

Deutsche Bank  
Private Wealth Management

**DB PWM Global Investment Solutions**  
(an investment company with variable capital)

Prospectus

Issue 8 – June 2011



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# Directory

## THE AUTHORISED CORPORATE DIRECTOR ("ACD")

### DB PWM COLLECTIVE MANAGEMENT LIMITED

Dealing, Registration and General Enquiries:-

BNY MELLON HOUSE  
INGRAVE ROAD  
BRENTWOOD  
ESSEX CM15 8TG

Dealing Tel – 0870 606 6415  
Administration Tel – 0870 606 6466

Head and Registered Office:-

ROYAL LIVER BUILDING  
PIER HEAD  
LIVERPOOL L3 1NY

Tel - 0808 100 2993  
Fax - 0151 471 4187

Board of Directors:-

**Chairman** T G Slocock

**Chief Executive** T G Slocock

**Directors** J D Norbury  
J F Modersohn  
C G Munn  
D R Wetherell  
I L Bennett

A private limited company incorporated in England on 23<sup>rd</sup> March 1994.

Issued Share Capital:- 50,000 ordinary shares of £1 each paid up.

Ultimate Holding Company: - Deutsche Bank AG

Authorised and regulated by the Financial Services Authority (Register No. 170547)

## THE INVESTMENT ADVISER

### TILNEY INVESTMENT MANAGEMENT (Trading as Deutsche Bank Private Wealth Management)

ROYAL LIVER BUILDING  
PIER HEAD  
LIVERPOOL L3 1NY

Registered office as above.

Deutsche Bank Private Wealth Management is a private wealth manager and is an associate company of DB PWM Collective Management Limited. Both companies are wholly-owned subsidiaries of Deutsche Bank AG.

Authorised and regulated by the Financial Services Authority (Register No. 124255)

## **THE DEPOSITARY**

### **NATIONAL WESTMINSTER BANK plc**

Head Office:-  
135 BISHOPSGATE  
LONDON EC2M 3UR

A public limited company incorporated in England on 18 March 1968.  
Registered office: - 135 Bishopsgate London EC2M 3UR.  
Ultimate Holding Company: - The Royal Bank of Scotland Group plc, a public limited company incorporated in Scotland.  
Principal activity: - Banking.

The Depositary is authorised and regulated by the Financial Services Authority (Register No. 121878)

## **THE REGISTRAR/ADMINISTRATOR**

### **THE BANK OF NEW YORK MELLON (INTERNATIONAL) LIMITED**

BNY MELLON HOUSE  
INGRAVE ROAD  
BRENTWOOD  
ESSEX CM15 8TG

Authorised and regulated by the Financial Services Authority (Register No. 183100)

## **THE AUDITORS**

### **DELOITTE LLP**

CHARTERED ACCOUNTANTS  
2 NEW STREET SQUARE  
LONDON  
EC4A 3BZ

Authorised and regulated by the Financial Services Authority (Register No. 213218)

## **Important Notice**

**If you are in any doubt about the contents of this Prospectus you should consult your financial adviser**

DB PWM Collective Management Limited, the Authorised Corporate Director of DB PWM Global Investment Solutions, is the person responsible for the information contained in this Prospectus. To the best of its knowledge, information and belief (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus does not contain any untrue or misleading statements or omit any matters required to be included in it by the FSA's Collective Investment Schemes Sourcebook. On that basis DB PWM Collective Management Limited accepts responsibility for the contents of this Prospectus.

# **PROSPECTUS OF DB PWM GLOBAL INVESTMENT SOLUTIONS**

**(An investment company with variable capital incorporated with limited liability and registered in England and Wales under registered number IC000747)**

- This document constitutes the Prospectus for DB PWM Global Investment Solutions which has been prepared in accordance with the FSA's Collective Investment Schemes Sourcebook.
- This Prospectus is dated and is valid as at June 2011. Copies of this Prospectus have been sent to the Financial Services Authority and the Depositary and it is available free of charge from the ACD.
- No person has been authorised by the Company to give any information or to make any representations in connection with the offering of Shares other than those contained in this Prospectus, and if given or made, such information or representations must not be relied on as having been made by the Company. The delivery of this Prospectus (whether or not accompanied by any reports) or the issue of Shares shall not, under any circumstances, create any implication that the affairs of the Company have not altered since the date hereof.
- The distribution of this Prospectus and the offering of Shares may be restricted in certain jurisdictions. Persons into whose possession this Prospectus comes are required by the Company to inform themselves about and to observe any such restrictions. This Prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.
- Shares in the Company are not listed on any investment exchange.
- Potential investors should not treat the contents of this Prospectus as advice relating to legal, taxation, investment or any other matters and are recommended to consult their own professional advisers concerning the acquisition, holding or disposal of Shares. The provisions of the Company's Instrument of Incorporation are binding on each of its Shareholders (each of whom is deemed to have notice of it and its contents).
- This Prospectus is based on information, law and practice at the date hereof. The Company cannot be held responsible for information contained in an out-of-date prospectus, when a new one has been issued, and investors should check with the ACD that they have the most recent issue of the Prospectus.
- The shares have not been and will not be registered under the United States Securities Act of 1933, as amended. They may not be offered or sold in the US, its territories and possessions, any State of the US and the District of Columbia or offered or sold to US persons. The Company has not been and will not be registered under the United States Investment Company Act of 1940. The ACD has not been and will not be registered under the United States Investment Advisers Act of 1940.

