



Threadneedle  
Specialist Investment Funds ICVC

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## **Important: if you are in any doubt about the contents of this Prospectus you should consult your financial adviser.**

Threadneedle Investment Services Limited, the Authorised Corporate Director of the Company (the 'ACD'), is the person responsible for the information contained in this Prospectus. To the best of its knowledge and belief (having taken 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 FSA Rules to be included in it. Threadneedle Investment Services Limited accepts responsibility accordingly.

## **Prospectus of Threadneedle Specialist Investment Funds ICVC**

(An open-ended investment company with variable capital incorporated with limited liability and registered in England and Wales under registered number IC000232)

This document constitutes the Prospectus for Threadneedle Specialist Investment Funds ICVC (the 'Company'), which has been prepared in accordance with the FSA Rules. The Company is also subject to the OEIC Regulations. The Instrument of Incorporation of the Company is registered with the Financial Services Authority (the 'FSA').

This Prospectus is dated and is valid as of March 2012 and replaces any previous Prospectuses issued by the Company.

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

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

The distribution of this Prospectus and the offering of Shares in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Company and the ACD 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.

At the discretion of the ACD, the Shares may be listed on the Luxembourg Stock Exchange.

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

The provisions of the 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 (the 'Act') by the ACD.

This Prospectus is based on information, law and practice at the date hereof. The Company shall not be bound by an out of date Prospectus when it has issued a new Prospectus or addendum and investors should check with the ACD that this is the most recently published Prospectus.

Copies of this Prospectus can be provided in large print or electronic format.

Shares in the Company are not available for offer or sale in any state in the United States, or to persons (including companies, partnerships, trusts or other entities) who are 'US Persons' as defined in Rule 902 of Regulation S under the US Securities Act of 1933, as amended, nor may Shares be owned or otherwise held by such persons. Accordingly, this Prospectus may not be distributed in the United States or to a US Person. The ACD reserves the right to give notice to any Shareholder that is or that subsequently becomes incorporated in the United States or to a US Person to (i) transfer the Shares to a person that is not a US Person or (ii) request a redemption or cancellation of the Shares and the ACD may redeem or cancel the Shares if the Shareholder fails to make such transfer or request within 30 days of that notice provided by the ACD.

## Definitions

“Accumulation Shares” Shares (of whatever Class) in Funds of the Company as may be in issue from time to time in respect of which income allocated thereto is credited periodically to capital pursuant to the FSA Rules

“ACD” Threadneedle Investment Services Limited, the authorised corporate director of the Company

“Approved Bank” means one of certain institutions as defined in the glossary to the FSA Handbook

“Base Currency” is Pounds Sterling and is the currency in which the accounts of the Company are to be prepared

“Class” or “Classes” in relation to Shares, means (according to the context) all of the Shares related to a single Fund or a particular class or classes of Share related to a single Fund

“Class X” Shares that have been designated to accommodate an alternative charging structure whereby instead of an annual management fee charged to the Fund, the Shareholder is invoiced directly by the ACD as set out in the agreement between the ACD and each Eligible Shareholder

“COLL” refers to the appropriate chapter or rule in the FSA Rules

“Company” Threadneedle Specialist Investment Funds ICVC

“Dealing Day” Monday to Friday excluding public and bank holidays in England and Wales and other days at the ACD’s discretion

“Depositary” J.P. Morgan Trustee and Depositary Company Limited, the depositary of the Company

“EEA State” a member state of the European Union and any other state which is within the European Economic Area

“Eligible Institution” one of certain credit institutions as defined in the glossary to the FSA Handbook

“Eligible Shareholder” existing or new shareholder of the Company that is eligible at the ACD’s discretion to invest in the Class X Shares upon entering into an agreement with the ACD and fulfilling the eligibility conditions set by the ACD from time to time

“EPM” Efficient Portfolio Management means the use of techniques and instruments which relate to transferable securities and approved money-market instruments and which fulfil the following criteria:

they are economically appropriate in that they are realised in a cost effective way; and

they are entered into for one or more of the following specific aims:

- reduction of risk;
- reduction of cost;
- generation of additional capital or income for the scheme with a risk level which is consistent with the risk profile of the scheme and the risk diversification rules laid down in COLL

“Euribor” (Euro Interbank Offered Rate) is the rate at which European banks lend money to each other and which can be seen as a proxy for short term interest rates.

“Fraction” a smaller denomination Share (on the basis that ten-thousand smaller denomination Shares make one larger denomination Share)

“FSA” the Financial Services Authority

“FSA Handbook” the FSA Handbook of Rules and Guidance

“FSA Rules” the rules contained in the Collective Investment Schemes Sourcebook published as part of the FSA Handbook which shall, for the avoidance of doubt, not include guidance or evidential requirements contained in that Sourcebook

“Fund” or “Funds” a sub-fund of the Company (being part of the Scheme Property of the Company which is pooled separately) and to which specific assets and liabilities of the Company may be allocated and which is invested in accordance with the investment objective applicable to such sub-fund

“Gross Accumulation Shares” Accumulation Shares which are Gross Paying Shares and are denominated in base currency

“Gross Income Shares” Income Shares which are Gross Paying Shares and are denominated in base currency

“Gross Paying Shares” Shares (of whatever Class) in Funds of the Company as may be in issue from time to time and in respect of which income allocated thereto is credited periodically to capital (in the case of Accumulation Shares) or distributed periodically to the holders thereof (in the case of Income Shares) in either case in accordance with relevant tax law without any tax being deducted or accounted for by the Company

“Hedged Currency” is the currency in which the Hedged Share Class is denominated

“Hedged Share Class” or “Hedged Share Classes” means (according to the context) share class or classes which allow the use of currency hedging transactions to reduce the effect of exchange rate fluctuations between the Reference Currency or Reference Currencies and the Hedged Currency

“Income Shares” Shares (of whatever Class) in Funds of the Company as may be in issue from time to time in respect of which income allocated thereto is distributed periodically to the holders pursuant to the FSA Rules

“Initial Offer Period” in respect of a newly-established Fund, a period described under the heading ‘Initial Offer Period’ in the section ‘Buying, selling and switching Shares’

“Investment Manager” Threadneedle Asset Management Limited, the investment manager to the ACD

“IPA” Shares available to Individual Pensions Accounts only

“Net Accumulation Shares” Accumulation Shares which are Net Paying Shares and are denominated in base currency

“Net Asset Value” or “NAV” the value of the Scheme Property of the Company (or of any Fund as the context requires) less the liabilities of the Company (or of the Fund concerned) as calculated in accordance with the Company’s Instrument of Incorporation

“Net Income Shares” Income Shares which are Net Paying Shares and are denominated in base currency

“Net Paying Shares” Shares (of whatever Class) in Funds of the Company as may be in issue from time to time and in respect of which income allocated thereto is credited periodically to capital (in the case of Accumulation Shares) or distributed periodically to the holders thereof (in the case of Income Shares) in either case in accordance with relevant tax law net of any tax deducted or accounted for by the Company

“OECD” Organisation for Economic Co-operation and Development

“OEIC Regulations” the Open-Ended Investment Companies Regulations 2001, as amended

“Portfolio Currency” or “Portfolio Currencies” means (according to the context) the currency or currencies in which the Fund is invested in line with the investment objectives applicable to the Fund

“Reference Currency” or “Reference Currencies” means (according to the context) the currency or currencies against which the currency hedging transaction will be applied in order

to reduce any exchange rate fluctuation with the Hedged Currency

“Scheme Property” the property of the Company required under the FSA Rules to be given for safe-keeping to the Depository

“SDRT” Stamp Duty Reserve Tax

“Share” or “Shares” a share or shares in the Company (including larger denomination Shares and Fractions)

“Shareholder” a holder for the time being of the Shares

“Switch” the exchange of Shares of one Class or Fund for Shares of another Class or Fund.

## Details of the Company

### General

THREADNEEDLE SPECIALIST INVESTMENT FUNDS ICVC is an open-ended investment company with variable capital incorporated in England and Wales under registered number IC 000232 and authorised by the FSA with effect from 9 May 2003.

The Company has been certified by the FSA as eligible to enjoy the rights conferred by the Undertakings for Collective Investment in Transferable Securities Directive (2009/65/EC), (the ‘UCITS Directive’). Accordingly, the Company is a UCITS scheme for the purposes of the FSA Rules.

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

Head office: 60 St Mary Axe, London EC3A 8JQ

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

Share capital: Maximum £100,000,000,000  
Minimum £100

Shares in the Company have no par value. The Share capital of the Company at all times equals the sum of the NAV of each of the Funds.

Shares in the Company can be marketed in other EEA States if the ACD so decides.

The Funds are currently registered for public offer in a number of countries outside the UK including Austria, Belgium, Denmark, France, Luxembourg, the Netherlands, Italy Spain and Portugal. Some of the Funds are registered for offer and sale in Switzerland and to Peruvian private pension Funds in

Peru. A separate Prospectus applies to the distribution of the Funds in Switzerland and is available upon request from the ACD. In Singapore a limited number of Funds are currently recognised as restricted schemes and are therefore only available for marketing to accredited investors (as defined under Singapore law).

The Company issues and redeems Shares in each of its available Classes at a price related to the relevant NAV.

## The structure of the Company

### The Funds

The Company is structured so that different Funds may be established from time to time by the ACD with the approval of the FSA and the agreement of the Depositary. On the introduction of any new Fund or Class, a revised Prospectus will be prepared setting out the relevant details of each Fund or Class.

The assets of each Fund will be treated as separate from those of every other Fund and will be invested in accordance with the investment objective and investment policy applicable to that Fund. The Funds which are currently available are:

**Pan European Accelerando Fund\***  
**UK Extended Alpha Fund\***  
**Absolute Return Bond Fund\***  
**Target Return Fund\***  
**UK Mid 250 Fund\***  
**Global Emerging Markets Equity Fund\***  
**UK Equity Alpha Income Fund\***  
**Global Equity Income Fund\***  
**Pan European Equity Dividend Fund\***  
**China Opportunities Fund\***  
**American Extended Alpha Fund\***  
**Global Extended Alpha Fund\***  
**Emerging Market Local Fund\***  
**UK Absolute Alpha Fund\***

\* These Funds will be managed so as to be eligible as ISA investments

Details of the Funds currently available, including their investment objectives and policies, are contained in the section 'Investment objectives, policies and other details of the Funds'. Share classes availability and launch dates are set out in Appendix VI.

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

Creditors of the Company may nevertheless look to all the assets of the Company for payment regardless of the Fund in respect of which that creditor's debt has arisen. Assets may be re-allocated to and from other Funds if it is necessary to do so to satisfy any creditor proceeding against the Company. In the event that any assets are so re-allocated, the ACD will advise Shareholders in the next succeeding annual or half-yearly report to Shareholders.

Each Fund will be charged with the liabilities, expenses, costs and charges of the Company attributable to that Fund and, within the Funds, charges will be allocated between Classes in accordance with the terms of issue of Shares of those Classes. The liabilities, expenses and charges directly attributable to a Hedged Share Class will be charged to that specific Hedged Share Class. 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 generally but they will normally be allocated to all Funds pro rata to the NAV of the relevant Funds.

## Share Classes

Classes of Share within the Funds:

Several Classes of Share may be issued in respect of each Fund. The Classes of Shares presently available are set out in Appendix VI. Subject to compliance with the OEIC Regulations and the FSA Rules, the ACD may create new Classes of Share in respect of any Fund.

Some Classes may make available Net Income Shares, Gross Income Shares, Net Accumulation Shares and Gross Accumulation Shares. The types of Shares presently available are set out in Appendix VI.

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

Holders of Net Accumulation Shares and Gross Accumulation Shares are not entitled to be paid the income attributable to such Shares, but that income is automatically transferred to (and retained as part of) the capital assets of the relevant Fund on the relevant interim and/or annual accounting dates. The price of Net Accumulation Shares and Gross Accumulation Shares increases to reflect this.

Where a Fund has different Classes, each Class may attract different charges and expenses and so monies may be deducted from Classes in unequal proportions. In these circumstances the proportionate interests of the Classes within a Fund will be adjusted accordingly. Typically, Class 1 are available to retail investors seeking income or growth (or a combination of both) over the medium to long-term. Class 2

Shares are available to non-retail investors. Class X shares are available to Eligible Shareholders only.

Hedged Share Classes may be available for some Funds. Hedged Share Classes allow the ACD to use currency hedging transactions to reduce the effect of exchange rate fluctuations between the Reference Currency or Reference Currencies and the Hedged Currency.

Where undertaken, the effects of hedging will be reflected in the value of the relevant Hedged Share Class. The cost and expenses associated with the hedging transactions in respect of the relevant Hedged Share Class(es) and any benefits of the hedging transactions will accrue to Shareholders in that Hedged Share Class only.

The ACD will aim to hedge between 95% and 105% of the proportion of the Net Asset Value attributable to a Hedged Share Class. When assessing the hedging transactions in respect of a Hedged Share Class both the capital and income values of the relevant Hedged Share Class will be taken into account.

The ACD will review the relevant hedging positions daily and, if appropriate, adjust the hedge to reflect investor inflows and outflows.

It should be noted that hedging transactions may be entered into whether or not the currency of a Hedged Share Class is declining or increasing in value relative to the Reference Currency or Portfolio Currency or Portfolio Currencies; consequently, where such hedging is undertaken, it may protect investors in the relevant class against a decrease in the value of this currency being hedged but it may also preclude investors from benefiting from an increase in the value of this currency.

There can be no guarantee that the hedging strategy applied in Hedged Share Classes will entirely eliminate the adverse effects of changes in exchange rates between the Reference Currency or reference Currencies and the Hedged Currency.

The relevant Reference Currency for each Hedged Share Class is set out in Appendix VII.

Shareholders are entitled to Switch all or part of their Shares in a Class or a Fund for Shares in another Class within the same Fund or for Shares of the same or another Class within a different Fund. Details of this switching facility and the restrictions are set out in the section 'Buying, selling and switching Shares'. Class 1 and Class 2 Shareholders can only Switch into Class X Shares if they are classified as Eligible Shareholder.

## Investment objectives, policies and other details of the Funds

Investment of the assets of each of the Funds must comply with the FSA Rules and the investment objective and policy of the relevant Fund. Details of these investment objectives and policies are set out below. The eligible securities markets and eligible derivatives markets on which the Funds may invest are set out in Appendix I. A detailed statement of the general investment management and borrowing powers, including a full list of eligible and investment restrictions is set out in Appendix II.

The investment policy of a Fund may mean that at times it is appropriate not to be fully invested but to hold cash or near cash. Investors should refer to the 'Risk factors' section of this Prospectus and to the circumstances when this may occur which are set out in Appendix II.

All Funds may use derivatives for EPM purposes. Where a Fund may invest in derivatives for investment purposes, this will be stated in the investment policy of each Fund.

Where the investment policy of a Fund contains words such as 'primarily', 'principally' or 'mainly' in the description of its investment policy, the relevant Fund will invest not less than two-thirds of the value of the property of that Fund in the specified kind of assets. However, for the purposes described in Appendix II with respect to Funds of the Company that are 'bond Funds', such a Fund may hold cash or money market securities or other instruments, including derivatives.

Where the Investment Objective or Policy contains the term 'maturity' it refers to the final payment date of a financial instrument, at which point the remaining principal and any interest is due to be paid. Where the Investment Objective or Policy contains the term Commercial Paper it is an unsecured promissory note with a fixed maturity of 1 to 365 days.

## Pan European Accelerando Fund

### Investment objective

The investment objective of the Pan European Accelerando Fund is to achieve above average capital growth.

### Investment policy

The ACD's investment policy is to actively manage a concentrated portfolio of primarily European equities including UK Equities with the ability to hold cash and/or money market securities in order to enable the pursuit of the Fund's investment objective. This approach means that the ACD has the flexibility to take significant stock and sector positions, which may lead to increased levels of volatility. The portfolio will primarily consist of equities of companies domiciled in Europe including the UK or which have a significant part of their

economic activities in Europe and/or the UK. Where securities are non-euro denominated they may be hedged into Euros. If the ACD considers it desirable it may hold a substantial proportion or all of the Funds in cash and/or money market instruments.

### Investor Profile

The Fund may be suitable for investors with a long term investment horizon seeking above average capital growth who are prepared to tolerate large price fluctuations. If investors are uncertain if the Fund is suitable for them, they are advised to contact a financial adviser.

### Risk Factors

Investors should note the "Risks factors" section of this Prospectus in terms of risks applicable to investing in the Company and in particular the section "Concentrated Portfolios".

These "Risk factors" must be understood before making an investment in the Fund.

## UK Extended Alpha Fund

### Investment objective

The investment objective of the UK Extended Alpha Fund is to achieve above average capital growth from a concentrated portfolio of UK equities.

### Investment policy

The ACD's investment policy is to actively manage an exposure primarily to a concentrated portfolio of UK equities, i.e. equities of companies domiciled in the UK, or which have significant UK operations, by investing directly or indirectly in such securities. This approach means that the ACD has the flexibility to take significant stock and sector positions which may lead to increased levels of volatility. If the ACD considers it desirable it may further invest up to one third of the assets of the Fund in markets outside the United Kingdom. The Fund's exposure may be gained through long and short positions.

The ACD may take long and short positions through the use of derivatives and forward transactions. In addition in order to gain long exposure, the ACD may invest in equities, collective investment schemes including exchange traded funds and/or related indices. If the ACD considers it desirable, it may hold a substantial proportion or all of the Fund in cash and/or other securities (including fixed interest securities and money market instruments).

### Investor Profile

The Fund may be suitable for investors with a long term investment horizon seeking above average capital growth who are prepared to tolerate large price fluctuations. If investors are

uncertain if the Fund is suitable for them, they are advised to contact a financial adviser

### Risk Factors

Investors should note the "Risks factors" section of this Prospectus in terms of risks applicable to investing in the Company and in particular the sections "Concentrated Portfolios" and "Investments in derivatives and forward transactions".

### Use of derivatives and forward transactions

**The Fund uses derivatives and forward transactions for both EPM and investment purposes including short selling and leverage. The use of derivatives and forward transactions for EPM will not increase the risk profile of the Fund. The use of derivatives for investment purposes may increase the risk profile of the Fund.**

### Short sales and Leverage

**The Fund's exposure involves short sales of securities and leverage which increases the risk of the Fund.** The term "short sales" refers to an exposure through derivatives to the selling of securities that are not owned by the seller at the time of the sale in anticipation that its value will fall. However, if the value of that security increases, it will have a negative effect on the Fund's value. In a rising market, leverage can enhance returns to Shareholders but if the market falls, losses may be greater.

These "Risk factors" must be understood before making an investment in the Fund.

## Absolute Return Bond Fund

### Investment objective

The investment objective of the Absolute Return Bond Fund is to achieve a total positive return in all market conditions.

### Investment policy

The ACD's investment policy is to invest the assets of the Fund so as to gain exposure to global bond and currency markets. The ACD will invest primarily in derivatives, cash and near cash, fixed interest securities, index linked securities, money market instruments and deposits. At times the portfolio may be concentrated in any one or a combination of such assets. The ACD may take long and short positions through derivatives in such issues.

### Risk Factors

Investors should note the "Risks factors" section of this Prospectus in terms of risks applicable to investing in the Company and in particular the sections "No Guarantee of Capital", "Investments in derivatives and forward transactions" and "Fixed Income Funds"

For the avoidance of doubt, the Absolute Return Bond Fund does not offer any form of guarantee with respect to investment performance, and no form of capital protection will apply.

### Investor Profile

The Fund may be suitable for investors with a medium term investment horizon seeking a total positive return who are prepared to tolerate moderate price fluctuations. If investors are uncertain if the Fund is suitable for them, they are advised to contact a financial adviser.

### Use of derivatives and forward transactions

**The Fund uses derivatives and forward transactions for both EPM and investment purposes including short selling and leverage. The use of derivatives and forward transactions for EPM will not increase the risk profile of the Fund. The use of derivatives for investment purposes may increase the risk profile of the Fund.**

### Short sales and Leverage

**The Fund's exposure involves short sales of securities and leverage which increases the risk of the Fund.** The term "short sales" refers to an exposure through derivatives to the selling of securities that are not owned by the seller at the time of the sale in anticipation that its value will fall. However, if the value of that security increases, it will have a negative effect on the Fund's value. In a rising market, leverage can enhance returns to Shareholders but if the market falls, losses may be greater.

These "Risk factors" must be understood before making an investment in the Fund.

## Target Return Fund

### Investment objective

The investment objective of the Target Return Fund is to target a total positive return in all market conditions.

### Investment policy

The ACD's investment policy is to invest the assets of the Fund to gain exposure to global bond and currency markets. The ACD will invest in derivatives, cash and near cash, fixed interest securities, index linked securities, money market instruments and deposits. At times the portfolio may be concentrated in any one or a combination of such assets. The ACD may take long and short positions through derivatives in such issues. Where securities are non-euro denominated they may be hedged into Euros on a Portfolio Currency level.

### Investor Profile

The Fund may be suitable for investors with a medium term investment horizon seeking a total positive return who are prepared to tolerate moderate price fluctuations. If investors are

uncertain if the Fund is suitable for them, they are advised to contact a financial adviser.

### Current strategy

Whilst the Fund aim is to target a total positive return, in normal circumstances and at launch, the Investment Manager will aim to outperform Euribor by 3% gross of charges and tax. The performance target for the Hedged Share Class(es) will be 3% gross of charges and tax above the bank base rate applicable to the Hedged Currency. However, this can change in the future.

### Risk Factors

Investors should note the "Risks factors" section of this Prospectus in terms of risks applicable to investing in the Company and in particular the sections "No Guarantee of Capital", "Investments in derivatives and forward transactions" and "Fixed Income Funds".

For the avoidance of doubt, the Target Return Fund does not offer any form of guarantee with respect to investment performance, and no form of capital protection will apply.

### Use of derivatives and forward transactions

**The Fund uses derivatives and forward transactions for both EPM and investment purposes including short selling and leverage. The use of derivatives and forward transactions for EPM will not increase the risk profile of the Fund. The use of derivatives for investment purposes may increase the risk profile of the Fund.**

### Short sales and Leverage

**The Fund's exposure involves short sales of securities and leverage which increases the risk of the Fund.** The term "short sales" refers to an exposure through derivatives to the selling of securities that are not owned by the seller at the time of the sale in anticipation that its value will fall. However, if the value of that security increases, it will have a negative effect on the Fund's value. In a rising market, leverage can enhance returns to Shareholders but if the market falls, losses may be greater.

These "Risk factors" must be understood before making an investment in the Fund.

## UK Mid 250 Fund

### Investment objective

The investment objective of the UK Mid 250 Fund is to achieve capital growth from a portfolio of UK 'mid cap' equities.

### Investment policy

The ACD's investment policy is to invest the assets of the Fund primarily in a selection of medium sized companies which are constituents of the FTSE 250 (ex Investment Trusts) Index. If

the ACD considers it desirable, it may also invest in companies which are not included in that index, and may hold cash and/or money market instruments.

### **Investor Profile**

The Fund may be suitable for investors with a long term investment horizon seeking capital growth who are prepared to tolerate large price fluctuations. If investors are uncertain if the Fund is suitable for them, they are advised to contact a financial adviser.

### **Risk Factors**

Investors should note the “Risks factors” section of this Prospectus in terms of risks applicable to investing in the Company and in particular section “Mid-cap companies”.

These “Risk factors” must be understood before making an investment in the Fund.

## **Global Emerging Markets Equity Fund**

### **Investment objective**

The investment objective of the Global Emerging Markets Equity Fund is to achieve long-term capital growth.

### **Investment policy**

The ACD’s investment policy is to invest the assets of the Fund primarily in equities of Emerging Markets companies. These are defined as companies domiciled in and/or whose significant activities are in Emerging Market countries. Emerging Market countries are those characterised as developing or emerging by the World Bank, the United Nations or the MSCI Emerging Markets Free Index.

If the ACD considers it desirable, it may further invest up to one third of the total assets of the Fund in other securities (including fixed interest securities, other equities and money market securities).

In addition, the ACD may use derivatives and forward transactions for purposes that are limited to efficient portfolio management.

### **Investor Profile**

The Fund may be suitable for investors with a long term investment horizon seeking capital growth who are prepared to tolerate large price fluctuations. If investors are uncertain if the Fund is suitable for them, they are advised to contact a financial adviser.

### **Risk Factors**

Investors should note the “Risks factors” section of this Prospectus in terms of risks applicable to investing in the

Company and in particular the sections “Emerging Markets” and “Taxation”.

The nature of investments in emerging rather than developed markets means that the Fund may experience increased levels of volatility compared to funds invested primarily in more mature markets. Furthermore custody arrangements in emerging markets may be less reliable.

These “Risk factors” must be understood before making an investment in the Fund.

## **UK Equity Alpha Income Fund**

### **Investment objective**

The investment objective of the UK Equity Alpha Income Fund is to achieve a reasonable and growing income with the prospects of capital growth from a concentrated portfolio of UK equities.

### **Investment policy**

The ACD’s investment policy is to invest the assets of the Fund in a concentrated portfolio of predominantly UK equities. The Alpha Income investment approach is a highly focused management style, which gives the ACD the flexibility to take significant stock and sector positions, which may lead to increased levels of volatility. The portfolio will consist primarily of equities of companies domiciled in the UK, or which have significant UK operations.

### **Investor Profile**

The Fund may be suitable for investors with a long term investment horizon seeking a reasonable and growing income with prospects for capital growth who are prepared to tolerate large price fluctuations. If investors are uncertain if the Fund is suitable for them, they are advised to contact a financial adviser.

### **Risk Factors**

Investors should note the “Risks factors” section of this Prospectus in terms of risks applicable to investing in the Company and in particular the sections “Risk to Capital Growth” and “Concentrated Portfolios”.

These “Risk factors” must be understood before making an investment in the Fund.

## **Global Equity Income Fund**

### **Investment objective**

The investment objective of the Global Equity Income Fund is to achieve a high and growing income over the long term combined with prospects for capital growth.

### **Investment policy**

The ACD's investment policy is to invest no less than two-thirds of the gross assets of the Fund in global equities. Income will be in the form of dividend distribution.

If the ACD considers it desirable it may further invest up to one third of the total assets of the Fund in derivatives, forward transactions and other securities (including fixed interest securities and money market securities) deposits and cash.

### **Investor Profile**

The Fund may be suitable for investors with a long term investment horizon seeking a high and growing income with prospects for capital growth who are prepared to tolerate large price fluctuations. If investors are uncertain if the Fund is suitable for them, they are advised to contact a financial adviser.

### **Risk Factors**

Investors should note the "Risks factors" section of this Prospectus in terms of risks applicable to investing in the Company and in particular the sections "Risk to Capital Growth", "Emerging Markets" and "Taxation".

The nature of investments in emerging rather than developed markets means that the Fund may experience increased levels of volatility compared to funds invested primarily in more mature markets. Furthermore custody arrangements in emerging markets may be less reliable.

These "Risk factors" must be understood before making an investment in the Fund.

### **Investing in derivatives and forward transactions**

The Global Equity Income Fund currently uses derivatives for efficient portfolio management purposes only; however the policy allows the use of derivatives for investment purposes in the future. Shareholders will be given 60 days prior written notice of any proposal to use derivatives for investment purposes and the Prospectus will be updated accordingly.

The use of derivatives for efficient portfolio management is not intended to materially change the risk profile of the Fund.

## **Pan European Equity Dividend Fund**

### **Investment objective**

The investment objective of the Pan European Equity Dividend Fund is to achieve a reasonable and growing income combined with prospects for capital growth from a portfolio of Pan European equities.

### **Investment policy**

The ACD's investment policy is to invest the assets of the Fund primarily in the equities of companies domiciled in Continental Europe and the UK or with significant Continental European and UK activities.

The ACD will look to invest in companies that exhibit a high potential for paying above average dividends.

If the ACD considers it desirable it may further invest up to one third of the total assets of the Fund in other securities (including fixed interest securities, other equities, money market securities, cash and near cash).

### **Investor Profile**

The Fund may be suitable for investors with a long term investment horizon seeking a reasonable and growing income with prospects for capital growth who are prepared to tolerate large price fluctuations. If investors are uncertain if the Fund is suitable for them, they are advised to contact a financial adviser.

### **Risk Factors**

Investors should note the "Risks factors" section of this Prospectus in terms of risks applicable to investing in the Company and in particular the section "Risk to Capital Growth".

These "Risk factors" must be understood before making an investment in the Fund.

## **China Opportunities Fund**

### **Investment objective**

The investment objective of the China Opportunities Fund is to achieve long-term capital growth.

### **Investment Policy**

The ACD's investment policy is to invest the assets of the Fund primarily in equities and equity related securities of Chinese companies. These are defined as companies domiciled in and/or whose significant activities are in the People's Republic of China.

If the ACD considers it desirable, it may further invest up to one third of the total assets of the Fund in derivatives, forward transactions and other securities (including fixed interest securities, other equities, money market securities and cash).

In exceptional circumstances and on a temporary basis, the ACD may hold a substantial proportion of the Fund in cash and/or money market instruments.

### **Investor Profile**

The Fund may be suitable for investors with a long term investment horizon seeking capital growth who are prepared to

tolerate large price fluctuations. If investors are uncertain if the Fund is suitable for them, they are advised to contact a financial adviser.

### Risk Factors

Investors should note the “Risks factors” section of this Prospectus in terms of risks applicable to investing in the Company and in particular the sections “Liquidity Risk”, “Taxation” and “Emerging Markets”.

The nature of investments in emerging rather than developed markets means that the Fund may experience increased levels of volatility compared to funds invested primarily in more mature markets. Furthermore custody arrangements in emerging markets may be less reliable.

These “Risk factors” must be understood before making an investment in the Fund.

