

Barclays Wealth Funds Limited

PROSPECTUS DATED

25 November 2011

BARCLAYS DIVIDEND AND GROWTH PORTFOLIO

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1. THE MANAGER

Barclays Wealth Funds Limited.

It is a limited liability company incorporated in England on 14 August 2009.

Its ultimate holding company is:

Barclays Bank Plc.

Incorporated in England.

The Managers' registered office is:

1 Churchill Place, London E14 5HP.

The Manager's principal place of business is: 1 Churchill Place, London E14 5HP

Issued and paid up share capital £575,000.00

Its directors are as follows:

Robert James Brown

David Martin Dalton-Brown (also a director of Barclays Financial Planning Nominee Company, Barclays Wealth Nominees Limited, Woolwich Plan Managers Limited).

Terence William Dunleavy

Martyn John Gatehouse (also a director of Woolwich Plan Managers Limited).

Peter John Horrell

Thomas Rostron (also a director of Barclays Bank Trust Company Limited, Barclays Wealth Managers Espana, SGIIIC, S.A., Barclays Wealth Managers France SA).

David Jonathan Semaya (also a director of Gerrard Financial Planning Limited, Gerrard Investment Management Limited, Gerrard Management Services Limited and an Alternate director of Barclays Pension Funds Trustees Limited).

None of the directors has any significant business activities which are not connected with the business of the Manager.

The Manager delegates its management and administration functions to third parties including associates. Details of the functions the Manager currently delegates are set out at sections 3, 4 and 5.

2. THE TRUSTEE

National Westminster Bank Plc.

It is a public limited company incorporated in England & Wales on 18 March 1968.

Its ultimate holding company is:

The Royal Bank of Scotland Group plc. Incorporated in Scotland.

The Trustee's registered & head office is:

135 Bishopsgate, London, EC2M 3UR

and its Principal Place of Business is:
Trustee & Depositary Services, The Broadstone, 50 South Gyle Crescent, Edinburgh EH12 9LD.

The Trustee's principal business is that of banking.

The Trustee is responsible for the safekeeping of all the property of the scheme and has a duty to take reasonable care to ensure that the scheme is managed in accordance with the provisions of the COLL Sourcebook relating to the pricing of, and dealing in, units and relating to the income of the scheme.

3. THE INVESTMENT ADVISER

The Investment Adviser is Barclays Bank plc acting through its wealth management division Barclays Wealth.

The principal business of Barclays Bank plc is banking.

The Investment Adviser is regulated by the Financial Services Authority.

The Investment Adviser was appointed by an agreement novated to the Manager on 28 April 2011.

The main function of the Investment Adviser under the terms of the agreement between it and the Manager is to invest the assets of the authorised unit trusts run by the Manager. The Investment Adviser can act at its discretion on behalf of the Manager. The fees of the Investment Adviser are paid by the Manager.

The agreement is terminable by six months' notice in writing or by earlier mutual consent.

The Manager may terminate the agreement with the Investment Adviser immediately if it is in the best interests of unitholders.

4. THE REGISTRAR

The Manager has delegated to Bank of New York Mellon (International) Limited responsibility to maintain the registers and plan sub-registers.

The registers and plan sub-registers are kept at the following address where they are open to inspection during normal office hours:

The Bank of New York Mellon (International) Limited
Mellon House
Ingrave Road
Brentwood
Essex
CM15 8TG

5. VALUATION AND TRUST ACCOUNTING AGENTS

The Fund Valuation and Unit Trust Accounting functions are outsourced to Bank of New York Mellon (International) Limited.

6. THE AUDITORS

PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT

7. THE CONSTITUTION, OBJECTIVES AND INVESTMENT POWERS OF THE SCHEME

(i) ESTABLISHMENT OF THE SCHEME

Name of Scheme	Date of Authorisation	Base Currency
Barclays Dividend and Growth Portfolio (formerly L&G (Barclays) Dividend and Growth Portfolio Trust)	28 July 2006	Sterling

The scheme is an authorised unit trust scheme, which is a non-UCITS retail scheme operating under Chapter 5 of the New Collective Investment Schemes (COLL) Sourcebook.

(ii) INVESTMENT OBJECTIVE AND POLICY

The investment and objective is to provide long-term capital growth and income in excess of the yield of the FTSE All Share Index.

The Trust aims to invest in a wide range of collective investment schemes and will pursue an active asset allocation policy across all countries, currencies and sector representations which may, from time to time, lead to high asset allocations to individual markets or asset types.

The Trust may also invest directly in transferable securities, money market instruments, derivatives, near cash, cash and deposits.

The Trust may gain indirect exposure to gold and property through the use of certain structured combinations of derivatives, or collective investment schemes that may themselves invest in derivatives, gold and property.

Note: the Manager will not invest in unregulated collective investment schemes or directly in derivatives for investment purposes, without giving unitholders at least 60 days' notice of its intention to do so and it is not intended that the use of these assets in this way will cause the net asset value of the Trust to have higher volatility or otherwise cause the existing risk profile of the Trust to change.

(iii) INVESTMENT POWERS - NON-UCITS RETAIL SCHEMES

The investment objective and policy of the scheme referred to in 7(ii) is subject to the limits on investment set out in Chapter 5 of the COLL Sourcebook for non-UCITS retail schemes.

Details of the investment powers applicable to the scheme are set out in the Appendix.

(iv) ELIGIBLE MARKETS

The scheme may deal through securities markets established in member states of the European Union and the European Economic Area on which transferable securities admitted to official listing in the member state are dealt in or traded.

The scheme may also deal in the securities and derivatives markets listed below.

(a) Securities Markets:

in Australia	the Australian Securities Exchange (ASX).
in Brazil	the Sao Paulo Stock Exchange
in Canada	the TSX Venture Exchange the TMX Group the Montreal Stock Exchange
in China	the Shanghai Stock Exchange the Shenzhen Stock Exchange
in Egypt	the Cairo Stock Exchange
in Hong Kong	the Stock Exchange of Hong Kong Limited
in India	the Stock Exchange, Mumbai (BSE), the National Stock Exchange (NSE)
in Indonesia	the Jakarta Stock Exchange
in Israel	the Tel Aviv Stock Exchange
in Japan	the Tokyo Stock Exchange the Osaka Securities Exchange the Nagoya Stock Exchange the Sapporo Stock Exchange
in Korea (including South Korea)	the Korea Exchange (KRX)
in Malaysia	the Bursa Malaysia Berhad
in Mexico	the Mexican Stock Exchange
in New Zealand	the New Zealand Stock Exchange
in Norway	the Oslo Stock Exchange
in Philippines	the Philippines Stock Exchange
in Singapore	the Stock Exchange of Singapore Limited
in South Africa	the Johannesburg Stock Exchange
in Switzerland	the Basle Stock Exchange the Geneva Stock Exchange the Zurich Stock Exchange the Bern Stock Exchange the Swiss Electronic Exchange
in Taiwan	the Taiwan Stock Exchange

in Thailand	the Stock Exchange of Thailand
in Turkey	the Istanbul Stock Exchange
in the United States	the New York Stock Exchange the American Stock Exchange the Chicago Stock Exchange the Pacific Stock Exchange Inc. NASDAQ OMX

(b) Any approved derivative market within the European Economic Area which is not listed in paragraph (a), on which Financial Derivative Instruments are traded.

(c) Any of the following markets:-

The Second Marche of the stock exchange set up in France in accordance with the laws of France;

The Tokyo Over-the-Counter Market regulated by the Securities Dealers Association of Japan;

The Alternative Investment Market regulated and operated by the London Stock Exchange Limited;

The over the counter market in the United States;

The market in the United Kingdom known previously as the “Grey Book Market” that is conducted through persons governed by Chapter 3 of the Financial Services Authority’s Market Conduct Sourcebook (inter-professional conduct);

The markets organised by the International Securities Market Association;

The market in US government securities conducted by primary dealers regulated by the Federal Reserve Bank of New York;

¹ NASDAQ (the electronic inter-dealer quotation system of America operated by the National Association of Securities Dealers Inc.);

NASDAQ Europe (the European Association of Securities Dealers Automated Quotation).

The Chicago Mercantile Exchange (CME) and the Chicago Board of Trade (CBOT).

The Singapore Exchange Limited (SGX).

The Hong Kong Futures Exchange (HFE).

¹ NASDAQ Europe is a recently formed market and the general level of liquidity may not compare favourably to that found on more established exchanges.

(v) ISA QUALIFICATION

The Manager's policy for achieving the investment objective of the scheme includes ensuring that units thereof are and remain qualifying investments for the purpose of the Individual Savings Account Regulation 1998 (as amended).

The Manager does not offer the facility to transfer existing ISAs into the scheme.

(vi) WINDING UP

The scheme shall be wound up on the happening of:

- a. the authorisation order being revoked, or
- b. in response to a request to the Financial Services Authority (the 'FSA') by the Manager or the Trustee for the revocation of the authorisation order the FSA has agreed, albeit subject to there being no material change in any relevant factor, that, on the conclusion of the winding-up of the scheme the FSA will accede to that request, or
- c. The expiration of any period specified in the trust deed as the period at the end of which the scheme is to terminate, or
- d. the effective date of a duly approved scheme of arrangement which is to result in the scheme subject to the scheme of arrangement being left with no property, or
- e. the passing of an extraordinary resolution winding up the AUT, provided the FSA's prior consent to the resolution has been obtained by the Manager or the Trustee.

In the circumstances described in a, b, c or e above, the Trustee shall as soon as practicable after the scheme falls to be wound up carry out a mandatory redemption of units, realise the property of the scheme and, after paying therefrom all liabilities properly so payable and retaining provision for the costs of the winding up, distribute the proceeds of that realisation to the unitholders and the Manager proportionately to their respective interests in the scheme.

In the circumstances described in d above the Trustees shall wind up the scheme in accordance with the approved scheme of arrangement. Any unclaimed net proceeds or other cash held by the Trustee after the expiration of twelve months from the date on which the same became payable shall be paid by the Trustee into court subject to the Trustee having a right to retain there out any expenses incurred by him in making the payment into court.

Where the Trustee and one or more unitholders agree, the requirement to realise the scheme property does not apply to that part of the property proportionate to the entitlement of that or those unitholders. The Trustee may distribute that part in the form of property, after making adjustments or retaining provisions as appears to the Trustee appropriate for ensuring that, that or those unitholders bear a proportionate share of the liabilities and costs.