## DEFINITIONS

<b>“ACD”</b>	means DB PWM Collective Management Limited, the authorised corporate director of the Company
<b>“Administrator”</b>	means The Bank of New York Mellon (International) Limited of BNY Mellon House, Ingrave Road, Brentwood, Essex CM15 8TG
<b>“COLL Sourcebook”</b>	means the FSA’s Collective Investment Scheme Sourcebook
<b>“Class” or “Classes”</b>	in relation to Shares, means (according to the context) all of the Shares relating to a single Fund or a particular class or classes of Shares relating to a single Fund
<b>“Company”</b>	means DB PWM Global Investment Solutions
<b>“Dealing Day”</b>	means, in respect of a Fund, any day that is a Dealing Day for that Fund as provided for in the Schedule to this Prospectus.
<b>“Depositary”</b>	means National Westminster Bank plc of 135 Bishopsgate London EC2M 3UR or its successor from time to time as depositary.
<b>“Fund” or “Funds”</b>	means a sub-fund of the Company (being part of the Scheme Property of the Company which is pooled separately) and to which specific assets and liabilities of the Company may be allocated and which is invested in accordance with the investment objective applicable to such sub-fund
<b>“FSA”</b>	means the Financial Services Authority of 25 The North Colonnade, Canary Wharf, London E14 5HS
<b>“Instrument of Incorporation”</b>	means the Instrument of Incorporation of the Company
<b>“Investment Exchange”</b>	means a Recognised or Designated Investment Exchange within the meaning of FSA Rules
<b>“Investment Adviser”</b>	means Tilney Investment Management (trading as Deutsche Bank Private Wealth Management) (Company No 2010520) of Royal Liver Building, Pier Head, Liverpool L3 1NY which is authorised and regulated by FSA
<b>“Large Deal”</b>	a transaction (or series of transactions in one dealing period) by any person to buy or sell shares of a value greater than 5% of the Net Asset Value of any Fund for the purpose of a dilution levy
<b>“Member State”</b>	means a member State of the European Community and any other state which is within the European Economic Area
<b>“Net Asset Value” or “NAV”</b>	means the value of the Scheme Property of the Company (or of any Fund as the context requires) less the liabilities of the Company (or of the Fund concerned) as calculated in accordance with the Company’s Instrument of Incorporation
<b>“Regulations”</b>	means the Open-Ended Investment Companies Regulations 2001
<b>“Scheme Property”</b>	means the property of the Company, or of a Fund as the context may require, required under the COLL Sourcebook to be given for safe keeping to the Depositary
<b>“Share” or “Shares”</b>	means a share or shares in a Fund of the Company (including larger denomination Shares and smaller denomination Shares equivalent to one ten-thousandth of a larger denomination share)
<b>“Shareholder” or “Shareholders”</b>	means a holder or holders of a Share or Shares in a Fund of the Company
<b>“UCITS”</b>	means Undertaking for Collective Investment in Transferable Securities in accordance with Directive 2009/65/EC
<b>“UK”</b>	means the United Kingdom of Great Britain and Northern Ireland

**“US”** means the United States of America

**“US\$” or “US Dollar”** means United States Dollars, the legal currency of the US



## THE COMPANY

The Company is incorporated in England and Wales as an investment company with variable capital under registration number IC000747. The Shareholders are not liable for the debts of the Company.

The Company is authorised by the FSA as a non-UCITS retail scheme under the COLL Sourcebook and is an umbrella company for the purposes of the Regulations with seven Funds. Details of the Funds, including their investment objectives and policies, are set out in the Schedule to this Prospectus. The effective date of the original authorisation order was 22 May 2009. The Instrument of Incorporation of the Company is registered with the Registrar of Companies.

The ACD may from time to time, with the approval of the FSA, decide to create additional Funds.

The base currency of the Company and each Fund is pounds sterling. The minimum share capital of the Company is £500 and the maximum share capital is £5,000,000,000.

The Head and Registered Office of the Company is at Royal Liver Building, Pier Head, Liverpool L3 1NY and this is also the address in the UK for service on the Company of notices or other documents required or authorised to be served on the Company.

The sole Director of the Company is the ACD.

