(4) where the second scheme is an umbrella, the provisions in (2) and (3) above and COLL 5.2.11R (Spread: general) apply to each sub-fund as if it were a separate scheme.

Investment may only be made in other collective investment schemes managed by the ACD or an associate of the ACD if the instrument constituting those schemes states that their investment will be restricted or specialised in terms of a particular geographic area or economic sector.

Investment in nil and partly paid securities: A transferable security on which any sum is unpaid falls within a power of investment only if it is reasonably foreseeable that the amount of any existing and potential call for any sum unpaid could be paid by the Fund, at the time when payment is required, without contravening the rules in Chapter 5 of the COLL Sourcebook.

Derivatives

The Funds will use derivatives only for the purposes of efficient portfolio management, including hedging, for the avoidance of doubt, the Funds will not use derivatives for the purposes of investment

Significant influence

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

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

(b) the acquisition gives the Company that power.

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

**Concentration:** A UCITS scheme:

(a) must not acquire transferable securities (other than debt securities) which do not carry a right to vote on any matter at a general meeting of the body corporate that issued them and represent more than 10% of those securities issued by that body corporate;

(b) must not acquire more than 10% of the debt securities issued by any single body;

(c) must not acquire more than 10% of the units in a collective investment scheme;

(d) must not acquire more than 10% of the approved money market instruments issued by any single issuing body; and

need not comply with the limits above if, at the time of acquisition, the net amount in issue of the relevant investment cannot be calculated.

**Cash and near cash:** the ACD may at its discretion and as considered appropriate retain liquid funds in each Fund at any time pending suitable investment opportunities. This cash will be held to enable the redemption of shares, efficient management of the Fund in accordance with its objectives or any other purposes which may reasonably be regarded as ancillary to the objectives of the Fund. The ACD expects the liquid funds of a Fund to vary between 0 and 30 per cent of the value of the property of the Fund at any one time. Liquidity may be at the upper end of, or even exceed, this range under certain circumstances such as where large market movements and/or an exceptional number of redemptions are anticipated or the Fund is in receipt of large cash sums upon the creation of shares or realisation of investments.

Cash forming part of the property of a Fund or standing to the credit of the distribution account may be placed in any current, deposit or loan account with the Depositary, the ACD or any investment adviser or any associate of any of them provided it is an Eligible Institution (as defined in the Glossary to the FCA’s Handbook) and the arrangements are at least as favourable to the Fund concerned as would be those of any comparable arrangements effected on normal commercial terms negotiated at arm's length between two independent parties.

**Cover:** 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 Chapter 5 of the COLL Sourcebook, it must be assumed that the maximum possible liability of the Fund under any other of those rules has also to be provided for.

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 it must be assumed that in applying any of those rules, the Fund must also simultaneously satisfy any other obligation relating to cover and no element of cover must be used more than once.

**Immovable and moveable property:** It is not intended that the Company should have any interest in any immovable property or tangible movable property.

**Borrowing:**
Subject to the COLL Sourcebook, the Company may borrow to meet redemption and settlement mismatches, although it is not expected that significant use will be made of borrowing for the latter purpose. Such borrowing may only be made from an Eligible Institution or an Approved Bank and must be on a temporary basis only; no period of borrowing may exceed three months without the prior consent of the Depositary (which may give such consent only on conditions as appear to the Depositary appropriate to ensure that the borrowing does not cease to be on a temporary basis). The borrowing of a Fund must not, on any business day, exceed 10 per cent of the value of the property of the Fund. As well as applying to borrowing in a conventional manner, the 10 per cent limit applies to any other arrangement designed to achieve a temporary injection of money into the property of the Fund, in the expectation that such will be repaid, for example by way of a combination of derivatives which produces an effect similar to borrowings.

The above provisions on borrowing do not apply to "back to back" borrowing for efficient portfolio management purposes, being an arrangement under which an amount of currency is borrowed from an Eligible Institution and an amount in another currency at least equal to the amount of currency borrowed is kept on deposit with the lender (or his or her agent or nominee).