8. ACCOUNTING AND INCOME ALLOCATION DATES

Name of scheme	Accounting Dates		Income Allocation Dates	
	Interim	Final	Interim	Final
Barclays Dividend and Growth Portfolio	2 Mar, 2 Sept, 2 Dec	2 Jun	1 May, 1 Nov, 1 Feb	1 Aug

For the annual accounting period and half-yearly accounting period the Manager will prepare both a short report and a long report. The first accounting date of the scheme will be 2nd December 2006.

The Manager will, within four months after the end of the annual accounting period and within two months after the end of the half-yearly accounting period respectively, provide free of charge the short report in accordance with the COLL Sourcebook, by sending a copy of the report to each unitholder (or to the first named of joint unitholders) entered in or entitled to be entered in the register at the close of business on the last day of the relevant accounting period.

The Manager will make the long report available to unitholders on request. Copies of the latest report and accounts may be requested from the office of the Manager at the principal place of business address quoted in Section 1. Long reports will be available within four months after the end of the annual accounting period and within two months after the end of the half-yearly accounting period respectively.

9. CHARACTERISTICS OF UNITS IN THE SCHEME AND PROCEDURES FOR MEETINGS

(a) Units

The scheme may issue different classes and types of units. Both accumulation and income units are available under the scheme.

	Class A Units		Class B Units (*Barclays Nominee only)		Class I Units	
	Income	Accumulation	Income	Accumulation	Income	Accumulation
Barclays Dividend and Growth Portfolio	Available	Available	Available	Available	Available	Available

* a “Barclays Nominee” is any nominee company operated by Barclays Bank plc or an Associate (as defined in the FSA Rules) of Barclays Bank plc.

Where payment is by direct debit and units are purchased monthly only accumulation units are immediately available. Once units to the value of £500 have been purchased the accumulation units may be switched to income units.

The criteria for unit subscription and fee structure are set out in sections 16 and 17. The Manager may accept deals at a level other than the stated minimum at its discretion.

A distribution unit entitles the unitholder to payment of the net income earned and attributable to the unit at the income distribution date and always represents one undivided share in the capital property of a scheme.

An accumulation unit provides for the net income earned to be retained in the unit value (at the accounting date) and represents such number of undivided shares as is equal to an undivided share issued at the outset of the scheme and increased by the amount of retained net income proportionately equal to that paid on income units in respect of each intervening accounting period.

The Register is conclusive evidence of the title to units except in the case of any default in payment or transfer to the scheme of cash or other property due and the Trustee and the Manager are not obliged to take notice of any trust or equity or other interest affecting the title to any of the units. Any notices to be sent to unitholders will be sent by post to those unitholders entered on the register at the relevant record date.

Certificates will not be issued in respect of units in the scheme.

The interest of a unitholder in units of the scheme is that of a beneficiary under a trust.

Unitholders are not liable for the debts of the scheme.

(b) Switching between schemes

Switches between any other Barclays Wealth Funds Limited scheme, or class of scheme where available, are permitted at the discretion of the manager and in accordance with paragraph 17(iv) below.

The Manager may at its discretion make a charge on switching of units/shares between schemes, including any applicable SDRT provision.

Investors may be required to provide written instructions to the Manager (which, in the case of joint holders must be signed by all the joint holders) before switching is effected. Any request for switching must be received by the earlier of relevant dealing cut off points for both the redemption of original units/shares and for the acquisition of the new units/shares.

No switch will be allowed during any period when the right of Investors to require the redemption of their units/shares is suspended. Save as otherwise specifically set out, the general provisions on procedures relating to redemption will apply equally to a switch. Written instructions must be received by the Manager before the dealing cut off point in the scheme concerned to be dealt with at the price at the relevant valuation point on that dealing day or the next dealing day, or on the next dealing day following a suspension of units/shares in the scheme. Switching requests received after a dealing cut off point will be held over until the next day which is a dealing day in the scheme.

Where a request is to switch between Unit Trusts/OEICs with a choice of unit/share classes, then the switch will be made to units/shares of the same class in the new Unit Trust/OEIC. The initial fee will be applied when switching into a Unit Trust/OEIC with an initial charge.

Please note that a switch of units/shares in one scheme for units/shares in any other scheme is treated as a redemption of the original Units/Shares and a purchase of new Units/Shares and will, for persons subject to United Kingdom taxation, be a disposal for the purposes of taxation of capital gains.

A unitholder who switches between classes of units/shares will not be given a right by law to withdraw from or cancel the transaction.

(c) Meetings

The Trustee or the Manager may, at any time, convene a meeting of unitholders. The Trustee must, on request in writing of unitholders registered as holding not less than $\frac{1}{10}$ th in value of the units in issue, convene a meeting of unitholders. The Trustee must appoint a chairman of the meeting. A meeting of unitholders, duly convened, is competent by extraordinary resolution to require, authorise or approve

any act, matter or document in respect of which any such resolution is required by the FSA rules. Except where an extraordinary resolution is specifically required or permitted, any resolution of unitholders is passed by a simple majority. In the case of an equality of, or an absence of, votes validly cast, the chairman is entitled to the casting vote.

A Quorum at a meeting of unitholders is two unitholders present in person or by proxy or, in the case of a body corporate, by a duly authorised representative, of $\frac{1}{10}$ th in value of all the units in issue. If a quorum is not present the meeting will stand adjourned and at such adjourned meeting one person entitled to be counted in a quorum shall constitute a quorum.

At a meeting of unitholders a resolution put to the vote shall be decided on a show of hands unless a poll is demanded by the Chairman, by the Trustee or by at least two unitholders. On a show of hands every unitholder who (being an individual) is present in person or by proxy or (being a corporation) is present by one of its officers as its proxy has one vote. On a poll every unitholder who is present in person or by proxy has one vote for every undivided share and a further part of one vote proportionate to any fraction of an undivided share. On a poll votes may be given either personally or by proxy. A person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

In the case of joint holders the vote of the first named in the register who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders.

On a poll votes may be given either personally or by proxy.

The Manager and any associate may hold units in a scheme. They are entitled to receive notice of and attend any meeting but the Manager is not entitled to vote or be counted in the quorum and its units are not regarded as being in issue in relation to such meetings. An associate may be counted in the quorum and may only vote in respect of units he holds on behalf of a person who, if himself the registered unitholder would be entitled to vote, and from whom he has received voting instructions.

Where an extraordinary resolution is required to conduct business at a meeting of unitholders and every unitholder is prohibited (under paragraph 4.4.8R(4)) of the COLL Sourcebook) from voting, a resolution may, with the prior written agreement of the Trustee to the process, instead be passed with the written consent of unitholders representing 75% of the units of the scheme in issue.

(d) Compulsory Transfer or Redemption of Units

The Manager may from time to time impose such restrictions as it may think necessary for the purpose of ensuring that no units are acquired or held by any person in breach of the law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory or which would result in the scheme incurring any liability to taxation which the scheme is not able to recoup itself or suffering any other adverse consequence. In this connection, the Manager may, inter alia, reject at its discretion any application for the purchase, redemption, transfer or switching of units.

If it comes to the notice of the Manager that any units (“affected units”):

- are owned directly or beneficially in breach of any law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory; or
- would result in the scheme incurring any liability to taxation which the scheme would not be able to recoup itself or suffering any other adverse consequence (including a requirement to register under any securities or investment or similar laws or governmental regulation of any country or territory); or
- are held in any manner by virtue of which the unitholder or unitholders in question is/are not qualified to hold such units or if they reasonably believe this to be the case.

The Manager may give notice to the unitholder(s) of the affected units requiring the transfer of such units to a person who is qualified or entitled to own them or that a request in writing be given for the redemption of such units in accordance with the COLL Sourcebook. If any unitholder upon whom such a notice is served does not within thirty days after the date of such notice transfer his affected units to a person qualified to own them or submit a written request for their redemption to the Manager or establish to the satisfaction of the Manager (whose judgement is final and binding) that he or the beneficial owner is qualified and entitled to own the affected units, he shall be deemed upon the expiry of that thirty day period to have given a request in writing for the redemption or cancellation (at the discretion of the Manager) of all the affected units.

A unitholder who becomes aware that he is holding or owns affected units shall immediately, unless he has already received a notice as set out above, either transfer all his affected units to a person qualified to own them or submit a request in writing to the Manager for the redemption of all his affected units.

Where a request in writing is given or deemed to be given for the redemption of affected units, such redemption will (if effected) be effected in the same manner as provided for in the COLL Sourcebook.

10. RISK CHARACTERISTICS AND SUITABILITY OF THE SCHEME

Investors should note that the scheme has the following risks:

The Scheme

Both capital and income values may fall as well as rise, are not guaranteed and investors may not get back the full amount of the original investment.

The performance of the scheme will generally follow the performance of the market in which it invests. Where these markets decline, the value of the investment will probably also fall.

The level of risk associated with the scheme will be affected by the investment choices made by the investment adviser. This level of risk may also change over time if the investment adviser significantly changes the investments held by the scheme. Any changes would be within the investment objectives of the scheme.

As part of the scheme may invest in fixed interest securities (corporate or government bonds), the value of that part of the scheme will be sensitive to interest rate trends. An increase in medium to long term interest rates is likely to reduce the value of that part of your investment.

As the scheme can invest overseas, changes in exchange rates between currencies may cause the value of your investment and the level of income to rise or fall.

Unless the performance of the scheme meets or exceeds the rate of inflation, the real value of your investment will reduce.

Where you switch from a scheme where you are receiving income, any income received by the scheme since the last payment will be reinvested in the new scheme rather than paid out. The current tax situation may not be maintained.

The annual management charge for the scheme will be taken from the capital account. This will benefit the distributable income at the expense of the capital value of the scheme and will constrain capital growth.

If insufficient income is generated by the scheme to pay charges, a transfer of money will be made from the scheme's capital to meet those outstanding fees. This would constrain any capital growth.

Part of the scheme can invest in higher risk fixed interest securities, known as sub-investment grade bonds. These bonds have a lower credit rating and a higher risk of default than investment grade bonds. This means there can be an increased risk that the value of an investment and the level of any income could fall.

The scheme may invest in authorised collective investment schemes. These collective investment schemes also have charges, which will indirectly affect your investment. A preliminary and annual management charge; however, we are able to negotiate discounts reducing these charges. The underlying funds will also incur additional attributable expenses similar to those mentioned below

Past performance is not a guide to future performance.

Derivatives may be used by the scheme for the purposes of efficient portfolio management, which restricts the use of derivatives to the reduction of risk, the reduction of cost and the generation of additional capital or income within an acceptably low level of risk. Efficient portfolio management transactions must be economically appropriate and the exposure fully covered.