## THE FUNDS

### **Investment Objectives, Policies and other details of the Funds**

Investment of the assets of each of the Funds must comply with the COLL Sourcebook and the investment objectives and policy of the relevant Fund. Details of these investment objectives and policies are set out in the Schedule to this Prospectus. Each Fund is invested as if it were a "non-UCITS retail scheme" which complies with the COLL Sourcebook. The eligible securities markets and eligible derivatives markets on which the Funds may invest are set out in Appendix I. A detailed statement of the general investment and borrowing restrictions and the extent to which the Company may use derivatives are set out in Appendix II.

# SHARES

## **Assets and Liabilities**

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

The Funds of the Company, which is an umbrella, are not ring-fenced and in the event that the Company is unable to meet liabilities attributable to any particular Fund out of the assets attributable to that Fund, the remaining liabilities may have to be met out of the assets attributable to other Funds. In the event that any assets are so re-allocated, the ACD will advise Shareholders in the next succeeding annual or half-yearly report to Shareholders.

Each Fund will be charged with the liabilities, expenses, costs and charges of the Company attributable to that Fund and within the Funds, charges will be allocated between Classes in accordance with the terms of issue of Shares of those Classes. Any liabilities, expenses, costs or charges not attributable to a particular Fund shall be allocated by the ACD in a manner which is fair to the Shareholders, normally pro rata to the value of the net assets of the relevant Funds.

## **Accumulation and Income Shares**

The Company may issue either accumulation or income Shares for any Fund. Accumulation Shares are Shares of any Class in any Fund in respect of which income allocated to them is credited periodically to capital pursuant to the COLL Sourcebook. Income Shares are Shares of any Class in any Fund in respect of which income allocated to them is distributed periodically to the holders of those Shares pursuant to the COLL Sourcebook on the relevant interim and annual income allocation dates. A facility is available for re-investment of such income, if so required by the Shareholder.

## **Denomination of Shares**

All Shares currently issued by the Company in respect of Funds are denominated in sterling.

Shares will be issued in larger and smaller denominations. There are 10,000 smaller denomination Shares to each larger denomination Share. Smaller denomination Shares represent what, in other terms, might be called fractions of a larger Share and have proportionate rights.

## **Classes of Shares within Funds**

Several Classes of Shares may be issued in respect of each Fund, distinguished by the minimum subscription and different rates of charges and expenses, details of which are set out on page 12 under "minimum subscriptions and holdings" and in the Schedule to this Prospectus.

Currently, the following types and Classes of Shares are available in the following Funds:

**Class A net Income Shares** – available in the Maximum Growth Portfolio Fund, the Dynamic Multi Asset Portfolio Fund, the Diversified Conservative Portfolio Fund, the Diversified Core Portfolio Fund, the Diversified Growth Portfolio Fund, the Diversified Enhanced Income Portfolio Fund and the Diversified Growth Plus Fund.

**Class A net Accumulation Shares** – available in the Maximum Growth Portfolio Fund, the Dynamic Multi Asset Portfolio Fund, the Diversified Conservative Portfolio Fund, the Diversified Core Portfolio Fund, the Diversified Growth Portfolio Fund and the Diversified Growth Plus Fund.

**Class B net Income Shares** – available in the Maximum Growth Portfolio Fund, the Dynamic Multi Asset Portfolio Fund, the Diversified Conservative Portfolio Fund, the Diversified Core Portfolio Fund, the Diversified Growth Portfolio Fund, the Diversified Enhanced Income Portfolio Fund and the Diversified Growth Plus Fund.

**Class C net Income Shares** – available in the Maximum Growth Portfolio Fund, the Dynamic Multi Asset Portfolio Fund, the Diversified Conservative Portfolio Fund, the Diversified Core Portfolio Fund, the Diversified Growth Portfolio Fund, the Diversified Enhanced Income Portfolio Fund and the Diversified Growth Plus Fund.

**Class D net Income Shares** – available in the Maximum Growth Portfolio Fund.

A list of the Classes of Share available in relation to each Fund appears in the relevant part of the Schedule to this Prospectus.

Where a Fund has different Classes of Share, each Class may attract different charges and expenses and so monies may be deducted from Classes in unequal proportions. In these circumstances the proportionate interests of the Classes within a Fund will be adjusted accordingly.

Shareholders are entitled (subject to certain restrictions) to switch all or part of their Shareholding in a Class or a Fund for Shares in another Class within the same Fund or for Shares of the same or another Class within a different Fund. Details of this switching facility and the restrictions are set out on page 13.

#### **Buying, selling and switching Shares**

The dealing office of the ACD is open from 9am until 5pm London time on each Dealing Day to receive requests for the issue, redemption and switching of Shares for which it is a Dealing Day.

#### **Initial Offer Period:**

The details of any initial offer period in respect of a Fund or Class of Shares is set out in the Schedule.