### Investing in derivatives and forward transactions

The China Opportunities Fund currently uses derivatives for efficient portfolio management purposes only; however the policy allows the use of derivatives for investment purposes in the future. Shareholders will be given 60 days prior written notice of any proposal to use derivatives for investment purposes and the Prospectus will be updated accordingly.

The use of derivatives for efficient portfolio management is not intended to materially change the risk profile of the Fund.

### Investment in A shares in listed companies of the People’s Republic of China

Subject to local regulatory approval the ACD intends to invest in A shares of companies listed in the People’s Republic of China. The ACD is currently in the process of seeking approval on the Shenzhen and Shanghai Stock exchanges and will give Shareholder notice in advance of investing.

## American Extended Alpha Fund

### Investment objective

The investment objective of the American Extended Alpha Fund is to achieve above average capital growth.

### Investment policy

The ACD’s investment policy is to actively manage an exposure primarily to equities of companies which are domiciled in North America or which have significant North American operations, by investing directly or indirectly in such securities. If the ACD considers it desirable it may further invest up to one third of the total assets of the Fund in markets other than in North America. Exposure to North American and other markets may be gained through both long and short positions.

The ACD may invest in equities, derivatives, forward transactions and collective investment schemes. The ACD may also invest in other securities (including fixed interest securities and money market securities), deposits and cash.

In order to gain short exposure the ACD will invest in derivatives. The ACD may also invest in derivatives to gain long exposure.

### Investor Profile

The Fund may be suitable for investors with a long term investment horizon seeking above average capital growth who are prepared to tolerate large price fluctuations. If investors are uncertain if the Fund is suitable for them, they are advised to contact a financial adviser.

### Risk Factors

Investors should also note the “Risks factors” section of this Prospectus in terms of risks applicable to investing in the Company and in particular the section “Investments in derivatives and forward transactions”.

### Use of derivatives and forward transactions

**The Fund uses derivatives and forward transactions for both EPM and investment purposes including short selling and leverage. The use of derivatives and forward transactions for EPM will not increase the risk profile of the Fund. The use of derivatives for investment purposes may increase the risk profile of the Fund.**

### Short sales and Leverage

**The Fund’s exposure involves short sales of securities and leverage which increases the risk of the Fund.** The term “short sales” refers to an exposure through derivatives to the selling of securities that are not owned by the seller at the time of the sale in anticipation that its value will fall. However, if the value of that security increases, it will have a negative effect on the Fund’s value. In a rising market, leverage can enhance returns to Shareholders but if the market falls, losses may be greater.

These “Risk factors” must be understood before making an investment in the Fund.

## Global Extended Alpha Fund

### Investment objective

The investment objective of the Global Extended Alpha Fund is to achieve long term capital growth.

### Investment policy

The ACD’s investment policy is to actively manage an exposure by investing directly or indirectly into equity securities worldwide, including companies located in developed and

emerging markets. Exposure to these markets may be gained through both long and short positions.

The ACD may invest in equities, derivatives, forward transactions and collective investment schemes. The ACD may also invest in other securities (including fixed interest securities and money market securities), deposits and cash.

In order to gain short exposure the ACD will invest in derivatives. The ACD may also invest in derivatives to gain long exposure.

### Investor Profile

The Fund may be suitable for investors with a long term investment horizon seeking capital growth who are prepared to tolerate large price fluctuations. If investors are uncertain if the Fund is suitable for them, they are advised to contact a financial adviser.

### Risk Factors

Investors should note the "Risks factors" section of this Prospectus in terms of risks applicable to investing in the Company and in particular the sections "Investments in derivatives and forward transactions", "Emerging Markets" and "Taxation".

The nature of investments in emerging rather than developed markets means that the Fund may experience increased levels of volatility compared to funds invested primarily in more mature markets. Furthermore custody arrangements in emerging markets may be less reliable.

### Use of derivatives and forward transactions

**The Fund uses derivatives and forward transactions for both EPM and investment purposes including short selling and leverage. The use of derivatives and forward transactions for EPM will not increase the risk profile of the Fund. The use of derivatives for investment purposes may increase the risk profile of the Fund.**

### Short sales and Leverage

**The Fund's exposure involves short sales of securities and leverage which increases the risk of the Fund.** The term "short sales" refers to an exposure through derivatives to the selling of securities that are not owned by the seller at the time of the sale in anticipation that its value will fall. However, if the value of that security increases, it will have a negative effect on the Fund's value. In a rising market, leverage can enhance returns to Shareholders but if the market falls, losses may be greater.

These "Risk factors" must be understood before making an investment in the Fund.

There will be no initial offer period.

## Emerging Market Local Fund

### Investment objective

The investment objective of the Emerging Market Local Fund is to achieve a total return primarily by way of income with some capital growth.

### Investment policy

The ACD's investment policy is to actively manage an exposure primarily in emerging market local currencies and emerging market local currency debt issued by governments in Emerging Markets and/or companies which are domiciled or have significant operations in an Emerging Market. Emerging markets countries are those characterised as developing or emerging by the MSCI Emerging Markets Free Index or those not listed in the OECD country list. If the ACD considers it desirable it may further invest up to one third of the total assets of the Fund in markets other than emerging markets.

The ACD will invest the total assets of the Fund in local currency government bonds and treasury bills, corporate bonds issued in local currency, cash or near cash, securitised notes, foreign exchange forward transactions, and other type of derivatives. At times the portfolio may be concentrated in any one or a combination of such assets.

### Investor Profile

The Fund may be suitable for investors with a medium to long term investment horizon seeking a total return primarily by way of income with some capital growth who are prepared to tolerate moderate to large price fluctuations. If investors are uncertain if the Fund is suitable for them, they are advised to contact a financial adviser.

### Risk Factors

Investors should note the "Risks factors" section of this Prospectus in terms of risks applicable to investing in the Company and in particular the sections "Risk to Capital Growth", "Taxation", "Fixed Income Funds", "High Yield Bond" and "Emerging Markets".

The nature of investments in emerging rather than developed markets means that the Fund may experience increased levels of volatility compared to funds invested primarily in more mature markets. Furthermore custody arrangements in emerging markets may be less reliable.

These "Risk factors" must be understood before making an investment in the Fund.

### Investing in derivatives and forward transactions

The Emerging Market Local Fund currently uses derivatives for efficient portfolio management purposes only.

The use of derivatives for efficient portfolio management is not intended to materially change the risk profile of the Fund.

## UK Absolute Alpha Fund

### Investment Objective

The investment objective of the UK Absolute Alpha Fund is to achieve an absolute return, irrespective of market conditions, over the long term.

### Investment Policy

The ACD's investment policy is to principally invest in: equity securities, or equity related derivatives, of corporate issuers headquartered in the United Kingdom (or corporate issuers who exercise a predominant part of their activity in the United Kingdom) fixed interest securities, cash, or money market instruments. If the ACD considers it desirable, the ACD may invest in securities and derivatives related to corporate issuers headquartered outside the United Kingdom. The Fund's exposure to any equities may be gained through long and short positions.

The ACD may take long and short positions through the use of derivatives and forward transactions. In addition in order to gain long exposure the ACD may invest in equities, collective investment schemes including exchange traded funds and/or related indices.

### Investor Profile

The Fund may be suitable for investors with a long term investment horizon seeking a total positive return who are prepared to tolerate large price fluctuations. If investors are uncertain if the Fund is suitable for them, they are advised to contact a financial adviser.

### Risk Factors

Investors should note the "Risks factors" section of this Prospectus in terms of risks applicable to investing in the Company and in particular the section "No Guarantee of Capital Risk and "Investments in derivatives and forward transactions".

For the avoidance of doubt, the UK Absolute Alpha Fund does not offer any form of guarantee with respect to investment performance, and no form of capital protection will apply.

### Use of derivatives and forward transactions

**The Fund uses derivatives and forward transactions for both EPM and investment purposes including short selling and leverage. The use of derivatives and forward transactions for EPM will not increase the risk profile of the Fund. The use of derivatives for investment purposes may increase the risk profile of the Fund.**

### Short sales and Leverage

**The Fund's exposure involves short sales of securities and leverage which increases the risk of the Fund.** The term "short sales" refers to an exposure through derivatives to the selling of securities that are not owned by the seller at the time of the sale in anticipation that its value will fall. However, if the value of that security increases, it will have a negative effect on the Fund's value. In a rising market, leverage can enhance returns to Shareholders but if the market falls, losses may be greater.

These "Risk factors" must be understood before making an investment in the Fund.

### Buying, selling and switching Shares

The investor can invest in all Funds and Share Classes provided the eligibility criteria are met.

Please note that the ACD may reject a request to buy sell or switch in Shares if the investor is unable to demonstrate to the satisfaction of the ACD (acting reasonably) that the investor has complied with applicable law and regulation. By way of example only, such circumstances may include an inability to provide appropriate money laundering documentation or confirmation that the investor has received the most recently available Key investor Information Document for the Fund they wish to invest in (if applicable).

The Funds are marketable to all retail and non-retail investors.

The dealing office of the ACD is open from at least 8 am until at least 6 pm UK time (9 am to 6 pm Central European Time) on each Dealing Day to receive requests for the issue, redemption and switching of Shares. Details are set out in the section 'Investment objectives, policies and other details of the Funds'.

Prices for the available Funds are calculated every Dealing Day at 12 noon UK time (normally 1 pm Central European Time). Shares in the Funds purchased or sold before 12 noon (normally 1 pm Central European Time) will obtain the price calculated on that Dealing Day. Shares in Funds purchased or sold after 12 noon (normally 1 pm Central European Time) will obtain the price calculated at 12 noon (normally 1 pm Central European Time) the following Dealing Day.

## Minimum subscriptions and holdings

Fund	Minimum Investment	Subsequent Investment	Minimum Holding
Pan European Accelerando Fund (Class 1)	GBP 2,000 Euro 2,500	GBP 1,000 Euro 2,000	GBP 500 Euro 750
Pan European Accelerando Fund (Class 2)	GBP 50,000 Euro 100,000	GBP 15,000 Euro 20,000	GBP 15,000 Euro 20,000
Pan European Accelerando Fund (Class X)	GBP 3 million Euro 5 million USD 5 million	GBP 25,000 Euro 40,000 USD 40,000	GBP 25,000 Euro 40,000 USD 40,000
UK Extended Alpha Fund (Class 1)	GBP 2,000 Euro 2,500	GBP 1,000 Euro 2,000	GBP 500 Euro 750
UK Extended Alpha Fund (Class 2)	GBP 50,000 Euro 100,000	GBP 15,000 Euro 20,000	GBP 15,000 Euro 20,000
UK Extended Alpha Fund (Class X)	GBP 3 million Euro 5 million USD 5 million	GBP 25,000 Euro 40,000 USD 40,000	GBP 25,000 Euro 40,000 USD 40,000
UK Absolute Alpha Fund (Class 1)	GBP 2,000 Euro 2,500	GBP 1,000 Euro 2,000	GBP 500 Euro 750
UK Absolute Alpha Fund (Class 2)	GBP 500,000 Euro 750,000	GBP 25,000 Euro 40,000	GBP 25,000 Euro 40,000
UK Absolute Alpha Fund (Class X)	GBP 3 million Euro 5 million USD 5 million	GBP 25,000 Euro 40,000 USD 40,000	GBP 25,000 Euro 40,000 USD 40,000
UK Absolute Alpha Fund Hedged Share Class (Class 1)	Euro 2,500 USD 2,500	Euro 2,000 USD 2,000	Euro 750 USD 750
UK Absolute Alpha Fund Hedged Share Class (Class 2)	Euro 750,000 USD 750,000	Euro 40,000 USD 40,000	Euro 40,000 USD 40,000
Absolute Return Bond Fund (Class 1)	GBP 2,000 Euro 2,500	GBP 1,000 Euro 750	GBP 500 Euro 750
Absolute Return Bond Fund (Class 2)	GBP 500,000 Euro 750,000	GBP 25,000 Euro 40,000	GBP 25,000 Euro 40,000
Absolute Return Bond Fund (Class X)	GBP 3 million Euro 5 million USD 5 million	GBP 25,000 Euro 40,000 USD 40,000	GBP 25,000 Euro 40,000 USD 40,000
Absolute Return Bond Fund Hedged Share Class (Class 1)	SEK 25,000 USD 2,500	SEK 12,500 USD 750	SEK 6,250 USD 750

Fund	Minimum Investment	Subsequent Investment	Minimum Holding
Absolute Return Bond Fund Hedged Share Class (Class 2)	SEK 6 million USD 750,000	SEK 300,000 USD 40,000	SEK 300,000 USD 40,000
Target Return Fund (Class 1)	GBP 2,000 Euro 2,500	GBP 1,000 Euro 2,000	GBP 500 Euro 750
Target Return Fund (Class 2)	GBP 500,000 Euro 750,000	GBP 25,000 Euro 40,000	GBP 25,000 Euro 40,000
Target Return Fund (Class X)	GBP 3 million Euro 5 million USD 5 million	GBP 25,000 Euro 40,000 USD 40,000	GBP 25,000 Euro 40,000 USD 40,000
Target Return Fund Hedged Share Class (Class 1)	SEK 25,000 CHF 4,000 USD 2,500	SEK 12,500 CHF 2,000 USD 2,500	SEK 6,250 CHF 1,000 USD 750
Target Return Fund Hedged Share Class (Class 2)	SEK 7 million CHF 1,200,000 USD 750,000	SEK 40,000 CHF 60,000 USD 40,000	SEK 400,000 CHF 60,000 USD 40,000
UK Mid 250 Fund (Class 1)	GBP 2,000	GBP 1,000	GBP 500
UK Mid 250 Fund (Class 2)	GBP 500,000	GBP 25,000	GBP 25,000
UK Mid 250 Fund (Class X)	GBP 3 million Euro 5 million USD 5 million	GBP 25,000 Euro 40,000 USD 40,000	GBP 25,000 Euro 40,000 USD 40,000
Global Emerging Markets Equity Fund (Class 1)	GBP 2,000 Euro 3,000	GBP 1,000 Euro 750	GBP 500 Euro 750
Global Emerging Markets Equity Fund (Class 2)	GBP 500,000 Euro 800,000	GBP 25,000 Euro 40,000	GBP 25,000 Euro 40,000
Global Emerging Markets Equity Fund (Class X)	GBP 3 million Euro 5 million USD 5 million	GBP 25,000 Euro 40,000 USD 40,000	GBP 25,000 Euro 40,000 USD 40,000
UK Equity Alpha Fund (Class 1)	GBP 2,000	GBP 1,000	GBP 500
UK Equity Alpha Fund (Class 2)	GBP 500,000	GBP 25,000	GBP 25,000
UK Equity Alpha Fund (Class X)	GBP 3 million Euro 5 million USD 5 million	GBP 25,000 Euro 40,000 USD 40,000	GBP 25,000 Euro 40,000 USD 40,000
Global Equity Income Fund (Class 1)	GBP 2,000 Euro 2,500 USD 3,000	GBP 1,000 Euro 750 USD 750	GBP 500 Euro 750 USD 750
Global Equity Income Fund (Class 2)	GBP 500,000 Euro 750,000 USD 800,000	GBP 25,000 Euro 40,000 USD 40,000	GBP 25,000 Euro 40,000 USD 40,000

Fund	Minimum Investment	Subsequent Investment	Minimum Holding
Global Equity Income Fund (Class X)	GBP 3 million Euro 5 million USD 5 million	GBP 25,000 Euro 40,000 USD 40,000	GBP 25,000 Euro 40,000 USD 40,000
Pan European Equity Dividend Fund (Class 1)	GBP 2,000 Euro 2,500	GBP 1,000 Euro 750	GBP 500 Euro 750
Pan European Equity Dividend Fund (Class 2)	GBP 500,000 Euro 750,000	GBP 25,000 Euro 40,000	GBP 25,000 Euro 40,000
Pan European Equity Dividend Fund (Class X)	GBP 3 million Euro 5 million USD 5 million	GBP 25,000 Euro 40,000 USD 40,000	GBP 25,000 Euro 40,000 USD 40,000
China Opportunities Fund (Class 1)	GBP 2,000 Euro 2,500 USD 3,000	GBP 1,000 Euro 750 USD 750	GBP 500 Euro 750 USD 750
China Opportunities Fund (Class 2)	GBP 500,000 Euro 750,000 USD 800,000	GBP 25,000 Euro 40,000 USD 40,000	GBP 25,000 Euro 40,000 USD 40,000
China Opportunities Fund (Class X)	GBP 3 million Euro 5 million USD 5 million	GBP 25,000 Euro 40,000 USD 40,000	GBP 25,000 Euro 40,000 USD 40,000
American Extended Alpha Fund (Class 1)	GBP 2,000 Euro 2,500 USD 3,000	GBP 1,000 Euro 750 USD 750	GBP 500 Euro 750 USD 750
American Extended Alpha Fund (Class 2)	GBP 500,000 Euro 750,000 USD 800,000	GBP 25,000 Euro 40,000 USD 40,000	GBP 25,000 Euro 40,000 USD 40,000
American Extended Alpha Fund (Class X)	GBP 3 million Euro 5 million USD 5 million	GBP 25,000 Euro 40,000 USD 40,000	GBP 25,000 Euro 40,000 USD 40,000
American Extended Alpha Fund Hedged Share Class (Class 1)	EUR 2,500	EUR 750	EUR 750
American Extended Alpha Fund Hedged Share Class (Class 2)	EUR 750,000	EUR 40,000	EUR 40,000
Global Extended Alpha Fund (Class 1)	GBP 2,000 Euro 2,500 USD 3,000	GBP 1,000 Euro 750 USD 750	GBP 500 Euro 750 USD 750
Global Extended Alpha Fund (Class 2)	GBP 500,000 Euro 750,000 USD 800,000	GBP 25,000 Euro 40,000 USD 40,000	GBP 25,000 Euro 40,000 USD 40,000
Global Extended Alpha Fund (Class X)	GBP 3 million Euro 5 million USD 5 million	GBP 25,000 Euro 40,000 USD 40,000	GBP 25,000 Euro 40,000 USD 40,000
Emerging Market Local Fund (Class 1)	GBP 2,000 Euro 2,500 USD 3,000	GBP 1,000 Euro 750 USD 750	GBP 500 Euro 750 USD 750
Emerging Market Local Fund (Class 2)	GBP 500,000 Euro 750,000 USD 800,000	GBP 25,000 Euro 40,000 USD 40,000	GBP 25,000 Euro 40,000 USD 40,000
Emerging Market Local Fund (Class X)	GBP 3 million Euro 5 million USD 5 million	GBP 25,000 Euro 40,000 USD 40,000	GBP 25,000 Euro 40,000 USD 40,000

The ACD may at its discretion accept subscriptions lower than the minimum amount. If a holding is below the minimum holding the ACD has the discretion to require redemption of the entire holding. For the Hedged Share Class(es), although the above applies, if at any time the size of a class falls below GBP 1million (or the equivalent in other currency), the ACD may, in the interest of remaining Shareholders, redeem all outstanding Shares in the affected Hedged Share Class. Investors should refer to the "Restrictions and compulsory transfer and redemption" for further information.

### Client money

In the event that investors are not allocated shares within 24 hours of payment being received for the purchase or a cheque or electronic funds transferred in satisfaction of the redemption monies is not issued within four business days of receipt by the ACD of the fully authorised form of renunciation (or other sufficient written instructions), the ACD will treat the relevant sum as client money as defined under the FSA Rules. This means that the money is held in an account separate from that the ACD uses to hold its own money. The ACD will not calculate or pay to the investor any interest that might arise on those monies.

### Initial Offer Period

The ACD may arrange for there to be an Initial Offer Period in respect of any newly-established Fund, commencing on the date of launch of the relevant Fund. During that period, the price at which shares in that Fund can be bought will be as fixed by the ACD and notified to the Depositary at or before the start of that period.

## Buying Shares

### Procedure:

Shares can be bought either by sending a completed application form to the ACD directed to the ACD Client Services Department, P.O. Box 1331, Swindon SN38 7TA, faxing the application form to 0800 328 4540 or by telephoning the ACD on 0800 068 3000\* if calling from the UK and (+44) 1793 363 900 if calling from outside the UK. For non-UK residents, the initial purchase must be accompanied by a completed application form. Application forms may be obtained from the ACD and faxed to (+44) 1793 713609 or sent through the post directed to the Client Services Department, P.O. Box 1457, Swindon SN1 1FP. Subsequent investments can be made by telephone, but still require written confirmation. Unless dictated otherwise, all deals will be processed on receipt and payment immediately becoming due.

\*Please note that calls may be recorded.

Prior to subscription to Class X Shares an agreement must be entered into between the Eligible Shareholder and the ACD.

Settlement is the relevant Dealing Day plus four business days for all Funds of the Company.

As part of its credit control policy, the ACD reserves the right to cancel without notice any contract for which payment has not been received by the relevant settlement date and to recover any losses incurred. The ACD reserves the right to charge interest on late settlement. During an Initial Offer Period, the ACD may require cash settlement before arranging for the issue of Shares.

The ACD has the right to reject, on reasonable grounds, any application for Shares in whole or part, and in this event the ACD will return any money sent, or the balance of such monies, at the risk of the applicant.

Any subscription monies remaining after a whole number of Shares has been issued will not be returned to the applicant. Instead, Fractions will be issued in such circumstances.

### **Documents the purchaser will receive:**

A contract note giving details of the Shares purchased and the price obtained will be issued by the end of the business day following the later of receipt of the application to purchase Shares or the valuation point by reference to which the purchase price is determined, together with, where appropriate, a notice of the applicant's right to cancel.

Share certificates will not be issued in respect of Shares. Ownership of Shares will be evidenced by an entry on the Company's register of Shareholders. Statements in respect of periodic distributions will show the number of Shares held or accumulated by the recipient. Individual statements of a Shareholder's (or, when Shares are jointly held, the first-named holder's) Shares will also be issued at any time on request by the registered holder.

## **Selling Shares**

### **Procedure:**

Every Shareholder has the right to require that the Company redeem his Shares on any Dealing Day unless the value of Shares which a Shareholder wishes to redeem will mean that the Shareholder will hold Shares with a value less than the required minimum holding for the Fund concerned, in which case the Shareholder may be required to redeem his entire holding. Exceptions may apply for the China Opportunities Fund. Please see section "in Specie redemption".

Requests to redeem Shares may be made to the ACD by telephone on 0800 068 3000\* or through the post directed to the ACD Client Services Department, P.O. Box 1331, Swindon SN38 7TA for UK investors and on (+44) 1793 363900\* for non-UK investors (with written confirmation), by fax (+44) 1793

713609 or through the post directed to the ACD Client Services Department, P.O. Box 1457, Swindon SN1 1FP.

\*Please note that calls may be recorded.

Cheques or electronic funds transfer in satisfaction of the redemption monies will be issued or made within four business days for 'equity Funds', or 'bond Funds' and one business day for 'cash Funds' of the later of (a) receipt by the ACD of the form of renunciation (or other sufficient written instructions) duly signed by all the relevant Shareholders and completed as to the appropriate number of Shares, together with any other appropriate evidence of title, and (b) the valuation point following receipt by the ACD of the request to redeem.

### **Documents the seller will receive:**

A contract note giving details of the number and price of Shares sold will be sent to the selling Shareholder (to the first-named, in the case of joint Shareholders) together (if sufficient written instructions have not already been given) with a form of renunciation for completion and execution by the Shareholder(s) no later than the end of the business day following the later of the request to redeem Shares or the valuation point by reference to which the redemption price is determined.

### **Minimum redemption:**

Part of a Shareholder's holding may be redeemed but the ACD reserves the right to refuse a redemption request if the value of the Shares of any Fund to be redeemed is less than £500 in respect of Class 1 Shares and Class 1 Hedged Share Class and less than £25,000 in respect of Class 2 and Class 2 Hedged Share Class and Class X Shares (or other currency equivalent).

### **Switching**

Where more than one Fund exists, a holder of Shares in a Fund may at any time Switch all or some of his Shares of one Class or Fund ('Original Shares') for Shares of another Class or Fund ('New Shares'). The Shareholder of the Original Shares must be an Eligible Shareholder in order to Switch to the Class X Shares. The number of New Shares issued will be determined by reference to the respective prices of New Shares and Original Shares at the valuation point applicable at the time the Original Shares are repurchased and the New Shares are issued.

Switching may be effected either by telephone on 0800 068 3000\* or fax 0800 068 4540 or through the post directed to the ACD Client Services Department, P.O. Box 1331, Swindon SN38 7TA for UK investors and on (+44) 1793 363900\* for non-UK investors (with written confirmation), by fax (+44) 1793 713609 or through the post directed to the ACD Client Services Department P.O. Box 1457, Swindon SN1 1FP and the Shareholder(s) may be required to complete a switching form.

\* Please note that calls may be recorded.

The ACD may at its discretion charge a fee on the switching of Shares between Funds. These fees are set out in the section 'Dealing charges'. There is no fee on a Switch between Classes of the same Fund.

If the Switch would result in the Shareholder holding a number of Original Shares or New Shares of a value which is less than the minimum holding in the Class or Fund concerned, the ACD may, if it thinks fit, convert the whole of the applicant's holding of Original Shares to New Shares or refuse to effect any Switch of the Original Shares. No Switch will be made during any period when the right of Shareholders to require the redemption of their Shares is suspended. The general provisions on procedures relating to redemption will apply equally to a Switch. A duly completed switching form must be received by the ACD before the valuation point on a Dealing Day in the Fund or Funds concerned to be dealt with at the prices at those valuation points on that Dealing Day, or at such other date as may be approved by the ACD. Switching requests received after a valuation point will be held over until the next Dealing Day in the relevant Fund or Funds.

The ACD may adjust the number of New Shares to be issued to reflect the imposition of any switching fee together with any other charges or levies in respect of the issue or sale of the New Shares or repurchase or cancellation of the Original Shares as may be permitted pursuant to the FSA Rules.

Please note that a Switch of Shares in one Fund for Shares in any other Fund is treated as a redemption and sale and therefore may have tax implications for Shareholders. For persons subject to UK taxation it will be a disposal for the purposes of capital gains taxation.

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

## Dealing charges

### Initial charge:

The initial charges vary depending on the country of subscription and the Class of Share. The current initial charges are set out below:

Share Class	Initial Charge
<b>Class 1 and Class 1 Hedged Share Class*</b>	
<b>For UK investors</b>	<b>3.75% of the gross amount invested</b>
<b>For non-UK investors</b>	<b>5% of the gross amount invested</b>
<b>Class 2 and Class 2 Hedged Share Class</b>	<b>0%</b>
<b>Class X</b>	<b>0% of the gross amount invested</b>

\* An initial charge of 3% of the gross amount invested in the Target Return Fund and the Absolute Return Bond Fund is levied for non-UK investors and UK.

The ACD will give written notice to the affected Shareholders not less than 60 days before implementing any increase to the rates of the initial charge set out above, and will make available a Prospectus to reflect the increased rate of the initial charge.

The initial charge is payable to the ACD and may be used to remunerate intermediaries. To the extent permitted by the FSA Rules, the ACD may agree to waive or reduce the initial charge at its discretion, in respect of a subscription by any person, including a holder of Shares in any other collective investment scheme operated by the ACD, where such subscription is at or about the same time as the redemption of units or Shares (or other interests) in that other collective investment scheme and thereby represents a 'Switch' to the Company.

### Reinvestment of Income

For those Funds which allow income to be reinvested, Shareholders may elect to use their dividend income to purchase new Shares in the Fund. For Shares purchased using the reinvestment of dividend income the initial charge may be discounted or waived at the discretion of the ACD.

## Redemption charge

The ACD may make a charge on the redemption of Shares. At present no redemption charge is levied by the ACD on the redemption of Shares. Shares issued while this Prospectus is

in force will not be subject to any redemption charge in the future.

A redemption charge can only be introduced by the ACD in accordance with the requirements of the FSA Rules.

## Switching fee

On the switching of Shares of one Fund for Shares of another Fund the Instrument of Incorporation authorises the Company to impose a switching fee. Unless otherwise notified in writing by the ACD to the Shareholders not less than 60 days in advance, the switching fee will be an amount equal to the then prevailing initial charge for the Class into which the Shares are being switched (as that initial charge is set out in the table above). The switching fee is payable to the ACD. There is currently no fee charged on a Switch from one Class in a Fund to another Class in the same Fund. The introduction by the ACD of a fee on a Switch from one Class in a Fund to another Class in the same Fund would need to comply with the requirements of the FSA Rules.

## Other dealing information

### Dilution adjustment:

The basis on which the Company's investments are valued for the purpose of calculating the issue and redemption price of Shares as stipulated in the FSA Rules and the Instrument of Incorporation is summarised in the section 'Valuation of the Company'. The actual cost of purchasing or selling a Fund's investments may be higher or lower than the mid-market value used in calculating the Share price – for example, due to dealing charges, or through dealing at prices other than the mid-market price. Under certain circumstances (for example, large volumes of deals) this may have an adverse effect on the Shareholders' interest in the Fund. In order to prevent this effect, called 'dilution', the ACD has the power to apply a 'dilution adjustment' to the sale and/or redemption of Shares. If applied, the dilution adjustment will be paid into the relevant Fund and will become part of the relevant Fund.

The need to make a dilution adjustment will depend on the volume of sales or redemptions of Shares. The ACD may make a discretionary dilution adjustment if, in its opinion, the existing Shareholders (for sales) or remaining Shareholders (for redemptions) might otherwise be adversely affected. In particular, the dilution adjustment may be made in the following circumstances:

- (a) where a Fund is in continual decline (is suffering a net outflow of investment);
- (b) on a Fund experiencing large levels of net sales relative to its size;
- (c) on a Fund experiencing net sales or net redemptions on any day equivalent to 2% or more of the size of that Fund;
- (d) in any other case where the ACD is of the opinion that the interests of Shareholders require the imposition of a dilution adjustment.

Where a dilution adjustment is made, it will increase the dealing price when there are net inflows into a Fund and decrease the dealing price when there are net outflows.