On request additional information to that contained in this prospectus can be provided relating to

- (a) the quantitative limits applying to the risk management of the scheme
- (b) the methods used in relation to (a); and
- (c) any recent development of the risk and yields of the main categories of investment.

The scheme is marketable to all retail investors.

The Manager believes that units in the scheme are not suitable as short-term investments. The Manager suggests that investors should be prepared to remain invested for at least 5 years, as the underlying markets are normally cyclical in nature.

11. PAST PERFORMANCE

The following table shows the past performance for the scheme for each of five consecutive 12 month periods (or as many as possible since launch if applicable).

Fund Name	Percentage Growth				
	31/10/06 - 31/10/07 (%)	31/10/07 - 31/10/08 (%)	31/10/08- 31/10/09 (%)	31/10/09 - 31/10/10 (%)	31/10/10 - 31/10/11 (%)
Barclays Dividend and Growth Portfolio	7.9	-30.7	20.4	12.7	-1.1

The figures do not take into account any initial charge, and assume net income is reinvested.
Data Source - Lipper.

12. VALUATION OF PROPERTY

Valuations of the property of the scheme for the purpose of the calculation of issue and cancellation and sale and redemption prices will be carried out in accordance with the COLL Sourcebook.

Valuations will be made every business day (being a day on which London Stock Exchange plc is open) at 12.00 noon.

The Manager may determine that any business day so defined shall not be a business day. Such a determination would generally only be made in respect of a particular day if that day were a holiday on a Stock Exchange which was the principal market for a significant portion of the scheme's portfolio of securities (namely, its assets other than cash, deposits and short term paper) or was a holiday elsewhere which impeded the calculation of the fair market value of the portfolio. The Manager may carry out additional valuations if it considers it desirable to do so or value earlier than noon if the length of the business day is curtailed. Such an additional valuation may be made if the Manager believes that the value of the property has varied by 2% or more from that calculated at the previous valuation.

Pricing

Units will be issued and redeemed at a single price. The price of a class of units is based on the net asset value of that class of units calculated in accordance with the scheme's trust deed and adjusted in the manner set out below.

Determination of Net Asset Value

The value of the property of the scheme ("Net Asset Value") shall be the value of the scheme's assets less the value of its liabilities determined in accordance with the following provisions.

1. All the property of the scheme (including receivables) 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 which it is practicable to obtain:
 - (a) units or shares in a collective investment scheme:
 - (i) if a single price for buying and selling units or shares is quoted, at that price; or
 - (ii) if separate buying and selling prices are quoted, at the average of the two prices provided the buying price has been reduced by any initial charge included therein and the selling price has been increased by any exit or redemption charge attributable thereto; or
 - (iii) if, in the opinion of the Manager, 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 Manager, is fair and reasonable;
 - (b) any other transferable security:
 - (i) if a single price for buying and selling the security is quoted, at that price; or
 - (ii) if separate buying and selling prices are quoted, at the average of the two prices; or
 - (iii) if, in the opinion of the Manager, the price obtained is unreliable or no recent traded price is available or if no price exists, at a value which, in the opinion of the Manager, is fair and reasonable;
 - (c) property other than that described in (a) and (b) above:
at a value which, in the opinion of the Manager, 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 a written option, (and the premium for writing the option has become part of the scheme property), deduct the amount of the net valuation of premium receivable. If the property is an off-exchange derivative the method of valuation shall be agreed between the Manager and the Trustee;
 - (b) if an off-exchange future, include at the net value of closing out in accordance with a valuation method agreed between the Manager and the Trustee;
 - (c) if any other form of contingent liability transaction, include at the net value of margin on closing out (whether as a positive or negative value). If the property is an off-exchange derivative, the method of valuation shall be agreed between the Manager and the Trustee.
5. In determining the value of the scheme property, all instructions given to issue or cancel units 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 Manager, their omission shall 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. Deduct an estimated amount for anticipated tax liabilities at that point in time including (as applicable and without limitation) capital gains tax, income tax, corporation tax and advance corporation tax, value added tax, stamp duty and stamp duty reserve tax.
10. Deduct an estimated amount for any liabilities payable out of the property of the scheme and any tax thereon treating periodic items as accruing from day to day.
11. Deduct the principal amount of any outstanding borrowings whenever payable and any accrued but unpaid interest on borrowings.
12. Add an estimated amount for accrued claims for tax of whatever nature which may be recoverable.
13. Add any other credits or amounts due to be paid into the property of the scheme.
14. Add a sum representing any interest or any income accrued due or deemed to have accrued but not received.

Currencies or values in currencies other than base currency 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 unitholders or potential unitholders.

Net Asset Value per Unit

The Net Asset Value per unit of a scheme will be calculated by dividing the Net Asset Value of the scheme by the number of units in the scheme then in issue or deemed to be in issue on a dealing day and rounding the result mathematically as determined by the Manager, provided that in the event the units of any scheme are further divided into unit classes, the Manager shall determine the method of allocating the Net Asset Value of the scheme amongst the unit classes making such adjustments for subscriptions, redemptions, fees, dividends and any other factor differentiating the unit classes as appropriate. The Net Asset Value of the scheme, as allocated between each unit class, shall be divided by the number of units of the unit class which are in issue or deemed to be in issue and rounding the result as determined by the Manager.

Single Swinging Pricing

Units will be issued and redeemed at a single Price (the “Price”) which will be the Net Asset Value per Unit, which may be adjusted in the manner set out below.

Dilution Adjustment

The basis on which the Company’s investments are valued for the purpose of calculating the issue and redemption price of Units as stipulated in the FSA Rules and the Instrument of Incorporation is summarised above, under the heading “Calculation of the Net Asset Value”. 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 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 Unitholders’ interests in a Fund. In order to mitigate this effect, called “dilution”, the Manager may at its discretion make a dilution adjustment to the Net Asset Value per Unit to arrive at the Price, at which issues and redemptions of Units will be carried out for that Dealing Day. If the price is adjusted, the dilution adjustment, forming part of the Price, will be paid into the relevant Fund and will become part of the property of that Fund thus mitigating the effects of dilution that would otherwise constrain the future growth of the relevant Fund. It should be noted that it is not possible to predict accurately whether dilution will occur at any particular Dealing Day as this will depend upon the level of dealing on each day.

The level of the dilution adjustment may vary from fund to fund according to the characteristics of the assets and markets in which the fund invests. The table below details the current estimated rates of adjustment.

The requirement to make a dilution adjustment will depend on the volume of subscriptions or redemptions of Units in the relevant Fund and the Manager is not currently able to predict the likely frequency of such events. The Manager may in its discretion make a dilution adjustment if, in its opinion, the existing Unitholders, in the case of subscriptions, or remaining Unitholders, in the case of redemptions, might otherwise be adversely affected, and making a dilution adjustment is, so far as practicable, fair to all Unitholders and potential Unitholders. In particular, the dilution adjustment may be made in the following circumstances:

- a) where a Fund is expanding or contracting;
- b) where a Fund is experiencing a large Net Subscription Position or a large Net Redemption Position relative to its size on any Dealing Day;

- c) in any other case where the Manager is of the opinion that the interests of Unitholders require the imposition of a dilution adjustment.

An expanding Fund has been determined as one where, based on the daily movements in and out of the Fund, the Fund has experienced a net inflow of money over a calendar month and a contracting Fund is one where, over the same period, the Fund has experienced a net outflow. A level Fund is one which is considered to be neither expanding or contracting based on the above criteria.

For an expanding Fund the Manager will normally swing the Price to “offer” (i.e. increase the Price by the offer adjustment rate detailed in the above table), however in the event of net outflows on a given Dealing Day the Manager may leave the Price on “mid” or swing the Price to “bid” (i.e. reduce the Price by the bid adjustment rate detailed in the above table) if the outflows are of significant size relative to the size of the Fund.

For a contracting Fund the Manager will normally swing the Price to “bid”, however in the event of net inflows on a given Dealing Day the Manager may leave the Price on “mid” or swing the Price to “offer” if the inflows are of significant size relative to the size of the Fund.

For a level Fund the Manager will normally leave the Price on “mid”, however in the event of net inflows on a given Dealing Day the Manager may swing the Price to “offer”, or in the event of net outflows on a given Dealing Day the Manager may swing the Price to “bid”, if the flows are of significant size relative to the size of the Fund.

The Price of each Class in the Fund will be calculated separately but any dilution adjustment will in percentage terms affect the Price of each Class in an identical manner.

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

Prices are available from the Barclays Wealth website: www.barclaysinvestments.co.uk and from the schemes dealers on request on 0844 892 0198 between 9.00am and 5.30pm (excluding Bank Holidays).

The Manager deals at forward prices, that is to say, at the price ruling at the next valuation point.

13. EQUALISATION

When a unit is bought, part of the price includes income already held by the scheme. This amount is known as the equalisation amount.

- At the first distribution date after a purchase, this amount is treated as a return of capital and therefore does not have a tax credit.
- When selling units, an investor is not subject to capital gains tax on the equalisation amount contained in those units.

Equalisation is calculated on an average basis for all new investments in an accounting period. This is the period between two XD dates. This should be taken into account when calculating your capital gains tax liability.

Where units in difference classes are available that capital sum will be calculated separately for each class of unit.

14. STAMP DUTY RESERVE TAX ('SDRT')

The Trustee of an authorised unit trust is liable to pay SDRT at the rate of 0.5 per cent of the value of units, which are surrendered to the Manager or to the Trustee and of the value of certain transfers of units of a unit trust. The amount of SDRT for which the Trustee is liable will be reduced where the scheme is contracting with more units being surrendered than issued in the week in which such surrender occurs and in the following week. The amount of SDRT for which the Trustee is liable may also be reduced if the unit trust holds exempt assets, that is investments that are exempt from SDRT, such as foreign equities and most corporate bonds.

The regulations permit managers to recover the cost of SDRT either directly as a charge on the property of a scheme or by way as a separate charge to unitholders at the time of dealing as a provision against SDRT liability. The latter use of a SDRT provision will have the effect of reducing the proceeds payable to unitholders on the sale of units by up to a maximum of 0.5 per cent and/or increasing the purchase cost of units by up to a maximum of 0.5 per cent.

The Manager has decided that any SDRT payable will be paid out of the capital of the scheme. It considers that the anticipated charge on the scheme, which is tending to expand will be of the order of 0.05 per cent for schemes invested primarily in UK equities and a negligible amount for those schemes invested primarily in foreign equities and/or corporate bonds.