#### **Buying Shares - Procedure:**

Shares can be bought either by sending a completed application form to the ACD or by telephoning the ACD on 0870 606 6415. Application forms may be obtained from the ACD.

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

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

#### **Documents the Purchaser will receive:**

A contract note giving details of the Shares purchased and the price paid will be issued by the end of the business day following the later of:

- (a) receipt of the application to purchase Shares; or
- (b) the valuation point by reference to which the purchase price is determined

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

Settlement is due on receipt by the purchaser of the contract note.

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

#### **Minimum subscriptions and holdings:**

The minimum initial subscription for Class A Shares is £1,000 in any Fund, except for subscriptions to regular savings plans, where the minimum monthly subscription is £100 in any Fund. Any subsequent subscription for Class A Shares in that Fund must be not less than £500. Shareholders must maintain a minimum holding of Class A Shares of £1,000 in value for each Fund in which it holds Class A Shares.

The minimum initial subscription for Class B Shares in any Fund is £1,000,000. Any subsequent subscription for Class B Shares in that Fund must be not less than £5,000. Shareholders must maintain a minimum holding of Class B Shares of £500,000 in value for each Fund in which it holds Class B Shares.

The minimum initial subscription for Class C Shares in any Fund is £10,000,000. Any subsequent subscription for Class C Shares in that Fund must not be less than £50,000. Shareholders must maintain a minimum holding of Class C Shares of £5,000,000 in value for each Fund in which it holds Class C Shares.

The minimum initial subscription for Class D Shares in any Fund is £5,000,000. Any subsequent subscription for Class D Shares in that Fund must not be less than £5,000. Shareholders must maintain a minimum holding of Class D Shares of £5,000,000 in value for each Fund in which it holds Class D Shares.

In all Classes, the ACD may at its discretion accept subscriptions or minimum holdings lower than the minimum amount.

If following a redemption a holding is below the minimum holding, the ACD has a discretion to require redemption of the entire holding of Shares.

#### **Selling Shares - Procedure:**

Every Shareholder has the right to require that the Company redeem his Shares on any day that is a Dealing Day for the Shares unless the value of Shares which a Shareholder wishes to redeem will mean that the Shareholder

will hold Shares with a value less than the required minimum holding for the Fund concerned, in which case the Shareholder may be required to redeem his entire holding.

Requests to redeem Shares may be made to the ACD by telephone on 0870 606 6415 or in writing to the ACD no later than close of business on the business day before a Dealing Day for such Shares for redemption on the following Dealing Day for such Shares.

**Documents the Seller will receive:**

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

- (a) receipt by the ACD of the form of renunciation (or other sufficient written instructions) duly signed by all the relevant Shareholders and completed as to the appropriate number of Shares, together with any other appropriate evidence of title; and
- (b) the valuation point following receipt by the ACD of the request to redeem.

**Minimum redemption:**

Part of a Shareholder's holding may be sold but the ACD reserves the right to refuse a redemption request if the value of the Shares of any Fund to be redeemed is less than £500 in respect of Class A Shares, less than £5,000 in respect of Class B Shares, less than £50,000 in respect of Class C Shares, or less than £5,000 in respect of Class D Shares.

**Switching:**

A holder of Shares in a Fund may at any time switch all or some of his Shares of one Class or Fund ("Original Shares") for Shares of another Class or Fund ("New Shares"). The number of New Shares issued will be determined by reference to the respective prices of New Shares and Original Shares at the valuation point applicable at the time the Original Shares are repurchased and the New Shares are issued.

Switching may be effected either by telephone on 0870 606 6415 or in writing to the ACD and the Shareholder will be required to complete a switching form (which, in the case of joint Shareholders must be signed by all the joint Shareholders). Switching forms may be obtained from the ACD.

The ACD may at its discretion charge a fee on the switching of Shares between Funds. The current fees are set out below. There is no fee on a switch between Classes of the same Fund.

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

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

Please note that a switch of Shares in one Fund for Shares in any other Fund 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.

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

**Dealing Charges**

**Initial charge:**

The ACD may impose an initial charge on the sale of Shares. The initial charges in respect of each Class of Shares are set out in the Schedule to this Prospectus. The maximum charge permitted in each case is stated in the Schedule. The initial charge is payable to the ACD.

**Redemption Charge:**

The ACD may make a charge on the redemption of Shares. At present no redemption charge is levied. Shares issued while this Prospectus is in force will not be subject to any redemption charge.

The ACD may not introduce a redemption charge on Shares unless it has, by way of an extraordinary resolution, obtained prior approval from the Shareholders.

In the event of a change to the rate or method of calculation of a redemption charge, details of the previous rate or method of calculation will be available from the ACD.

**Switching Fee:**

On the switching of Class A, Class B or Class C Shares of a Fund for Class A, Class B or Class C Shares of another Fund the Instrument of Incorporation authorises the Company to impose a switching fee. The fee will not exceed an amount equal to the then prevailing initial charge for the Class into which Shares are being switched, and the current switching fee is 1% of the Net Asset Value of the Shares being acquired. The switching fee is payable to the ACD. The switching fee may be waived in whole or part by the ACD in its discretion.