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

On the occasions when the dilution adjustment is not made there may be an adverse impact on the total assets of a Fund.

As dilution is directly related to the inflows and outflows of money from a Fund it is not possible to accurately predict whether dilution will occur at any future point in time. Consequently it is also not possible to accurately predict how frequently the ACD will need to make such a dilution adjustment.

Because the dilution adjustment for each Fund will be calculated by reference to the costs of dealing in the underlying investments of that Fund, including any dealing spreads, and these can vary with market conditions, this means that the amount of the dilution adjustment can vary over time. Estimates of the frequency and amount of dilution adjustment based on securities held in each available Fund and market conditions at the time of this Prospectus as well as the number of occasions on which the dilution adjustment has been applied as set out in Appendix IV.

### Calculation of dilution adjustment:

In applying a dilution adjustment the ACD must use the following basis of valuations:

- (1) When by reference to any valuation point the aggregate value of the Shares of all Classes of Fund issued exceeds the aggregate value of Shares of all Classes cancelled, any adjustment must be upwards; and
- (2) The dilution adjustment must not exceed the ACD's reasonable estimate of the difference between what the price would have been had the dilution adjustment not been taken into account and what the price would have been if the Scheme Property had been valued on the best available market offer basis plus dealing costs; or
- (3) When by reference to any valuation point the aggregate value of the Shares of all Classes of Fund cancelled

exceeds the aggregate value of Shares of all Classes issued, any adjustment must be downwards; and

- (4) The dilution adjustment must not exceed the ACD's reasonable estimate of the difference between what the price would have been had the dilution adjustment not been taken into account and what the price would have been if the Scheme Property had been valued on the best available market bid basis less dealing costs.

### Fair value pricing

To the extent permitted by the FSA and subject to appropriate controls, the ACD may use a technique known as 'fair value pricing' to adjust underlying security prices by reference to external price indicators and appropriate trigger levels so that the valuation of the Funds will more accurately reflect market developments on any given Dealing Day.

### Stamp duty reserve tax

SDRT is charged on the sale of Shares to the Fund and on certain transfers of Shares. The SDRT due is calculated at the rate of 0.5% of the market value of Shares sold. This charge is subject to reduction in accordance with relief available from time to time.

The ACD intends that SDRT chargeable on the sale of Shares in a Fund will, in general, be paid out of the Fund and an SDRT provision will not normally be levied directly on the redeeming Shareholders whatever the size of the deal. It is not anticipated that the ACD will impose a provision for SDRT on redeeming Shareholders in the future.

For more details on this please see the section headed Stamp Duty Reserve Tax on page 45 of the Prospectus.

### Money laundering

Deals in Shares and deals otherwise in connection with the Company will be covered by United Kingdom statutory and other requirements, including but not limited to the Criminal Justice Act 2003, the Proceeds of Crime Act 2002, the Money Laundering Regulations 2007, the relevant regulations made by the FSA and the Guidance Notes for The Financial Sector, as amended from time to time (the 'UK Money Laundering Requirements'), and investors may be asked to assist the ACD in its efforts to ensure compliance by the Company and the ACD with the UK Money Laundering Requirements.

Until satisfactory proof of identity is provided (as stipulated by the UK Money Laundering Requirements) the ACD reserves the right to refuse to sell Shares or to delay processing and/or withhold any payments due to investors in respect of their investment and to discontinue any deals it is conducting on behalf of these investors.

### Market Timing and Late Trading

The repeated purchasing and selling of Shares in response to short-term market fluctuations is known as "market timing".

The processing of subscriptions after the dealing cut off time and/or valuation point is known as "late trading". Shares in a Fund are not intended for market timing or late trading. The ACD has a policy in relation to market timing and late trading. As part of its policy, the ACD may refuse to accept an application for Shares from persons that they reasonably believe are engaged in market timing or late trading and the ACD will actively monitor trading patterns to assist it in maintaining the stability and integrity of the prices of Shares.

### Privacy statement

#### Your data controller

For the purposes of the UK Data Protection Act 1998, the data controller in respect of any personal information provided is Threadneedle Investment Services Limited. In this privacy statement 'we', 'us' and 'our' means Threadneedle Investment Services Limited.

#### Uses made of your personal information

The personal information that you provide to us will be used for a number of different purposes including: to manage and administer your account; to offer you investment products and services (except where you have asked us not to do so) and to help us develop new ones; to contact you with details of changes to the products you have bought; for internal analysis and research; to comply with legal or regulatory requirements; and to identify you when you contact us. We may use external third parties to process your personal information on our behalf in accordance with these purposes.

#### Sharing of your personal information

Where you have notified us of your adviser, the personal information provided may be shared with such adviser. You must notify us in writing if you no longer wish us to share your personal information with your adviser or of any change to your adviser. Your adviser should have its own arrangements with you about its use of your personal information. The personal information provided may also be shared with other organisations in order for us to comply with any legal or regulatory requirements. In addition, we may share your personal information with the companies within the Threadneedle group, including Threadneedle Portfolio Services Limited, for the purposes set out in this privacy statement.

#### Business changes

If we or the Threadneedle group undergoes a group reorganisation or is sold to a third party, the personal information provided to us may be transferred to that reorganised entity or third party and used for the purposes highlighted above.

## Overseas transfers

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

## Access to/correction of your information

With limited exceptions, you have the right to ask for a copy of the information that we hold on you. There may be a charge for this (if a charge is permitted). If any of the information that we hold about you is wrong, please tell us and we will put it right. You can write to us at Threadneedle Investment Services Limited for UK investors to the ACD Client Services Department, P.O. Box 1331, Swindon SN38 7TA and for non-UK investors to the ACD Client Services Department P.O. Box 1457, Swindon SN1 1FP.

## Restrictions and compulsory transfer and redemption

The ACD may from time to time impose such restrictions as it may think necessary for the purpose of ensuring that Shares are not directly or indirectly acquired or held by any person in breach of any law or governmental rule or regulation (or any interpretation of a law or governmental rule or regulation by a competent authority or entity with equivalent status) of any country or territory, or which would (or would if other Shares were acquired or held in like circumstances) result in the Company incurring any liability to taxation which the Company is not able to recoup itself or suffering any other adverse consequence, including a requirement to register under any securities or investment or similar laws or governmental regulation of any country or territory. Additionally, and only for the Hedged Share Class(es), if at any time the size of a class falls below GBP 1million (or the equivalent in other currency), the ACD may, in the interest of remaining Shareholders, redeem all outstanding Shares in the affected Hedged Share Class. In this connection, the ACD may, inter alia, and in its sole discretion reject any application for the purchase, sale or switching of Shares, or compulsorily redeem or require the sale or transfer of any Shares.

If Shares ('affected Shares') are directly or indirectly owned, acquired or controlled in any of the circumstances described above, or if the ACD believes this to be the case, the ACD may give notice to the holder(s) of the affected Shares requiring (i) the transfer of such Shares to a person who is qualified or entitled to own them without causing any of the adverse consequences outlined above or (ii) that a request in writing be given for the redemption or cancellation of such Shares in

accordance with the FSA Rules. If the recipient of such a notice does not within 30 days after the date of receipt of such notice so transfer his affected Shares to a person qualified to own them without causing any of the adverse consequences outlined above, or establish to the satisfaction of the ACD (whose judgment is final and binding) that he or the beneficial owner is qualified and entitled to own the affected Shares without causing any of the adverse consequences outlined above, the ACD will compulsorily redeem the affected Shares having relied on the failure to respond to the notice as a request in writing to redeem or cancel all of the affected Shares pursuant to the FSA Rules and from that date, such person will no longer be the beneficial owner of the Shares.

A person who becomes aware that he has directly or indirectly acquired or holds affected Shares in a manner that may cause one of the adverse consequences outlined above, shall forthwith, unless he has received a notice from the ACD as aforesaid, either forthwith transfer all his affected Shares to a person qualified to own them without causing any of the adverse consequences outlined above or give a request in writing for the redemption or cancellation of all his affected Shares pursuant to the FSA Rules.

For the avoidance of doubt, and by way of example only, the rights afforded to the ACD as set out above apply in the event that a person that holds Shares (beneficially or otherwise) is, or is reasonably believed by the ACD to be, a 'US Person' (as that term is defined in rule 902 of Regulation S under the US Securities Act of 1933, as amended) at any time during the life of the investment. Accordingly, the ACD reserves the right to give notice to such Shareholders to request a transfer of the Shares, or the redemption or cancellation of the Shares. The ACD further reserves the right to compulsorily redeem such Shares 30 days after giving notice to the Shareholder that he is required to transfer or redeem or cancel the Shares.

## In specie redemptions

### All Funds except China Opportunities Fund:

If a Shareholder requests the redemption or cancellation of Shares the ACD may, where it considers the deal to be substantial in relation to the total size of the Fund concerned, arrange that in place of payment of the price of the Shares in cash, the Company cancels the Shares and transfers the Scheme Property or, if required by the Shareholder, the net proceeds of sale of relevant the Scheme Property, to the Shareholder.

Before the proceeds of the cancellation of Shares become payable, the ACD must give written notice to the Shareholder that the Scheme Property or the proceeds of sale of the Scheme Property will be transferred to that Shareholder.

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

### **China Opportunities Fund:**

In the unlikely event that the China Opportunities Fund is invested in A shares in listed companies of the People's Republic of China and a redemption request is received from one Shareholder of 3% or more of the total assets of the Fund on any single dealing day, the Depositary, at the ACD's request or otherwise, may pay out of the Scheme Property assets other than cash as payment for the redemption of Shares, but only if it has taken all reasonable care to ensure that the property concerned would not be likely to result in any material prejudice to the interests of any Shareholders.

The Depositary, at the ACD's request or otherwise, will endeavor to facilitate the in specie redemption as soon as possible but there may be circumstances where investments have been made in illiquid securities that are not readily transferable to certain investors. The illiquid securities that form part of the redemption will in these circumstances be held by the Depositary on behalf of the investors and proceeds from them will be paid in cash once they become available. Shareholders should be aware that this could take a number of months due to repatriation issues that may arise.

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

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

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

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

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

The ACD may, with the prior agreement of the Depositary, and shall if the Depositary so requires, without prior notice to Shareholders, temporarily suspend the issue, cancellation, sale and redemption of Shares where, due to exceptional

circumstances, it is in the interests of all holders to do so. Shareholders will be notified of such suspension in dealings as soon as is practicable after suspension commences and will be kept informed about the suspension. Suspension will continue only for so long as it is justified having regard to the interests of the Shareholders. On a resumption of dealings following suspension, it is anticipated that Share pricing and dealing will take place at the Dealing Days and times stated in this Prospectus.

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

The ACD shall notify Shareholders as soon as is practicable after the commencement of the suspension, including giving details of the exceptional circumstances which led to the suspension in a clear, fair and not misleading way and details of how Shareholders may find out further information about the suspension. In the event of suspension, the ACD shall publish sufficient details on its website or by other general means to keep Shareholders appropriately informed about the suspension including, if known, its possible duration.

The ACD and the Depositary will formally review the suspension at least every 28 days and will inform the FSA of such review and any change to the information supplied to Shareholders.

Suspension will cease as soon as practicable after the exceptional circumstances leading to the suspension have ceased. On a resumption of dealings following suspension, it is anticipated that pricing and dealing will take place at the Dealing Days and times stated in this Prospectus.

The circumstances under which suspension of dealing may occur include, for example, those where the ACD cannot reasonably ascertain the value of the assets or realise assets of the Fund, or the closure or suspension of dealing on a relevant exchange.

During any suspension, a holder may withdraw his redemption notice provided that such withdrawal is in writing and is received before the end of the suspension. Any notice not withdrawn will be dealt with on the Dealing Day next following the end of the suspension.

### **Governing law**

All deals in Shares are governed by English law.

## Valuation of the Company

There will be a single price of a Share in the Company, calculated by reference to the NAV of the Fund to which it relates. The NAV per Share of a Fund is currently calculated at 12 noon UK time (normally 1 pm Central European Time) on each Dealing Day.

The ACD may at any time during a business day carry out an additional valuation if the ACD considers it desirable to do so.

### Calculation of the Net Asset Value

The value of the Scheme Property of the Company or of a Fund (as the case may be) shall be the value of its assets less the value of its liabilities determined in accordance with the following provisions.

1. All the Scheme Property (including receivables) of the Company (or the Fund) is to be included, subject to the following provisions.
2. Property which is not cash (or other assets dealt with in paragraph 3 below) or a contingent liability transaction shall be valued as follows and the prices used shall (subject as follows) be the most recent prices that it is practicable to obtain:
  - (a) units or shares in a collective investment scheme:
    - (i) if a single price for buying and redeeming units or shares is quoted, at that price; or
    - (ii) if separate buying and redemption prices are quoted, at the average of the two prices provided the buying price has been reduced by any initial charge included therein and the redemption price has been increased by any exit or redemption charge attributable thereto; or
    - (iii) if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no recent price exists, at a value which, in the opinion of the ACD is fair and reasonable.
  - (b) any other transferable security:
    - (i) if a single price for buying and redeeming the security is quoted, at that price; or
    - (ii) if separate buying and redemption prices are quoted, the average of those two prices; or
    - (iii) if, in the opinion of the ACD, the price obtained is unreliable or does not accurately reflect market developments, or no recent traded price is available or if no recent price exists, at a value which in the opinion of the ACD is fair and reasonable.
  - (c) property other than that described in (a) and (b) above, at a value which, in the opinion of the ACD, represents a fair and reasonable mid-market price.
3. Cash and amounts held in current and deposit accounts and in other time-related deposits shall be valued at their nominal values.
4. Property which is a contingent liability transaction shall be treated as follows:
  - (a) if it is a written option (and the premium for writing the option has become part of the Scheme Property), the amount of the net valuation of the premium shall be reflected in the valuation. If the property is an off-exchange option the method of valuation shall be agreed between the ACD and the Depositary;
  - (b) if it is an off-exchange future, it will be included at the net value of closing out in accordance with a valuation method agreed between the ACD and the Depositary;
  - (c) if the property is an off-exchange derivative, it will be included at a valuation method agreed between the ACD and Depositary;
  - (d) if it is any other form of contingent liability transaction, it will be included at the net value of margin on closing out (whether as a positive or negative value).
5. In determining the value of the Scheme Property, all instructions given to issue or cancel Shares shall be assumed to have been carried out (and any cash paid or received) whether or not this is the case.
6. Subject to paragraphs 7 and 8 below, agreements for the unconditional sale or purchase of property which are in existence but uncompleted shall be assumed to have been completed and all consequential action required to have been taken. Such unconditional agreements need not be taken into account if made shortly before the valuation takes place and, in the opinion of the ACD, their omission will not materially affect the final net asset amount.

7. Futures or contracts for differences, which are not yet due to be performed and unexpired and unexercised written or purchased options shall not be included under paragraph 6.
8. All agreements are to be included under paragraph 6 which are, or ought reasonably to have been, known to the person valuing the property.
9. An estimated amount for anticipated tax liabilities at that point in time including (as applicable and without limitation) on capital gains tax, income tax, corporation tax, value added tax, stamp duty, stamp duty reserve tax and any foreign taxes or duties, will be deducted.
10. An estimated amount for any liabilities payable out of the Scheme Property and any tax or duty thereon treating periodic items as accruing from day to day will be deducted.
11. The principal amount of any outstanding borrowings whenever repayable and any accrued but unpaid interest on borrowings will be deducted.
12. An estimated amount for accrued claims for tax of whatever nature, which may be recoverable will be added.
13. Any other credits or amounts due to be paid into the Scheme Property will be added.
14. A sum representing any interest or any income accrued due or deemed to have accrued but not received will be added.
15. Currencies or values in currencies other than Sterling shall be converted at the relevant valuation point at a rate of exchange that is not likely to result in any material prejudice to the interests of Shareholders or potential Shareholders.

## Price per Share in each Fund and each Class

The price at which Shares are sold is based on the NAV of the relevant Fund and class to which it relates plus any initial charge, adjusted to include any applicable dilution adjustment. The price at which Shares are redeemed is based on the NAV of the relevant Fund less any redemption charge (if applicable), adjusted to include any applicable dilution adjustment. This is calculated by dividing the NAV of the Fund (or the part attributed the relevant Class) by the number of Shares of the relevant Class in issue. An initial charge may be deducted from the amount invested and a redemption charge may be deducted from proceeds on redemption.

The NAV of a Fund or Share will be calculated in accordance with the Company's Instrument of Incorporation.

## Pricing basis

The Company deals on a forward pricing basis. A forward price is the price calculated at the next valuation point after the sale or redemption is agreed.

## Publication of prices

The most recent price of Shares in the Funds will be appear daily at [www.threadneedle.com](http://www.threadneedle.com) or can be obtained by telephone on 0800 0683000 for UK investors and (+44) 1793 363900\* for non UK investors. Investors will be informed of any changes in the method of publication of prices in accordance with the FSA Rules.

\*Please note that calls may be recorded.

### Further means of publication:

Please note that, for reasons beyond the control of the ACD, these may not necessarily be the most recent prices.

### Belgium

The price of Shares in the Funds will be available at [www.beama.be](http://www.beama.be) and may also be published in the De Tijd.

### Hong Kong

The Standard and the Sing Tao.

### Italy

The prices of Shares in the Funds may be published in the Milano Finanza.

### Switzerland

The prices of Shares of the Funds registered and authorised for public offer by the Swiss financial regulator will be published electronically on a daily basis at [www.swissfunddata.ch](http://www.swissfunddata.ch).

### UK

The prices of Shares in the Funds may be published in the Financial Times newspaper.

### Electronic price publication:

Notwithstanding the changes above, the prices of Shares will be published in accordance with local regulatory requirements. Accordingly, the prices of the Shares will be published electronically on a daily basis on [www.threadneedle.com](http://www.threadneedle.com) or can be obtained by telephone on 0800 0683000 for UK investors and (+44) 1793 363900\* for non UK investors.

In addition, prices of Shares of Funds registered and authorised for public offer by the Swiss financial regulator will

be published electronically on a daily basis at [www.swissfunddata.ch](http://www.swissfunddata.ch).

Investors will be informed in accordance with the FSA Rules of changes in the method of publication of prices.

\*Please note that calls may be recorded.

## Risk factors

Potential investors should consider the following risk factors before investing in the Company. Please also note that specific risk factors apply to each Fund as set out in the 'Investment objectives, policies and other details of the Funds' section of the Prospectus.

### 1. General

The investments of the Company are subject to normal market fluctuations and other risks inherent in investing in securities. There can be no assurance that any appreciation in value of investments will occur. The value of investments and the income derived from them may fall as well as rise and investors may not recoup the original amount invested in the Company. Past performance is not indicative of future performance. There is no assurance that the investment objective of any Fund will actually be achieved.

### 2. Effect of initial charge

Where an initial charge is imposed, an investor who realises his Shares after a short period may not (even in the absence of a fall in the value of the relevant investments) realise the amount originally invested. Therefore, the Shares should be viewed as a long-term investment.

### 3. Suspension of dealings in Shares

Investors are reminded that in certain circumstances their right to request the Company to redeem Shares may be suspended (see 'Suspension of dealings in the Company' in the section 'Buying, selling and switching Shares').

### 4. Currency exchange rates

Depending on an investor's currency of reference, currency fluctuations may adversely affect the value of an investment and the level of income.

### 5. Hedged Share Class

There can be no guarantee that the hedging strategy applied in Hedged Share Classes will entirely eliminate the adverse effects of changes in exchange rates between the Reference Currency and the Hedged Currency. In addition, it should be noted that hedging transactions may be entered into whether or not the currency of a Hedged Share Class is declining or increasing in value relative to the Reference Currency or Portfolio Currency or Portfolio Currencies. Consequently, where such hedging is undertaken, it may protect investors in

the relevant class against a decrease in the value of this currency being hedged but it may also preclude investors from benefiting from an increase in the value of the currency.

### 6. Risk to Capital Growth

Where the investment objective of a Fund is to treat the generation of income as a higher priority than capital growth, or the generation of income and capital growth have equal priority, all or part of the ACD's fee, as well as all or part of other fees and expenses of the Company, may be charged against capital instead of against income. The Company will charge such fees and expenses to capital in order to manage the level of income paid and/or available to Shareholders. This may result in capital erosion or may constrain capital growth.

### 7. Liabilities of the Company

Although each Fund (or Share class) so far as possible will be treated as bearing the liabilities, expenses, costs and charges attributable to it, if its assets are not sufficient the ACD may re-allocate assets, liabilities, expenses, costs and charges between the Funds in a manner which is fair to the Shareholders of the Company generally. The ACD would normally expect any such re-allocation to be effected on a pro rata basis having regard to the NAV of the relevant Funds. If there is any such re-allocation the ACD will advise Shareholders of it in the next succeeding annual or half-yearly report to Shareholders.

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

### 8. Regulatory Risk

The Company is resident in the United Kingdom and non-United Kingdom investors should note that the regulatory protections provided by the regulatory authorities in their country of domicile may not apply. Investors should consult their financial advisors for further information in this area.

### 9. Investment objectives

Investors should be aware of the investment policies of the Funds as these may state that the Funds may invest on a limited basis into markets not naturally associated with the name of the Fund. These other markets may act with more or less volatility than the core investment area and performance will be in part dependent on these investments. Investors should ensure (prior to any investment being made) that they are satisfied with the risk profile of the overall objectives disclosed.

### 10. Warrants

When a Fund invests in warrants, the price per Share of the Fund may fluctuate more than if the Fund was investing in the

underlying security(ies) because of the greater volatility of the warrant price.

## 11. Mid-cap companies

The NAV of the UK Mid 250 Fund may fluctuate more than a fund invested in larger cap companies because of the greater volatility of share prices of mid-cap companies.

## 12. Emerging Markets

This section is applicable to the Global Emerging Markets Equity Fund, the China Opportunities Fund, the Emerging Market Local Fund, the Global Extended Alpha Fund and to other Funds that invest in some overseas markets. These investments may carry risks associated with failed or delayed settlement of market transactions and with the registration and custody of securities.

Investment in emerging markets may involve a higher than average risk. In addition, an investment in emerging market currencies and debt may involve higher risk than an investment in debt and currencies issued in more developed markets.

Investors should consider whether or not investment in such Funds is either suitable for or should constitute a substantial part of an investor's portfolio.

Companies in emerging markets may not be subject to:

- (e) accounting, auditing and financial reporting standards, practices and disclosure requirements comparable to those applicable to companies in major markets;
- (f) the same level of government supervision and regulation of stock exchanges as countries with more advanced securities markets.

Accordingly, certain emerging markets may not afford the same level of investor protection as would apply in more developed jurisdictions:

- (g) Restrictions on foreign investment in emerging markets may preclude investment in certain securities by certain Funds and, as a result, limit investment opportunities for the Funds. Substantial government involvement in, and influence on, the economy may affect the value of securities in certain emerging markets;
- (h) The reliability of trading and settlement systems in some emerging markets may not be equal to that available in more developed markets, which may result in delays in realising investments;
- (i) Lack of liquidity and efficiency in certain of the stock markets or foreign exchange markets in certain emerging

markets may mean that from time to time the ACD may experience more difficulty in purchasing or selling holdings of securities than it would in a more developed market; for the China Opportunities Fund, if invested in A shares in listed companies of the People's Republic of China it may mean in particular that settlement and repatriation issues may arise which can have the consequence that instead of a cash redemption the Shareholder may be required to receive securities in specie for the total or partial amount of the redemption request. The proceeds for illiquid securities that form part of the redemption will in these circumstances be paid in cash once the proceeds become available. Please see section "In Specie redemption";

- (j) Economic and/or political instability could lead to legal, fiscal and regulatory changes or the reversal of legal/fiscal regulation/market reforms. Assets could be compulsorily acquired without adequate compensation; and
- (k) Share registration services, whilst appropriately licensed in Russia, may not be subject to such tight controls as those in more developed countries. This may mean that the Investment Manager may not secure good title to the Russian securities held.
- (l) Higher volatility than in the more developed markets of the world. The paucity of accurate and meaningful information, and inefficiencies in distribution, can leave emerging markets prone to sudden and unpredictable changes in sentiment. The resultant investment flows can trigger significant volatility in these relatively small and illiquid markets. At the same time, this lack of liquidity together with low dealing volumes can restrict the Investment Managers ability to execute deals.
- (m) Some emerging markets countries may restrict investment into securities and/or currency and therefore the ACD may seek exposure to emerging markets through securities and derivatives that invest in underlying emerging markets currencies and securities. These securities and derivatives may be less liquid than a direct investment in the underlying security or currency.

## 13. Taxation

Tax law and practice in certain countries into which a Fund invests or may invest in the future (in particular in the emerging markets) is not clearly established. It is possible therefore that the current interpretation of the law or understanding of practice might change, or that the law might be changed with retrospective effect. It is therefore possible that the Company could become subject to additional taxation in such countries that is not anticipated either at the date of the Prospectus or when investments are made, valued or disposed of.

## 14. Investments in collective investment schemes

Funds are entitled to invest all or part of their assets in collective investment schemes, subject to the FSA Rules and the OEIC Regulations, and as otherwise provided herein. Investors should be aware of such potential exposure to the asset classes of those underlying collective investment schemes in the context of all their investments.

## 15. Investments in derivatives and forward transactions

**The FSA Rules for “UCITS Schemes” permit the use of derivatives and forward transactions for both EPM and investment purposes including short selling and leverage.**

Investors should consider potential exposure to derivatives in the context of all their investments.

Each Funds is permitted by the FSA Rules to use derivatives for the purposes of EPM.

Additionally, the Absolute Return Bond Fund, the Target Return Fund, the American Extended Alpha Fund, the Global Extended Alpha Fund, the UK Extended Alpha Fund and the UK Absolute Alpha Fund may invest in derivatives in accordance with their investment policies. Accordingly, the Absolute Return Bond Fund's, the Target Return Fund's, the American Extended Alpha Fund's, the Global Extended Alpha Fund's, the UK Extended Alpha Fund's and the UK Absolute Alpha Fund's use of derivatives and forward transactions to achieve the short sale of investments and leverage may not be consistent with requirements of EPM. Further detail on the use of derivatives and forward transactions is set out in Appendix II.

**The use of derivatives and forward transactions for investment purposes may lead to higher volatility and may increase the risk profile of the Fund. The Absolute Return Bond Fund's, the Target Return Fund's, the American Extended Alpha Fund's, the Global Extended Alpha Fund's, the UK Extended Alpha Fund's and the UK Absolute Alpha Fund's exposure involves short sales of investments and leverage, which increases the risk of the Fund and may carry a higher degree of volatility than a fund which does not gain short exposure. Leverage has the overall effect of increasing positive returns, but causes a faster decrease in the value of assets if prices fall. These techniques may be achieved through the use of derivatives and forward transactions.**

The China Opportunities Fund and the Global Equity Income Fund currently use derivatives for the purpose of EPM only, however, the investment policy allows the use of derivatives for investment purposes in the future. Shareholders will be given notice thereof.

**The use of derivatives and forward transactions for the purposes of EPM will not increase the risk profile of any Fund.** It does however allow the Fund to manage various risks including the following: default risk, market risk, interest rate or duration risk, currency risk and curve risk. A brief description of the ACD's interpretation of each of these risks is set out below.

Default risk is the risk that the issuer fails to pay. Market risk is the risk that general market conditions impact the price of the bond owned by the Fund. Interest rate or duration risk is the risk that the price of a bond is sensitive to a change in its yield. Currency risk is the risk that can arise when bonds are denominated in a currency that is not the base currency of the Fund. Curve risk recognises that the shape of both the credit yield curve and maturity yield curve can change significantly over time.

In addition, for the Absolute Return Bond Fund, the Target Return Fund, and the American Extended Alpha Fund, the Global Extended Alpha Fund, the UK Extended Alpha Fund and the UK Absolute Alpha Fund, the FSA Rules permit the ACD to use certain techniques when investing in derivatives in order to manage a Fund's exposure to particular counterparties and in relation to the use of collateral, to reduce overall exposure to OTC derivatives; for example the Fund may take collateral from counterparties with whom they have an OTC derivative position and use that collateral to net off against the exposure they have to the counterparty under that OTC derivative position, for the purposes of complying with counterparty spread limits.

The Investment Manager maintains a 'Risk Management Process' in respect of the measurement and monitoring of risks attached to financial derivative instrument positions entered into by the Company. This policy document has been sent to the Depositary and to the FSA and is available upon request. The use of the Risk Management Process does not guarantee that the derivative strategies will work in every instance.

US federal legislation has been enacted that provides for new clearing, margin and reporting requirements for participants in the derivatives market. European regulations on clearing, margin and reporting are currently under discussion and are expected to be agreed during the course of 2012. While ultimate impact is not yet clear, these new laws, rules and regulations may impose restrictions, additional operational requirements and/or significant costs upon a Portfolio's participation in financial derivative instruments

## 16. No Guarantee of Capital

Investors should note that the Funds do not offer any form of guarantee with respect to investment performance and no form of capital protection will apply.

## 17. Cash Concentration

Where a Fund holds at any one time a substantial proportion of their assets in cash, near cash or money market instruments, it might not, under such circumstances, participate fully in a rise in market values of the asset classes the Fund would otherwise invest in. Investors should refer to paragraph 22 of Appendix II.

## 18. Fixed Income Funds

The interest rate on corporate bonds and most government bonds will not increase in line with inflation. Thus, over time, the real value of investor's income could fall.

## 19. Credit Risk

The value of a Fund may be adversely affected if any of the institutions with which the cash is invested or deposited suffers insolvency or other financial difficulties.

## 20. Concentrated portfolios

Investors should note that some Funds may have concentrated portfolios (holding a limited number of investments and/or large positions taken in a relatively small number of stocks). If one or more of those investments decline or are otherwise adversely affected, it may have a more pronounced effect on the Fund's value than if a larger number of investments were held or if the Fund had fewer large individual positions.