Most transfers from one unitholder to another (excluding sales) are exempt from SDRT. Unitholders transferring units should complete a stock transfer form in the normal way including any appropriate stamp duty certificate. Where there is no appropriate stamp duty certificate, evidence of another exemption from SDRT should be transmitted with the transfer. The manager reserves the right to refuse to register transfers where evidence of exemption has not been provided. In other cases, where SDRT applies to transfers, the Manager will advise the purchaser of the amount of SDRT payable, which sum must be paid before the transfer is registered. Where a person authorises the Manager to treat him as no longer interested in a unit, there will be no SDRT unless there was consideration for the transfer or the transfer comes within one of the exclusions in paragraph 6 of Schedule 19 to the Finance Act 1999.

15. DISTRIBUTION OF INCOME

Following upon the accounting date as set out in 8 above, the Manager and the Trustee shall agree the income and the expenses of the scheme for that period and distribute an appropriate level of net income (after any adjustment for tax) commensurate with the investment objective, if any i.e. no smoothing, to unitholders by credit transfer or cheque no later than the distribution date.

The scheme will distribute (or accumulate in the case of accumulation units) the net income (after any adjustment for tax), if any, as at the relevant accounting date.

All distributions will be paid to unitholders by credit transfer or cheque no later than the income allocation date.

If distributions are unclaimed six years from the date of payment they will be forfeited and will be transferred to and become part of the capital property of the scheme.

Where the average income allocation to a unitholder (excluding the authorised fund manager or an associate thereof) is less than £10 the Trustee after consulting the Manager may decide not to proceed with the distribution and either carry forward the income to the next accounting period or credit it to capital.

16. CHARGES AND EXPENSES

(i) MANAGEMENT CHARGES

The Manager will make a preliminary charge on the issue of units, as detailed in the table below.

The Manager's periodic management charges are shown below. These are based on the value of the scheme on the last business day of the preceding month. The management charge accrues daily and is payable monthly in arrears out of the assets of the scheme at the end of each monthly accrual period. Any increase is subject to 60 days notice to unitholders.

The management charge and fees as detailed in ii, iii & iv, for the scheme will be taken from the scheme's capital account. This will benefit the distributable income at the expense of the capital value of the scheme and will constrain capital growth.

Barclays Dividend and Growth Portfolio	Class A Units	Class B Units	Class I Units
	Income & Accumulation	Barclays Nominee Only Income & Accumulation	Income & Accumulation
Initial charge	4.5%	2.5%	0%
Annual management charge	1.5%	1.25%	0.75%

The scheme may invest in units/shares of schemes managed by Barclays Wealth Funds Limited and other managers. No initial or redemption charge is paid on these transactions but the management charge of these underlying units is borne by the scheme as applicable. Any rebate of part of the other managers' management charge as negotiated by the Manager will be paid into the scheme. Where the scheme invests in other Barclays Wealth Funds Limited schemes, the rebate from that scheme will be the annual management charge less an allowance for the costs of running that scheme.

Redemption Charge

The Manager currently does not impose a charge on the redemption of Shares.

(ii) REGISTRAR'S CHARGE

The Registrar will take a charge in respect of its services in establishing and maintaining the register of unitholders and any plan registers that relate to ISAs or group savings plans.

The current charge for each unit class is:

Unit Class	Registrar's charge per annum
A	0.15%
B	0.15%
I	0.03%

The charge is calculated daily at unit class level based on the mid market valuation on the prior business day. The charge accrues daily and is payable monthly in arrears out of the assets of a scheme.

Any increase in the above charges is subject to 60 days' written notice.

The charge will be allocated to the capital / income account depending on the policy for deduction of expenses for the relevant Trust.

Where the Trust invests in other Barclays Wealth Funds Limited funds, the Registrar's charge will only be charged once. The investing Trust will incur the Registrar's charge but a rebate will be applied to that Trust in respect of any investments in other Barclays Wealth Funds Limited funds, where a Registrar's charge has been applied.

The Trustee is entitled to receive out of the property attributable to the scheme for its own account a periodic charge. This will accrue daily and is payable within seven days after the last business day in each month. The charge is calculated by reference to the value of the scheme on the last business day of the preceding month. The rate of the periodic charge is agreed between the Manager and the Trustee and is subject to VAT, as appropriate.

The current charge is calculated for the scheme on the following basis:

0.01% per annum of the first £2 billion of the property of the scheme
(there is no charge on the excess above this amount)

These rates can be varied from time to time in accordance with the COLL Sourcebook.

The total remuneration payable to the Trustee out of the property attributable to the scheme for its services also includes transaction charges and custody charges. Transaction charges vary from country to country, dependent on the markets and the value of the stock involved and accrue at the time the transactions are effected and are payable as soon as is reasonably practicable, and in any event not later than the last business day of the month when such charges arose or as otherwise agreed between the Trustee and the Manager. Custody charges vary from country to country depending on the markets and the value of the stock involved and accrue and are payable as agreed from time to time by the Manager and the Trustee.

The Trustee will also be paid out of the property attributable to the scheme expenses properly incurred in the performance of, or arranging the performance of, functions conferred on it by the trust deed, the COLL Sourcebook or by the general law including but not limited to:

- the acquisition holding and disposal of property;
- the collection and distribution to unitholders of interest and any other income;
- the maintenance of the Register of unitholders;
- the conversion of foreign currency;
- registration of assets in the name of the Trustee or its nominee or agents;

- borrowings, stocklending or other permitted transactions;
- communications with any parties (including telex, facsimile, SWIFT and electronic mail);
- taxation matters;
- insurance matters;
- costs relating to banking and banking transactions;
- preparation of the Trustee's annual report to unitholders;
- taking professional advice;
- conducting legal proceedings;
- the convening and/or attendance at meetings of unitholders;
- modification of the trust deed, prospectus, and negotiation and/or modification of the trust deed and any other agreement entered into between the Trustee and its delegates; and
- costs and expenses properly incurred in running a plan register where no charge is otherwise made.

The Trustee shall be entitled to recover its fees, charges and expenses together with any VAT when the relevant transaction or other dealing is effected or relevant service is provided or as may otherwise be agreed between the Trustee and the Manager.

The following other expenses, including VAT where applicable, will be reimbursed out of the property of the scheme:

- a. costs of dealing in the property of the scheme;
- b. interest on permitted borrowing and related charges;
- c. taxation and duties in respect of property of the scheme, the deed, the issue of units, and any stamp duty reserve tax charged in accordance with Schedule 19 of the Finance Act 1999;
- d. any costs incurred in modifying the deed, including costs incurred in respect of meetings of unitholders convened for purposes which include the purpose of modifying the deed, where the modification is necessary or expedient by reason of changes in the law or to remove obsolete provisions;
- e. any costs incurred in respect of meetings of unitholders convened on a requisition by unitholders not including the Manager or an associate of the Manager;
- f. the expenses or disbursements of the Manager and Trustee as set out above;
- g. unanticipated liabilities arising after the transfer of the property of a body corporate or of another collective investment scheme to the scheme which is in consideration of the issue of units in the scheme and which could properly have been paid out of the transferred property;
- h. the fees, expenses and disbursements of any person incurred in maintaining the register and plan sub-register of unitholders;
- i. the fees, expenses and disbursements of any person in carrying out fund accounting and pricing functions for the scheme;
- j. such other expenses properly incurred by the Trustee in performing duties imposed upon it or exercising powers conferred upon it by the regulations;
- k. the audit fees and any expenses of the auditor, tax, legal and other professional advisers of the scheme;

- l. the fees of the FSA under schedule 1 of part III of the Financial Services and Markets Act 2000 and the corresponding periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which units of the scheme are or may be marketed;
- m. expenses incurred in producing, distributing and dispatching income and other payments to unitholders;
- n. fees in respect of publication and circulation of details of the NAV and prices including valuations required by investors and/or the Manager for any purpose including ensuring accurate valuations at close of business;
- o. the costs of printing and distributing reports, accounts, statements, contract notes and other like documentation, and Prospectuses (but not the distribution of simplified prospectuses), and trust deed and any costs incurred as a result of periodic updates of or charges to any Prospectus or trust deed and any other administrative expense; and
- p. any payments otherwise due by virtue of the COLL Sourcebook.
- q. any costs incurred in or about the listing of units in the scheme on any stock exchange, and the creation, conversion and cancellation of units;
- r. any costs incurred in taking out and maintaining any insurance policy in relation to the scheme;
- s. other fees and expenses properly incurred in connection with the distribution of units and costs of registration of the scheme in jurisdictions outside the UK including, for the avoidance of doubt, the cost of making (or appointing persons to make) any returns or calculations necessary to secure favourable treatment of the scheme under the tax or regulatory systems of such jurisdictions;
- t. any expense incurred in relation to company secretarial duties including the cost of maintenance of minute books and other documentation required to be maintained by the scheme;
- u. any reimbursement of set-up costs that the Manager considers appropriate after consulting the auditors;
- v. any costs incurred in connection with communicating with investors (excluding promotional payments);
- w. any value added or similar tax relating to any charge or expense set out herein.

17. ISSUE AND REDEMPTION OF UNITS IN THE SCHEME

(i) ISSUE OF UNITS

Units in the scheme may be purchased by application to Barclays Wealth Funds Limited, either in writing addressed to PO Box 24006, Edinburgh, EH7 9BU or by telephone application to the unit trust dealers on 0844 892 0198 between 9.00a.m. and 5.30 p.m. (an earlier closure may occasionally apply) on business days or by placing a valid dealing instruction via an electronic trading system that is supported by Barclays Wealth Funds Limited.

Applications for units will not be acknowledged but Barclays Wealth Funds Limited will despatch a contract note normally no later than the next business day following the day in which falls the valuation

point on which the relevant unit price is based. Payment is due immediately on receipt of the contract note. Registration will take place after receipt of payment provided that:

- a. the purchaser of units has supplied the Manager with all such information about the proposed unitholder as will enable the Trustee to register the holding;
- b. the Manager has received the purchase price or other consideration for the issue of units; and
- c. any period during which the purchaser has a right, under rules made under the Act, to cancel the agreement to purchase units has expired;

For Class A Units the minimum investment in units in a scheme is units having a value of £500. Where monthly contributions are being made the minimum monthly investment is £50. The minimum holding of units in a scheme is units having a value of £500.

For Class B Units, units are only available to a Barclays Nominee (as defined in 9(a) above), the minimum investment in units in a scheme is units having a value of £1,000,000. The minimum holding of units in a scheme is units having a value of £1,000,000.

For Class I Units, the minimum investment in units in a scheme is units having a value of £4,000,000. The minimum holding of units in a scheme is units having a value of £4,000,000.

If the values fall below these figures the Manager reserves the right to terminate the holding. The Manager reserves the right to waive the minimum amounts.