Borrowings may be made from the Depositary, the ACD, the directors or any investment adviser or any associate of any of them provided it is an Eligible Institution or an Approved Bank and the arrangements are at least as favourable to the Fund concerned as would be those of any comparable arrangements effected on normal commercial terms negotiated at arm's length between two independent parties.
Efficient portfolio management

The Company may use derivatives and forward currency transactions for the purposes of efficient portfolio management. Such derivatives will be covered and usually exchange-traded. The assets which will underlie the derivative and forward currency contracts may be securities, indices, cash not yet received but due to be received within one month, cash obtained by borrowing, borrowings which the ACD reasonably regards an Eligible Institution or an Approved Bank to be committed to provide and "synthetic cash". Transactions involving derivatives or forward currency contracts will be subject to the parameters set out below.

(a) The Company may enter into a transaction for a Fund which is:

(i) a permitted transaction;

(ii) for the purpose of efficient portfolio management ("EPM");

(iii) (alone or in combination with one or more others) it is reasonably believed by the ACD to be economically appropriate to the EPM of the Fund; and

(iv) fully covered in accordance with the COLL Sourcebook.

(b) A transaction may not be entered into if its purpose could reasonably be regarded as speculative.

(c) Permitted transactions are derivatives transactions (ie options, futures or contracts for differences) and forward transactions in a currency. A derivatives transaction must be:

(i) in an approved derivative (ie one which is traded or dealt in on an eligible derivatives market) and effected on or under the rules of an eligible derivatives market; or

(ii) one which complies with the provisions in the COLL Sourcebook regarding off exchange futures or options or regarding "synthetic futures" (ie a composite derivative created out of two options). Forward transactions must be with counterparties approved for the purposes of the COLL Sourcebook.
(d) Eligible derivatives markets consist of any derivatives market, which the ACD considers suitable after consultation with the Depositary. The eligible derivatives markets for all of the Funds are as set out in Appendix II.

(e) No more than five per cent in value of the property of the Fund may be directed to initial outlay in respect of off-exchange transactions with any one counterparty.

(f) A derivatives or forward transaction which would or could lead to delivery of property to the Depositary may be entered into only if such property can be held by the Fund and the ACD reasonably believes that delivery of the property pursuant to the transaction will not lead to a breach of the COLL Sourcebook. A permitted transaction may at any time be closed out.

(g) The purpose of EPM is to achieve in respect of the Funds reduction of risk and/or reduction of cost and/or the generation of additional capital or income for the Funds with a risk level which is consistent with the risk profile of the Company and the risk diversification rules laid down in the Sourcebook. The purpose relates to the property of the Fund, property (whether precisely identified or not) which is to be or is proposed to be acquired for the Fund and anticipated cash receipts of the Fund, if due to be received and likely to be so within one month.

(h) In relation to the generation of additional capital or income, there is an acceptably low level of risk in any case where the ACD reasonably believes that the Fund is certain (or certain barring events which are not reasonably foreseeable) to derive a benefit:

(i) by taking advantage of pricing imperfections in relation to the acquisition and disposal (or disposal and acquisition) of rights in relation to the same or equivalent property, being property which the Fund holds or may properly hold;

(ii) by receiving a premium for the writing of a covered call option or a covered put option, even if that benefit is obtained at the expense of surrendering the chance of yet greater benefit; or

(iii) by stocklending.

(i) To be economically appropriate to the EPM of the Fund, the ACD must reasonably believe that:
(i) for transactions undertaken to reduce risk or cost (or both), the transaction (alone or in combination) will diminish a risk or cost of a kind or level which it is sensible to reduce; and

(ii) for transactions undertaken to generate additional capital or income, the Fund is certain (or certain barring events which are not reasonably foreseeable) to derive a benefit from the transaction.