Accordingly they may carry a higher degree of risk and NAV volatility than a Fund, which invests in a broad range of companies and/or does not take large positions in a relatively small number of stocks.

## 21. Liquidity Risk

In extreme market conditions it may be difficult for a Fund to realise an investment at short notice without suffering a discount to market value. In such circumstances the investor may suffer a delay in realising his investment or may incur a dilution adjustment.

## 22. High Yield Bond

Where a Fund's investment policy is to invest in higher risk fixed interest securities, many of the investments will be in 'below investment grade' securities (generally defined as below BBB- by leading rating agencies). Investment in such securities brings an increased risk of default on repayment and therefore increases the risk that the income and capital of the Fund will be affected.

As a general rule, fixed interest securities with an above average yield tend to be less liquid than securities issued by issuers with a higher investment grade. Furthermore, the solvency of issuers of such fixed interest securities may not be guaranteed in respect of either the principal claim or regarding the interest payments and it may not be excluded that such issuers may become insolvent. Investors should be fully aware of such risks.

## Management and administration

### The Authorised Corporate Director

The ACD of the Company is Threadneedle Investment Services Limited which is a private company limited by shares incorporated in England and Wales under the Companies Act 1985 on 26 January 1999.

The issued and paid up share capital of the ACD is £17.02 million.

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

The ultimate holding company of the ACD is Ameriprise Financial Inc., a corporation incorporated in Delaware, USA.

### Registered office and head office:

60 St Mary Axe, London EC3A 8JQ

Terms of appointment:

The ACD Agreement provides that the appointment of the ACD is for an initial period of three years and thereafter may be terminated upon 12 months' written notice by either the ACD or the Company, although in certain circumstances the agreement may be terminated forthwith by notice in writing by the ACD to the Company or the Depositary, or by the Depositary or the Company to the ACD. Termination cannot take effect until the FSA has approved the change of the ACD.

The ACD is entitled to its pro rata fees and expenses to the date of termination and any additional expenses necessarily realised in settling or realising any outstanding obligations. No compensation for loss of office is provided for in the agreement. The ACD Agreement provides indemnities to the ACD other than for matters arising by reason of its negligence, default, breach of duty or breach of trust in the performance of its duties and obligations.

The ACD is under no obligation to account to the Depositary or the Shareholders for any profit it makes on the issue or re-issue of Shares or cancellation of Shares, which it has redeemed. The fees to which the ACD is entitled are set out in the section 'Charges payable to the ACD'.

The ACD also acts as authorised corporate director of the Threadneedle Investment Funds ICVC, Threadneedle Investment Funds II ICVC, Threadneedle Investment Funds III ICVC, Threadneedle Investment Funds IV ICVC, Threadneedle UK Property Fund II, Threadneedle Focus Investment Funds ICVC umbrella funds, Threadneedle Portfolio Advantage Funds ICVC and as a manager in respect of the following authorised unit trusts:

- Threadneedle Global Equity Fund
- Threadneedle Global Equity and Bond Fund
- Threadneedle Equity and Bond Fund
- Threadneedle Defensive Equity and Bond Fund
- Threadneedle Defensive Fund
- Threadneedle Managed Income Fund
- Threadneedle UK Property Trust

The directors of the ACD are Mr. Crispin Henderson, Mr. Tim Gillbanks, Mr. Nick Ring, Mr. Campbell Fleming, and Mr. Philip J. W. Reed. The directors act as directors of companies other than the ACD (including companies that are within the same group of companies as the ACD) but do not engage in business activities that are not connected with the Company that would be "significant" to the Company's business in terms of the FSA Rules.

Third party administrative functions, such as customer applications and record keeping, dealing with subscriptions, switching, withdrawals and terminations, and all communication centre activity in relation to the Company, have been delegated by the ACD to The Bank of New York Mellon Asset Servicing Limited (formerly the Bank of New York Europe Limited, ("BNYM").

The Company further engages in stocklending arrangements with the Custodian, JPMorgan Chase Bank, N.A. ("JPM"), acting as stocklending agent on behalf of the Depository.

Further certain administrative and ancillary services in relation to the Company have been delegated by the ACD to JPMorgan Chase Bank N.A. ("JPM").

The ACD will satisfy itself on an ongoing basis that BNYM and JPM are competent to carry out these functions and associated responsibilities.

## The Depository

J.P. Morgan Trustee and Depository Company Limited is the depository of the Company. The Depository is responsible for the safekeeping of all the Scheme Property of the Company and has a duty to take reasonable care to ensure that the Company is managed in accordance with the provisions of the FSA Rules relating to the pricing of, and dealing in, Shares and relating to the income of the Funds. It is a private company incorporated in England and Wales under the Companies Acts 1985 on 7 May 1986.

The appointment of the Depository has been made under an agreement dated 29 September 2006 between the Company, the ACD and the Depository.

### Registered office:

125 London Wall, London EC2Y 5AJ

### Head office:

Chaseside, Bournemouth BH7 7DA

### Ultimate holding company:

JPMorgan Chase & Co. incorporated in Delaware, USA

### Principal business activity:

Trustee and depository of regulated collective investment schemes.

### Terms of appointment:

Subject to the FSA Rules the Depository has full power under the Depository Agreement to delegate (and authorise its delegate to sub-delegate) any part of its duties as depository. It has delegated custody services to JPMorgan Chase Bank N.A.

The Depository Agreement may be terminated on three months' written notice by the Depository or the Company.

The Depository Agreement provides indemnities to the Depository (except in respect of its failure to exercise due care and diligence or where recovery is made from another person) and (to the extent permitted by the OEIC Regulations and the FSA Rules) exempts it from liability for special, indirect or consequential loss or damage.

The fees to which the Depository is entitled are set out in the section 'Depository's fees'.

## The Investment Manager

The ACD has appointed Threadneedle Asset Management Limited to provide investment management and advisory services to the ACD.

### Terms of appointment:

The Investment Manager was appointed by an agreement dated 9 June 2008 between the Company, the ACD and the Investment Manager.

In accordance with its powers under the Investment Management Agreement the Investment Manager has delegated administrative and ancillary services to BNYM and JPM.

With effect from 1 December 2011 in accordance with its powers under the Investment Management Agreement the Investment Manager has sub-delegated discretionary asset

management decisions to its sister company, Threadneedle Investments Singapore (Pte.) Limited, 3 Killiney Road, #07-07 Winsland House 1, Singapore 239519 for the China Opportunities Fund only. Notwithstanding this sub-delegation, Threadneedle Asset Management Limited remains liable for any acts or omissions of its sub-delegate, Threadneedle Investments Singapore (Pte.) Limited.

The Investment Management Agreement may be terminated on 12 months' written notice by the Investment Manager or the ACD. It may also be terminated by the Company or the ACD with immediate effect if this is in the best interest of the shareholders.

Subject to the overall policies, directions and control of the ACD, all relevant laws and regulations, this Prospectus, the Instrument of Incorporation and all proper directions of the Depositary, the Investment Manager has complete discretion to take all day to day investment decisions and to deal in investments in relation to the investment management of the Company, without prior reference to the ACD.

Under the Investment Management Agreement the ACD provides indemnities to the Investment Manager (except in the case of any matter arising as a direct result of its fraud, negligence, default or bad faith). The ACD may be entitled under the indemnities in the ACD Agreement to recover from the Company amounts paid by the ACD under the indemnities in the Investment Management Agreement.

The Investment Manager also acts as the Investment Manager of Threadneedle Investment Funds ICVC, and a number of other collective investment schemes and segregated accounts.

Threadneedle Asset Management Limited is in the same group of companies as the ACD. Its registered office is at 60 St Mary Axe, London EC3A 8JQ. The principal activity of the Investment Manager is acting as an investment manager and adviser.

### **FSA authorised status:**

Threadneedle Asset Management Limited is authorised and regulated by the FSA under the Financial Services and Markets Act 2000 to carry on regulated activities in the UK.

## **Auditors**

The auditors of the Company are PricewaterhouseCoopers LLP.

## **Legal advisers**

The Company is advised by Eversheds LLP.

## **Register of Shareholders**

The ACD acts as registrar to the Company and has delegated to BNYM the responsibility of maintaining the register of Shareholders at its offices at P.O. Box 1457, Swindon SN1 1FP. The register may be inspected at that address during normal business hours by any Shareholder or any Shareholder's duly authorised agent.

## **Conflicts of interest**

The ACD, the Investment Manager and other companies within the group of companies to which they belong may, from time to time, act as the investment manager or adviser to other funds or sub-funds which follow similar investment objectives to the Funds of the Company. It is therefore possible that the ACD and/or the Investment Manager may in the course of their business have potential conflicts of interest with the Company or a particular Fund of the Company.

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

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

The Depositary may act as the depositary of other companies.

JPM has been appointed by the Depositary to act as Custodian of the property of the Funds and also carries out the performance of certain investment operations functions and derivatives collateral management functions delegated to it by the Investment Manager. It is therefore possible that a conflict of interest could arise in the course of business. JPM will manage such conflict having regard to the FSA Handbook and its duties to the Depositary and the Investment Manager.

## **Exercise of Voting rights**

The ACD has a strategy for determining when and how voting rights attached to ownership of Scheme Property are to be exercised for the benefit of each Fund. A summary of this

strategy is available on the ACD's website at [www.threadneedle.com](http://www.threadneedle.com). Details of the actions taken on the basis of this strategy in relation to each Fund are available by writing to the ACD at Client Services Department P.O. Box 1457, Swindon SN1 1FP.

### Best Execution

The ACD's best execution policy sets out the basis upon which the ACD will effect transactions and place orders in relation to the Company whilst complying with its obligations under the FSA Handbook to obtain the best possible result for the Company. Details of the best execution policy are available from the ACD on request and on the ACD's website at [www.threadneedle.com](http://www.threadneedle.com).

### UN Convention on Cluster Munitions

The UN Convention on Cluster Munitions came into force on 1 August 2010. This Convention prohibits all use, stockpiling, production and transfer of cluster munitions. The ACD and the Investment Manager acknowledge the importance of the Convention and the Investment Manager actively screens companies for evidence of their corporate involvement in not only cluster munitions but also in controversial weapons more generally, (defined as anti-personnel mines, cluster munitions, biochemical weapons and depleted uranium ammunition and armour). Where a company is verified to undertake such activities, the Investment Manager's policy is not to invest in the securities issued by that company however it reserves the right to take short positions on such securities.

## Fees and expenses

### General

The fees, costs and expenses relating to the authorisation and incorporation and establishment of the Company and the initial offer of Shares (including preparation and printing of this Prospectus and fees of professional advisers to the Company) may be borne by the Company. Each Fund formed after 1 June, 2003 may bear its own direct establishment costs.

The Company may pay out of the property of each Fund charges and expenses incurred by the Company, which will include the following expenses:

- (a) the fees and expenses payable to the ACD (which will include the fees and expenses payable to the Investment Manager) and to the Depositary;
- (b) expenses incurred in acquiring, holding and disposing of investments;
- (c) taxation and duties payable by the Company;
- (d) interest on and charges incurred in borrowings;

- (e) any amount payable by the Company under any indemnity provisions contained in the Instrument of Incorporation or any agreement with any functionary of the Company;
- (f) fees of the FSA and the corresponding periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which Shares are or may be marketed;
- (g) fees and expenses of the auditors; and
- (h) fees and expenses connected with the listing of the Shares on any stock exchange.

The ACD or companies in its group will pay, on behalf of the Company, the following ongoing registration and general expenses ("Registrar Fee"):

- (i) fees and expenses in respect of establishing and maintaining the register of Shareholders and related functions including the fees of the registrar;
- (ii) expenses incurred in distributing income to Shareholders;
- (iii) fees in respect of the publication and circulation of details of the NAV;
- (iv) the fees and expenses of tax, legal and other professional advisers of the Company;
- (v) the costs of convening and holding Shareholder meetings (including meetings of Shareholders in any particular Fund, and a particular Class within a Fund); and
- (vi) the costs of printing and distributing reports, accounts and any prospectus, publishing prices and any costs incurred as a result of periodic updates of any prospectus and any other administrative expenses save as for the key features incorporating the simplified prospectus, and simplified prospectus for use in jurisdictions outside the UK, where only the preparation costs will be charged.

In return for paying or satisfying (i)-(vi), the ACD currently collects from the Company a charge as follows: in respect of Class 1 Shares the current charge is 0.11% per annum, and in respect of Class 2 and Class X Shares the current charge is 0.035% per annum, except that the current charge is 0.05% per annum for Class 2 Shares of the UK Extended Alpha Fund. Such a charge provides greater transparency for investors and certainty as to the level of such costs, which they will bear as well as providing for simpler administration. The ACD will give written notice to the Shareholders not less than 60 days before any increase to the rates specified above and the ACD will make available a Prospectus to reflect the increased rates.

Value Added Tax is payable on these charges where appropriate. Expenses are allocated between capital and income in accordance with the FSA Rules.

### Prohibition of “double-dipping”:

If the Company acquires units of other collective investment schemes that are managed directly or indirectly by the ACD itself or a company with which it is linked by way of common management or control or by way of a direct or indirect stake of more than 10% of the capital or votes, no management fee may be charged to the fund's assets in respect of such investments. Moreover, the ACD may not charge to the investment fund any issuing or redemption commissions of the linked target funds.

## Charges payable to the ACD

As remuneration for carrying out its duties and responsibilities for Class 1 and Class 2 (including the respective Hedged Share Classes) the ACD is paid an annual fee out of each Fund. In respect to the Class X Shares, the investor is invoiced directly by the ACD for the payment of an annual management fee charge. All Shares, including Class X bear the Registrar fee (see above) and their pro rata share of Depositary fees as well as other charges and expenses. The fees of all Share classes are calculated on a mid-market basis with reference to the NAV of the Fund.

For Class 1 and Class 2 Shares (including the respective Hedged Share Classes), the annual management charge accrues daily and is payable monthly.

The current annual management charges for the Funds are set out below save as for the Class X Shares as these will be detailed in a separate agreement between the Eligible Shareholder and the ACD. The ACD will give prior written notice to the Shareholders in accordance with the FSA Rules before any increase to the annual management charges set out below and the ACD will make available a Prospectus to reflect the increased charges.

### Pan European Accelerando Fund

The ACD's fee per annum for all Shares in this Fund, calculated on a mid-market basis, accruing daily and payable monthly, is as follows:

Class 1 Shares: 1.5%; Class 2 Shares: 1.0%.

In addition to the fee above, the ACD is entitled to receive a performance fee. The fee becomes due in the event of the NAV per Share of the Fund (calculated at market close) outperforming the MSCI Europe Index Inc UK (with income reinvested, calculated at market close) by 1.5% (being the 'hurdle rate') or more over the performance period. The performance period will be 1 January to 31 December every

year, although the performance period will end earlier if the Fund is wound up on a date other than 31 December. The performance fee is set at 20% of the out performance as defined above, and is payable yearly during the month immediately following the end of each calendar year, or otherwise upon the date that the Fund is wound up. It should be noted that as the NAV per Share may differ between Share Classes, separate performance fee calculations will be carried out for separate Share Classes within the same Fund, which may become subject to different amounts of performance fee. The performance fee is accrued each day on the basis of the performance of the NAV (after allowance for all fees and charges, but not including any dilution adjustment) relative to the index during the period to date.

To illustrate the potential application of the performance fee, and by way of example only, two possible scenarios are set out below:

- (a) Between 1 January and 31 December, the MSCI Europe Index Inc UK (with income reinvested) goes up by 10% and in that same period the price of the Pan European Accelerando Fund goes up by 15%.

A performance fee will be paid as the Fund has outperformed the index during the performance period. The performance fee will be calculated as follows:

The performance fee is based on the performance of the Pan European Accelerando Fund less the performance of the index plus the hurdle rate ( $15\% - (10\% + 1.5\%) = 3.5\%$ ). A performance fee of 0.7% is paid as a result of multiplying the performance fee rate (20%) by the 3.5%.

- (b) Between 1 January and 31 December, the MSCI Europe Index Inc UK (with income reinvested) goes down by 10% and in that same period the price of the Pan European Accelerando Fund goes down by 5%.

A performance fee will be paid even though the performance of the Pan European Accelerando Fund has been negative, as the Fund has outperformed the index during the performance period. The performance fee will be calculated as follows:

The performance fee is based on the performance of the Pan European Accelerando Fund less the performance of the index plus the hurdle rate ( $-5\% - (-10\% + 1.5\%) = 3.5\%$ ). A performance fee of 0.7% is paid as a result of multiplying the performance fee rate (20%) by the 3.5%.

The first performance fee period commenced on 1 January 2005.

As the performance fee depends on the outperformance over the index hurdle rate, there is in effect no maximum performance fee that could be taken, particularly as it is impossible to quantify any outperformance in advance. Of course whilst the ACD is entitled to 20% of the outperformance, investors will benefit from 80% of the outperformance.

The MSCI Europe Inc UK Index is an industry standard index constructed and managed to provide a broad and fair representation of the markets included. The index currently consists of 16 developed countries within Europe with a target market representation within each of those countries of 85% of their free-float adjusted market capitalisation. The Pan European Accelerando Fund aims to achieve above average capital growth by active management of a concentrated portfolio of primarily European Equities including UK Equities with the ability to hold cash and/or money market securities.

If at any time an index which in the opinion of the ACD matches more effectively the spread requirements in the FSA Rules for UCITS schemes of a similar nature to the Pan European Accelerando Fund, the ACD may, by giving not less than 60 days written notice to the Shareholders, substitute that index for the one referred to above and make calculations on the basis of that new index instead.

### UK Extended Alpha Fund

The ACD's fee per annum for all Shares in this Fund, calculated on a mid-market basis, accruing daily and payable monthly, is as follows:

Class 1 Shares: 1.25%; Class 2 Shares: 0.75%.

In addition to the fee above, the ACD is entitled to receive a performance fee. The fee becomes due in the event of the NAV per Share of the Fund (calculated at market close) outperforming the FTSE All Share Index (with income reinvested, calculated at market close) by 2% (being the "hurdle rate") or more over the performance period. The performance period will be 1 January to 31 December every year. The performance fee is set at 20% of the outperformance as defined above, and is payable yearly during the month immediately following the end of each calendar year. It should be noted that as the NAV per Share may differ between Share Classes, separate performance fee calculations will be carried out for separate Share Classes within the same Fund, which may become subject to different amounts of performance fee. The performance fee is accrued each day on the basis of the performance of the NAV (after allowance for all fees and charges, but not including any dilution adjustment) relative to the index during the period to date.

To illustrate the potential application of the performance fee, and by way of example only, two possible scenarios are set out below:

- (a) Between 1 January and 31 December, the FTSE All Share Index (with income reinvested) goes up by 10% and in that same period the price of the UK Extended Alpha Fund goes up by 15%.

A performance fee will be paid as the Fund has outperformed the index during the performance period. The performance fee will be calculated as follows:

The performance fee is based on the performance of the UK Extended Alpha Fund less the performance of the index plus the hurdle rate ( $15\% - (10\% + 2\%) = 3\%$ ). A performance fee of 0.6% is paid as a result of multiplying the performance fee rate (20%) by the 3%.

- (b) Between 1 January and 31 December, the FTSE All Share Index (with income reinvested) goes down by 10% and in that same period the price of the UK Extended Alpha Fund goes down by 5%.

A performance fee will be paid even though the performance of the UK Extended Alpha Fund has been negative, as the Fund has outperformed the index during the performance period. The performance fee will be calculated as follows:

The performance fee is based on the performance of the UK Extended Alpha Fund less the performance of the index plus the hurdle rate ( $-5\% - (-10\% + 2\%) = 3\%$ ). A performance fee of 0.6% is paid as a result of multiplying the performance fee rate (20%) by the 3%.

As the performance fee depends on the outperformance over the index hurdle rate, there is in effect no maximum performance fee that could be taken, particularly as it is impossible to quantify any outperformance in advance. Of course whilst the ACD is entitled to 20% of the outperformance, investors will benefit from 80% of the outperformance.

The FTSE All Share Index is an industry standard index constructed and managed to provide a broad and fair representation of the UK market. The index captures between 98% and 99% of the UK market capitalisation. The UK Extended Alpha Fund aims to achieve above average capital growth by active management of a concentrated portfolio of UK equities with the ability to hold cash and/or money market instruments.

If at any time an index which in the opinion of the ACD matches more effectively the spread requirements in the FSA Rules for UCITS schemes of a similar nature to the UK Extended Alpha Fund, the ACD may, by giving not less than 60 days written notice to the Shareholders, substitute that index for the one referred to above and make calculations on the basis of that new index instead.

### **Absolute Return Bond Fund**

The ACD's fee per annum for all Shares in this Fund, calculated on a mid-market basis, accruing daily and payable monthly, is as follows:

Class 1 Shares: 1.25%; Class 2 Shares 0.65%.

### **Target Return Fund**

The ACD's fee per annum for all Shares in this Fund, calculated on a mid-market basis, accruing daily and payable monthly, is as follows:

Class 1 Shares: 1.25%; Class 2 Shares 0.65%.

### **UK Mid 250 Fund**

The ACD's fee per annum for all Shares in this Fund, calculated on a mid-market basis, accruing daily and payable monthly, is as follows:

Class 1 Shares: 1.5%; Class 2 Shares 1.0%.

### **Global Emerging Markets Equity Fund**

The ACD's fee per annum for all Shares in this Fund, calculated on a mid-market basis, accruing daily and payable monthly, is as follows:

Class 1 Shares: 1.5%; Class 2 Shares 1.0%.

### **UK Equity Alpha Income Fund**

The ACD's fee per annum for all Shares in this Fund, calculated on a mid-market basis, accruing daily and payable monthly, is as follows;

Class 1 Shares: 1.50%; Class 2 Shares 1.0%.

### **Global Equity Income Fund**

The ACD's fee per annum for all Shares in this Fund, calculated on a mid-market basis, accruing daily and payable monthly, is as follows;

Class 1 Shares: 1.50%; Class 2 Shares 1.0%.

### **Pan European Equity Dividend Fund**

The ACD's fee per annum for all Shares in this Fund, calculated on a mid-market basis, accruing daily and payable monthly, is as follows;

Class 1 Shares: 1.50%; Class 2 Shares 1.0%.

### **China Opportunity Fund**

The ACD's fee per annum for all Shares in this Fund, calculated on a mid-market basis, accruing daily and payable monthly, is as follows;

Class 1 Shares: 1.50%; Class 2 Shares 1.0%.

### **American Extended Alpha Fund**

The ACD's fee per annum for all Shares in this Fund, calculated on a mid-market basis, accruing daily and payable monthly, is as follows:

Class 1 Shares: 1.50%; Class 2 shares: 0.75%.

In addition to the ACD's fee per annum described above the ACD shall be entitled to receive out of the assets of each Share Class a performance fee at a rate equal to 20% of the "Excess Return" of the Share Class, as further described below.

The performance fee shall be calculated and accrued as follows:

#### **1. Performance Period**

Each "Performance Period" starts on the day immediately following the end of the previous performance period, except that the first performance period shall start on the date of the first issue of the Shares in the relevant Class.

Each performance period ends on the first subsequent 31 December at which there is an Excess Return (unless 31 December is not a Dealing Day, in which case the Excess Return applicable shall be that calculated on the Dealing Day immediately before that 31 December), except that the first performance period in any event will not end on 31 December 2007.

#### **2. Share Class Return**

The "Share Class Return" is calculated for each Share Class on each Dealing Day, and is the percentage difference between the Net Asset Value per Share on such day and the Net Asset Value per Share at the beginning of the Performance Period.

#### **3. Benchmark**

The benchmark against which the performance of the Share Class is measured is the S&P 500 Index (with income reinvested) (the "Benchmark").

#### **4. Benchmark Return**

The "Benchmark Return" is calculated on each Dealing Day as the percentage difference between the Benchmark on such Dealing Day and the Benchmark at the beginning of the Performance Period.

#### **5. Excess Return**

The "Excess Return" is calculated on each Dealing Day and is the difference between the Share Class Return of the relevant Share Class and the Benchmark Return. There may be Excess Return even if the Net Asset Value per Share of the Share Class has not reached an all-time high at that time. If on any Dealing Day the difference between the Share Class Return

and the Benchmark Return is zero or negative then there will be no Excess Return.

## 6. Performance Fee Calculation and Accrual

The performance fee is calculated as follows: the performance fee rate of 20% is multiplied by the Excess Return, multiplied by that Dealing Day's Net Asset Value for that Share Class. The performance fee is re-calculated each Dealing Day to reflect the performance of the Net Asset Value per Share against the Benchmark from the beginning of the Performance Period to the applicable Dealing Day.

An accrual for the performance fee is calculated on each Dealing Day and forms part of the Net Asset Value for each Share Class and therefore the performance fee accrual is reflected in the price of the Shares. The accrual is calculated on the basis of the performance of the Share Class from the beginning of the Performance Period to the Dealing Day. Any performance fee accrual made on a Dealing Day is superseded by any accrual made on the following Dealing Day until such time as the performance fee becomes payable. Any accrual for a performance fee shall be pro rated to reflect any material movements in the number of Shares in issue.

No performance fee will be charged until any underperformance during the Performance Period has been fully recovered. The term "underperformance" means that the difference between the Share Class Return of the relevant Share Class and the Benchmark Return is either nil or negative with No Excess Return.

The performance fee is only chargeable at the end of any Performance Period i.e. 31 December, and will be paid within one month of that date. If no performance fee has been charged since the launch of the Share Class, no performance fee will be payable until such time as there is an Excess Return and there is a performance fee accrual at the end of the Performance Period.

To illustrate the potential application of the performance fee, and by way of example only, three possible scenarios are set out below:

- (a) Year 1 – Between launch and 31 December, the S&P 500 Index (with income reinvested) goes up by 10% and in that same period the Net Asset Value per Share of the American Extended Alpha Fund goes up by 20% in comparison with the Net Asset Value per Share at launch.

A performance fee will be payable at the end of Year 1 because the Fund has outperformed the index over that Performance Period. The performance fee will be calculated as follows:

The Excess Return on 31 December is 10% i.e. 20% - 10%. The actual performance fee rate will be the Excess Return of 10% multiplied by 20%. This means that the performance fee payable will be 2% of the Net Asset Value of the relevant Share Class

- (b) Year 2 – Because a performance fee has been charged at the end of Year 1 a new Performance Period will begin from 1 January in Year 2. Between 1 January and 31 December of Year 2 the S&P 500 Index (with income reinvested) goes up by 10% and in that same period the Net Asset Value per Share of the American Extended Alpha Fund goes up by 5% in comparison with the Net Asset Value per Share at the beginning of Year 2.

No performance fee will be paid even though the performance of the American Extended Alpha Fund has been positive and the Performance Period will continue into year 3.

- (c) Year 3 – Because no performance fee was charged in Year 2 the performance of the Fund will continue to be measured from 1 January of Year 2. If between 1 January of Year 2 and 31 December of Year 3 (a two year period) the overall performance of the S&P 500 Index (with income reinvested) goes down by 10% and over that same period the Net Asset Value per Share of the American Extended Alpha Fund goes up by 5% in comparison with the Net Asset Value per Share at the beginning of Year 2 then a performance fee will be payable but only after the underperformance in Year 2 has been recovered

The Excess Return of the relevant Share Class over the Performance Period is equal to 15% i.e. (5% - (-10%)). On the basis of the formula used for Year 1 the performance fee chargeable at the end of Year 3 will be:  $15\% \times 20\% = 3\%$  of the Net Asset Value of the relevant Share Class.

There is no maximum value on the performance fee that could be taken and a performance fee may be payable in the event that the Share Class Return is negative (provided that there has been an Excess Return at the end of a Performance Fee).

The S&P 500 Index is an industry standard index constructed and managed to provide a broad and fair representation of the US market. If at any time an index which in the opinion of the ACD matches more effectively the spread requirements in the FSA Rules for UCITS schemes of a similar nature to the American Extended Alpha Fund, the ACD may, by giving not less than 60 days written notice to the Shareholders, substitute that index for the one referred to above and make calculations on the basis of that new index instead.

## Global Extended Alpha Fund

The ACD's fee per annum for all Shares in this Fund, calculated on a mid-market basis, accruing daily and payable monthly, is as follows:

Class 1 Shares: 1.50%; Class 2 shares: 0.75%.

In addition to the ACD's fee per annum described above the ACD shall be entitled to receive out of the assets of each Share Class a performance fee at a rate equal to 20% of the "Excess Return" of the Share Class, as further described below.

The performance fee shall be calculated and accrued as follows:

### 1. Performance Period

Each "Performance Period" starts on the day immediately following the end of the previous performance period, except that the first performance period shall start on the date of the first issue of the Shares in the relevant Class.

Each performance period ends on the first subsequent 31 December at which there is an Excess Return (unless 31 December is not a Dealing Day, in which case the Excess Return applicable shall be that calculated on the Dealing Day immediately before that 31 December), except that the first performance period in any event will not end on 31 December 2008.

### 2. Share Class Return

The "Share Class Return" is calculated for each Share Class on each Dealing Day, and is the percentage difference between the Net Asset Value per Share on such day and the Net Asset Value per Share at the beginning of the Performance Period.

### 3. Benchmark

The benchmark against which the performance of the Share Class is measured is the MSCI All Countries World Index (with income reinvested) (the "Benchmark")

### 4. Benchmark Return

The "Benchmark Return" is calculated on each Dealing Day as the percentage difference between the Benchmark on such Dealing Day and the Benchmark at the beginning of the Performance Period.

### 5. Excess Return

The "Excess Return" is calculated on each Dealing Day and is the difference between the Share Class Return of the relevant Share Class and the Benchmark Return. There may be Excess Return even if the Net Asset Value per Share of the Share Class has not reached an all-time high at that time. If on any Dealing Day the difference between the Share Class Return

and the Benchmark Return is zero or negative then there will be no Excess Return.