There is no fee charged on a switch from one Class in a Fund to another Class in the same Fund.

**Other Dealing Information**

**Dilution levy and large deals**

The basis on which the Company's investments are valued for the purpose of calculating the issue and redemption price of Shares as stipulated in the COLL Sourcebook and the Instrument of Incorporation is summarised on pages 29 to 31. The actual cost of purchasing or selling a Fund's investments may be higher or lower than the mid-market value used in calculating the Share price - for example, due to dealing charges, or through dealing at prices other than the mid-market price. Under certain circumstances (for example, large volumes of deals) this may have an adverse effect on the Shareholders' interests in the relevant Fund. In order to mitigate this effect, called "dilution", the ACD has the discretion to charge a "dilution levy" on the sale and/or redemption of Shares. If charged, the dilution levy will be paid into the relevant Fund and will become part of that Fund.

The dilution levy for each Fund will be calculated by reference to the costs of dealing in the underlying investments of that Fund, including any dealing spreads, commission and transfer taxes.

The need to charge a dilution levy will depend on the volume of sales or redemptions. The ACD may charge a dilution levy on the sale and redemption of Shares if, in its opinion, the existing Shareholders (for sales) or remaining Shareholders (for redemptions) might otherwise be adversely affected. In particular, the dilution levy may be charged in the following circumstances:

- (a) where a Fund is in continual decline or is continually increasing in size;
- (b) on a Fund experiencing large levels of net sales relative to its size;
- (c) on "Large Deals". For these purposes a Large Deal is defined as a sale, redemption or switching of Shares (or series of transactions in one dealing period) valued at 5% of the Net Asset Value of the relevant Fund or more;
- (d) in any other case where the ACD is of the opinion that the interests of Shareholders require the imposition of a dilution levy.

As dilution is directly related to the inflows and outflows of monies to and from the Funds, it is not possible to accurately predict whether dilution will occur at any future point in time. Consequently it is also not possible to accurately predict how frequently the ACD will consider it necessary to make a dilution levy. The ACD expects that in any of the circumstances described in (a) to (d) above, a dilution levy of between 0.05% and 1.25% will be applied to sales and between 0.05% and 0.75% to redemptions.

On the occasions when dilution levy is not applicable, there may be an adverse impact on the total assets of the relevant Fund.

### **Money laundering**

As a result of legislation in force in the United Kingdom to prevent money laundering, persons conducting investment business are responsible for compliance with money laundering regulations. In order to implement these procedures, in certain circumstances investors may be asked to provide proof of identity when buying or selling Shares. Until satisfactory proof of identity is provided, the ACD reserves the right to refuse to sell Shares, pay the proceeds of redemption of Shares, or pay income on Shares.

### **Restrictions and Compulsory Transfer and Redemption**

The ACD may from time to time impose such restrictions as it may think necessary for the purpose of ensuring that no Shares are acquired or held by any person in breach of the law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory. In this connection, the ACD may, inter alia, reject in its discretion any application for the purchase, sale or switching of Shares.

If it comes to the notice of the ACD that any Shares (“affected Shares”) are owned directly or beneficially in 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 (or would if other Shares were acquired or held in like circumstances) result in the Company incurring any liability to taxation 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 by virtue of which the Shareholder or Shareholders in question is/are not qualified to hold such Shares or if it reasonably believes this to be the case, the ACD may give notice to the holder(s) of the affected Shares requiring the transfer of such Shares to a person who is qualified or entitled to own them or that a request in writing be given for the repurchase of such Shares in accordance with the COLL Sourcebook.

If any person upon whom such a notice is served does not within thirty days after the date of such notice transfer his affected Shares to a person qualified to own them or establish to the satisfaction of the ACD (whose judgement is final and binding) that he or the beneficial owner is qualified and entitled to own the affected Shares, he shall be deemed upon the expiration of that thirty day period to have given a request in writing for the redemption of all the affected Shares pursuant to the COLL Sourcebook.

A person who becomes aware that he is holding or owns affected Shares 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 by virtue of which he is not qualified to hold such affected Shares shall forthwith, unless he has already received a notice as aforesaid, either transfer all his affected Shares to a person qualified to own them or give a request in writing for the redemption of all his affected Shares pursuant to the COLL Sourcebook.

### **In specie redemptions**

If a Shareholder requests the redemption or cancellation of Shares the ACD may, where it considers the deal to be substantial in relation to the total size of the Fund concerned (over 5% of the value of the Fund), arrange that in place of payment of the price of the Shares in cash, the Company cancels the Shares and transfers Scheme Property or, if required by the Shareholder the net proceeds of sale of relevant Scheme Property, to the Shareholder.