Where, for example, the ACD wishes to achieve a switch in exposure, he may do so, rather than through sale and purchase of property of the Fund, by use of derivatives (a technique commonly called "tactical asset allocation") if the transactions concerned reasonably appear to him to be economically appropriate to the EPM of the Fund and to diminish a risk or cost of a kind or level which it is sensible to reduce. Where the transaction relates to the actual or potential acquisition of transferable securities, then the ACD must intend that the Fund should invest in transferable securities within a reasonable time; and it must thereafter ensure that, unless the position has itself been closed out, that intention is realised within that reasonable time.

(j) In certain circumstances, cross currency hedging may be carried out.

(k) No transaction may be entered into unless the maximum potential exposure created by the transaction, in terms of the principal or notional principal of the derivative or forward contract, is covered both:

(i) "individually" by assets of the right kind within the Fund's Scheme Property (i.e. in the case of an exposure in terms of property, appropriate transferable securities or other property; and, in the case of an exposure in terms of money, cash, near cash, borrowed cash or transferable securities which can be sold to realise the appropriate cash); and

(ii) "globally" (i.e. that a Fund's exposure does not exceed the net asset value of its Scheme Property, taking into account the value of the underlying assets, the counterparty risk, future market movements, and the time available to liquidate the positions)

in accordance with the COLL Sourcebook.

**Stocklending:** The power to engage in stocklending may be exercised for the purpose of EPM, that is when it reasonably appears to the ACD to be economically appropriate to do so
with a view to generating additional income for a Fund with an acceptable degree of risk. There is no limitation on the value of the property of a Fund that may be the subject of permitted stocklending transactions. All revenue arising from stocklending, net of direct and indirect operational costs, is paid to the particular Fund involved in such transaction. Subject to its investment objectives and policy, each Fund may deal through securities markets established in member States of the European Community or EEA on which transferable securities admitted to official listing in the member State are dealt in or traded.

Set out below are the additional securities markets through which the Company may invest or deal for the account of each Fund (subject to the Fund’s respective investment objective and policy) when dealing in approved securities.
## APPENDIX III

### ELIGIBLE SECURITIES MARKETS

<table>
<thead>
<tr>
<th>Country</th>
<th>Markets</th>
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<tbody>
<tr>
<td>Australia</td>
<td>Australian Securities Exchange</td>
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<tr>
<td>Brazil</td>
<td>Sao Paulo Stock Exchange</td>
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<td></td>
<td>BM&amp;F Bovespa</td>
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<td>Canada</td>
<td>Toronto Stock Exchange</td>
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<td>China</td>
<td>Shanghai Stock Exchange</td>
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<td>Hong Kong</td>
<td>Hong Kong Exchanges and Clearing Ltd</td>
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<td>India</td>
<td>The National Stock Exchange of India</td>
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<td>Calcutta Stock Exchange</td>
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<td>Indonesia Stock Exchange</td>
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<td>Fukuoka Stock Exchange</td>
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<td>Nagoya Stock Exchange</td>
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<td>Osaka Securities Exchange includes JASDAQ</td>
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<td></td>
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<td>Tokyo Stock Exchange</td>
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<td>National Stock Exchange</td>
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<td>New York Stock Exchange (incl ASE)</td>
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<td></td>
<td>NASDAQ</td>
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<td></td>
<td>US OTC Corporate Bond Market (TRACE)</td>
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<tr>
<td>UK</td>
<td>AIM - Alternative Investment Market</td>
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</tbody>
</table>
ELIGIBLE DERIVATIVES MARKETS

Subject to its investment objectives and policy, each Fund may deal through derivatives markets established in member States of the European Community on which transferable derivatives admitted to official listing in the member State are dealt in or traded.

Set out below are the markets established in member States of the European Community and the additional derivatives markets through which the Company may invest or deal for the account of each Fund (subject to the Fund’s respective investment objective and policy) when dealing in approved derivatives.