(ii) REDEMPTION OF UNITS

Holders may sell units by application in writing to Barclays Wealth Funds Limited, or by telephone as set out in (i) above or by placing a valid dealing instruction via an electronic trading system that is supported by Barclays Wealth Funds Limited.

Such sale will be subject to the policy on pricing set out in 12. "Valuation of Property". A contract note and form for the renunciation (unless dealing electronically) of the units will be sent normally no later than the business day next following the day in which falls the valuation point on which the relevant unit price is based. A cheque for the proceeds will normally be sent no later than the fourth business day following receipt by the Manager of the appropriate documents which will usually be the duly completed renunciation form. A form of renunciation will not be sent if trading electronically or you have opted out of receiving them.

In the absence of any instruction to the contrary units will be sold on a "first in, first out" basis. As long as the minimum remaining holding of units in the scheme has a value as set out in (i) above, the minimum number of units in the scheme that may be redeemed at any one time is units to the value of £500 for Class A Units, £250 for Class B Units and £2,000,000 for Class I Units. If the value of the holding falls below that as set out in (i) above the Manager reserves the right to terminate the holding.

Where a redemption of units of not less than 5% of the scheme property takes place either the unitholder or the Manager may by notice request that scheme property is transferred in discharge of the transaction rather than a cash payment. Such transfer must be the appropriate proportionate share of each asset of the scheme or such other selection as the Manager and Trustee deem reasonable. Where the Manager has requested the transfer a unitholder by notice may require the sale of such property and the payment to him of the proceeds. Whether property is transferred or sold there shall be deducted from it the costs which would normally have been borne by the scheme for a sale of the property.

The unitholders notice must not be given later than the second business day following the redemption request or later than the fourth business day following the Managers notice.

The Manager may, with the prior agreement of the Trustee, and must if the Trustee so requires, temporarily suspend the issue, cancellation, sale and redemption of units in any or all of the Schemes if the Manager (or the Trustee in the case of any requirement by it) is of the opinion that there is good and sufficient reason to do so having regard to the interests of unitholders. Unitholders will be notified of any suspension as soon as practicable after suspension commences.

The Manager and the Trustee must ensure that any suspension is only allowed to continue as long as it is justified having regard to the interests of the Unitholders and that the suspension is reviewed at least every 28 days.

Where the Manager agrees during suspension to deal in Units, all deals accepted during, and outstanding prior to, the suspension will be undertaken at a price calculated at the first relevant Valuation Point after the restart of dealings in Units. The issue and redemption of units can be effected during the dealing period, which is the period between one valuation point and the next.

(iii) DEFERRED REDEMPTION

In times of high redemption, to protect the interests of continuing unitholders, the Manager may defer all redemptions at any valuation point to the next valuation point where requested redemptions exceed 10% of the scheme's value. This will allow the Manager to match the sale of scheme property to the level of redemption, thereby reducing the impact of dilution on the scheme. At the next such valuation point all deals relating to an earlier valuation point will be completed before those relating to a later valuation point are considered.

- (i) The Manager is not obliged to issue units in the scheme to a person if the Manager has reasonable grounds, relating to the circumstances of the person concerned, for refusing to issue units to him.
- (ii) A purchase or sale of units in writing and/or by telephone is a legally binding contract.
- (iii) The Manager, Trustee, associate of either of them, any investment adviser or associate thereof ("an affected person") may become the owner of units in the trust and hold, dispose of or otherwise deal with such units without that person having to account to any other affected person or to the unitholders or to any of them for any profits or benefits made by or derived from or in connection with any transaction.
- (iv) The Manager is under no obligation to account to the Trustee or Unitholders for any profit it makes on the issue or re-issue of units or on the cancellation of units that it has redeemed.

(iv) CONVERTING BETWEEN CLASSES OF UNITS IN A SCHEME

If applicable, a unitholder of units in the scheme may at any time switch all or some of his units of one unit class or scheme ("Old Units") for units of another unit class or scheme ("New Units"). The number of New Units issued will be determined in accordance with the following formula, by reference to the respective prices of New Units and Old Units at the valuation point applicable at the time the Old Units are repurchased and the New Units are issued:

$$N = O \times \frac{CP \times ER}{SP}$$

where:

- N is the number of New Units to be issued or sold (rounded down to the nearest whole number of smaller denomination units);
- O is the number of Old Units specified (or deemed to be specified) in the exchange notice which the unitholder has requested to exchange;
- CP is the price at which a single Old Unit may be cancelled or redeemed as at the valuation point applicable to the cancellation or redemption as the case may be;
- ER is 1, where the Old Units and the New Units are designated in the same currency and, in any other case, is the exchange rate determined by the Manager in its absolute discretion (subject to the FSA Rules as representing the effective rate of exchange between the two relevant currencies as at the date the exchange notice is received (or deemed to have been received) by the scheme having adjusted such rate as may be necessary to reflect any costs incurred by the scheme in making any transfer of assets as may be required as a consequence of such an exchange being effected; and
- SP is the price at which a single New Unit may be issued or sold as at the valuation point applicable to the cancellation or redemption as the case may be.

Other than for automatic switching rights, switching may be effected either by telephone on 0844 892 0198 during normal office business hours on a dealing day or in writing to the Administrator. Unitholders are required to make a written request to switch (which, in the case of joint unitholders must be signed by all the joint holders).

The Manager may at its discretion charge a fee on the switching of units between schemes. The fees will not exceed the prevailing initial sales charge for the class of units into which the units are being switched. Where applicable, there is no fee on a switch between unit classes of the same scheme.

If the switch would result in the unitholder holding a number of Old Units or New Units of a value which is less than the minimum holding in the scheme concerned, the Manager may, if it thinks fit, convert the whole of the applicant's holding of Old Units to New Units or refuse to effect any switch of the Old Units. No switch will be made during any period when the right of unitholders to require the redemption of their units is suspended. The general provision on procedures relating to redemption will apply equally to a switch. A written switching request must be received by the Administrator before the valuation point on a day which is a business day on which the Old Units may be redeemed and the New Units may be issued to be dealt with at the price at that valuation point on that business day, or at such other date as may be approved by the Manager. Switching requests received after a valuation point will be held over until the next day which is a business day on which the Old Units may be redeemed and the New Units may be issued.

The Manager may adjust the number of New Units 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 Units or repurchase or cancellation of the Old Units as may be permitted pursuant to the FSA Rules.

Please note that, under current tax law, a switch of units in one scheme for units in any other scheme is treated as a redemption and sale and will, for persons subject to United Kingdom taxation, be a realisation for the purposes of capital gains taxation although a switch of units between different unit classes in the same scheme will not be deemed to be a realisation for the purposes of capital gains taxation.

A unitholder who switches units in one scheme for units in any other scheme will not be given a right by law to withdraw from or cancel the transaction.

18. PRICES

The most recent buying and selling prices are available on the Barclays Wealth website www.barclaysinvestments.co.uk and from the scheme dealers on request between 9.00 a.m. and 5.30 p.m. (an earlier closure may occasionally apply) on business days on 0844 892 0198.

19. VERIFICATION OF IDENTITY

To protect unitholders and the Manager from financial crime, the Manager may be required to verify the identity of new and sometimes existing unitholders. This may be achieved using reference agencies to search sources of information relating to a unitholder (an Identity Search). This will not affect a unitholder's credit rating. If this fails the Manager may need to approach a unitholder to obtain documentary evidence of identity.

In certain circumstances, we may need to contact a unitholder to obtain more information regarding your investment.

20. TAXATION

The comments below are of a general nature. They reflect the Manager's understanding of current UK taxation law and HM Revenue & Customs practice and they are subject to changes therein. They do not purport to constitute legal or tax advice. These comments are not exhaustive and unitholders who are in any doubt as to their tax position or who may be subject to tax in any other jurisdiction should consult their own professional advisers. The basis of taxation may change in the future.

(i) THE SCHEME

The scheme is liable to corporation tax at 20% on its taxable income net of management expenses (and where interest distributions are paid the amount of such distribution) as if they were companies resident in The United Kingdom.

Interest distributions may be paid where throughout an accounting period 60% of the investment is in securities (but not company shares) and deposits.

Distributions paid by UK companies (franked investment income) are not subject to corporation tax in the hands of the scheme.

Credit is available for foreign withholding tax up to the treaty rates in the appropriate double taxation agreement on income derived from non-UK investments against the UK corporation tax liability thereon.

The scheme as an authorised unit trust scheme is exempt from UK corporation tax on capital gains realised on the disposals of capital gains assets within the scheme.

(ii) THE UNITHOLDER

The income tax liability of an individual is as follows:

	Nature of Payment	Nil/Lower Rate Taxpayer	Basic Rate Taxpayer	Higher Rate Taxpayer
Dividend Distribution	Net distribution paid with 10% notional tax credit	10% tax credit is not recoverable. No further income tax liability	No further income tax liability	Additional 25% tax due on the net distribution received
Interest Distribution	Distribution paid after deduction of 20% income tax	Excess income tax deducted is recoverable	No further income tax liability	Additional 20% tax due on the gross distribution (ie the net distribution received plus the 20% income tax deducted).

Certain bodies including UK corporates, charities, exempt approved retirement benefit schemes and PEP & ISA managers (or their nominees) may apply to receive interest distributions gross.

A unitholder subject to taxation in a country other than the UK may be entitled to a payment from the HM Revenue & Customs in respect of part of the tax credit relating to the distributions to which he is entitled depending on the provisions of any relevant double taxation agreement between his country of residence and the UK and to relief for UK taxes suffered in calculating his tax liabilities.

Holders subject to corporation tax will normally receive dividend distributions as a mix of franked and unfranked income so as to reflect the nature of the income received by the scheme.

The amount of the reclaimable tax credit in relation to unfranked income will be limited to the corporate unitholders' share of the corporation tax liability of the scheme as shown on the tax voucher.

Interest distributions are generally paid after the deduction of income tax at the rate of 20%. However if the unitholder is a company or the trustee of a unit trust scheme, or if the unitholder satisfies either the residence condition or reputable intermediary conditions set out in Section 468O of the 1988 Income and Corporation Taxes Act, the interest distribution may be paid gross. The residence condition will be fulfilled for an individual unitholder who is not ordinarily resident ("NOR") in the UK on the distribution date, provided that the unitholder has completed a valid NOR declaration. However, taxation may still be payable in their country of residence.

The first distribution received after the acquisition of units will include an amount of equalisation. This is the average of the amount of income included in the price at which the units were acquired for all incoming unitholders for the period. It is treated as capital for UK tax purposes and not as income and is deducted from the cost of the units in computing any capital gain realised on the subsequent disposal of the units.