## 6. Performance Fee Calculation and Accrual

The performance fee is calculated as follows: the performance fee rate of 20% is multiplied by the Excess Return, multiplied by that Dealing Day's Net Asset Value for that Share Class. The performance fee is re-calculated each Dealing Day to reflect the performance of the Net Asset Value per Share against the Benchmark from the beginning of the Performance Period to the applicable Dealing Day.

An accrual for the performance fee is calculated on each Dealing Day and forms part of the Net Asset Value for each Share Class and therefore the performance fee accrual is reflected in the price of the Shares. The accrual is calculated on the basis of the performance of the Share Class from the beginning of the Performance Period to the Dealing Day. Any performance fee accrual made on a Dealing Day is superseded by any accrual made on the following Dealing Day until such time as the performance fee becomes payable. Any accrual for a performance fee shall be pro rated to reflect any material movements in the number of Shares in issue.

No performance fee will be charged until any underperformance during the Performance Period has been fully recovered. The term "underperformance" means that the difference between the Share Class Return of the relevant Share Class and the Benchmark Return is either nil or negative with No Excess Return.

The performance fee is only chargeable at the end of any Performance Period i.e. 31 December, and will be paid within one month of that date. If no performance fee has been charged since the launch of the Share Class, no performance fee will be payable until such time as there is an Excess Return and there is a performance fee accrual at the end of the Performance Period.

To illustrate the potential application of the performance fee, and by way of example only, three possible scenarios are set out below:

- (a) Year 1 – Between launch and 31 December, the MSCI All Countries World Index (with income reinvested) goes up by 10% and in that same period the Net Asset Value per Share of the Global Extended Alpha Fund goes up by 20% in comparison with the Net Asset Value per Share at launch.

A performance fee will be payable at the end of Year 1 because the Fund has outperformed the index over that Performance Period. The performance fee will be calculated as follows:

The Excess Return on 31 December is 10% i.e. 20% - 10%. The actual performance fee rate will be the Excess Return of 10% multiplied by 20%. This means that the performance fee payable will be 2% of the Net Asset Value of the relevant Share Class

- (b) Year 2 – Because a performance fee has been charged at the end of Year 1 a new Performance Period will begin from 1 January in Year 2. Between 1 January and 31 December of Year 2 the MSCI All Countries World Index (with income reinvested) goes up by 10% and in that same period the Net Asset Value per Share of the Global Extended Alpha Fund goes up by 5% in comparison with the Net Asset Value per Share at the beginning of Year 2.

No performance fee will be paid even though the performance of the Global Extended Alpha Fund has been positive and the Performance Period will continue into year 3.

- (c) Year 3 – Because no performance fee was charged in Year 2 the performance of the Fund will continue to be measured from 1 January of Year 2. If between 1 January of Year 2 and 31 December of Year 3 (a two year period) the overall performance of the MSCI All Countries World Index (with income reinvested) goes down by 10% and over that same period the Net Asset Value per Share of the Global Extended Alpha Fund goes up by 5% in comparison with the Net Asset Value per Share at the beginning of Year 2 then a performance fee will be payable but only after the underperformance in Year 2 has been recovered The Excess Return of the relevant Share Class over the Performance Period is equal to 15% i.e. (5% - (-10%)). On the basis of the formula used for Year 1 the performance fee chargeable at the end of Year 3 will be:  $15\% \times 20\% = 3\%$  of the Net Asset Value of the relevant Share Class.

There is no maximum value on the performance fee that could be taken and a performance fee may be payable in the event that the Share Class Return is negative (provided that there has been an Excess Return at the end of a Performance Fee).

The MSCI All Countries World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the both the developed and the emerging markets in the Americas, Europe/Middle East, and Asia/Pacific Regions.

If at any time an index which in the opinion of the ACD matches more effectively the spread requirements in the FSA Rules for UCITS schemes of a similar nature to the Global Extended Alpha Fund, the ACD may, by giving not less than 60 days written notice to the Shareholders, substitute that index for the

one referred to above and make calculations on the basis of that new index instead.

### Emerging Market Local Fund

The ACD's fee per annum for all Shares in this Fund, calculated on a mid-market basis, accruing daily and payable monthly, is as follows:

Class 1 Shares: 1.50%; Class 2 shares: 0.75%.

### UK Absolute Alpha Fund

The ACD's fee per annum for all Shares in this Fund, calculated on a mid-market basis, accruing daily and payable monthly, is as follows:

Class 1 Shares: 1.50%; Class 2 Shares 1.00%.

In addition to the ACD's fee per annum described above the ACD shall be entitled to receive out of the assets of each Share Class a performance fee at a rate equal to 20% of the "Excess Return" of the Share Class, as further described below.

The performance fee shall be calculated and accrued as follows:

#### 1. Performance Period

Each "Performance Period" starts on the day immediately following the end of the previous performance period, except that the first performance period shall start on the date of the first issue of the Shares in the relevant Class.

Each performance period ends on the first subsequent 31 December at which there is an Excess Return (unless 31 December is not a Dealing Day, in which case the Excess Return applicable shall be that calculated on the Dealing Day immediately before that 31 December), except that the first performance period in any event will not end on 31 December 2010.

#### 2. Share Class Return

The "Share Class Return" is calculated for each Share Class on each Dealing Day, and is the percentage difference between the Net Asset Value per Share on such day and the Net Asset Value per Share at the beginning of the Performance Period.

#### 3. Benchmark

The benchmark against which the performance of the Share Class is measured is the 3 month LIBOR (London Inter-Bank Offered Rate) (with income reinvested) (the "Benchmark")

#### 4. Benchmark Return

The “Benchmark Return” is calculated on each Dealing Day as the percentage difference between the Benchmark on such Dealing Day and the Benchmark at the beginning of the Performance Period.

#### 5. Excess Return

The “Excess Return” is calculated on each Dealing Day and is the difference between the Share Class Return of the relevant Share Class and the Benchmark Return. There may be Excess Return even if the Net Asset Value per Share of the Share Class has not reached an all-time high at that time. If on any Dealing Day the difference between the Share Class Return and the Benchmark Return is zero or negative then there will be no Excess Return.

#### 6. Performance Fee Calculation and Accrual

The performance fee is calculated as follows: the performance fee rate of 20% is multiplied by the Excess Return, multiplied by that Dealing Day’s Net Asset Value for that Share Class. The performance fee is re-calculated each Dealing Day to reflect the performance of the Net Asset Value per Share against the Benchmark from the beginning of the Performance Period to the applicable Dealing Day.

An accrual for the performance fee is calculated on each Dealing Day and forms part of the Net Asset Value for each Share Class and therefore the performance fee accrual is reflected in the price of the Shares. The accrual is calculated on the basis of the performance of the Share Class from the beginning of the Performance Period to the Dealing Day. Any performance fee accrual made on a Dealing Day is superseded by any accrual made on the following Dealing Day until such time as the performance fee becomes payable. Any accrual for a performance fee shall be pro rated to reflect any material movements in the number of Shares in issue.

No performance fee will be charged until any underperformance during the Performance Period has been fully recovered. The term “underperformance” means that the difference between the Share Class Return of the relevant Share Class and the Benchmark Return is either nil or negative with No Excess Return.

The performance fee is only chargeable at the end of any Performance Period i.e. 31 December, and will be paid within one month of that date. If no performance fee has been charged since the launch of the Share Class, no performance fee will be payable until such time as there is an Excess Return and there is a performance fee accrual at the end of the Performance Period.

To illustrate the potential application of the performance fee, and by way of example only, three possible scenarios are set out below:

- (a) Year 1 – Between launch and 31 December, 3 Month LIBOR (with income reinvested) goes up by 2% and in that same period the Net Asset Value per Share of the UK Absolute Alpha Fund goes up by 3% in comparison with the Net Asset Value per Share at launch.

A performance fee will be payable at the end of Year 1 because the Fund has outperformed the index over that Performance Period. The performance fee will be calculated as follows:

The Excess Return on 31st December is 1% i.e. 3% - 2%. The actual performance fee rate will be the Excess Return of 1% multiplied by 20%. This means that the performance fee payable will be 0.2% of the Net Asset Value of the relevant Share Class

- (b) Year 2 – Because a performance fee has been charged at the end of Year 1 a new Performance Period will begin from 1 January in Year 2. Between 1 January and 31 December of Year 2 3 Month LIBOR goes up by 4% and in that same period the Net Asset Value per Share of the UK Absolute Alpha Fund goes up by 3% in comparison with the Net Asset Value per Share at the beginning of Year 2.

No performance fee will be paid even though the performance of the UK Absolute Alpha Fund has been positive and the Performance Period will continue into year 3.

- (c) Year 3 – Because no performance fee was charged in Year 2 the performance of the Fund will continue to be measured from 1 January of Year 2. If between 1 January of Year 2 and 31 December of Year 3 (a two year period) the overall performance of the 3 Month LIBOR (with income reinvested) goes up by 5% and over that same period the Net Asset Value per Share of the UK Absolute Alpha Fund goes up by 6.5% in comparison with the Net Asset Value per Share at the beginning of Year 2 then a performance fee will be payable but only after the underperformance in Year 2 has been recovered

The Excess Return of the relevant Share Class over the Performance Period is equal to 1.5% i.e. (6.5% - 5%). On the basis of the formula used for Year 1 the performance fee chargeable at the end of Year 3 will be: 1.5% x 20% = 0.3% of the Net Asset Value of the relevant Share Class.

**There is no maximum value on the performance fee that could be charged.**

3 month LIBOR is the rate at which banks in London can borrow money from other banks with the funds due to be repaid in three months. It is commonly used as a benchmark representation of wholesale interest rates.

If at any time an index which in the opinion of the ACD matches more effectively the spread requirements in the FSA Rules for UCITS schemes of a similar nature to the UK Absolute Alpha Fund, the ACD may, by giving not less than 60 days written notice to the Shareholders, substitute that index for the one referred to above and make calculations on the basis of that index.

The ACD is also entitled to all reasonable, properly vouched, out of pocket expenses incurred in the performance of its duties, including stamp duty and stamp duty reserve tax on transactions in Shares.

Where the investment objective of a Fund is to treat the generation of income as a higher priority than capital growth, or the generation of income and capital growth have equal priority, all or part of the ACD's fee may be charged against capital instead of against income. This will only be done with the approval of the Depositary and applies to the following Funds:

UK Equity Alpha Income Fund

Global Equity Income Fund

Pan European Equity Dividend Fund

Emerging Market Local Fund

This treatment of the ACD's fee will increase the amount of income available for distribution to Shareholders in the Fund concerned, but may result in capital erosion or may constrain capital growth.

In addition, all or part of other fees and expenses of the Company may be charged against capital instead of against income, but only insofar as income is insufficient to meet those fees and expenses and only where the Fund allows charging against capital instead of against income.

The Company will charge such fees and expenses to capital in order to manage the level of income paid and/or available to Shareholders. This may result in capital erosion or may constrain capital growth and will only be done with the approval of the Depositary, subject always to the FSA Rules.

The performance fee by its nature is a capital charge, and is therefore charged to capital. The implications on the performance fee upon the winding up of a Fund during a performance period are set out in the section 'Winding up of the Company or a Fund of the Company'.

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

The ACD may not introduce a new category of remuneration for its services to be paid out of the Scheme Property of the Company without obtaining prior approval of the Shareholders by way of resolution. Additionally, no increase to a current rate or amount of remuneration payable to the ACD or an associate (as defined in the FSA Rules) out of the Scheme Property of the Company or any material change to any other type of payment out of the Scheme Property of the Company can be implemented without the ACD giving prior written notification of not less than 60 days to the Shareholders.

## Stocklending

The Company currently engages in stocklending arrangements with the Custodian, acting as stocklending agent on behalf of the Depositary. Under an agreement between the Company, the Depositary, the Investment Manager and the Custodian, the Custodian is entitled to a payment for providing stocklending services to the Company. The ACD has delegated to the Investment Manager the provision of oversight services provided in connection with the stocklending activity and the Investment Manager is entitled to receive a payment for this service. The fee payable to the Custodian is calculated as a percentage of the gross income from stocklending and will be 15% of the income generated by the stocklending activity. The fee payable to the Investment Manager is calculated as a percentage of the gross income from stocklending and will be 14% of the income generated by the stocklending activity. The remaining amount of income that is generated by virtue of the stocklending activity is then applied to the Scheme Property of the Company being 71%.

## Investment Manager's fee

The Investment Manager's fees and expenses (plus VAT thereon if applicable) will be paid by the ACD out of its remuneration under the ACD Agreement.

## Depository's fee

The Depository's remuneration, which is payable out of the assets of each Fund, is a periodic charge at such annual percentage rate of the value of the property of each Fund as is set out below, with the property of each Fund being valued and such remuneration accruing and being paid on the same basis as the ACD's annual management charge. Currently, the Depository's remuneration in respect of each Fund is calculated on a sliding scale as follows:

Band range	Fee
On the first GBP 50 million	0.020%
On the next GBP 150 million	0.0035%
On the balance over GBP 200 million	0.001%

The ACD will notify the Shareholders in writing prior to the change coming into force for a time period in accordance with FSA Rules for any material increase to the rates set out above.

The Depository is also entitled to receive out of the property of each Fund remuneration for performing or arranging for the performance of such functions as the ACD and the Depository may from time to time agree, being functions conferred on the Depository by the Instrument of Incorporation or the FSA Rules. The Depository's remuneration under this paragraph shall accrue when the relevant transaction or other dealing is effected and shall be paid in arrears on the next following date on which payment of the Depository's periodic charge is to be made or as soon as practicable thereafter. Currently the Depository does not receive any remuneration under this paragraph. The introduction of any payment under this paragraph would be subject to the approval of the Shareholders by way of resolution.

### Depository's expenses

In addition to the remuneration referred to above, the Depository is entitled to receive reimbursement for expenses properly incurred by it in the discharge of its duties or exercising any of the powers conferred upon it in relation to the Company and each Fund, subject to approval by the ACD.

The Depository has appointed JPMorgan Chase Bank N.A. as the Custodian of the property of the Funds and is entitled to receive reimbursement of the Custodian's fees as an expense of each Fund. JPMorgan Chase Bank N.A.'s remuneration for acting as Custodian is calculated at an ad valorem rate determined by the territory or country in which the assets of each Fund are held. Currently, the lowest rate is 0.0005% and the highest rate is 0.3%. In addition, the Custodian makes a transaction charge determined by the territory or country in which the transaction is effected. Currently, these transaction charges range from £3.75 to £50 per transaction.

Any material increase to the Custodian's charges set out above will be subject to the agreement of the Depository and the ACD, and the ACD will give prior written notice to the Shareholders in accordance with the FSA Rules.

The Depository is also entitled to be reimbursed out of the property of each Fund in respect of remuneration charged by the Custodian for such services as the ACD, the Depository and the Custodian may from time to time agree, being services delegated to the Custodian by the Depository in performing or arranging for the performance of the functions conferred on the Depository by the Instrument of Incorporation or the FSA Rules. Remuneration charged under this paragraph shall accrue when the relevant transaction or other dealing is effected and shall be paid in arrears. Currently, the Custodian does not receive any remuneration under this paragraph. The introduction of any payment under this paragraph would be subject to the approval of the Shareholders by way of resolution.

The following further expenses may also be paid out of the property of each Fund:

- (a) all charges imposed by, and any expenses of, any agents appointed by the Depository to assist in the discharge of its duties;
- (b) all charges and expenses incurred in connection with the collection and distribution of income;
- (c) all charges and expenses incurred in relation to the preparation of the Depository's annual report to Shareholders; and
- (d) all charges and expenses incurred in relation to stocklending.

Subject to current HM Revenue and Customs regulations, Value Added Tax at the prevailing rate may be payable in addition to the Depository's remuneration, the Custodian's remuneration and the above expenses.

### Allocation of fees and expenses between Funds

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

## Instrument of Incorporation

The Instrument of Incorporation of the Company (which is available for inspection at the ACD's offices at P.O. Box 1457, Swindon SN1 1FP and 60 St. Mary Axe, London EC3A 8JQ) contains, inter alia, provisions to the following effect:

### 1. Share capital

- (a) The Company may from time to time issue Shares of different Classes in respect of a Fund, and the ACD may by resolution from time to time create additional Classes in respect of a Fund (whether or not falling within one of the Classes in existence on incorporation).
- (b) The ACD may by a resolution from time to time create additional Funds with such investment objectives and such restrictions as to geographic area, economic sector, monetary zone or category of transferable security or otherwise, and denominated in such currencies, as the ACD may from time to time determine.
- (c) The Company may issue 'Limited Issue Shares' in respect of any Fund.
- (d) The special rights attaching to a Class are not (unless otherwise expressly provided by the conditions of issue of such Shares) deemed to be varied by:
  - (i) the creation, allotment or issue of further Shares of any Class ranking *pari passu* with them;
  - (ii) the switch of Shares of any Class into Shares of another Class;
  - (iii) the creation, allotment, issue or redemption of Shares of another Class within the same Fund, provided that the interests of that other Class in the Fund represent fairly the financial contributions and benefits of Shareholders of that Class;
  - (iv) the creation, allotment, issue or redemption of Shares of another Fund;
  - (v) the exercise by the ACD of its powers to re-allocate assets, liabilities, expenses, costs or charges not attributable to one Fund or to terminate a Fund;
  - (vi) the passing of any resolution at a meeting of another Fund which does not relate to the Fund in which the Class is interested; or
  - (vii) any agreement by the ACD or the Investment Manager for the time being of any Fund to suffer a reduction in its fees, in respect of that Fund, for any period.

### 2. Transfer of Shares

- (a) All transfers of registered Shares must be effected by transfer in writing in any usual or common form or in any other form as may be approved by the ACD.
- (b) No instrument of transfer may be given in respect of more than one Class.
- (c) In the case of a transfer to joint holders, the number of joint holders to whom a Share is to be transferred may not exceed four.
- (d) In the case of Class X Shares shareholders must be eligible.

### 3. Income

The following provisions apply in respect of Shares in issue in respect of the Funds available in the Company:

- (a) An allocation of income (whether annual or interim) to be made in respect of each Share issued by the Company or sold by the ACD during the accounting period in respect of which that income allocation is made shall be of the same amount as the allocation to be made in respect of the other Shares of the same Class issued in respect of the same Fund but shall where appropriate include a capital sum ('income equalisation') representing the ACD's best estimate of the amount of income included in the price of that Share, being either the actual amount of income included in the issue price of that Share or an amount arrived at by taking the aggregate of the amounts of income included in the price in respect of Shares of that Class issued or sold to Shareholders in the annual or interim accounting period in question and dividing that aggregate amount by the number of such Shares and applying the resultant average to each of the Shares in question.
- (b) Each allocation of income made in respect of any Fund at a time when more than one Class is in issue in respect of that Fund shall be done by reference to the relevant holders' proportionate interests in the Scheme Property of the Fund in question. These will be ascertained for each Class as follows:
  - (i) A notional account will be maintained for each Class. Each account will be referred to as a 'Proportion Account'.
  - (ii) The word 'proportion' in this context means the proportion, which the balance on a Proportion Account at the relevant time bears to the balance on all the Proportion Accounts of a Fund at that time. The proportionate interest of a Class of Share

in the assets and income of a Fund is its “proportion”.

- (iii) There will be credited to a Proportion Account:
  - The subscription money (excluding any initial charges) for the issue of Shares of the relevant Class;
  - that Class’s proportion of the amount by which the NAV of the Fund exceeds the total subscription money for all Shares in the Fund;
  - that Class’s proportion of the Fund’s income received and receivable; and
  - any notional tax benefit under paragraph (v) below.
- (iv) There will be debited to a Proportion Account:
- (v) Tax liabilities and tax benefits are assessed by the HMRC on each Fund as a whole. Any Fund tax liability or benefit will be allocated between Classes on a just and reasonable basis so as not to materially prejudice any Class. The allocation will be carried out by the ACD in consultation with the auditors.
- (vi) Where a Class is denominated in a currency which is not the base currency, the balance on the Proportion Account shall be converted into the base currency in order to ascertain the proportions of all Classes. Conversions between currencies shall be at a rate of exchange decided by the ACD as being a rate that is not likely to result in any material prejudice to the interests of Shareholders or potential Shareholders.
- (vii) The Proportion Accounts are memorandum accounts maintained for the purpose of calculating proportions. They do not represent debts from the Company to Shareholders or the other way round.
- (viii) Each credit and debit to a Proportion Account shall be allocated to that account on the basis of that Class’s proportion immediately before the allocation. All such adjustments shall be made as are necessary, to ensure that on no occasion on which the proportions are ascertained is any amount counted more than once.
- (ix) When Shares are issued thereafter each such Share shall represent the same proportionate

interest in the Scheme Property of the relevant Fund as each other Share of the same category and Class then in issue in respect of that Fund.

- (x) The Company shall allocate the amount available for income allocation (calculated in accordance with the FSA Rules) between the Shares in issue relating to the relevant Fund according to the respective proportionate interests in the Scheme Property of the Fund represented by the Shares in issue at the valuation point in question.

#### 4. Number of directors

Unless otherwise determined by an extraordinary resolution of Shareholders the number of directors shall not at any time exceed one.

#### 5. Removal of ACD

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

#### 6. Proceedings at general meetings

- (a) The duly authorised representative of the Depositary will nominate the chairman at general meetings. If the nominated chairman is not present within a reasonable time after the time appointed for holding the meeting and willing to act as the chairman, the Shareholders present may choose one of their number to be chairman of the meeting.
- (b) The chairman of any quorate meeting may with the consent of the meeting adjourn the meeting from time to time (or without date) and from place to place, and if he is directed by the meeting to adjourn he must do so. No business can be transacted at an adjourned meeting which might not lawfully have been transacted at the meeting from which the adjournment took place.
- (c) The Shareholders have rights under the FSA Rules to demand a poll. In addition to these, a poll may be demanded by the chairman of the meeting or by the ACD on any resolution put to the vote of a general meeting.
- (d) Unless a poll is required, a declaration by the chairman that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book or computer record of proceedings shall be conclusive evidence of that fact. If a poll is required, it shall be taken in such manner as the chairman may direct.

- (e) The chairman may take any action he considers appropriate for, for example, the safety of people attending a general meeting, the proper and orderly conduct of the general meeting or in order to reflect the wishes of the majority.

## 7. Corporations acting by representatives

- (a) Any corporation which is a Shareholder may by resolution of its directors or other governing body and in respect of any Share or Shares of which it is the holder authorise such individual as it thinks fit to act as its representative at any general meeting of the Shareholders or of any Class meeting or Fund meeting. The individual so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise in respect of such Share or Shares if it were an individual Shareholder.
- (b) Any corporation which is a director of the Company may by resolution of its directors or other governing body authorise such individual as it thinks fit to act as its representative at any general meeting of the Shareholders, or of any Class meeting or Fund meeting of the directors. The person so authorised shall be entitled to exercise the same powers at such meeting on behalf of such corporation as the corporation could exercise if it were an individual director.

## 8. Class meetings and Fund meetings

The provisions of the Instrument of Incorporation relating to meetings shall apply to Class meetings and Fund meetings in the same way as they apply to general meetings.

## 9. Instrument of Incorporation

- (a) The Instrument of Incorporation may be amended by resolution of the ACD to the extent permitted by the FSA Rules.
- (b) In the event of any conflict arising between any provision of the Instrument of Incorporation and either the OEIC Regulations or the FSA Rules, the OEIC Regulations and the FSA Rules will prevail.

## 10. Indemnity

The Instrument of Incorporation contains provisions indemnifying every director, other officer and auditor against liability in certain circumstances otherwise than in respect of negligence, default, breach of duty or breach of trust, and indemnifying the Depositary against liability in certain circumstances otherwise than in respect of failure to exercise due care and diligence.

## Shareholder meetings and voting rights

### Annual general meeting

In accordance with The Open-Ended Investment Companies (Amendment) Regulations 2005, the ACD has elected to dispense with the holding of annual general meetings. The ACD has given the required notice of 60 days to the Shareholders in respect of this election and has received the approval of the FSA to dispense with annual general meetings.

### Requisitions of meetings

The ACD may requisition a general meeting at any time.

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

### Notice and quorum

Shareholders will receive at least 14 days' written notice of a Shareholder's meeting and are entitled to be counted in the quorum and vote at such meeting either in person or by proxy or in the case of a body corporate by a duly authorised representative. The quorum for a meeting is two Shareholders, present in person or by proxy. The quorum for an adjourned meeting is one Shareholder present in person or by proxy or in the case of a body corporate by a duly authorised representative. Notices of meetings and adjourned meetings will be sent to Shareholders at their registered address.

### Voting rights

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

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

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

Except where the FSA Rules or the Instrument of Incorporation of the Company require an extraordinary resolution (which needs 75% of the votes cast at the meeting to be in favour if

the resolution is to be passed) any resolution required by the FSA Rules will be passed by a simple majority of the votes validly cast for and against the resolution.

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

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

### **Class and Fund meetings**

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

### **Variation of Class rights**

The rights attached to a Class or Fund may not be varied without the sanction of a resolution passed at a meeting of Shareholders of that Class or Fund by a 75% majority of those votes validly cast for and against such resolution.

## **Taxation**

### **General**

The information given under this heading does not constitute legal or tax advice and prospective investors should consult their own professional advisors as to the implications of subscribing for, purchasing, holding, switching or disposing of Shares under the laws of the jurisdiction in which they may be subject to tax. The following is based on law and practice as at the date of this Prospectus and may be subject to change.

### **The Company**

The Funds are sub-funds of an open-ended investment company to which the Authorised Investment Funds (Tax) Regulations 2006 currently apply. Each Fund will be treated as a separate entity for UK tax purposes.

The Funds are exempt from UK tax on capital gains realised on the disposal of investments including interest paying securities and derivatives held within them.

From 1 July 2009 dividends received from UK and overseas companies are taxable when received by a Fund unless each dividend falls into one of five exemptions. The most relevant exemption will be that which exempts distributions in respect of

portfolio holdings (holdings of 10% or less). It is anticipated that the majority of dividends will be exempt in the hands of the Funds. However, where the availability of treaty relief on withholding tax on overseas dividends from certain countries is unavailable because of a "subject to tax" clause in the relevant double tax treaty, a Fund may elect for dividends from these countries to be treated as taxable income. These dividends and all other income received by a Fund (e.g. interest income) will be subject to tax, currently at 20% after relief for expenses.

To the extent that a Fund receives income from, or realises a gain on investments issued in certain countries, and elects for those overseas dividends to be treated as taxable income for foreign withholding or other foreign taxes suffered on the overseas dividends, this could be used to offset against the corporate tax liability of the Fund.

In respect of any Fund which invests more than 60% of the market value of all investments held by that Fund in, broadly, interest bearing assets, such as debt securities, money placed at interest (other than cash awaiting investment) building society shares or holdings in unit trusts, ICVCs or offshore funds with similar holdings (for example, certain of the 'bond Funds'), such Fund may distribute or accumulate income as yearly interest. The amount of such income whether distributed or accumulated will be deducted from the income of the Fund in computing its liability to corporation tax.

The Pan European Accelerando Fund, the UK Extended Alpha Fund, the UK Absolute Alpha Fund, the Absolute Return Bond Fund, the Target Return Fund, the UK Mid 250 Fund, the Global Emerging Markets Equity Fund, the UK Equity Alpha Income Fund, the Pan European Equity Dividend Fund, the China Opportunities Fund, the Global Equity Income Fund, the American Extended Alpha Fund, the Global Extended Alpha Fund and the Emerging Market Local Fund will be managed so as to be eligible as ISA investments.

## **Stamp duty reserve tax ('SDRT')**

### **General**

In accordance with the Stamp Duty and Stamp Duty Reserve Tax (Open-Ended Investment Companies) Regulations 2001 as may be amended from time to time (the SDRT Regulations') SDRT is chargeable on the surrender (i.e. the redemption or switching of Shares) and on certain transfers of Shares in the Funds. The rate of SDRT is 0.5%.

SDRT is chargeable on the value of surrenders and transfers in a Fund in each weekly charging period, but is reduced proportionately for the Fund to the extent that during that week and the following week the:

- (a) Investments held by the Fund are exempt investments which means essentially any assets other than United

Kingdom equities and collective investment schemes that are not exempt from SDRT. Any Fund which holds no United Kingdom equities will therefore be wholly exempt and all of the following information regarding SDRT can therefore be disregarded by Shareholders in such a Fund; and

- (b) Purchases of Shares by number are less than surrenders of Shares.

Legislation has been introduced in Finance Bill 2011 to treat an investment by a collective investment scheme in an underlying Fund as an exempt asset (i.e. an asset which does not have an SDRT charge on it) for the purposes of Schedule 19 SDRT, where that underlying Fund is no more than 20% invested in non-exempt assets.

### Possible Ways of Funding SDRT

The SDRT Regulations provide that the SDRT payable by each Fund is the liability of the Company. The Regulations permit a provision for SDRT in respect of a Fund to be recovered out of the property of that Fund. This will obviously reduce the value of the Fund in question, but, given the percentage amount of SDRT, should be of minimal significance.

Regulations issued by the FSA permit (but do not oblige) the ACD to require from an incoming or outgoing Shareholder a separate payment, or deduction, of a provision against SDRT

(‘SDRT provision’) when Shares are surrendered or transferred by a Shareholder or issued to an incoming Shareholder. The SDRT provision can be up to 0.5% of the value of the transaction and is a provision against the SDRT owed by the Company. The SDRT provision, if imposed on an incoming Shareholder, would increase the payment required on the purchase of Shares by that Shareholder, and if on an outgoing Shareholder would decrease the redemption proceeds received by that Shareholder, and must be paid to the Company and become part of the property of the Fund in question.

### The ACD’s policy for funding SDRT on surrenders of Shares

The ACD intends that any SDRT chargeable on surrenders of Shares in a Fund will in general be paid out of that Fund and an SDRT provision will not normally be levied directly on the redeeming Shareholder whatever the size of the deal. It is not anticipated that the ACD will impose a provision for SDRT on redeeming Shareholders in the future.