<table>
<thead>
<tr>
<th>Country</th>
<th>Market Name</th>
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<tbody>
<tr>
<td>Australia</td>
<td>ASX Limited</td>
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<tr>
<td>Canada</td>
<td>Montreal Exchange</td>
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<tr>
<td>Finland</td>
<td>EUREX</td>
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<td>Euronext Paris</td>
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<tr>
<td>Germany</td>
<td>EUREX Derivatives Exchange</td>
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<td>Hong Kong</td>
<td>Hong Kong Futures Exchange (includes HK Exchanges and Clearing Limited)</td>
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<td>Japan</td>
<td>Osaka Stock Exchange</td>
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<tr>
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<td>Tokyo Futures / Financial Exchange</td>
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<td>Tokyo Stock Exchange</td>
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<td>Korea</td>
<td>Korea Exchange (derivatives) (incl Korean Futures Exchange)</td>
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<td>Euronext - Amsterdam (futures exchange)</td>
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<tr>
<td></td>
<td>Euronext - Amsterdam (options exchange)</td>
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<tr>
<td>New Zealand</td>
<td>New Zealand Stock Exchange (incl NZ Futures Exchange)</td>
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<tr>
<td>Singapore</td>
<td>Singapore Exchange (SGX)</td>
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<td>South Africa</td>
<td>JSX - South African Futures Exchange (SAFEX)</td>
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<td>Chicago Board of Trade, part of CME Group</td>
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APPENDIX IV
PAST PERFORMANCE

All Funds were terminated with effect from 27 February 2017. As such, no Funds are available for investment.

Past performance is not a guide to future performance. The value of your investment can go up and down and you may get back less than invested. The figures are based on income reinvested, net of charges and net of tax. Source: Financial Express Limited.
APPENDIX V
DIRECTORS OF THE ACD

James Masson Black

Directorships of:
Clerical Medical Investment Fund Managers Limited
HBOS Investment Fund Managers Limited
Scottish Widows Administration Services Limited
Scottish Widows Fund Management Limited
Scottish Widows Unit Trust Managers Limited

Ronald Frank Cameron Taylor

Directorships of:
Clerical Medical Financial Services Limited
Clerical Medical Investment Fund Managers Limited
Clerical Medical Managed Funds Limited
Halifax Financial Brokers Limited
Halifax Investment Services Limited
Halifax Life Limited
HBOS International Financial Services Holdings Limited
HBOS Investment Fund Managers Limited
Legacy Renewal Company Limited
Pensions Management (S.W.F.) Limited
Scottish Widows Administration Services Limited
Scottish Widows Fund Management Limited
Scottish Widows Trustees Limited
Scottish Widows Unit Funds Limited
Scottish Widows Unit Trust Managers Limited

Gavin MacNeill Stewart

Directorships of:
Clerical Medical Investment Fund Managers Limited
HBOS Investment Fund Managers Limited
Scottish Widows Administration Services Limited
Scottish Widows Fund Management Limited
Scottish Widows’ Fund and Life Assurance Society
Scottish Widows Unit Trust Managers Limited

Sean William Lowther

Directorships of:
Clerical Medical Financial Services Limited
Clerical Medical Finance plc
Clerical Medical Investment Fund Managers Limited
Clerical Medical Managed Funds Limited
General and Reversionary Investment Company
Halifax Financial Brokers Limited
Halifax Investment Services Limited
Halifax Life Limited
Halifax Financial Services (Holdings) Limited
Halifax Financial Services Limited
Halifax Equitable Limited
HBOS Investment Fund Managers Limited
Catriona Margaret Herd

Directorships of:

Clerical Medical Investment Fund Managers Limited
HBOS Investment Fund Managers Limited
Scottish Widows Administration Services Limited
Scottish Widows Fund Management Limited
Scottish Widows Pension Trustees Limited
Scottish Widows Unit Trust Managers Limited

Clerical Medical Investment Fund Managers Limited (Registered in England No 2792006). Registered Office: Trinity Road, Halifax, West Yorkshire, HX1 2RG. Authorised and regulated by the Financial Conduct Authority.