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

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

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

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

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

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

### **Suspension of dealings in Shares**

The ACD may, with the agreement of the Depositary, or must if the Depositary so requires, temporarily suspend the issue, cancellation, sale and redemption of shares in the Company, if the ACD or the Depositary is of the

opinion that due to exceptional circumstances it is in the interests of all the Shareholders. The suspension will only be permitted to continue for as long as it is justified having regard to the interests of the Shareholders.

The ACD and Depositary must formally review the suspension at least every 28 days and inform the FSA of the result of this review with a view to ending the suspension as soon as practicable after the exceptional circumstances have ceased.

The ACD will notify all Shareholders of the suspension as soon as practicable and will publish details to keep Shareholders appropriately informed about the suspension, including its likely duration.

Re-calculation of the share price for the purpose of sales and purchases will commence on the next relevant valuation point following the ending of the suspension.

#### **Market Timing**

Repeated purchasing and selling shares in the Funds in response to short-term market fluctuations - known as 'market timing' - can disrupt the ACD's investment strategy and increase the Funds' expenses to the prejudice of all Shareholders. The Funds are not intended for market timing or excessive trading. To deter these activities, the ACD may refuse to accept an application for shares from persons that it reasonably believes are engaged in market timing or whose trading is otherwise excessive or potentially disruptive to the Funds. The ACD also reserves the right to redeem shares which they reasonably believe have been purchased by Shareholders engaged in market timing. The ACD also has the right to implement the provisions relating to fair value pricing of securities in a Fund in circumstances which in the view of the ACD render market prices of those securities inaccurate in any way. The ACD may also impose a dilution levy in such circumstances.

#### **Governing Law**

All dealings in Shares are governed by English Law.

## VALUATION OF THE COMPANY

The price of a Share in the Company is calculated by reference to the Net Asset Value of the Fund to which it relates (except for during any initial offer period in respect of a Class during which the price of a Share is calculated by reference to a fixed price). The Net Asset Value per Share of a Class is currently calculated at 10.00am on each day that is a Dealing Day for the relevant Fund and on the last business day of each calendar month, where it is not already a Dealing Day for the relevant Fund.

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

The ACD will, upon completion of each valuation of a Share of a Class of a Fund, notify the Depositary of the price such Share and the amount of any dilution levy applicable in respect of any issue or cancellation of Shares. There must be only a single price for any Share as determined from time to time by reference to any particular valuation point.

### Calculation of the Net Asset Value

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

1. All the Scheme Property (including receivables) of the Company (or the Fund) is to be included, subject to the following provisions:
2. Property which is not a contingent liability transaction shall be valued as follows:
  - (a) units or shares in a collective investment scheme:
    - (i) if a single price for buying and selling units is quoted, at the most recent such 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 no price or no recent price exists, at a price which in the opinion of the ACD 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 those two prices; or
    - (iii) if, in the opinion of the ACD, 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 ACD reflects a fair and reasonable price for that investment.
  - (c) property other than that described in (a) and (b) above:

at a value which, in the opinion of the ACD, represents a fair and reasonable mid-market price.
3. Cash and amounts held in current and deposit accounts and in other time related deposits shall be valued at their nominal values.
4. Property which is a contingent liability transaction shall be treated as follows:
  - (a) if it is a written option (and the premium for writing the option has become part of the Scheme Property), the amount of the net valuation of premium receivable shall be deducted.
  - (b) if it is an off-exchange future, it will be included at the net value of closing out in accordance with a valuation method agreed between the ACD and the Depositary;
  - (c) if the property is an off-exchange derivative, it will be included at a valuation method agreed between the ACD and Depositary;
  - (d) if it is any other form of contingent liability transaction, it will be included at the net value of margin on closing out (whether as a positive or negative value).
5. In determining the value of the Scheme Property of the Company (or the Fund), all instructions given to issue or cancel Shares shall be assumed to have been carried out (and any cash paid or received) whether or not this is the case.



6. Subject to paragraphs 7 and 8 below, agreements for the unconditional sale or purchase of property which are in existence but uncompleted shall be assumed to have been completed and all consequential action required to have been taken. Such unconditional agreements need not be taken into account if made shortly before the valuation takes place and, in the opinion of the ACD, their omission will not materially affect the final net asset amount.
7. Futures or contracts for differences which are not yet due to be performed and unexpired and unexercised written or purchased options shall not be included under paragraph 6.
8. All agreements are to be included under paragraph 6 which are, or ought reasonably to have been, known to the person valuing the property.
9. An estimated amount for anticipated tax liabilities at that point in time including (as applicable and without limitation) capital gains tax, income tax, corporation tax and advance corporation tax and value added tax will be deducted.
10. An estimated amount for any liabilities payable out of the Scheme Property and any tax thereon treating periodic items as accruing from day to day will be deducted.
11. The principal amount of any outstanding borrowings whenever repayable and any accrued but unpaid interest on borrowings will be deducted.
12. An estimated amount for accrued claims for tax of whatever nature which may be recoverable will be added.
13. Any other credits or amounts due to be paid into the Scheme Property will be added.
14. A sum representing any interest or any income accrued due or deemed to have accrued but not received will be added.
15. Currencies or values in currencies other than the base currency shall be converted as the relevant valuation point at a rate of exchange that is not likely to result in any material prejudice to the interests of Shareholders or potential Shareholders.