### The ACD’s policy for funding SDRT on third party transfers of Shares

The Company is entitled not to register a transfer of Shares in a Fund unless (a) an SDRT provision of 0.5% of the value transferred has been paid to the Company for the account of the Fund in question or (b) the Company has received all

documentation required to provide evidence that the transfer is exempt from SDRT. As the value transferred is calculated at the valuation point immediately following the Company’s receipt of the instrument of transfer, the transferring Shareholder (being either of the transferor or the transferee) will be contacted after this point and advised of the amount of the SDRT provision due, which amount must be paid immediately.

Notwithstanding this, the ACD has the discretion, and reserves the right, to charge to the Fund in question SDRT incurred on third party transfers of Shares in that Fund.

## UK Shareholders

The following summary applies to holders of Shares who are resident or ordinarily resident in the UK for tax purposes.

### Shareholders’ income

#### (i) Interest distributions

UK resident individuals will be taxable on the sum of gross interest distributions received and accumulations made during the relevant tax year. Such distributions are paid under deduction of income tax at a rate of 20%, and individuals paying tax at the basic rate on such income will not be subject to further taxation. Non-taxpayers will be entitled to claim a repayment of the full amount of the tax. Investors whose total taxable income including savings income falls within the starting rate band will be able to claim back part of the tax deducted. However higher rate and additional rate taxpayers will have further tax to pay on the gross distribution. The amount will depend on the tax rate applicable to their specific circumstance.

Tax-exempt investors such as local authorities, charities and pension schemes may be paid gross interest distributions and accumulations. However the ACD will need to be satisfied that the recipient is the beneficial owner and that it is entitled to be paid gross interest distributions and/or accumulations. The ACD may require a suitable indemnity from the recipient before a gross payment can be made.

Unless corporate Shareholders can satisfy the ACD that they are beneficially entitled to the income and are UK resident or acting through a UK branch subject to UK corporation tax on the income, interest distributions and accumulations will be paid net of income tax at 20%. Corporate Shareholders will be subject to corporation tax on the gross amount of the distribution or accumulation but, where tax has been deducted, will be entitled to a credit for the tax treated as paid.

Shareholders who are within the charge to UK corporation tax should be aware that where such an investor holds an interest in a Fund and that Fund fails, at any time in an accounting period in which the investor holds its interest, to satisfy the “qualifying investments test”, the investor is required to treat its interest for that accounting period as if it were rights under a

creditor relationship for the purposes of the “loan relationships” regime (which governs the United Kingdom taxation of most forms of corporate debt) contained in the United Kingdom Corporation Tax Act 2009. A Fund fails to satisfy the qualifying investments test at any time when its investments consist as to more than 60 per cent by market value of, inter alia, government and corporate debt securities, money placed at interest, certain derivative contracts or holdings in collective investment schemes which do not themselves satisfy the qualifying investment test. Corporate Shareholders would in these circumstances be required to account for their interest in the Fund under the loan relationships regime, in which case all returns on their Funds in the relevant accounting period (including gains and losses) would be taxed or relieved as income receipt or expense on a “fair value” basis. Such Shareholders might therefore, depending upon their particular circumstances, incur a charge to UK corporation tax on an unrealised increase in the value of their Shares (or obtain relief against UK corporation tax for an unrealised diminution in the value of their Shares).

## (ii) Dividend Distributions

Other funds will make distributions or accumulations that will be treated as dividends of a UK company and will comprise dividend income for UK tax purposes. An individual recipient of a dividend distribution or accumulation will be entitled to a notional tax credit of 10% of the gross dividend. This tax credit is sufficient to cover the liability of taxpayers liable to pay tax at the basic rate of tax on savings income. Higher rate taxpayers are taxed at 32.5% and additional rate taxpayers are taxed at 42.5% on the gross dividend against which the 10% tax credit can be credited and will have further tax to pay. Since 6 April 2004, it is no longer possible for Shareholders who hold their shares in ISAs to reclaim the 10% tax credit. Non-taxpayers are not entitled to reclaim the tax credit.

The income corporate Shareholders receive from a dividend distribution or accumulation is streamed into franked, unfranked and foreign income, according to the underlying gross income of the Fund. The proportion which is derived from UK and overseas dividends that fall into one of five tax exemptions is treated as franked investment income and is generally not subject to further tax unless taxed on the Shareholder as part of its trade. The income derived from all other sources (e.g. interest income, dividends which do not qualify for exemption or which a Fund has elected to tax or offshore income gains on the disposal of offshore funds without reporting funds status) is treated as an annual payment paid under deduction of income tax at the rate of 20%. The Shareholder will be subject to tax on the grossed up amount but will be entitled to a credit for tax treated as paid. Whilst this amount can be wholly offset against the corporation tax liability of the Shareholder, the maximum amount of tax which can be reclaimed by the corporate Shareholder is limited to their proportion of the Fund's net liability to corporation tax in respect of gross income.

## Income equalisation

When the first income distribution is received it may include an amount known as equalisation. The amount representing the income equalisation in the Share's price is a return of capital and is not taxable in the hands of Shareholders. This amount should be deducted from the cost of Shares in computing capital gains realised on their disposal.

Income equalisation applies in relation to the Pan European Accelerando Fund, the UK Extended Alpha Fund, the UK Absolute Alpha Fund, the UK Mid 250 Fund, the UK Equity Alpha Income Fund, the Pan European Equity Dividend Fund, the Global Equity Income Fund, the American Extended Alpha Fund, the Global Extended Alpha Fund and the Emerging Market Local Fund.

## Capital gains tax

Shareholders who are resident in the UK for tax purposes may be liable to capital gains tax or, if companies, corporation tax on chargeable gains ('CGT'). The redemption, sale, switching or transfer of Shares, being chargeable assets, may constitute a disposal or part disposal for the purposes of UK CGT. For individuals, there is an annual exempt amount. For basic rate taxpayers the rate of 18% is applied to all chargeable gains in excess of the annual exempt amount. From 22 June 2010 for higher rate taxpayers a rate of 28% is applied to all chargeable gains in excess of the annual exempt amount. Please note that taper relief is no longer available. For a corporate Shareholder with an interest in an 'equity Fund' indexation relief will be allowed as a deduction from the gain calculated by reference to the period the asset was held and the initial cost given.

Shareholders subject to UK corporation tax may need to treat their shareholdings in a 'bond' Fund as a creditor relationship subject to a mark-to-market basis of accounting.

An exchange of Shares of one class for Shares of another class within a Fund may constitute for UK taxation purposes a reorganisation of the Fund within section 127 Taxation of Chargeable Gains Act 1992, in which case a UK resident or ordinarily resident Shareholder who exchanges one class of Share for another class of Shares would not be treated as making a disposal of Shares giving rise to a chargeable gain or allowable loss, but instead would be treated as having acquired such new class of Shares at the same time and for the same price at which the original class of Shares were originally acquired.

## Inheritance tax ('IHT')

Investors are potentially subject to UK inheritance tax on their investment.

## European Union Savings Directive

This section applies only to investors who are resident outside the United Kingdom for tax purposes.

Shareholders who are individuals resident in a Member State of the European Union should be aware of the provisions of the EU Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments (the "Directive") pursuant to which income realised upon the sale or redemption of shares in undertakings for collective investments, as well as any income in the form of dividends or other distributions made by such undertakings for collective investment, may (depending upon the location, classification and investment portfolio of the undertaking) become subject to the reporting regime or withholding tax regime imposed by the Directive, if such payment is made by a paying agent established either in a Member State of the European Union or in certain other jurisdictions which have agreed to introduce an equivalent reporting or withholding tax regime in respect of such payments. The provisions of the Directive apply to payments made on or after 1 July 2005.

The rules of the Directive are complex and their implementation will be effected by each Member State. Accordingly, Shareholders who are individuals or acting as nominees and who are resident in the European Union should consult their own tax advisers.

Shareholders to whom the Directive may be relevant should also be aware that the EU Commission is currently undertaking a review of the Directive, and that the proposals being considered as a part of that review include a possible extension of the types of funds or other undertakings for collective investment that are currently outside the scope of the Directive. It is not anticipated that the current proposals will have an impact on the Company.

### Winding up of the Company or a Fund of the Company

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

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

The Company or a Fund may be wound up under the FSA Rules if:

- (a) an extraordinary resolution to that effect is passed by Shareholders; or

- (b) the period (if any) fixed for the duration of the Company or a particular Fund by the Instrument of Incorporation expires, or the event (if any) occurs on the occurrence of which the Instrument of Incorporation provides that the Company or a particular Fund is to be wound up (for example, if the share capital of the Company is below its prescribed minimum or (in relation to any Fund) except the American Extended Alpha Fund and the Global Extended Alpha Fund the NAV of the Fund is less than £10 million and in relation to the American Extended Alpha Fund, the UK Absolute Alpha and the Global Extended Alpha Fund, the NAV of the Fund is less than £20 million, or if a change in the laws or regulations of any country means that, in the ACD's opinion, it is desirable to terminate the Fund); or
- (c) on the date of effect stated in any agreement by the FSA to a request by the ACD for the revocation of the authorisation order in respect of the Company or the relevant Fund.

On the occurrence of any of the above:

- (a) COLL 5 relating to 'Investment and Borrowing Powers', COLL 6.2 relating to 'Dealing' and COLL 6.3 relating to 'Valuation and Pricing' will cease to apply to the Company or the particular Fund;
- (b) the Company will cease to issue and cancel Shares in the Company or the particular Fund and the ACD shall cease to sell or redeem Shares or arrange for the Company to issue or cancel them for the Company or the particular Fund;
- (c) no transfer of a Share shall be registered and no other change to the register shall be made without the sanction of the ACD;
- (d) the date of winding up will constitute the end of the performance fee period (if relevant to the respective Fund) and the ACD will reserve the right to take a fee equal to 20% of any outperformance over the index hurdle rate from the commencement of the performance fee period until the date of winding up;
- (e) 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;
- (f) the corporate status and powers of the Company and, subject to the provisions of (a) and (e) above, the powers of the ACD shall remain 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 and, after paying out or retaining adequate provision for all liabilities properly payable and retaining provision for the costs of winding up, arrange for the Depositary to make one or more interim distributions out of the proceeds to Shareholders proportionately to their rights to participate in the Scheme Property of the Company or the Fund. In the case of the Company the ACD shall also publish notice of the commencement of the winding up of the Company in the London Gazette. When the ACD has caused all of the Scheme 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 also 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 ACD shall notify the FSA that it has done so.

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

Following the completion of a winding up of either the Company or a Fund, the ACD must prepare a final account showing how the winding up took place and how the Scheme Property was distributed. The auditors of the Company shall make a report in respect of the final account stating their opinion as to whether the final account has been properly prepared. This final account and the auditors' report must be sent to the FSA and to each Shareholder within two months of the termination of the winding up. Any liabilities attributable or allocated to a particular Fund under the FSA Rules shall be met first out of the Scheme Property attributable or allocated to that particular Fund.

If the liabilities of a particular Fund are greater than the proceeds of the realisation of the Scheme Property attributable or allocated to the Fund, the deficit shall be met out of the Scheme Property attributable or allocated to Funds in respect of which the proceeds of realisation exceed liabilities and will be divided between the Funds in a manner which is fair to Shareholders in those Funds.

## General information

### Accounting periods

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

### Income distributions

Distributions of income (dividends) are made in respect of the income available for allocation in each accounting period and

are made only by Funds in respect of which there are Gross Income Shares, Net Income Shares, and/or IPA shares.

Dividends will be allocated on a specific date during the year (the 'XD Date'). The registered holder of the Share on the XD Date will be entitled to receive the dividend for that Share. Payment of the dividend will normally be made on the 'Payment Date'. The XD Date and Payment Date for each Fund are set out in the following table.

Fund Name	XD Dates	Payment Dates
<b>Pan European Accelerando Fund</b>	1-May	30-Jun
<b>UK Extended Alpha Fund</b>	1-May	30-Jun
<b>Absolute Return Bond Fund</b>	1-May	30-Jun
<b>Target Return Fund</b>	1- May & 1- Nov	30-Jun & 31-Dec
<b>UK Mid 250 Fund</b>	1-May	30-Jun
<b>Global Emerging Markets Equity Fund</b>	1-May	30-Jun
<b>UK Equity Alpha Income Fund</b>	1- May & 1- Nov	30-Jun & 31-Dec
<b>Global Equity Income Fund</b>	1-Feb, 1- May, 1- Aug, 1- Nov	31- Mar, 30-Jun, 30-Sept & 31-Dec
<b>Pan European Equity Dividend Fund</b>	1- May & 1- Nov	30-Jun & 31-Dec
<b>China Opportunities Fund</b>	1-May	30-Jun
<b>American Extended Alpha Fund</b>	1-May	30-Jun
<b>Global Extended Alpha Fund</b>	1-May	30-Jun
<b>Emerging Market Local Fund</b>	1- May & 1- Nov	30-Jun & 31-Dec
<b>UK Absolute Alpha Fund</b>	1- May	30-Jun

Any distribution may be paid by (i) crossed cheque, warrant or money order and may be remitted by post to the registered address of the persons entitled to such monies or to such person and to such address as those persons may direct in writing or (ii) any other usual or common banking method (including, without limitation, direct credit, bank transfer and electronic funds transfer) and to or through such person or such persons as the relevant person may direct in writing. No distributions of income will be made in respect of Funds for which there are only Gross Accumulation Shares and/or Net Accumulation Shares. The Pan European Accelerando Fund, UK Extended Alpha Fund, UK Absolute Alpha Fund, Absolute Return Bond Fund, China Opportunities Fund, UK Mid 250, Global Emerging Markets Equity Fund, American Extended

Alpha Fund and Global Extended Alpha Fund only issue Gross Accumulation Shares, and/or Net Accumulation Shares so will not distribute income. The amount available for allocation in any accounting period is calculated by taking the aggregate of the income received or receivable for the account of the relevant Fund in respect of that period, and deducting the charges and expenses of the relevant Fund paid or payable out of income in respect of that accounting period. The ACD then makes such other adjustments as it considers appropriate (and after consulting the auditors as appropriate) in relation to taxation, income equalisation, income unlikely to be received within 12 months following the relevant income allocation date, income which should not be accounted for on an accrual basis because of lack of information as to how it accrues, transfers between the income and capital account and any other adjustments (including for amortisation) which the ACD considers appropriate after consulting the auditors.

## Annual report and accounts

Annual long report and accounts of the Company will be made available and published within four months of the close of each annual accounting period and half-yearly long report and accounts will be published within two months of the close of each interim accounting period. Within the timeframes noted above, the ACD will send the short report which details performance and activities of a Fund over the accounting period to each Shareholder (or to the first named holder in respect of joint shareholders) that is entered in or that is entitled to be entered in the register of Shareholders at the close of business on the last day of the relevant accounting period, and otherwise upon a Shareholder's request.

## Risk management

Upon request, the ACD will provide further information relating to the quantitative limits applying in the risk management of any Fund and the methods used.

## Documents of the Company

The following documents may be inspected free of charge between 9.30 am and 4.30 pm (UK time) on every business day at the offices of the ACD at 60 St Mary Axe, London EC3A 8JQ:

- (a) the most recent annual and half-yearly reports of the Company;
- (b) the Instrument of Incorporation (and any amending Instrument of Incorporation); and
- (c) the Risk Management Process.

Shareholders may obtain copies of the above documents from either address.

## Material contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company and is, or may be, material: the agreement dated 9 May 2003 between the Company and the ACD, the agreement dated 29 September 2006 between the Company, the ACD and the Depositary and an agreement dated 9 June 2008 between the Company, the ACD and the Investment Manager.

Brief summaries of the ACD Agreement and the Investment Management and Depositary Agreements are given under the heading 'Management and administration'.

## Additional information

- (a) The FSA Rules contain provisions on conflict of interest governing any transaction concerning the Company which is carried out by or with any 'affected person', an expression which covers the Company, an associate of the Company, the ACD, an associate of the ACD, the Depositary, an associate of the Depositary, any investment manager and any associate of any investment manager.
- (b) These provisions, among other things, enable an affected person to sell or deal in the sale of property to the Company or Depositary for the account of the Company; vest property in the Company or the Depositary against the issue of Shares in the Company; purchase property from the Company (or the Depositary acting for the account of the Company); enter into a stocklending transaction in relation to the Company; or provide services for the Company. Any such transactions with or for the Company are subject to best execution on exchange, or independent valuation or arm's length requirements as set out in the FSA Rules. An affected person carrying out such transaction is not liable to account to the Depositary, the ACD, any other affected person, or to the holders of Shares or any of them for any benefits or profits thereby made or derived.
- (c) Investment of the property of the Company may be made on arm's length terms through a member of an investment exchange (acting as principal) who is an affected person in relation to the ACD. Neither the ACD nor any such affected person will be liable to account for any profit out of such dealings.

## Notice to Shareholders

In the event that the ACD is required to give notice to Shareholders for any reason, or otherwise chooses to do so, such notice will normally be given in writing. Alternatively, and to the extent permitted by the FSA Rules, notice to Shareholders may be made by way of publishing the information on [www.threadneedle.com](http://www.threadneedle.com), or by including the information in a mailing to the Shareholders such as the Company's annual report and accounts. Any document served on Shareholders by the ACD will be served to the current address of the Shareholder with reference to the records of the ACD.

Any document or notice to be served by a Shareholder on the ACD or the Company may be served at the head office of the Company.

## Complaints

Complaints may be referred to the compliance officer of the ACD at 60 St Mary Axe, London EC3A 8JQ. A copy of the ACD's 'Complaint Handling Procedure' is available upon request. Complaints may also be referred to the Financial Ombudsman Service which is based at South Quay Plaza, 183 Marsh Wall, London E14 9SR.

## Notes for investors resident outside the UK

References to times in this Prospectus are to UK times unless otherwise stated.

Freephone 0800 numbers can only be used within the UK.

The Company is registered for sale of the Funds in a number of countries outside the UK, including:

Austria;  
Belgium;  
Denmark;  
France;  
Italy;  
Luxembourg;  
The Netherlands;  
Peru (a limited number of Funds are registered for sale and offer to Peruvian private pension funds);  
Spain;  
Singapore (a limited number of Funds are currently recognised as restricted schemes and are therefore only available for marketing to accredited investors (as defined under Singapore law));  
Portugal; and  
Switzerland (some Funds).

## US Persons

Shares in the Company are not available for offer or sale in any state in the United States, or to persons (including companies, partnerships, trusts or other entities) who are "US Persons" as defined in Rule 902 of Regulation S under the US Securities Act of 1933, as amended), nor may Shares be owned or otherwise held by such persons. Accordingly, this Prospectus may not be distributed in the United States or to a US Person. The ACD reserves the right to give notice to any Shareholder that is or that subsequently becomes incorporated in the United States or to a US Person to (i) transfer the Shares to a person that is not a US Person or (ii) request a redemption or cancellation of the Shares and the ACD may redeem or cancel the Shares if the Shareholder fails to make such transfer or request within 30 days of that notice provided by the ACD.

## Important information for Singapore investors

No offer of the Shares in the Company for subscription or purchase, or invitation to subscribe for or purchase the Shares, may be made, nor any document or other material relating to the Shares may be circulated or distributed, either directly or indirectly, to any person in Singapore other than: (i) to "institutional investors" pursuant to Section 304 of the Securities and Futures Act, Chapter 289 of Singapore (the "Act"), (ii) in relation to the Shares of the Funds that have been granted restricted recognised status under paragraph 3 of the Sixth Schedule to the Securities and Futures (Offers of Investments) (Collective Investment Schemes) Regulations, "relevant persons" pursuant to section 305(1) of the Act or any person pursuant to Section 305(2) of the Act, or (iii) otherwise pursuant to, and in accordance with the conditions of, other applicable provisions of the Act. The offer or invitation that is the subject of this Prospectus is not allowed to be made to the retail public in Singapore. This Prospectus is not a prospectus as defined in the Act. Accordingly, statutory liability under that Act in relation to the content of prospectuses would not apply. The Monetary Authority of Singapore ("MAS"), which can be contacted at 10 Shenton Way, MAS Building, Singapore 079117, assumes no responsibility for the contents of this Prospectus. **The offer, holding and subsequent transfer of Shares are subject to restrictions and conditions under the Act. You should consider carefully whether the investment is suitable for you and consult your legal or professional advisor if in doubt.**

## Important information for Italian investors

The local documents that Italian investors receive prior to subscribing in Shares may provide:

- (i) the ability for investors to appoint a distributor or a local paying agent to send orders in its own name on behalf of the investors and to be recorded as holder of the Shares on behalf of the effective underlying Shareholder ((a so called nominee arrangement); and/or

- (ii) the possibility for local paying agents to charge a fee to investors in relation to the execution and subscription, redemption and/or exchange transactions;
- (iii) the possibility for Italian investors to subscribe Shares through regular savings plans.

**Important information for German investors**

Publication of relevant German tax information can be found at [www.threadneedle.de](http://www.threadneedle.de)

## Appendix I

### Eligible securities markets and eligible derivatives markets

All Funds may deal through securities and derivatives markets established in an EEA State on which transferable securities or derivatives admitted to official listing in that EEA State are dealt in or traded. The Company may also invest in accordance with the conditions in Appendix II.

In addition, the following Funds may deal through the following securities markets and regulated markets:

<b>Funds:</b>	<b>Securities markets:</b>
<ul style="list-style-type: none"> <li><b>UK Extended Alpha Fund</b></li> <li><b>Pan European Accelerando Fund</b></li> <li><b>Absolute Return Bond Fund</b></li> <li><b>Target Return Fund</b></li> <li><b>UK Mid 250 Fund</b></li> <li><b>Global Emerging Markets Equity Fund</b></li> <li><b>UK Equity Alpha Income Fund</b></li> <li><b>Global Equity Income Fund</b></li> <li><b>Pan European Equity Dividend Fund</b></li> <li><b>China Opportunities Fund</b></li> <li><b>American Extended Alpha Fund</b></li> <li><b>Global Extended Alpha Fund</b></li> <li><b>Emerging Market Local Fund</b></li> <li><b>UK Absolute Alpha Fund</b></li> </ul>	<p>AIM;</p> <p>Virt-x; and</p> <p>The market organised by the International Capital Market Association.</p> <p>In addition to the above, the Pan European Accelerando Fund, the Target Return Fund, Absolute Return Bond Fund, the Global Emerging Markets Equity Fund, the UK Equity Alpha Fund, the Pan European Equity Dividend Fund, the China Opportunities Fund, the Global Equity Income Fund, the American Extended Alpha Fund, the Global Extended Alpha Fund, the Emerging Market Local Fund, the Global Extended Alpha Fund, the UK Absolute Alpha Fund and the UK Extended Alpha Fund may deal through the following securities markets:</p> <ul style="list-style-type: none"> <li>(i) Markets in any exchange registered with the Securities and Exchange Commission;</li> <li>(ii) The Toronto Stock Exchange;</li> <li>(iii) Berne and SWX Stock Exchange;</li> <li>(iv) Tokyo Stock Exchange;</li> <li>(v) Istanbul Stock Exchange</li> </ul> <p>In addition to the above, the Global Emerging Markets Equity Fund, the China Opportunities Fund, the Target Return Fund, the Global Equity Income Fund, the American Extended Alpha Fund, the Global Extended Alpha Fund, the UK Absolute Alpha Fund, the UK Extended Alpha Fund and the Emerging Market Local Fund may deal through the following securities markets:</p> <ul style="list-style-type: none"> <li>(i) Bombay Stock Exchange;</li> <li>(ii) Hong Kong Stock Exchange;</li> <li>(iii) Jakarta Stock Exchange, Indonesia;</li> <li>(iv) Kuala Lumpur Stock Market, Malaysia;</li> <li>(v) Shanghai Stock Exchange;</li> <li>(vi) Shenzhen Stock Exchange;</li> <li>(vii) Stock Exchange of Singapore;</li> <li>(viii) Phillipines Stock Exchange, Phillipines;</li> <li>(ix) Korean Stock Exchange;</li> <li>(x) Bangkok Exchange;</li> <li>(xi) Taiwan Stock Exchange;</li> <li>(xii) Kosdaq OTC Market, Taiwan OTC Market</li> <li>(xiii) BOVESPA, Brazil ;</li> <li>(xiv) Bolsa De Valores Lima, Peru ;</li> <li>(xv) Bolsa Mexicana de Valores, Mexico</li> <li>(xvi) Johannesburg Stock Exchange, South Africa</li> <li>(xvii) Australian Stock Exchange, Australia</li> <li>(xviii) New Zealand Stock Exchange, New Zealand</li> <li>(xix) RTS stock exchange, Russia</li> <li>(xx) Karachi Stock Exchange</li> <li>(xxi) Tel-Aviv Stock Exchange, Israel</li> <li>(xxii) Cairo &amp; Alexandria Stock Exchange, Egypt</li> <li>(xxiii) Buenos Aires Stock Exchange, Argentina</li> </ul>

The following Funds may deal through the following derivatives markets:

Funds:

UK Extended Alpha Fund  
 Pan European Accelerando Fund  
 Absolute Return Bond Fund  
 Target Return Fund  
 UK Mid 250 Fund  
 Global Emerging Markets Equity Fund  
 UK Equity Alpha Income Fund  
 Global Equity Income Fund  
 Pan European Equity Dividend Fund  
 China Opportunities Fund  
 American Extended Alpha Fund  
 Global Extended Alpha Fund  
 Emerging Market Local Fund  
 UK Absolute Alpha Fund

- (a) LIFFE; and
- (b) Chicago Mercantile Exchange (CME).

In addition to the above, the Pan European Accelerando Fund, the Target Return Fund, the Global Emerging Markets Equity Fund, the China Opportunities Fund, the Global Equity Income Fund, the American Extended Alpha Fund, the Global Extended Alpha Fund the UK Absolute Alpha Fund, the UK Extended Alpha Fund and the Emerging Market Local Fund may deal through the following derivatives markets:

- (i) NYSE Euronext (FTA);
- (ii) COMEX;
- (iii) CBOE;
- (iv) EUREX;
- (v) MATIF (Euronext France);
- (vi) BELFOX;
- (vii) Tokyo Stock Exchange;
- (viii) Hong Kong Futures Exchange;
- (ix) Sydney Futures Exchange;
- (x) New Zealand Stock Futures and Options Exchange.

The Absolute Return Bond Fund, the Target Return Fund, the Global Emerging Markets Equity Fund, the China Opportunities Fund, the Global Equity Income Fund, the American Extended Alpha Fund, Global Extended Alpha Fund and the Emerging Market Local Fund may deal through all of the above derivatives markets, and may also deal through CBOT and FINRA Trace.

## Appendix II

### Investment management and borrowing powers of the Company

#### 1. Investment restrictions

- 1.1 The Scheme Property of a Fund will be invested with the aim of achieving the investment objective of that Fund but subject to the limits on investment set out in Chapter 5 of the FSA Rules (COLL 5.2 to COLL 5.5). These limits apply to a Fund as summarised below.
- 1.2 The ACD shall ensure that taking into account the objective of a Fund and its investment policy, the property of the Fund provides a prudent spread of risk. Particular requirements as to this spread of risk are set out below.

#### 2. Cover

- 2.1 Where the FSA Rules allow a transaction to be entered into or an investment to be retained only 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 FSA Rules, it must be assumed that the maximum possible liability of a Fund under any other of those rules has also to be provided for.
- 2.2 Where a rule in the FSA Rules 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:

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

#### 3. UCITS schemes – general

- 3.1 The Scheme Property of a Fund must, subject to its investment objective and policy and except where otherwise noted below, only consist of any or all of:
- 3.1.1 transferable securities;
- 3.1.2 approved money market instruments;
- 3.1.3 permitted derivatives and forward transactions (subject to the provisions of paragraph 14);
- 3.1.4 permitted deposits;
- 3.1.5 permitted units in collective investment schemes; and

3.1.6 movable and immovable property that is necessary for the direct pursuit of the Company's business in accordance with COLL 5.

3.2 Transferable securities and money market instruments held within a Fund must (subject to paragraphs 3.3 and 3.4) be:

3.2.1 admitted for listing or listed on an eligible market as described in paragraphs 9 and 10 below.

3.3 Not more than 10% in value of the Scheme Property of a Fund is to consist of transferable securities, which are not approved securities.

3.4 Not more than 10% in value of the Scheme Property is to consist of money market instruments which do not fall within paragraph 8 (Investment in approved money market instruments).

3.5 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 a Fund (or on which the initial offer commenced if later) provided that the requirement to maintain prudent spread of risk is complied with.

3.6 It is not intended that each Funds will have an interest in any immovable property or tangible movable property.

#### 4. Transferable Securities

4.1 A transferable security is an investment which is any of the following:

- 4.1.1 a share;
- 4.1.2 a debenture;
- 4.1.3 an alternative debenture;
- 4.1.4 a government and public security;
- 4.1.5 a warrant; or
- 4.1.6 a certificate representing certain securities.

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

4.3 In applying paragraph 4.2 to an investment which is issued by a body corporate, and which is a share or a

debenture the need for any consent on the part of the body corporate or any members or debenture holders of it may be ignored.

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

## 5. Investment in transferable securities

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

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

5.1.2 its liquidity does not compromise the ability of the ACD to comply with its obligation to redeem units at the request of any qualifying Shareholder under the FSA Rules;

5.1.3 reliable valuation is available for it as follows:

5.1.3.1 in the case of a transferable security admitted to or dealt in on an eligible market, where there are accurate, reliable and regular prices which are either market prices or prices made available by valuation systems independent from issuers;

5.1.3.2 in the case of a transferable security not admitted to or dealt in on an eligible market, where there is a valuation on a periodic basis which is derived from information from the issuer of the transferable security or from competent investment research;

5.1.4 appropriate information is available for it as follows:

5.1.4.1 in the case of a transferable security admitted to or dealt in on an eligible market, where there is regular, accurate and comprehensive information available to the market on the transferable security or, where relevant, on the portfolio of the transferable security;

5.1.4.2 in the case of a transferable security not admitted to or dealt in on an

eligible market, where there is regular and accurate information available to the ACD on the transferable security or, where relevant, on the portfolio of the transferable security;

5.1.5 it is negotiable; and

5.1.6 its risks are adequately captured by the risk management process of the ACD.