Residents in the UK may be liable to capital gains tax or corporation tax on gains arising from the sale or disposal of units. Individuals will have a liability to capital gains tax on the sale or disposal of their units, if their total capital gains, (less relief for any losses and after any indexation or taper relief), from all

sources exceed the capital gains annual exemption applicable for the tax year in which the sale or disposal takes place.

UK corporations investing in 'Bond Funds' are required to adopt a mark to market accounting policy for these funds for corporation tax purposes. Broadly, 'Bond Funds' are collective investment vehicles which hold 60% or more of their assets, by value, in qualifying investments throughout the accounting period. Qualifying investments are broadly interest bearing assets or securities.

Individual unitholders who are not resident or ordinarily resident in the UK in the tax year when they dispose of units are not liable to capital gains tax arising from the sale or disposal of units, unless they have been resident or ordinarily resident in the UK for any part of at least four of the previous seven tax years and become not resident and not ordinarily resident for less than five tax years. They will then be liable to capital gains tax on gains on the disposal while they are abroad of assets owned before they left the UK. All such gains in the tax year of departure are chargeable in that year. Gains on such assets arising while they are away from the UK will be charged in the tax year when they again resume tax residence in the UK. Unitholders who are non-UK resident companies are not subject to UK corporation tax on gains arising from the sale or disposal of units unless they carry on a trade in the UK through a branch or agency.

21. COMPLAINTS

The Manager has established a procedure to investigate any complaints, a copy of which is available to you on request to Barclays Wealth Funds Limited, PO Box 24006, Edinburgh, EH7 9BU. In the event you are not satisfied you may also have a right of complaint direct to the Financial Ombudsman Service.

22. ADDITIONAL INFORMATION

- (i) Any person relying on the information contained in this Prospectus, which were current at the date shown, should check with the Manager that this document is the most current version and that no revisions have been made nor corrections published to the information contained in this Prospectus since the date shown.
- (ii) This document is important and you should read all the information contained in it carefully. If you are in any doubt as to the meaning of any information contained in this document you should consult either the Manager or your independent financial adviser.
- (iii) Copies of the trust deed constituting the scheme, any amending instruments, the Prospectus and the most recent annual and half yearly reports may be inspected during normal business hours at the administration office of the Manager from whom copies of deeds and reports, when published, may be obtained.
- (iv) Assets may be exchanged between the scheme and an associated company of the Managers at an open market mid price for both transactions.
- (v) Assets may be transferred between the scheme and an associated company of the Managers in exchange for units equal in value at an open market mid price for both transactions.
- (vi) The scheme may invest in securities of which an issue or offer for sale was underwritten, managed or arranged by the Manager or an associate of the Manager during the preceding twelve months.

- (vii) Units are not available to residents of the US.
- (viii) References to the COLL Sourcebook is to the New Collective Investment scheme Sourcebook of the Financial Services Authority which is the prime source for the rules governing the operation of an authorised unit trust.
- (ix) Purchases of units under PEP's and ISA's should note that these plans may involve some changes to the information set out herein.
- (x) The Manager will, upon request from a unitholder, provide supplemental information as to the quantitative limits applying in the risk management of the scheme, the methods used in relation to the risk management of the scheme and any recent developments of the risk and yields of the main categories of investment of the scheme.
- (xi) Portfolio information relating to the top ten holdings in each fund is available on request from the Manager. The Manager will not issue more detailed information to any customer or other external body unless they can demonstrate a legitimate purpose for receipt and use of that information.

23. BARCLAYS WEALTH FUNDS LIMITED REGULATED COLLECTIVE INVESTMENT SCHEMES

The following is a complete list of other Unit Trust Schemes offered and managed by the Manager who will provide details on request:

Barclays Income Portfolio
Barclays Adventurous Growth Portfolio
Barclays Growth Portfolio
Barclays Cautious Portfolio
Barclays Balanced Portfolio

The Manager is authorised corporate director of:

Barclays Wealth Investment Funds (UK)
Barclays Multi-Manager Fund (UK)
Barclays Multi-Manager Fund (UK Series 2)

APPENDIX

1. Prudent spread of risk

The Manager must ensure that, taking account of the investment objectives and policy of a scheme, the property of a scheme aims to provide a prudent spread of risk.

2. Non-UCITS Retail Schemes – general

2.1 The scheme property of a scheme must, except where otherwise provided in the COLL Sourcebook, only consist of any or all of:

- 2.1.1 transferable securities;
- 2.1.2 money market instruments;
- 2.1.3 permitted deposits;
- 2.1.4 permitted units in collective investment schemes;
- 2.1.5 permitted derivatives and forward transactions;
- 2.1.6 permitted immovables; and
- 2.1.7 gold up to a limit of 10% in value of scheme property.

2.2 Transferable securities and money market instruments held within a scheme must (subject to paragraphs 2.3 and 2.3.2) be:

- 2.2.1 admitted to or dealt in on an eligible market (as described in paragraph 4); or
- 2.2.2 for an approved money market instrument not admitted to or dealt with in on eligible market, within paragraph 5; or
- 2.2.3 recently issued transferable securities (provided that the terms of issue include an undertaking that application will be made to be admitted to an eligible market; and such admission is secured within a year of issue).

2.3 Not more than 20% in value of the scheme property of a scheme is to consist of:

- 2.3.1 transferable securities, other than those referred to in paragraph 2.2; or
- 2.3.2 money market instruments which are liquid and have a value which can be determined accurately at any time.

2.4 The requirements on spread and investment in government and public securities do not apply during any period during which it is not reasonable to comply provided that the requirement to maintain prudent spread of risk is complied with.

2.5 It is not intended that the scheme will invest directly in immovable property, tangible movable property or gold.

3. Transferable securities

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

- 3.1.1 a share;
 - 3.1.2 a debenture;
 - 3.1.3 a government and public security;
 - 3.1.4 a warrant; or
 - 3.1.5 a certificate representing certain securities.
- 3.2 An investment is not a transferable security if the title to it cannot be transferred, or can be transferred only with the consent of a third party.
- 3.3 In applying paragraph 3.2 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.
- 3.4 An investment is not a transferable security unless the liability of the holder of it to contribute to the debts of the issuer is limited to any amount for the time being unpaid by the holder of it in respect of the investment.
- 3.5 Not more than 5% in value of a scheme is to consist of warrants.

4. Eligible markets requirements

- 4.1 A market is eligible for the purposes of paragraph 2.2 if it is:
- 4.1.1 a regulated market; or
 - 4.1.2 a market in an EEA State which is regulated, operates regularly and is open to the public.
- 4.2 If a market does not fall within paragraph 4.1 it may be eligible if the Manager, after consultation and notification with the Trustee, decides that:
- 4.2.1 the market is appropriate for investment of, or dealing in, the scheme property;
 - 4.2.2 the market is included in a list in the Prospectus; and
 - 4.2.3 the Trustee has taken reasonable care to determine that adequate custody arrangements can be provided for the investment dealt in on that market and all reasonable steps have been taken by the Manager in deciding whether that market is eligible.
- 4.3 In paragraph 4.2 a market must not be considered appropriate unless it is regulated, operates regularly, is recognised as a market or exchange or as a self regulating organisation by an overseas regulator, is open to the public, is adequately liquid and has adequate arrangements for unimpeded transmission of income and capital to or to the order of investors.
- 4.4 The eligible markets for the scheme are set out in section 7(iv) of this prospectus.

5. Money-market instruments with a regulated issuer

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

- 5.1.1 the issue or the issue is regulated for the purpose of protecting investors and savings; and
- 5.1.2 the instrument is issued or guaranteed in accordance with paragraph 6.

6. Issuers and guarantors of money-market instruments

6.1 The scheme may invest in an approved money-market instrument if it is:

- 6.1.1 issued or guaranteed by any one of the following:
 - 6.1.1.1 a central authority of an EEA State or, if the EEA State is a federal state, one of the members making up the federation;
 - 6.1.1.2 a regional or local authority of an EEA State;
 - 6.1.1.3 the European Central Bank or a central bank of an EEA State;
 - 6.1.1.4 the European Union or the European Investment Bank;
 - 6.1.1.5 a non-EEA State or, in the case of a federal state, one of the members making up the federation;
 - 6.1.1.6 a public international body to which one or more EEA State belongs;
or
- 6.1.2 issued by a body, any securities of which are dealt in on an eligible market; or
- 6.1.3 issued or guaranteed by an establishment which is:
 - 6.1.3.1 subject to prudential supervision in accordance with criteria defined by European Community law; or
 - 6.1.3.2 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.

6.2 An establishment shall be considered to satisfy the requirement in paragraph 6.1.1.3 if it is subject to and complies with prudential rules, and fulfils one or more of the following criteria:

- 6.2.1 it is located in the European Economic Area;
- 6.2.2 it is located in an OECD country belonging to the Group of Ten;
- 6.2.3 it has at least investment grade rating;
- 6.2.4 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.

7. Appropriate information for money-market instruments

7.1 In the case of an approved money-market instrument within paragraph 6.1.2 or which is issued by an authority within paragraph 6.1.1.2 or a public international body within paragraph 6.1.1.6 but is not guaranteed by a central authority within paragraph 6.1.1.1, the following information must be available:

- 7.1.1 information on both the issue or the insurance 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;
 - 7.1.2 updates of that information on a regular basis and whenever a significant event occurs; and
 - 7.1.3 available and reliable statistics on the issue or the issuance programme.
- 7.2 In the case of an approved money-market instrument issued or guaranteed by an establishment within paragraph 6.1.3, the following information must be available:
- 7.2.1 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 updates of that information on a regular basis and whenever a significant event occurs; and
 - 7.2.2 available and reliable statistics on the issue or the issuance programme, or other data enabling an appropriate assessment of the credit risk related to investment in those instruments.
- 7.3 In the case of an approved money-market instrument:
- 7.3.1 within paragraphs 6.1.1.1, 6.1.1.4 or 6.1.1.5; or
 - 7.3.2 which is issued by an authority within paragraph 6.1.1.2 or a public international body within paragraph 6.1.1.6 and is guaranteed by a central authority within paragraph 6.1.1.1;

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.