#### **Price per Share in each Fund and each Class**

The price per Share at which Shares are sold is the sum of the Net Asset Value of a Share (except for during any initial offer period in respect of a Class during which Shares are available at a fixed price) and any initial charge. The price per Share at which Shares are redeemed is the Net Asset Value per Share less any redemption charge.

There is a single price in relation to a Share of each Class of a Fund as determined from time to time by reference to any particular valuation point.

In addition, there may, for both purchases and sales, be a dilution levy, as described on page 13 above.

#### **Pricing Basis**

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

#### **Publication of Prices**

Prices may be obtained by contacting the ACD by telephone on 0808 100 2993. The prices may also be published by one or more financial listing companies. For reasons beyond the control of the ACD, this may not necessarily be the current price.

# RISK FACTORS

Potential investors should consider the following risk factors before investing in the Company. This list of risk factors is not exhaustive. Potential investors must read the Prospectus entirely and take into account all other information they consider to be relevant to their decision to invest in the Funds.

## 1. Risks relating to the Company and the Funds

### General

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

### Effect of Initial Charge

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

### Performance Fees

Where a Performance Fee is charged in relation to a Class of Shares, this is calculated on a Class-by-Class basis over a specified period (rather than on a Share-by-Share basis). A Shareholder acquiring Shares during the period over which performance is calculated may pay a Performance Fee which relates in whole or in part to positive performance of the Class before his acquisition of Shares and from which he does not benefit.

Performance Fees are based on a measure of the Net Asset Value, which reflects both net realised and net unrealised gains and losses as at each payment date. As a result, Performance Fees may be paid on unrealised gains which may subsequently never be realised.

### Suspension of Dealings in Shares

Investors are reminded that in certain circumstances their right to redeem Shares may be suspended (see "Suspension of dealings in Shares" on page 14).

### Charges to Capital

Where the investment objective of a Fund is to treat the generation of income as a higher priority than capital growth, or the generation of income and capital growth have equal priority, all or part of the ACD's fee may be charged against capital instead of against income. This may constrain capital growth.

### Liabilities of the Company

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

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

## 2. Risks relating to Investments

### Investments in debt securities

Among the principal risks of investing in debt securities are the following:

- interest rate risk (the risk that the value of the relevant Fund's investments will fall if interest rates rise);
- credit risk (the risk that companies in which the relevant Fund invests, or with which it does business, will fail financially, and be unwilling or unable to meet their obligations to the Fund);
- market risk (the risk that the value of the relevant Fund's investments will fall as a result of movements in financial markets generally); and
- management risk (the risk that the relevant Fund's investment techniques will be unsuccessful and may cause the Fund to incur loss).

Interest rate risk generally is greater for fixed income securities with relatively long maturities than for fixed income securities with shorter maturities.

### **Investing in equity securities**

Investing in equity securities may offer a higher rate of return than those in short term and longer term debt securities. However, the risks associated with investments in equity securities may also be higher, because the investment performance of equity securities depends upon factors which are difficult to predict. Such factors include the possibility of sudden or prolonged market declines and risks associated with individual companies. The fundamental risk associated with any equity portfolio is the risk that the value of the investments it holds might decrease in value. Equity security values may fluctuate in response to the activities of an individual company or in response to general market and/or economic conditions. Historically, equity securities have provided greater long-term returns and have entailed greater short-term risks than other investment choices.

### **Currency exchange rates**

Depending on an investor's currency of reference or where underlying investments are held in a currency other than the base currency of a Fund, currency fluctuations may adversely affect the value of an investment. Changes in foreign currency exchange rates will affect the value of Shares in such Fund.

### **Small capitalisation companies**

Investments in smaller capitalisation companies may involve greater risks such as markets and financial or managerial resources. Less frequently traded securities may be subject to more abrupt price movements than securities of larger capitalisation companies.

### **New companies**

Newly created companies may not have sufficient financial support at their disposal in the years following their incorporation. Very often there shall be no distribution of dividends to the extent that the income of such companies is capitalised to finance the development of those companies.

### **Emerging Markets**

Where Funds invest in some overseas markets these investments may carry risks associated with failed or delayed settlement of market transactions and with the registration and custody of securities. Investment in emerging markets may involve a higher than average risk. Investors should consider whether or not investment in such Funds is either suitable for, or should constitute a substantial part of, an investor's portfolio.