- 5.2 Unless there is information available to the ACD that would lead to a different determination, a transferable security which is admitted to or dealt in on an eligible market shall be presumed:

5.2.1 not to compromise the ability of the ACD to comply with its obligation to redeem units at the request of any qualifying Shareholder; and

5.2.2 to be negotiable.

- 5.3 Except in the case of China Opportunities Fund, not more than 5% in value of a Fund is to consist of warrants.

## 6. Closed end funds constituting transferable securities

- 6.1 A unit in a closed end fund shall be taken to be a transferable security for the purposes of investment by a Fund, provided it fulfils the criteria for transferable securities set out in paragraph 5, and either:

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

6.1.1.1 it is subject to corporate governance mechanisms applied to companies; and

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

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

6.1.2.1 it is subject to corporate governance mechanisms equivalent to those applied to companies; and

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

## 7. Transferable securities linked to other assets

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

7.1.1 fulfils the criteria for transferable securities set out in paragraph 5; and

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

7.2 Where an investment in paragraph 7.1 contains an embedded derivative component (see paragraph 19.8), the requirements of this section with respect to derivatives and forwards will apply to that component.

## 8. Approved Money Market Instruments

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

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

8.2.1 has a maturity at issuance of up to and including 397 days;

8.2.2 has a residual maturity of up to and including 397 days;

8.2.3 undergoes regular yield adjustments in line with money market conditions at least every 397 days; or

8.2.4 has a risk profile, including credit and interest rate risks, corresponding to that of an instrument which has a maturity as set out in paragraph 8.2.1 or paragraph 8.2.2 or is subject to yield adjustments as set out in paragraph 8.2.3.

8.3 A money-market instrument shall be regarded as liquid if it can be sold at limited cost in an adequately short time frame, taking into account the obligation of the ACD to redeem units at the request of any qualifying Shareholder.

8.4 A money-market instrument shall be regarded as having a value which can be accurately determined at any time

if accurate and reliable valuations systems, which fulfil the following criteria, are available:

8.4.1 enabling the ACD to calculate a net asset value in accordance with the value at which the instrument held in the portfolio could be exchanged between knowledgeable willing parties in an arm's length transaction; and

8.4.2 based either on market data or on valuation models including systems based on amortised costs. A money-market instrument that is normally dealt in on the money market and is admitted to or dealt in on an eligible market shall be presumed to be liquid and have a value which can be accurately determined at any time unless there is information available to the ACD that would lead to a different determination.

## 9. Transferable securities and money market instruments generally to be admitted or dealt in on an Eligible Market

9.1 Transferable securities and approved money market instruments held within a Fund must be:

9.1.1 admitted to or dealt on an eligible market (as described in paragraphs 10.2 or 10.3);

9.1.2 for an approved money market instrument not admitted to or dealt in on an eligible market within paragraph 11.1; or

9.1.3 recently issued transferable securities provided that:

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

9.1.3.2 such admission is secured within a year of issue.

9.2 However, a Fund may invest no more than 10% of the Scheme Property in transferable securities and approved money-market instruments other than those referred to in paragraph 9.1.

## 10. Eligible markets

10.1 To protect investors, the markets on which investments of a Fund are dealt in or traded on should be of an adequate quality ('eligible') at the time of acquisition of the investment and until it is sold. The criteria for eligibility are set out in FSA Handbook.

10.2 The Fund may deal through the following eligible securities and derivatives markets:

10.2.1 any securities markets established in an EEA State on which transferable securities admitted to official listing in that EEA country are dealt in or traded: and

10.2.2 the securities markets and derivative markets listed in Appendix 1.

10.3 In addition each Fund may deal through any other eligible securities market and derivatives market which the ACD, after consultation with and notification to the Depositary, considers to be appropriate for the investment of, or dealing in, the property of that Fund. 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.

#### 11. Money-market instruments with a regulated issuer

11.1 In addition to instruments admitted to or dealt in on an eligible market, a Fund may invest in an approved money-market instrument provided it fulfils the following requirements:

11.1.1 the issue or the issuer is regulated for the purpose of protecting investors and savings; and

11.1.2 the instrument is issued or guaranteed in accordance with paragraph 12.

11.2 The issue or the issuer of a money-market instrument, other than one dealt in on an eligible market, shall be regarded as regulated for the purpose of protecting investors and savings if:

11.2.1 the instrument is an approved money-market instrument;

11.2.2 appropriate information is available for the instrument (including information which allows an appropriate assessment of the credit risks related to investment in it), in accordance with paragraph 3 below; and

11.2.3 the instrument is freely transferable.

#### 12. Issuers and guarantors of money-market instruments

12.1 A Fund may invest in an approved money-market instrument if it is:

12.1.1 issued or guaranteed by any one of the following:

12.1.1.1 a central authority of an EEA State or, if the EEA State is a federal state, one of the members making up the federation;

12.1.1.2 a regional or local authority of an EEA State;

12.1.1.3 the European Central Bank or a central bank of an EEA State;

12.1.1.4 the European Union or the European Investment Bank;

12.1.1.5 a non-EEA State or, in the case of a federal state, one of the members making up the federation;

12.1.1.6 a public international body to which one or more EEA States belong; or

12.1.2 issued by a body, any securities of which are dealt in on an eligible market; or

12.1.3 issued or guaranteed by an establishment which is:

12.1.3.1 subject to prudential supervision in accordance with criteria defined by European Community law; or

12.1.3.1 subject to and complies with prudential rules considered by the FSA to be at least as stringent as those laid down by European Community law.

12.2 An establishment shall be considered to satisfy the requirement in paragraph 12.1.3.2 if it is subject to and complies with prudential rules, and fulfils one or more of the following criteria:

12.2.1 it is located in the European Economic Area;

12.2.2 it is located in an OECD country belonging to the Group of Ten;

- 12.2.3 it has at least investment grade rating;
- 12.2.4 on the basis of an in-depth analysis of the issuer, it can be demonstrated that the prudential rules applicable to that issuer are at least as stringent as those laid down by European Community law.

### 13. Appropriate information for money-market instruments

- 13.1 In the case of an approved money-market instrument within paragraph 12.1.2 or which is issued by an authority within paragraph 12.1.1.2 or a public international body within paragraph 12.1.1.6 but is not guaranteed by a central authority within paragraph 12.1.1.1, the following information must be available:
- 13.1.1 information on both the issue or the issuance programme, and the legal and financial situation of the issuer prior to the issue of the instrument, verified by appropriately qualified third parties not subject to instructions from the issuer;
- 13.1.2 updates of that information on a regular basis and whenever a significant event occurs; and
- 13.1.3 available and reliable statistics on the issue or the issuance programme.
- 13.2 In the case of an approved money-market instrument issued or guaranteed by an establishment within paragraph 12.1.3, the following information must be available:
- 13.2.1 information on the issue or the issuance programme or on the legal and financial situation of the issuer prior to the issue of the instrument ;
- 13.2.2 updates of that information on a regular basis and whenever a significant event occurs; and
- 13.2.3 available and reliable statistics on the issue or the issuance programme, or other data enabling an appropriate assessment of the credit risks related to investment in those instruments.
- 13.3 In the case of an approved money-market instrument:
- 13.3.1 within paragraphs 12.1.1.1, 12.1.1.4 or 12.1.1.5; or
- 13.3.2 which is issued by an authority within paragraph 12.1.1.2 or a public international body within paragraph 12.1.1.6 and is guaranteed by a central authority within paragraph 12.1.1.1; information must be available on the issue or the issuance programme, or on the legal and financial situation of the issuer prior to the issue of the instrument.
- ### 14. Spread: general
- 14.1 This rule on spread does not apply to government and public securities.
- 14.2 For the purposes of this requirement companies included in the same group for the purposes of consolidated accounts as defined in accordance with Directive 83/349/EEC or in the same group in accordance with international accounting standards are regarded as a single body.
- 14.3 Not more than 20% in value of the Scheme Property is to consist of deposits with a single body.
- 14.4 Not more than 5% in value of the Scheme Property is to consist of transferable securities or approved money market instruments issued by any single body.
- 14.5 The limit of 5% in paragraph 14.4 is raised to 10% in respect of up to 40% in value of the Scheme Property. Covered bonds need not be taken into account for the purpose of applying the limit of 40%.
- 14.6 The limit of 5% in paragraph 14.4 is raised to 25% in value of the Scheme Property in respect of covered bonds, provided that when a Sub-fund invests more than 5% in covered bonds issued by a single body, the total value of covered bonds held must not exceed 80% in value of the Scheme Property.
- 14.7 In applying paragraphs 14.4 and 14.5 certificates representing certain securities are treated as equivalent to the underlying security.
- 14.8 The exposure to any one counterparty in an OTC derivative transaction must not exceed 5% in value of the Scheme Property. This limit is raised to 10% where the counterparty is an Approved Bank.
- 14.9 Not more than 20% in value of a Fund is to consist of transferable securities issued or approved money market instruments issued by the same group (as referred to in paragraph 14.2).

- 14.10 Not more than 20% in value of the Fund is to consist of the units of any one collective investment scheme. (Please also see the limits on investment in other collective investment schemes set out in paragraph 17 below.
- 14.11 In applying the limits in paragraphs 14.3 to 14.8, not more than 20% in value of the Scheme Property is to consist of any combination of two or more of the following:
- 14.11.1 transferable securities (including covered bonds) or approved money market instruments issued by; or
- 14.11.2 deposits made with; or
- 14.11.3 exposures from OTC derivatives transactions made with a single body.
- 14.12 For the purpose of calculating the limits in 14.8 and 14.11, the exposure in respect of an OTC derivative may be reduced to the extent that collateral is held in respect of it if the collateral meets each of the following conditions:
- 14.12.1 it is marked-to-market on a daily basis and exceeds the value of the amount at risk;
- 14.12.2 it is exposed only to negligible risks (e.g. government bonds of first credit rating or cash) and is liquid;
- 14.12.3 it is held by a third party custodian not related to the provider or is legally secured from the consequences of a failure of a related party; and
- 14.12.4 can be fully enforced by the UCITS scheme at any time.
- 14.13 For the purpose of calculating the limits in 14.8 and 14.11, OTC derivative positions with the same counterparty may be netted provided that the netting procedures:
- 14.13.1 comply with the conditions set out in Section 3 (Contractual netting (Contracts for novation and other netting agreements)) of Annex III to the Banking Consolidation Directive;
- 14.13.2 are based on legally binding agreements; In applying this rule, all derivatives transactions are deemed to be free of counterparty risk if they are performed on an exchange where the clearing house meets each of the following conditions:
- 14.13.3 it is backed by an appropriate performance guarantee; and
- 14.13.4 it is characterised by a daily mark-to-market valuation of the derivative positions and at least daily margining.
- 15. Spread: Government and public securities**
- 15.1 The above restrictions do not apply to Government and public securities. The restrictions in relation to such securities are set out below ("such securities").
- 15.2 Where no more than 35% in value of the Scheme Property is invested in such securities issued by any one body, there is no limit on the amount which may be invested in such securities or in any one issue.
- 15.3 A Fund may invest more than 35% in value of the Scheme Property in such securities issued by any one body provided that:
- 15.3.1 the ACD has before any such investment is made consulted with the Depositary and as a result considers that the issuer of such securities is one which is appropriate in accordance with the investment objectives of the authorised fund;
- 15.3.2 no more than 30% in value of the Scheme Property consists of such securities of any one issue and;
- 15.3.2.1 the Scheme Property includes such securities issued by that or another issuer, of at least six different issues and
- 15.3.2.2 the disclosures required by the FSA Rules have been made.
- 15.4 Subject to this restriction and any restrictions in the investment objective and policy of a Fund there are no limits on the amount of a Fund's property which may be invested in Government and public securities or such securities issued by any one issuer or of any issue.
- 15.5 In relation to such securities:
- 15.5.1 issue, issuer and issuer include guarantee, guaranteed and guarantor; and

15.5.2 an issue differs from another if there is a difference as to repayment date, rate of interest, guarantor or other material terms of the issue.

## 16. Counterparty risk and issuer concentration

16.1 The ACD must ensure that counterparty risk arising from an OTC derivative is subject to the limits set out in paragraphs 14.8 and 14.11 above.

16.2 When calculating the exposure of a Fund to a counterparty in accordance with the limits in paragraph 14.8 the ACD must use the positive mark-to-market value of the OTC derivative contract with that counterparty.

16.3 The ACD may net the OTC derivative positions of a Fund with the same counterparty, provided they are able legally to enforce netting agreements with the counterparty on behalf of the Fund.

16.4 The netting agreements in paragraph 16.3 above are permissible only with respect to OTC derivatives with the same counterparty and not in relation to any other exposures the Fund may have with that same counterparty.

16.5 The ACD may reduce the exposure of scheme property to a counterparty of an OTC derivative through the receipt of collateral. Collateral received must be sufficiently liquid so that it can be sold quickly at a price that is close to its pre-sale valuation.

16.6 The ACD must take collateral into account in calculating exposure to counterparty risk in accordance with the limits in paragraph 14.8 when it passes collateral to an OTC counterparty on behalf of a Fund.

16.7 Collateral passed in accordance with paragraph 16.6 may be taken into account on a net basis only if the ACD is able legally to enforce netting arrangements with this counterparty on behalf of that Fund.

16.8 In relation to the exposure arising from OTC derivatives as referred to in paragraph 14.8 the ACD must include any exposure to OTC derivative counterparty risk in the calculation.

16.9 The ACD must calculate the issuer concentration limits referred to in paragraph 14.8 on the basis of the underlying exposure created through the use of OTC derivatives pursuant to the commitment approach.

## 17. Investment in collective investment schemes

17.1 No more than 10% in the value of a Fund may be invested in units of collective investment schemes. Set out in the remainder of this paragraph are the FSA's current rules on collective investment schemes investing in other collective investment schemes.

17.2 Under the COLL rules a Fund may invest in units in a collective investment scheme provided that no more than 30% of the value of that Fund is in collective investment schemes which are not UCITS (due to the restriction in 16.1 for the Funds this percentage is reduced from 30% to 10%) schemes and only if the second scheme complies with the following requirements:

17.2.1 it is a scheme which complies with the conditions necessary for it to enjoy the rights conferred by the UCITS Directive; or

17.2.2 is recognised under the provisions of section 270 of the Act (Schemes authorised in designated countries or territories); or

17.2.3 is authorised as a non-UCITS retail scheme (provided the requirements of article 50(1)(e) of the UCITS Directive are met); or

17.2.4 is authorised in another EEA State (provided the requirements of article 50(1)(e) of the UCITS Directive are met); or

17.2.5 is authorised by the competent authority of an OECD country (other than another EEA State) which has:

17.1.5.1 signed the IOSCO Multilateral Memorandum of Understanding; and

17.1.5.2 approved the scheme's management company, rules and depositary/custody arrangements.

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

17.3 it is a scheme which complies where relevant with paragraph 17.6 below;

17.4 it is a scheme that has terms which prohibit more than 10% in value of the Scheme Property consisting of units in other collective investment schemes; and

- 17.5 For the purposes of paragraphs 16.2 to 16.3 and paragraph 14 (Spread: General) each sub-fund of an umbrella scheme is to be treated as if it were a separate scheme but no sub-fund of an umbrella scheme may invest in another sub-fund of that umbrella scheme.
- 17.6 Each of the Funds may include units in collective investment schemes managed or operated by (or, if it is an open-ended investment company has as its authorised corporate director), the ACD or an associate of the ACD, subject to the following conditions:
- 17.6.1 there is no charge in respect of the investment in or the disposal of units in the second scheme; or
- 17.6.2 where there is a charge the ACD is under a duty to pay to a Fund by the close of business on the fourth business day next after the agreement to buy or to sell the amount referred to in paragraphs 17.5.2.1 and 17.5.2.2:
- 17.5.2.1 when an investment is made, either:
- (a) any amount by which the consideration paid by the Fund for the units in the second scheme exceeds the price that would have been paid for the benefit of the second scheme had the units been newly issued or sold by it; or
  - (b) if such price cannot be ascertained by the ACD, the maximum amount of any charge permitted to be made by the seller of units in the second scheme;
- 17.5.2.2 when a disposal is made, the amount referred to in paragraph 17.5.2. is any charge made for the account of the ACD of the second scheme or an associate of any of them in respect of the disposal
- 17.7 In this paragraph 16:
- 17.7.1 any addition to or deduction from the consideration paid on the acquisition or disposal of units in the second scheme, which is applied for the benefit of the second scheme and is, or is like, a dilution levy or SDRT
- provision, is to be treated as part of the price of the units and not as part of any charge; and
- 17.7.2 any switching charge made in respect of an exchange of units in one Fund or separate part of the second scheme for units in another Fund or separate part of that scheme is to be included as part of the consideration paid for the units.
- 18. Investment in nil and partly paid securities**
- 18.1 A transferable security or an approved money market instrument on which any sum is unpaid falls within a power of investment only if it is reasonably foreseeable that the amount of any existing and potential call for any sum unpaid could be paid by each Fund, at the time when payment is required, without contravening the rules in Chapter 5 of the FSA Rules.
- 19. Use of derivatives and forward transactions – general**
- 19.1 Under the COLL Sourcebook derivatives are permitted for Funds for investment purposes and derivative transactions may be used for the purposes of hedging or meeting the investment objectives or both.
- 19.2 The following Funds may, in accordance with the COLL Sourcebook, use derivatives for the purposes of EPM as defined in this Prospectus (including hedging) as well as for investment purposes:
- 19.2.1 Target Return Fund;
  - 19.2.2 Absolute Return Bond Fund;
  - 19.2.3 American Extended Alpha Fund;
  - 19.2.4 Global Extended Alpha Fund;
  - 19.2.5 UK Extended Alpha Fund;
  - 19.2.6 UK Absolute Alpha Fund.
- 19.3 The following Funds may use derivatives for efficient portfolio management purposes only and in accordance with paragraph 19.4. The use of derivatives in this way will not increase the risk profile of a Fund.
- 19.3.1 Pan European Accelerando Fund;
  - 19.3.2 UK Mid 250 Fund;
  - 19.3.3 Global Emerging Markets Equity Fund;
  - 19.3.4 UK Equity Alpha Income Fund;

- 19.3.5 Pan European Equity Dividend Fund;
- 19.3.6 China Opportunities Fund;
- 19.3.7 Global Equity Income Fund;
- 19.3.8 Emerging Market Local Fund.
- 19.4 The use of derivatives and forward transactions by the Funds listed in paragraph 19.3 for EPM purposes will be to achieve one of the following in respect of the scheme:
- 19.4.1 Reduction of risk. This allows for the use of the technique of cross-currency hedging in order to switch all or part of the Scheme Property away from a currency the ACD considers unduly prone to risk, to another currency. This aim also permits the use of tactical asset allocation (please see paragraph 19.4.2). A detailed explanation of the types of risks that the ACD considers it may be sensible to reduce by the use of derivatives is set out in the section 'Risk Factors'
- 19.4.2 Reduction of cost. The aims of reduction of risk or cost, together or separately, allow the ACD on a temporary basis to use the technique of tactical asset allocation. Tactical asset allocation permits the ACD to undertake a switch in exposure by use of derivatives, rather than through sale and purchase of the Scheme Property.
- 19.4.3 (Ancillary to paragraphs 19.4.1 and 19.4.2 above) the generation of additional capital or income for the Fund with no, or an acceptably low level of risk. 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; and.
- 19.4.4 (Ancillary to paragraphs 19.4.1 and 19.4.2 above) enabling the investment objectives of Funds to be met.
- 19.5 A transaction in derivatives or a forward transaction must not be effected for a Fund unless:
- 19.5.1 the transaction is of a kind specified in paragraph 20 (Permitted transactions (derivatives and forwards)); and
- 19.5.2 the transaction is covered, as required by paragraph 38 (Cover for transactions in derivatives and forward transactions).
- 19.6 Where a Fund invests in derivatives, the exposure to the underlying assets must not exceed the limits in paragraph 14 (Spread: General) and paragraph 15 (Spread: government and public securities), save as provided below.
- 19.7 Where a transferable security or money market instrument embeds a derivative, this must be taken into account for the purposes of complying with this section.
- 19.8 A transferable security or an approved money-market instrument will embed a derivative if it contains a component which fulfils the following criteria:
- 19.8.1 by virtue of that component some or all of the cash flows that otherwise would be required by the transferable security or approved money-market instrument which functions as host contract can be modified according to a specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, and therefore vary in a way similar to a stand-alone derivative;
- 19.8.2 its economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract; and
- 19.8.3 it has a significant impact on the risk profile and pricing of the transferable security or approved money-market instrument.
- 19.9 A transferable security or an approved money-market instrument does not embed a derivative where it contains a component which is contractually transferable independently of the transferable security or the approved money-market instrument. That component shall be deemed to be a separate instrument.
- 19.10 Where a Fund invests in an index based derivative, provided the relevant index falls within paragraph 21 (Financial indices underlying derivatives) the underlying constituents of the index do not have to be taken into account for the purposes of paragraphs 14 (Spread: general) and 15 (Spread: Government and public securities).
- 19.11 The relaxation in the paragraph above is subject to the ACD taking account of the requirements on prudent spread of risk.

- 19.12 The ACD will use either a commitment approach or a value at risk (VaR) approach to measure the exposure of a Fund, depending on the way derivatives and forward transactions are used. Please see paragraphs 38.6 and 38.7 below for further details.
- 20. Permitted transactions (derivatives and forwards)**
- 20.1 A transaction in a derivative must be in an approved derivative; or be one which complies with paragraph 36(OTC transactions in derivatives).
- 20.2 A transaction in a derivative must have the underlying consisting of any or all of the following to which a Fund is dedicated:
- 20.2.1 transferable securities;
- 20.2.2 approved money market instruments permitted under paragraph 8 (Approved money market instruments);
- 20.2.3 deposits permitted under paragraph 22 (Investment in deposits);
- 20.2.4 derivatives permitted under this Section;
- 20.2.5 collective investment scheme units permitted under paragraph 16;
- 20.2.6 financial indices in accordance with paragraph 20 (Financial indices underlying derivatives);
- 20.2.7 interest rates;
- 20.2.8 foreign exchange rates; and
- 20.2.9 currencies.
- 20.3 A transaction in an approved derivative must be effected on or under the rules of an eligible derivatives market.
- 20.4 A transaction in a derivative must not cause the Fund to diverge from its investment objectives as stated in the Instrument constituting the scheme and the most recently published version of this Prospectus.
- 20.5 A transaction in a derivative must not be entered into if the intended effect is to create the potential for an uncovered sale of one or more, transferable securities, approved money market instruments, units in collective investment schemes, or derivatives provided that the sale is not to be considered as uncovered if the conditions in the section on requirements to cover sales are satisfied.
- 20.6 Any forward transaction must be with an eligible institution or an Approved Bank.
- 21. Financial indices underlying derivatives**
- 21.1 The financial indices referred to in paragraph 20.2.6 are those which satisfy the following criteria:
- 21.1.1 the index is sufficiently diversified;
- 21.1.2 the index represents an adequate benchmark for the market to which it refers; and
- 21.1.3 the index is published in an appropriate manner.
- 21.2 A financial index is sufficiently diversified if:
- 21.2.1 it is composed in such a way that price movements or trading activities regarding one component do not unduly influence the performance of the whole index;
- 21.2.2 where it is composed of assets in which a Fund is permitted to invest, its composition is at least diversified in accordance with the requirements with respect to spread and concentration set out in this section; and
- 21.2.3 where it is composed of assets in which a Fund cannot invest, it is diversified in a way which is equivalent to the diversification achieved by the requirements with respect to spread and concentration set out in this section.
- 21.3 A financial index represents an adequate benchmark for the market to which it refers if:
- 21.3.1 it measures the performance of a representative group of underlyings in a relevant and appropriate way;
- 21.3.2 it is revised or rebalanced periodically to ensure that it continues to reflect the markets to which it refers, following criteria which are publicly available; and
- 21.3.3 the underlyings are sufficiently liquid, allowing users to replicate it if necessary.
- 21.4 A financial index is published in an appropriate manner if:
- 21.4.1 its publication process relies on sound procedures to collect prices, and calculate and subsequently publish the index value, including

pricing procedures for components where a market price is not available; and

21.4.2 material information on matters such as index calculation, rebalancing methodologies, index changes or any operational difficulties in providing timely or accurate information is provided on a wide and timely basis.

21.5 Where the composition of underlyings of a transaction in a derivative does not satisfy the requirements for a financial index, the underlyings for that transaction shall where they satisfy the requirements with respect to other underlyings pursuant to 20.2, be regarded as a combination of those underlyings.

## 22. Investment in deposits

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

## 23. Cash and near cash

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

23.1.1 the pursuit of a Fund's investment objectives; or

23.1.2 redemption of units; or

23.1.3 efficient management of a Fund in accordance with its investment objectives; or

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

23.2 During the period of the initial offer the Scheme Property may consist of cash and near cash without limitation.

23.3 The investment policy of a Fund may mean that at times it is appropriate not to be fully invested in transferable securities but to hold cash or near cash in order to enable the pursuit of the Fund's investment objectives.

23.4 Subject to the constraints in paragraphs 23.1 and 23.3 and in accordance with paragraph 23.3, in the case of:

23.4.1 Target Return Fund, Absolute Return Bond Fund, Emerging Market Local Fund, American Extended Alpha Fund and Global Extended Alpha Fund, in exceptional circumstances each Fund may hold up to 100% of the relevant Fund's NAV in cash or near cash;

23.4.2 Pan European Accelerando Fund, UK Extended Alpha Fund, China Opportunities Fund and Global Equity Income Fund, each Fund may hold significant amounts of cash or near cash, generally up to 30% of the relevant Fund's NAV, but in exceptional circumstances this may rise to 100%;

23.4.3 Global Emerging Markets Equity Fund, the Fund may hold up to 30% of its NAV in cash and near cash;

23.4.4 UK Equity Alpha Income Fund and Pan European Equity Dividend Fund may hold up to 20% of the relevant Fund's NAV in cash and near cash.

23.5 Investors should refer to the 'Risk factors' section of this Prospectus.

## 24. Significant influence

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

24.1.1 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

24.1.2 the acquisition gives the Company that power.

24.2 For the purpose of paragraph 24.1.1, the Company is to be taken to have power significantly to influence the conduct of business of a body corporate if it can, because of the transferable securities held by it, exercise or control the exercise of 20% or more of the voting rights in that body corporate (disregarding for this purpose any temporary suspension of voting rights in respect of the transferable securities of that body corporate).

## 25. Concentration

A Fund:

25.1 must not acquire transferable securities (other than debt securities) which:

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

- 25.1.2 represent more than 10% of those securities issued by that body corporate;
- 25.2 must not acquire more than 10% of the debt securities issued by any single body;
- 25.3 must not acquire more than 25% of the units in a collective investment scheme;
- 25.4 must not acquire more than 10% of the money market instruments issued by any single body; and
- 25.5 need not comply with the limits in paragraphs 13.2 to 13.4 if, at the time of acquisition, the net amount in issue of the relevant investment cannot be calculated.
- 26. Schemes replicating an index**
- 26.1 Notwithstanding paragraph 14 (Spread: general), a Fund may invest up to 20% in value of the Scheme Property in shares and debentures which are issued by the same body where the investment policy of that scheme as stated in the most recently published prospectus is to replicate the composition of a relevant index which satisfies the criteria specified in paragraph 27 (Relevant indices).
- 26.2 Replication of the composition of a relevant index shall be understood to be a reference to replication of the composition of the underlying assets of that index, including the use of techniques and instruments permitted for the purpose of EPM.
- 26.3 The limit in paragraph 26.1 can be raised for a particular UCITS scheme up to 35% in value of the Scheme Property, but only in respect of one body and where justified by exceptional market conditions.
- 27. Relevant indices**
- 27.1 The indices referred to in paragraph 26 are those which satisfy the following criteria:
- 27.1.1 the composition is sufficiently diversified;
- 27.1.2 the index represents an adequate benchmark for the market to which it refers; and
- 27.1.3 the index is published in an appropriate manner.
- 27.2 The composition of an index is sufficiently diversified if its components adhere to the spread and concentration requirements in this section.
- 27.3 An index represents an adequate benchmark if its provider uses a recognised methodology which generally does not result in the exclusion of a major issuer of the market to which it refers.
- 27.4 An index is published in an appropriate manner if:
- 27.4.1 it is accessible to the public;
- 27.4.2 the index provider is independent from the index-replicating UCITS scheme; this does not preclude index providers and the UCITS scheme from forming part of the same group, provided that effective arrangements for the management of conflicts of interest are in place.
- 28. General power to borrow**
- 28.1 A Fund may, in accordance with this paragraph, borrow money for the use of the Fund on terms that the borrowing is to be repayable out of the Scheme Property. This power to borrow is subject to the obligation of the Fund to comply with any restriction in the instrument constituting the Fund.
- 28.2 The Fund may borrow under paragraph 28.1 only from an Eligible Institution or an Approved Bank.
- 28.3 The ACD must ensure that any borrowing is on a temporary basis and that borrowings are not persistent, and for this purpose the ACD must have regard in particular to:
- 28.3.1 the duration of any period of borrowing; and
- 28.3.2 the number of occasions on which resort is had to borrowing in any period.
- 28.4 The ACD must ensure that no period of borrowing exceeds three months, whether in respect of any specific sum or at all, without the prior consent of the Depositary.
- 28.5 With respect to 28.4, the Depositary may only give its consent on such conditions as appear to the Depositary appropriate to ensure that the borrowing does not cease to be on a temporary basis only.
- 28.6 A Fund must not issue any debenture unless it acknowledges or creates a borrowing that complies with paragraph 28.1 to 28.5.
- 28.7 These borrowing restrictions and those in paragraph 29 (Borrowing Limits), do not apply to "back to back" borrowing for currency hedging purposes.