8. Spread: general

- 8.1 This paragraph 8 on spread does not apply to government and public securities.
- 8.2 Not more than 20% in value of the scheme property is to consist of deposits with a single body.
- 8.3 Not more than 10% in value of the scheme property is to consist of transferable securities or money market instruments issued by any single body.
- 8.4 In applying paragraph 8.3 certificates representing certain securities are treated as equivalent to the underlying security.
- 8.5 The exposure to any one counterparty in an OTC derivative transaction must not exceed 10% in value of the scheme property.
- 8.6 Not more than 35% in value of scheme property is to consist of units of any one collective investment scheme.
- 8.7 For the purpose of calculating the limits in paragraph 8.5, 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 conditions specified in paragraph 8.8.
- 8.8 The conditions referred to in paragraph 8.7 are that the collateral:

- 8.8.1 is marked-to-market on a daily basis and exceeds the value of the amount at risk;
 - 8.8.2 is exposed only to negligible risks (e.g. government bonds of first credit rating or cash) and is liquid;
 - 8.8.3 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
 - 8.8.4 can be fully enforced by the Fund at any time.
- 8.9 For the purpose of calculating the limits in paragraph 8.5, OTC derivative positions with the same counterparty may be netted provided that the netting procedures:
- 8.9.1 comply with the conditions set out in Section 3 (Contractual netting (Contracts for novation and other netting agreements)) of Annex III to the Banking Consolidation Directive (2000/12/EC); and
 - 8.9.2 are based on legally binding agreements.
- 8.10 In applying this section, 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:
- 8.10.1 it is backed by an appropriate performance guarantee; and
 - 8.10.2 it is characterised by a daily mark-to-market valuation of the derivative positions and an at least daily margining.
- 8.11 For the purposes of this section, a single body is:
- 8.11.1 in relation to transferable securities and money market instruments, the person by whom they are issued; and
 - 8.11.2 in relation to deposits, the person with whom they are placed.
- 9. Spread: Government and public securities**
- 9.1 The above restrictions do not apply to Government and public securities (“such securities”). The restrictions in relation to such securities are set out below.
- 9.2 Where no more than 35% in value of the scheme property of a scheme is invested in such securities issued by any one body, there is no limit on the amount which may be invested in such securities or in such securities issued by any one body or of any one issue.
- 9.3 A scheme may invest more than 35% in value of the scheme property in such securities issued by any one body provided that:
- 9.3.1 the Manager has before any such investment is made consulted with the Trustee and as a result considers that the issuer of such securities is one which is appropriate in accordance with the investment objectives of a scheme;
 - 9.3.2 no more than 30% in value of the scheme property consists of such securities of any one issue;

- 9.3.3 the scheme property includes such securities issued by that or another issuer, of at least six different issues.
- 9.4 In relation to such securities:
- 9.4.1 issue, issued and issuer include guarantee, guaranteed and guarantor; and
 - 9.4.2 an issue differs from another if there is a difference as to repayment date, rate of interest, guarantor or other material terms of the issue.
- 10. Investment in collective investment schemes**
- 10.1 The scheme's investment policy permits investment mainly in units of collective investment schemes.
- 10.2 The scheme may invest up to 100% of scheme property in units in a collective investment scheme (a "second scheme") provided that the investment is permitted under paragraphs 10.3 to 10.6.
- 10.3 The second scheme is a scheme which:
- 10.3.1 complies with the conditions necessary for it to enjoy the rights conferred by the UCITS Directive; or
 - 10.3.2 is a Non-UCITS Retail Scheme; or
 - 10.3.3 is recognised under the provisions of section 264, 270 or 272 of the Financial Services and Markets Act 2000 (Schemes constituted in other EEA states, Schemes authorised in designated countries or territories and Individually Recognised Schemes);
 - 10.3.4 is constituted outside the United Kingdom and the investment and borrowing powers of which are the same or more restrictive than those of a Non-UCITS Retail Scheme; or
 - 10.3.5 is a scheme not falling within paragraphs 10.3.1 to 10.3.4 and in respect of which no more than 20% in value of the scheme property (including any transferable securities which are not approved securities) is invested. The scheme will not invest in schemes falling within this paragraph 10.3.5, without first giving unitholders at least 60 days' notice of the intention to do so.
- 10.4 The second scheme is a scheme which operates on the principle of the prudent spread of risk;
- 10.5 The second scheme is a scheme which has terms which prohibit more than 15% in value of the scheme property consisting of units in collective investment schemes;
- 10.6 The participants in the second scheme must be entitled to have their units redeemed in accordance with the scheme at a price related to the net value of the property to which the units relate and determined in accordance with the scheme.
- 10.7 Where the second scheme is an umbrella, the provisions in paragraphs 10.4, 10.5 and 10.6 apply to each sub-fund as if it were a separate scheme.
- 10.8 In accordance with 5.6.11R of the COLL Sourcebook (Investment in other group schemes) the scheme 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 Manager or an associate of the Manager.

- 10.9 A scheme must not invest in or dispose of units in another collective investment scheme (the second scheme), which is managed or operated by (or in the case of an open-ended investment company has as its authorised corporate director), the Manager, or an associate of the Manager, unless:
- 10.9.1 there is no charge in respect of the investment in or the disposal of units in the second scheme; or
 - 10.9.2 the Manager is under a duty to pay to the scheme 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 10.9.3 and 10.9.4;
 - 10.9.3 on investment, either:
 - 10.9.3.1 any amount by which the consideration paid by the scheme 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
 - 10.9.3.2 if such price cannot be ascertained by the Manager, the maximum amount of any charge permitted to be made by the seller of units in the second scheme;
 - 10.9.4 on disposal, the amount of any charge made for the account of the authorised fund manager or operator of the second scheme or an associate of any of them in respect of the disposal; and
- 10.10 In this paragraph:
- 10.10.1 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
 - 10.10.2 any switching charge made in respect of an exchange of units in one sub-fund or separate part of the second scheme for units in another sub-fund or separate part of that scheme is to be included as part of the consideration paid for the units.
- 11. Investment in nil and partly paid securities**
- 11.1 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 the scheme, at the time when payment is required, without contravening the COLL Sourcebook.
- 12. Derivatives**
- 12.1 Derivative or forward currency transactions will only be effected for the scheme for the purposes of efficient portfolio management and hedging as defined in paragraph 13.

- 12.2 A transaction in derivatives or a forward transaction must not be effected for a scheme unless the transaction is of a kind specified in paragraph 14; and the transaction is covered, as described in paragraph 19.
- 12.3 Where a scheme invests in derivatives, the exposure to the underlying assets must not exceed the limits set out in paragraphs 8 and 9, except where paragraph 12.5 applies.
- 12.4 Where a transferable security or money market instrument embeds a derivative, this must be taken into account for the purposes of complying with this Appendix.
- 12.5 Where a scheme invests in an index based derivative, provided the relevant index falls within paragraph 15 the underlying constituents of the index do not have to be taken into account for the purposes of paragraphs 8 and 9. The relaxation is subject to the Manager continuing to ensure that the scheme property provides a prudent spread of risk.

13. Efficient Portfolio Management

- 13.1 The Manager may use derivatives and forward transactions for efficient portfolio management techniques which must be economically appropriate for the following purposes:
- 13.1.1 the reduction of risk;
 - 13.1.2 the reduction of cost; or
 - 13.1.3 the generation of additional capital or income with no, or any acceptably low level of risk.
- 13.2 **Derivative transactions will be used for the purposes of efficient portfolio management and hedging only and their use is not expected to affect the risk profile of the scheme.** Unitholders will receive at least 60 days' notice of any change of use of derivatives within the scheme.

14. Permitted transactions (derivatives and forwards)

- 14.1 A transaction in a derivative must be in an approved derivative; or be one which complies with paragraph 18.
- 14.2 A transaction in a derivative must have the underlying consisting of any or all of the following:
- 14.2.1 transferable securities;
 - 14.2.2 money market instruments;
 - 14.2.3 permitted deposits;
 - 14.2.4 permitted derivatives;
 - 14.2.5 permitted collective investment scheme;
 - 14.2.6 financial indices which satisfy the criteria set out in paragraph 15;
 - 14.2.7 interest rates;
 - 14.2.8 foreign exchange rates;
 - 14.2.9 currencies permitted immovable; and

- 14.2.10 gold;
- and the exposure to the underlyings must not exceed the limits in paragraphs 2.3, 8 and 9.
- 14.3 A transaction in an approved derivative must be effected on or under the rules of an eligible derivatives market.
- 14.4 A transaction in a derivative must not cause a scheme to diverge from its investment objectives as stated in the Instrument constituting the scheme and the most recently published version of this Prospectus.
- 14.5 A transaction in a derivative must not be entered into if the intended effect is to create the potential for an uncovered sale of one or more, transferable securities, money market instruments, units in collective investment schemes, or derivatives.
- 14.6 Any forward transaction must be with an Eligible Institution (as defined in the Glossary to the COLL Sourcebook) or an Approved Bank.
- 15. Financial indices underlying derivatives**
- 15.1 The financial indices referred to in paragraph 14.2.6 are those which satisfy the following criteria:
- 15.1.1 the index is sufficiently diversified;
- 15.1.2 the index represents an adequate benchmark for the market to which it refers; and
- 15.1.3 the index is published in an appropriate manner.
- 15.2 A financial index is sufficiently diversified if:
- 15.2.1 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;
- 15.2.2 where it is composed of assets in which the scheme is permitted to invest, its composition is at least diversified in accordance with the requirements with respect to spread and concentration set out in this Appendix; and
- 15.2.3 where it is composed of assets in which the scheme cannot invest, it is diversified in a way which is equivalent to the diversification achieved by the requirements with respect to spread and concentration set out in this Appendix.
- 15.3 A financial index represents an adequate benchmark for the market to which it refers if:
- 15.3.1 it measures the performance of a representative group of underlyings in a relevant and appropriate way;
- 15.3.2 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
- 15.3.3 the underlyings are sufficiently liquid, allowing users to replicate it if necessary.
- 15.4 A financial index is published in an appropriate manner if:

- 15.4.1 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
 - 15.4.2 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.
- 15.5 Where the composition of underlyings of a transaction in a derivative does not satisfy the requirements for a financial index, the underlyings for that transaction shall where they satisfy the requirements with respect to other underlyings pursuant to paragraph 15.2 be regarded as a combination of those underlyings.

16. Transactions for the purchase of property

- 16.1 A derivative or forward transaction which will or could lead to the delivery of property for the account of the scheme may be entered into only if that property can be held for the account of the scheme, and the Manager having taken reasonable care determines that delivery of the property under the transaction will not occur or will not lead to a breach of the rules in the COLL Sourcebook.

17. Requirement to cover sales

- 17.1 No agreement by or on behalf of the scheme to dispose of property or rights may be made unless the obligation to make the disposal and any other similar obligation could immediately be honoured by the scheme by delivery of property or the assignment (or, in Scotland, assignation) of rights, and the property and rights above are owned by the scheme at the time of the agreement. This requirement does not apply to a deposit.
- 17.2 Paragraph 17.1 does not apply where:
- 17.2.1 the risks of the underlying financial instrument of a derivative can be appropriately represented by another financial instrument and the underlying financial instrument is highly liquid; or
 - 17.2.2 the Manager or the Trustee has the right to settle the derivative in cash and cover exists within the scheme property which falls within one of the following asset classes:
 - 17.2.2.1 cash;
 - 17.2.2.2 liquid debt instruments (e.g. government bonds of first credit rating) with appropriate safeguards (in particular, haircuts); or
 - 17.2.2.3 other highly liquid assets having regard to their correlation with the underlying of the financial derivative instruments, subject to appropriate safeguards (e.g. haircuts where relevant).
 - 17.2.3 In the asset classes referred to in paragraph 17.2.2, an asset may be considered as liquid where the instrument can be converted into cash in no more than seven business days at a price closely corresponding to the current valuation of the financial instrument on its own market.

18. OTC transactions in derivatives

- 18.1 Any transaction in an OTC derivative under paragraph 14 must be:
- 18.1.1 with an approved counterparty; a counterparty to a transaction in derivatives is approved only if the counterparty is an Eligible Institution or an Approved Bank; or a person whose permission (including any requirements or limitations), as published in the FSA Register or whose Home State authorisation, permits it to enter into the transaction as principal off-exchange;
 - 18.1.2 on approved terms; the terms of the transaction in derivatives are approved only if the Manager:
 - (a) carries out, at least daily, a reliable and verifiable valuation in respect of that transaction corresponding to its fair value and which does not rely only on market quotations by the counterparty; and
 - (b) can enter into a one or more further transactions to sell, liquidate or close out that transaction at any time, at its fair value; and
 - 18.1.3 capable of reliable valuation; a transaction in derivatives is capable of reliable valuation only if the Manager 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: on the basis of an up-to-date market value which the Manager and the Trustee have agreed is reliable; or, if that value is not available, on the basis of a pricing model which the Manager and the Trustee have agreed uses an adequate recognised methodology; and
 - 18.1.4 subject to verifiable valuation; a transaction in derivatives is subject to verifiable valuation only if, throughout the life of the derivative (if the transaction is entered into) verification of the valuation is carried out by an appropriate third party which is independent from the counterparty of the derivative, at an adequate frequency and in such a way that the Manager is able to check it; or a department within the Manager which is independent from the department in charge of managing the scheme property and which is adequately equipped for such a purpose.

19. Cover for transactions in derivatives and forward transactions

- 19.1 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 paragraph 19.2.
- 19.2 Exposure is covered globally if adequate cover from within the scheme property is available to meet the scheme's total exposure, taking into account the value of the underlying assets, any reasonably foreseeable market movement, counterparty risk, and the time available to liquidate any positions.
- 19.3 Cash not yet received into the scheme property but due to be received within one month is available as cover.
- 19.4 Property the subject of a stock lending transaction is only available for cover if the Manager 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.
- 19.5 The total exposure relating to derivatives held in a scheme may not exceed the net value of the scheme property.

20. Investment in deposits

- 20.1 A scheme may invest in deposits only with an Approved Bank (as defined in the Glossary to the COLL Sourcebook) and which are repayable on demand or have the right to be withdrawn, and maturing in no more than 12 months.
- 21. Cash and near cash**
- 21.1 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:
- 21.1.1 the pursuit of a scheme's investment objectives; or
 - 21.1.2 redemption of units; or
 - 21.1.3 efficient management of a scheme in accordance with its investment objectives; or;
 - 21.1.4 other purposes which may reasonably be regarded as ancillary to the investment objectives of the scheme.
- 21.2 During the period of the initial offer the scheme property may consist of cash and near cash without limitation.
- 22. Risk management**
- 22.1 The Manager uses a risk management process, as reviewed by the Trustee, enabling it to monitor and measure as frequently as appropriate the risk of a scheme's positions and their contribution to the overall risk profile of the scheme.
- 23. General power to borrow**
- 23.1 The Trustee (on the instructions of the Manger) may, in accordance with this paragraph and paragraph 24, borrow money for the use of the scheme 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 scheme to comply with any restriction in the instrument constituting the scheme.
- 23.2 A scheme may borrow under paragraph 23.1 only from an Eligible Institution or an Approved Bank.
- 24. Borrowing limits**
- 24.1 The Manager must ensure that a scheme's borrowing does not, on any business day, exceed 10% of the value of the scheme property of a scheme.
- 24.2 These borrowing restrictions do not apply to "back to back" borrowing for currency hedging purposes.
- 25. Restrictions on lending of money**
- 25.1 None of the money in the scheme property of a scheme may be lent and, for the purposes of this prohibition, money is lent by a scheme if it is paid to a person ("the payee") on the basis that it should be repaid, whether or not by the payee.
- 25.2 Acquiring a debenture is not lending for the purposes of paragraph 25.1; nor is the placing of money on deposit or in a current account.

25.3 Paragraph 25.1 does not prevent a scheme from providing an officer of a scheme with funds to meet expenditure to be incurred by him for the purposes of a scheme (or for the purposes of enabling him properly to perform his duties as an officer of the scheme) or from doing anything to enable an officer to avoid incurring such expenditure.

26. Restrictions on lending of property other than money

26.1 The scheme property of a scheme other than money must not be lent by way of deposit or otherwise.

26.2 Transactions permitted by paragraph 25 are not lending for the purposes of paragraph 29.

27. General power to accept or underwrite placings

27.1 Any power in Chapter 5 of the COLL Sourcebook 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 Trust Deed.

27.2 This section applies, subject to paragraph 27.3, to any agreement or understanding:

27.2.1 which is an underwriting or sub-underwriting agreement; or

27.2.2 which contemplates that securities will or may be issued or subscribed for or acquired for the account of a scheme.

27.3 Paragraph 27.2 does not apply to:

27.3.1 an option; or

27.3.2 a purchase of a transferable security which confers a right:

27.3.2.1 to subscribe for or acquire a transferable security; or

27.3.2.2 to convert one transferable security into another.

27.4 The exposure of a scheme to agreements and understandings within paragraph 27.2 must, on any business day:

27.4.1 be covered in accordance with the requirements of COLL 5.3.3R of the COLL Sourcebook; and

27.4.2 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 COLL Sourcebook.

28. Guarantees and indemnities

28.1 A scheme or the Trustee for the account of the scheme must not provide any guarantee or indemnity in respect of the obligation of any person.

28.2 None of the scheme property of a scheme may be used to discharge any obligation arising under a guarantee or indemnity with respect to the obligation of any person.

28.3 Paragraphs 28.1 and 28.2 do not apply in respect of the scheme to an indemnity given to a person winding up a body corporate or other scheme in circumstances where those assets are becoming part of the scheme property by way of unitisation.

29. Stock lending

29.1 As an extension to efficient portfolio management as defined in paragraph 13, the Manager may request the Trustee to enter into stocklending transactions or a repo contract in respect of the scheme. However, the purpose of the stocklending transaction must be for the generation of capital or income for the scheme with no, or an acceptably low degree of risk.

29.2 There is no limit on the value of the scheme property which may be the subject of repo contracts or stock lending transactions.

29.3 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:

29.3.1 all the terms of the agreement under which securities are to be reacquired by the Trustee for the account of the scheme are in a form which is acceptable to the Trustee and are in accordance with good market practice;

29.3.2 the counterparty is:

29.3.2.1 an authorised person; or

29.3.2.2 a person authorised by a Home State regulator; or

29.3.2.3 a person registered as a broker-dealer with the Securities and Exchange Commission of the United States of America; or

29.3.2.4 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 Comptroller of the Currency; the Federal Deposit Insurance Corporation; the Board of Governors of the Federal Reserve System; and the Office of Thrift Supervision; and

29.3.3 collateral is obtained to secure the obligation of the counterparty under the terms referred to in paragraph 29.3.1 and the collateral is:

29.3.3.1 acceptable to the Trustee;

29.3.3.2 adequate; and

29.3.3.3 sufficiently immediate.

29.4 The counterparty for the purpose of paragraph is the person who is obliged under the agreement referred to in paragraph 29.3.1 to transfer to the Trustee the securities transferred by the Trustee under the stock lending arrangement or securities of the same kind.

29.5 Paragraph 29.3.3 does not apply to a stock lending transaction made through Euroclear Bank SA/NV's Securities Lending and Borrowing Programme.

30. Treatment of collateral

- 30.1 Collateral is adequate for the purposes of this paragraph only if it is:
- 30.1.1 transferred to the Trustee or its agent;
 - 30.1.2 at least equal in value, at the time of the transfer to the Trustee, to the value of the securities transferred by the Trustee; and
 - 30.1.3 in the form of one or more of:
 - 30.1.3.1 cash; or
 - 30.1.3.2 a certificate of deposit; or
 - 30.1.3.3 a letter of credit; or
 - 30.1.3.4 a readily realisable security ; or
 - 30.1.3.5 commercial paper with no embedded derivative content; or
 - 30.1.3.6 a qualifying money market fund.
- 30.2 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 Manager or an associate of the Manager, the conditions in paragraph 10.9 must be complied with.
- 30.3 Collateral is sufficiently immediate for the purposes of this paragraph if:
- 30.3.1 it is transferred before or at the time of the transfer of the securities by the Trustee; or
 - 30.3.2 the Trustee takes reasonable care to determine at the time referred to in paragraph 30.3.1 that it will be transferred at the latest by the close of business on the day of the transfer.
- 30.4 The Trustee must ensure that the value of the collateral at all times is at least equal to the value of the securities transferred by the Trustee.
- 30.5 The duty in paragraph 30.4 may be regarded as satisfied in respect of collateral the validity of which is about to expire or has expired where the Trustee takes reasonable care to determine that sufficient collateral will again be transferred at the latest by the close of business on the day of expiry.
- 30.6 Any agreement for transfer at a future date of securities or of collateral (or of the equivalent of either) under this paragraph may be regarded, for the purposes of valuation and pricing of the scheme 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 scheme.
- 30.7 Collateral transferred to the Trustee is part of the Scheme Property for the purposes of the rules in the COLL Sourcebook, except in the following respects:
- 30.7.1 it does not fall to be included in any calculation of NAV or this Appendix, because it is offset under paragraph 30.6 by an obligation to transfer; and

- 30.7.2 it does not count as scheme property for any purpose of this Appendix other than this paragraph.
- 30.8 Paragraphs 30.6 and 30.7.1 not apply to any valuation of collateral itself for the purposes of this paragraph.