**29. Borrowing limits**

29.1 The ACD must ensure that a Fund's borrowing does not, on any business day, exceed 10% of the value of the Scheme Property of the Fund.

29.2 In this paragraph 29, "borrowing" includes, as well as borrowing in a conventional manner, any other arrangement (including a combination of derivatives) designed to achieve a temporary injection of money into the Scheme Property in the expectation that the sum will be repaid.

**30. Restrictions on lending of money**

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

30.2 Acquiring a debenture is not lending for the purposes of paragraph 30.1; nor is the placing of money on deposit or in a current account.

30.3 Paragraph 30.1 does not prevent a Fund from providing an officer of the Fund with funds to meet expenditure to be incurred by him for the purposes of the Fund (or for the purposes of enabling him properly to perform his duties as an officer of the Fund) or from doing anything to enable an officer to avoid incurring such expenditure.

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

31.1 The Scheme Property of a Fund other than money must not be lent by way of deposit or otherwise.

31.2 Transactions permitted by paragraph 44 (Stock Lending) are not lending for the purposes of paragraph 31.1.

31.3 The Scheme Property of a Fund must not be mortgaged.

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

32.1 Any power in Chapter 5 of the FSA Rules to invest in transferable securities may be used for the purpose of entering into transactions to which this section applies, subject to compliance with any restriction in the Instrument of Incorporation.

32.2 This section applies, subject to paragraph 32.3, to any agreement or understanding:

32.2.1 which is an underwriting or sub-underwriting agreement; or

32.2.2 which contemplates that securities will or may be issued or subscribed for or acquired for the account of a Fund.

32.3 Paragraph 32.2 does not apply to:

32.3.1 an option; or

32.3.2 a purchase of a transferable security which confers a right:

31.3.2.1 to subscribe for or acquire a transferable security; or

31.3.2.2 to convert one transferable security into another.

32.4 The exposure of a Fund to agreements and understandings within paragraph 32.2 must, on any business day:

32.4.1 be covered in accordance with the requirements of rule for cover for transactions in derivatives and forward transactions in the FSA Rules; and

32.4.2 be such that, if all possible obligations arising under them had immediately to be met in full, there would be no breach of any limit in Chapter 5 of the FSA Rules.

**33. Guarantees and indemnities**

33.1 A Company or the Depositary for the account of a Fund must not provide any guarantee or indemnity in respect of the obligation of any person.

33.2 None of the Scheme Property of a Fund may be used to discharge any obligation arising under a guarantee or indemnity with respect to the obligation of any person.

33.3 Paragraphs 33.1 and 33.2 do not apply in respect of the Fund to:

33.3.1 an indemnity falling within the provisions of regulation 62(3) the OEIC Regulations;

33.3.2 an indemnity (other than any provision in it which is void under regulation 62 of the OEIC Regulations) given to the Depositary against any liability incurred by it as a consequence of the safekeeping of any of the Scheme Property by it or by anyone retained by it to assist it to perform its function of the safekeeping of the Scheme Property; and

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

#### 34. Transactions for the purchase of property

34.1 A derivative or forward transaction which will or could lead to the delivery of property for the account of the Company may be entered into only if:

34.1.1 that property can be held for the account of the Company; and

34.1.2 the ACD having taken reasonable care determines that delivery of the property under the transaction will not occur or will not lead to a breach of the rules in the FSA Rules.

#### 35. Requirement to cover sales

35.1 No agreement by or on behalf of the Company to dispose of property or rights may be made unless:

35.1.1 unless the obligation to make the disposal and any other similar obligation could immediately be honoured by the Company by delivery of property or the assignment (or, in Scotland, assignation) of rights; and

35.1.2 the property and rights above are owned by the Company at the time of the agreement.

35.2 This paragraph does not apply to a deposit.

35.3 In the asset classes referred to in paragraph 35.3, an asset may be considered as liquid where the instrument can be converted into cash in no more than seven business days at a price closely corresponding to the current valuation of the financial instrument on its own market.

#### 36. OTC transactions in derivatives

36.1 Any transaction in an OTC derivative under paragraph 20.1 (Permitted transactions (derivatives and forwards)) must be:

36.1.1 with an approved counterparty; a counterparty to a transaction in derivatives is approved only if the counterparty is:

36.1.2 an Eligible Institution or an Approved Bank; or

36.1.3 The person whose permission (including any requirements or limitations), as published in the FSA Register or whose Home State authorisation, permits it to enter into the transaction as principal off-exchange;

36.2 on approved terms; the terms of the transaction in derivatives are approved only the ACD carries out:

36.2.1 at least daily, a reliable and verifiable valuation in respect of that transaction corresponding to its fair value and which does not rely on market quotations by the counterparty; and

36.2.2 can enter into one or more further transactions to close out that transaction at any time, at its fair value; and

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

36.3.1 on the basis of an up to date market value which the ACD and Depositary have agreed as reliable the pricing model which has been agreed between the ACD and the Depositary; or

36.3.2 if such value is not available, on the basis of a pricing model which the ACD and the Depositary have agreed uses an adequate recognised methodology.

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

36.4.1 an appropriate third party which is independent from the counterparty of the derivative, at an adequate frequency and in such a way that the authorised fund manager is able to check it; or

36.4.2 a department within the authorised fund manager which is independent from the department in charge of managing the Scheme Property and which is adequately equipped for such a purpose.

36.5 For the purposes of paragraph 36.2.1 above, "fair value" is the amount for which an asset could be exchanged, or

a liability settled, between knowledgeable, willing parties in an arm's length transaction.

### 37. Valuation of OTC derivatives

37.1 For the purposes of paragraph 36.1.2, the ACD must:

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

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

37.2 Where the arrangements and procedures referred to in paragraph 37.1 involve the performance of certain activities by third parties, the ACD must comply with the requirements in SYSC 8.1.13 R (Additional requirements for a management company) and COLL 6.6A.4 R (4) to (6) (Due diligence requirements of AFMs of UCITS schemes).

37.3 The arrangements and procedures referred to in this rule must be:

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

37.3.2 adequately documented.

### 38. Risk Management

38.1 The ACD uses a risk management process, enabling it to monitor and measure at any time the risk of a Fund's positions and their contribution to the overall risk profile of a Fund.

38.2 The following details of the risk management process must be regularly notified by the ACD to the FSA and at least on an annual basis:

38.2.1 a true and fair view of the types of derivatives and forward transactions to be used within a Fund together with their underlying risks and any relevant quantitative limits; and

38.2.2 the methods for estimating risks in derivative and forward transactions

### 39. Cover for investment in derivatives

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

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

39.1.2 its global exposure to the underlying assets does not exceed in aggregate the investment limits laid down in paragraph 14 above.

### 40. Daily calculation of global exposure

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

40.2 For the purposes of this section, exposure must be calculated taking into account the current value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the positions.

### 41. Calculation of global exposure

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

41.1.1 the incremental exposure and leverage generated through the use of derivatives and forward transactions (including embedded derivatives as referred to in paragraph 19 (Derivatives: general), which may not exceed 100% of the net value of the scheme property of a Fund, by way of the commitment approach; or

41.1.2 the market risk of the scheme property of a Fund, by way of the value at risk approach.

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

41.2.1 the investment strategy pursued by the Fund;

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

41.2.3 the proportion of the scheme property comprising derivatives and forward transactions.

41.3 Where a Fund employs techniques and instruments including repo contracts or stock lending transactions in accordance with paragraph 44 (Stock lending) in order to generate additional leverage or exposure to market risk, the ACD must take those transactions into consideration when calculating global exposure.

- 41.4 For the purposes of paragraph 41.1, value at risk means a measure of the maximum expected loss at a given confidence level over the specific time period.
- 42. Commitment approach**
- 42.1 42.1 Where the ACD uses the commitment approach for the calculation of global exposure, it must:
- 42.1.1 ensure that it applies this approach to all derivative and forward transactions (including embedded derivatives as referred to in paragraph 19 (Derivatives: general)), whether used as part of the Fund's general investment policy, for the purposes of risk reduction or for the purposes of efficient portfolio management in accordance with paragraph 44 (Stock lending); and
- 42.1.2 convert each derivative or forward transaction into the market value of an equivalent position in the underlying asset of that derivative or forward (standard commitment approach).
- 42.2 The ACD may apply other calculation methods which are equivalent to the standard commitment approach.
- 42.3 For the commitment approach, the ACD may take account of netting and hedging arrangements when calculating global exposure of a Fund, where these arrangements do not disregard obvious and material risks and result in a clear reduction in risk exposure.
- 42.4 Where the use of derivatives or forward transactions does not generate incremental exposure for the Fund, the underlying exposure need not be included in the commitment calculation.
- 42.5 Where the commitment approach is used, temporary borrowing arrangements entered into on behalf of the Fund need not form part of the global exposure calculation.
- 43. Cover for investment in derivatives and forward transactions**
- 43.1 A transaction in derivatives or forward transaction is to be entered into only if the maximum exposure, in terms of the principal or notional principal created by the transaction to which the scheme is or may be committed by another person is covered globally under the following paragraphs.
- 43.2 Exposure is covered globally if adequate cover from within the Scheme Property is available to meet the scheme's global exposure, taking into account the value of the underlying assets, any reasonably foreseeable market movement, counterparty risk, and the time available to liquidate any positions.
- 43.3 43.3 Cash not yet received into the Scheme Property but due to be received within one month is available as cover for the purposes of the paragraph above.
- 43.4 43.4 Property the subject of a transaction under the Section on stock lending is only available for cover if the ACD has taken reasonable care to determine that it is obtainable (by return or re-acquisition) in time to meet the obligation for which cover is required.
- 43.5 The global exposure relating to derivatives held in the Fund may not exceed the net value of the Scheme Property.
- 43.6 In the case of the Pan European Accelerando Fund, the UK Mid 250 Fund, the Global Emerging Markets Equity Fund, the UK Equity Alpha Income Fund, the Global Equity Income Fund, the Pan European Equity Dividend Fund, the China Opportunities Fund, the Emerging Market Local Fund the ACD will use a commitment approach to measure the exposure of the Fund. The commitment approach measures the market value of a Fund's underlying exposure.
- 43.7 In the case of the Absolute Return Bond Fund, the Target Return Fund, the American Extended Alpha Fund, the Global Extended Alpha Fund, the UK Extended Alpha Fund and the UK Absolute Alpha Fund, the ACD will use a value at risk (VaR) approach to measure the exposure of the Fund. The VaR approach uses a statistical methodology to predict the likely maximum loss that a Fund could suffer, based on historical data.
- 44. Stocklending**
- 44.1 The Company or the Depositary at the request of the ACD, may enter into certain stocklending arrangements or repo contracts in respect of the Company if it reasonably appears to the ACD to be appropriate to do so with a view to generating additional income for the Fund with an acceptable degree of risk.
- 44.2 There is no limit on the value of the Scheme Property which may be the subject of repo contracts or stock lending transactions.
- 44.3 Any stocklending arrangements or repo entered into must be of the kind described in section 263 B of the Taxation of Chargeable Gains Act 1992.(without extension by section 263 C), but only if:

- 44.3.1 all the terms of the agreement under which securities are to be reacquired by the Depository for the account of the Company are in a form which is acceptable to the Depository and are in accordance with good market practice;
- 44.3.2 the counterparty is:
- 44.3.2.1 an authorised person; or
- 44.3.2.2 a person authorised by a Home State regulator; or
- 44.3.2.3 a person registered as a broker-dealer with the Securities and Exchange Commission of the United States of America; or
- 44.3.2.4 a bank, or a branch of a bank, supervised and authorised to deal in investments as principal, with respect to OTC derivatives by at least one of the following federal banking supervisory authorities of the United States of America: the Office of the Controller of the Currency; the Federal Deposit Insurance Corporation; the Board of Governors of the Federal Reserve System; and the Office of Thrift Supervision; and
- 44.3.3 collateral is obtained to secure the obligation of the counterparty under the terms referred to above and the collateral is acceptable to the Depository, adequate and sufficiently immediate.
- 44.4 The counterparty for the purpose of paragraph 39.1 is the person who is obliged under the agreement referred to in paragraph 38.3.1 to transfer to the Depository the securities transferred by the Depository under the stock lending arrangement or securities of the same kind.
- 44.5 Paragraph 39.3.3 does not apply to a stock lending transaction made through Euroclear Bank SA/NV's Securities Lending and Borrowing Programme.
- 45. Treatment of collateral**
- 45.1 Collateral is adequate for the purposes of this section only if it is:
- 45.1.1 transferred to the Depository or its agent;
- 45.1.2 at least equal in value, at the time of the transfer to the Depository, to the value of the securities transferred by the Depository; and
- 45.1.3 in the form of one or more of:
- 45.1.3.1 cash; or
- 45.1.3.2 a certificate of deposit; or
- 45.1.3.3 a letter of credit; or
- 45.1.3.4 a readily realisable security ; or
- 45.1.3.5 commercial paper with no embedded derivative content; or
- 45.1.3.6 a qualifying money market fund.
- 45.2 Where the collateral is invested in units in a qualifying money market fund managed or operated by (or, for an ICVC, whose authorised corporate director is) the ACD or an associate of the ACD, the conditions in paragraph 17.5 (Investment in other group schemes) must be complied with.
- 45.3 Collateral is sufficiently immediate for the purposes of this section if:
- 45.3.1 it is transferred before or at the time of the transfer of the securities by the Depository; or
- 45.3.2 the Depository takes reasonable care to determine at the time referred to in paragraph 40.3.1 that it will be transferred at the latest by the close of business on the day of the transfer.
- 45.4 The Depository must ensure that the value of the collateral at all times is at least equal to the value of the securities transferred by the Depository.
- Each day, collateral held in respect of each stocklending transaction is revalued. Where, due to market movements, the value of the collateral is less than the value of the loaned securities, the Company is entitled to call for additional collateral from the counterparty such that the value of the collateral and margin requirements is maintained.
- In the event that there is a decline in the value of the collateral which exceeds the value of the margin held by the depository, a counterparty credit risk will arise pending delivery of the additional collateral. In the normal course of events, additional collateral is delivered the following business day.

- 45.5 The duty in paragraph 40.4 may be regarded as satisfied in respect of collateral the validity of which is about to expire or has expired where the Depositary takes reasonable care to determine that sufficient collateral will again be transferred at the latest by the close of business on the day of expiry.
- 45.6 Any agreement for transfer at a future date of securities or of collateral (or of the equivalent of either) under this section may be regarded, for the purposes of valuation and pricing of the Company or this Appendix, as an unconditional agreement for the sale or transfer of property, whether or not the property is part of the property of the authorised fund.
- 45.7 Collateral transferred to the Depositary is part of the Scheme Property for the purposes of the rules in this sourcebook, except in the following respects:
- 45.7.1 it does not fall to be included in any calculation of NAV or this Appendix, because it is offset under paragraph 40.6 by an obligation to transfer; and
- 45.7.2 it does not count as Scheme Property for any purpose of this Appendix other than this section.
- 45.8 Paragraph 40.6 and 40.7.1 not apply to any valuation of collateral itself for the purposes of this section.

## Appendix III

List of issuers of Government and public securities in which the Company may invest up to 100% of the Scheme Property of each Fund. These are the only public bodies in which the Company may invest more than 35% of the assets of each Fund.

**Government and public securities issued by or on behalf of the Government of the following states:**

Australia  
Austria  
Belgium  
Canada  
Denmark  
Finland  
France  
Germany  
Greece  
Iceland  
Ireland  
Italy  
Japan  
Liechtenstein  
Luxembourg  
Netherlands  
New Zealand  
Northern Ireland  
Norway  
Portugal  
Spain  
Sweden  
Switzerland  
United Kingdom  
United States

### **International Organisations**

Asian Development Bank (ADB)  
Council of Europe Development Bank  
Deutsche Ausgleichsbank (DTA)  
Eurotima  
European Bank for Reconstruction and Development (EBRD)  
International Finance Corporation (IFC)  
Kreditanstalt Für Wiederaufbau (KfW)  
Nordic Investment Bank (NIB)

## Appendix IV

### Dilution adjustment estimates

Estimates of the dilution adjustment based on securities held in each Fund and market conditions at the time of this Prospectus and number of occasions on which the dilution adjustment has been applied in the period 11 April 2011 to 14 November 2011:

Fund	Estimate of dilution adjustment applicable to sales	Estimate of dilution adjustment applicable to redemptions	Number of days on which dilution adjustment has been applied during the period
Pan European Accelerando Fund	0.35%	-0.20%	2
UK Extended Alpha Fund	0.70%	-0.20%	2
Absolute Return Bond Fund	0.05%	-0.05%	4
Target Return Fund	0.10%	-0.10%	4
UK Mid 250 Fund	0.75%	-0.25%	2
Global Emerging Markets Equity Fund	0.70%	-0.55%	3
UK Equity Alpha Income Fund	0.65%	-0.20%	0
Pan European Equity Dividend Fund	0.45%	-0.25%	4
China Opportunities Fund	0.50%	-0.50%	11
American Extended Alpha Fund	0.25%	-0.25%	24
Global Equity Income Fund	0.45%	-0.40%	21
Emerging Market Local Fund	0.20%	-0.20%	9
UK Absolute Alpha	0.75%	-0.25%	7
Global Extended Alpha	0.35%	-0.35%	7

Updated figures for the dilution adjustment estimates will be published on [www.threadneedle.com](http://www.threadneedle.com)

## Appendix V

### Performance of the Funds (GBP)

Performance\* to 31 December 2011 quoted in sterling (on a bid to bid price basis, net of fees, with income net of UK basic rate tax reinvested). Annualised performance since launch is quoted to 31 December 2011.

Fund name	Launch Date	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Annualised Performance since launch
Pan European Accelerando Fund	July 2004	n/a	n/a	n/a	29.22	19.06	16.01	-28.34	23.61	22.83	-12.85	9.31
UK Extended Alpha Fund <sup>†</sup>	September 2004	n/a	n/a	n/a	20.88	20.33	16.23	-28.89	23.97	10.77	-2.48	7.62
Absolute Return Bond Fund	October 2005	n/a	n/a	n/a	n/a	2.32	6.04	12.76	2.94	-1.20	0.59	3.82
Target Return Fund	April 2006	n/a	n/a	n/a	n/a	n/a	14.25	46.42	-5.22	-4.82	-1.40	6.80
UK Mid 250	September 2003	n/a	n/a	19.52	22.98	28.58	6.00	-30.53	37.95	27.09	-8.81	10.88
Global Emerging Markets Equity Fund	March 2006	n/a	n/a	n/a	n/a	n/a	39.22	-37.88	59.26	25.21	-20.71	7.03
UK Equity Alpha Income Fund	May 2006	n/a	n/a	n/a	n/a	n/a	7.28	-23.09	13.02	15.28	1.38	4.54
Pan European Equity Dividend Fund	May 2006	n/a	n/a	n/a	n/a	n/a	11.42	-21.89	14.71	11.64	-5.25	3.38
China Opportunities Fund	March 2007	n/a	n/a	n/a	n/a	n/a	n/a	-43.55	58.65	20.81	-23.95	8.35
Global Equity Income Fund (Class	June 2007	n/a	n/a	n/a	n/a	n/a	n/a	-19.34	18.47	22.81	-4.49	3.07
American Extended Alpha Fund	October 2007	n/a	n/a	n/a	n/a	n/a	n/a	-7.32	23.65	12.69	7.56	8.40
Global Extended Alpha Fund	July 2008	n/a	n/a	n/a	n/a	n/a	n/a	n/a	21.44	20.88	-2.74	6.45
Emerging Market Local Fund	January 2008	n/a	n/a	n/a	n/a	n/a	n/a	n/a	4.48	13.60	-5.17	9.79
UK Absolute Alpha Fund	September 2010	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	3.81	6.70

\*Please be aware that past performance is not a guide for future performance

<sup>†</sup>Formerly known as the UK Accelerando Fund

## Performance of the Funds (Euro)

Performance\* quoted in Euro (on a bid to bid price basis, net of fees with unadjusted income reinvested). Annualised performance since launch is quoted to 31 December 2011.

Fund name	Launch Date	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Annualised Performance since launch
Pan European Accelerando Fund	July 2004	n/a	n/a	n/a	32.82	21.87	6.05	-45.09	33.31	26.68	-10.28	5.95
UK Extended Alpha Fund <sup>†</sup>	September 2004	n/a	n/a	n/a	24.56	22.71	6.62	-45.98	34.91	14.86	0.04	4.75
Absolute Return Bond Fund	October 2005	n/a	n/a	n/a	n/a	4.35	-2.73	-14.34	12.02	2.45	3.19	0.33
Target Return Fund	April 2006	n/a	n/a	n/a	n/a	n/a	4.71	9.70	4.01	-0.75	0.79	3.12
UK Mid 250	September 2003	n/a	n/a	18.95	26.72	31.12	-2.77	-47.22	50.12	31.77	-6.46	8.55
Global Emerging Markets Equity Fund	March 2006	n/a	n/a	n/a	n/a	n/a	27.72	-52.81	73.30	29.83	-18.66	3.73
UK Equity Alpha Income Fund	May 2006	n/a	n/a	n/a	n/a	n/a	-3.68	-43.01	21.90	18.86	4.65	-0.43
Pan European Equity Dividend Fund	May 2006	n/a	n/a	n/a	n/a	n/a	1.83	-40.14	23.73	15.12	-1.94	-0.19
China Opportunities Fund	March 2007	n/a	n/a	n/a	n/a	n/a	n/a	-56.75	71.10	24.59	-21.71	3.69
Global Equity Income Fund (Class	June 2007	n/a	n/a	n/a	n/a	n/a	n/a	-38.20	27.77	26.73	-1.66	-1.79
American Extended Alpha Fund	October 2007	n/a	n/a	n/a	n/a	n/a	n/a	-28.99	33.36	16.21	10.73	3.74
Global Extended Alpha Fund	July 2008	n/a	n/a	n/a	n/a	n/a	n/a	n/a	30.98	24.66	0.13	4.59
Emerging Market Local Fund	January 2008	n/a	n/a	n/a	n/a	n/a	n/a	n/a	12.70	17.15	-2.16	6.65
UK Absolute Alpha Fund	September 2010	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	6.88	10.31

\*Please be aware that past performance is not a guide for future performance

<sup>†</sup>Formerly known as the UK Accelerando Fund

## Performance of the Funds (US\$)

Performance\* quoted in US\$ (on a bid to bid price basis, net of fees with unadjusted income reinvested). Annualised performance since launch is quoted to 31 December 2011.

Fund name	Launch Date	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Annualised Performance since launch
Pan European Accelerando Fund	July 2004	n/a	n/a	n/a	15.26	36.24	17.58	-47.80	37.60	18.45	-13.18	7.03
UK Extended Alpha Fund <sup>†</sup>	September 2004	n/a	n/a	n/a	8.09	37.18	18.22	-48.64	39.24	7.40	-3.20	5.39
Absolute Return Bond Fund	October 2005	n/a	n/a	n/a	n/a	16.65	7.85	-18.56	15.62	-4.21	-0.15	1.65
Target Return Fund	April 2006	n/a	n/a	n/a	n/a	n/a	16.10	4.29	7.36	-7.20	-2.47	3.67
UK Mid 250	September 2003	n/a	n/a	28.18	9.97	46.59	7.81	-49.82	54.94	23.21	-9.48	9.99
Global Emerging Markets Equity Fund	March 2006	n/a	n/a	n/a	n/a	n/a	42.08	-54.80	76.93	20.05	-21.12	4.88
UK Equity Alpha Income Fund	May 2006	n/a	n/a	n/a	n/a	n/a	9.11	-44.45	26.94	11.77	0.64	1.12
Pan European Equity Dividend Fund	May 2006	n/a	n/a	n/a	n/a	n/a	12.90	-43.09	27.71	7.64	-5.11	0.00
China Opportunities Fund	March 2007	n/a	n/a	n/a	n/a	n/a	n/a	-58.92	76.26	15.83	-24.34	3.08
Global Equity Income Fund (Class	June 2007	n/a	n/a	n/a	n/a	n/a	n/a	-41.31	31.62	17.81	-4.96	-2.72
American Extended Alpha Fund	October 2007	n/a	n/a	n/a	n/a	n/a	n/a	-32.56	37.37	8.04	7.00	1.00
Global Extended Alpha Fund	July 2008	n/a	n/a	n/a	n/a	n/a	n/a	n/a	34.92	15.89	-3.24	-1.02
Emerging Market Local Fund	January 2008	n/a	n/a	n/a	n/a	n/a	n/a	n/a	16.09	8.91	-5.38	2.81
UK Absolute Alpha Fund	September 2010	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	3.05	4.13

\*Please be aware that past performance is not a guide for future performance

<sup>†</sup>Formerly known as the UK Accelerando Fund

## Appendix VI

### Share class availability and fund launch dates

TSIF Sub-Funds	Launch Date	Net Distribution Shares		Gross Distribution Shares		Net Accumulation Shares		Gross Accumulation Shares		Gross Accumulation Shares	Net Accumulation Shares
		Class 1	Class 2	Class 1	Class 2	Class 1	Class 2	Class 1	Class 2	Class X	Class X
<b>Absolute Return Bond Fund</b>	October 2005					√	√	√	√		
<b>China Opportunities Fund</b>	May 2007					√	√				
<b>Global Emerging Markets Equity Fund</b>	March 2006					√	√				√
<b>Global Equity Income Fund</b>	June 2007	√	√			√	√				
<b>Pan European Accelerando Fund</b>	July 2004					√	√				
<b>Pan European Equity Dividend Fund</b>	May 2006	√	√			√	√				
<b>Target Return Fund</b>	April 2006				√	√		√	√	√	
<b>UK Extended Alpha Fund</b>	May 2003					√	√				√
<b>UK Equity Alpha Income Fund</b>	May 2006	√	√								
<b>UK Mid 250 Fund</b>	September 2003					√	√				
<b>American Extended Alpha Fund</b>	October 2007					√	√	√			
<b>Emerging Market Local Fund</b>	January 2008	√						√	√		
<b>Global Extended Alpha Fund</b>	January 2008					√	√				
<b>UK Absolute Alpha Fund</b>	July 2008					√	√			√	

## Appendix VII

### Hedged Share Classes availability

TSIF Sub-Funds	Reference Currency	Hedged Gross Accumulation		Hedged Gross Income		Hedged Net Accumulation		Hedged Net Income	
		Class 1	Class 2	Class 1	Class 2	Class 1	Class 2	Class 1	Class 2
<b>Absolute Return Bond Fund</b>	GBP	SEK USD							
		SEK To be launched at a date to be confirmed by the ACD	SEK To be launched at a date to be confirmed by the ACD						
<b>Target Return Fund</b>	EUR	CHF To be launched at a date to be confirmed by the ACD	CHF To be launched at a date to be confirmed by the ACD						
		USD	USD						
<b>American Extended Alpha Fund</b>	USD					EUR	EUR		
<b>UK Absolute Alpha Fund</b>	GBP					EUR USD To be launched at a date to be confirmed by the ACD	EUR USD To be launched at a date to be confirmed by the ACD		

## Directory

### The Company and Head Office:

Threadneedle Investment Funds ICVC  
60 St Mary Axe, London EC3A 8JQ

### Authorised Corporate Director:

Threadneedle Investment Services Limited  
60 St Mary Axe, London EC3A 8JQ

### Investment Manager:

Threadneedle Asset Management Limited  
60 St Mary Axe, London EC3A 8JQ

### Depository:

J.P. Morgan Trustee and Depository Company Limited  
Chaseside, Bournemouth BH7 7DA

### Legal Advisers:

Eversheds LLP  
One Wood Street  
London EC2V 7WS

### Auditors:

PricewaterhouseCoopers LLP  
Hay's Galleria  
1 Hay's Lane  
London SE1 2RD

## Paying Agents

### Austria:

Raiffeisen Zentralbank Österreich AG  
Am Stadtpark 9  
A-1030 Vienna  
Austria

### France:

BNP Paribas Securities Services  
66 rue de la Victoire  
75009 Paris  
France

### Luxembourg

State Street Bank Luxembourg S.A.  
49 avenue J.F. Kennedy  
L-1855 Luxembourg

### Switzerland:

BNP Paribas Securities Services, Paris, Zurich Branch,  
Selnaustrasse 16,  
8002 Zurich.

### Belgium:

J.P. Morgan Chase Bank Brussels  
1, Boulevard du Roi Albert II  
1210 Brussels  
Belgium

### Italy:

Allfunds Bank S.A.  
filiale di Milano  
via Santa Margherita, 7  
Italy

State Street Bank S.p.A.  
con sede legale in Milano  
via Ferrante Aporti, 10 Italy

SGSS S.p.A.  
con sede legale in Milano  
via Benigno Crespi 19/A - MAC2  
Italy

BNP PARIBAS Securities Services  
succursale di Milano, Via Ansperto, 5  
Italy

## Information Agents

### The Netherlands:

Intertrust (Netherlands) B.V. Prins Bernhardplein 2001097 JB  
Amsterdam  
The Netherlands

### Spain:

Threadneedle Specialist Investment Funds ICVC duly authorised for its marketing in Spain under registered number 481 for such purposes with the Register of Foreign Collective Investment Schemes of the Comisión Nacional del Mercado de Valores (CNMV), in accordance with section 15.2 of Law 35/2003 of 4 November 2003 on Collective Investment Schemes, as amended.

A list of the appointed local distributors and Funds and share classes available for public distribution in Spain is available at the CNMV web page ([www.cnmv.es](http://www.cnmv.es)).

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