Companies in emerging markets may not be subject:

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

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

- Restrictions on foreign investment in emerging markets may preclude investment in certain securities by certain Funds and, as a result, limit investment opportunities for the Funds. Substantial government involvement in, and influence on, the economy may affect the value of securities in certain emerging markets.
- The reliability of trading and settlement systems in some emerging markets may not be equal to that available in more developed markets, which may result in delays in realising investments.
- Lack of liquidity and efficiency in certain of the stock markets or foreign exchange markets in certain emerging markets may mean that from time to time the ACD may experience more difficulty in purchasing or selling holdings of securities than it would in a more developed market.

### **Investments in financial instruments**

Substantial risks are involved in investing in the various securities and instruments that certain Funds intend to purchase and sell. Prices may be influenced by, among other factors: changing supply and demand relationships; the domestic and foreign policies of governments; particularly policies to do with trade or with fiscal and monetary matters; political events, particularly elections and those events that may lead to a change in government; the outbreak of hostilities, even in an area in which the Company has not invested; economic developments, particularly those related to balance of payments and trade, inflation, money supply, the issuance of government debt, changes in official interest rates, monetary revaluations or devaluations; and modifications in financial market regulations.

As a result of the nature of the investment activities, the results of the operations for these Funds may fluctuate substantially from period to period. Accordingly, investors should understand that the results of a particular period are not necessarily indicative of results in future periods.

### **Derivatives**

**The Funds may enter into transactions in derivatives for the purposes of Efficient Portfolio Management or for meeting their investment objectives.** Derivatives can expose the Scheme Property of a Fund to a higher degree of risk. For example, because of the effect of gearing, relatively small market movements can result in disproportionately high levels of loss. Off exchange transactions can carry higher levels of risk due to

lack of liquidity, difficulty in valuing the investment and determining a fair price. The use of derivatives for Efficient Portfolio Management and investment purposes is described in Appendix II.

### **Options**

In seeking to enhance performance or hedge assets, the Funds may use options. Both the purchasing and selling of call and put options entail risks. Although an option buyer's risk is limited to the amount of the purchase price of the option, an investment in an option may be subject to greater fluctuation than an investment in the underlying securities. In theory, an uncovered call writer's loss is potentially unlimited, but in practice the loss is limited by the term of existence of the call. The risk for a writer of a put option is that the price of the underlying security may fall below the exercise price. Option markets are extremely volatile and the risk of incurring a loss in relation to such markets is very high.

### **Futures**

Futures markets are highly volatile markets. The profitability of the Funds will partially depend on the ability of the Investment Adviser to make a correct analysis of the market trends, influenced by governmental policies and plans, international political and economical events, changing supply and demand relationships, acts of governments and changes in interest rates. In addition, governments may from time to time intervene on certain markets, particularly currency markets. Such interventions may directly or indirectly influence the market. Given that only a small amount of margin is required to trade on futures markets, the operations of the managed futures portion of the Funds will be characterised by a high degree of leverage. As a consequence, a relatively small variation of the price of a futures contract may result in substantial losses for the concerned Fund and a correlated reduction of its Net Asset Value.

Most futures markets limit fluctuation in futures contracts prices during a single day. When the price of a futures contract has increased or decreased by an amount equal to the daily limit, positions can be neither taken nor liquidated unless the Investment Adviser is willing to trade at or within the limit. In the past futures contracts prices have exceeded the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Fund concerned from promptly liquidating unfavourable positions and thus subject the Fund to substantial losses. In addition, even if the prices do not get close to such limits, the Fund may be in a position not to obtain satisfying prices if the volumes traded on the market are insufficient to meet liquidation requests. It is also possible that a stock exchange, the Commodity Futures Trading Commission of the United States or another similar institution in another country will suspend the listing of a particular contract, instruct the immediate liquidation of the contract or limit transactions on a contract to those against delivery.

### **Investments in OTC Markets**

Some Funds may also participate in OTC markets. When participating in the OTC markets these Funds will be exposed to:

- market risk, which is the risk of adverse movements in the value of the relevant security;
- liquidity risk, which is the risk that a party will be unable to meet its current obligations. Participants to OTC markets are not protected against defaulting counterparts in their transactions because such contracts are not guaranteed by a clearing house;
- managerial risk, which is the risk that a party's internal risk management system is inadequate or otherwise may fail to properly control the risks of transacting in the relevant security; and
- pricing risk, which is the risk of an improper pricing of the relevant security.

### **Warrants**

The Funds may invest in warrants. Warrants can expose the Scheme Property of a Fund to a higher degree of risk because of the effect of gearing, so that a relatively small movement in the price of the underlying security results in a disproportionately large movement in the price of a warrant. The prices of warrants can therefore be volatile.

### **Market Risk**

The investments of the Funds are subject to normal market fluctuations and the risks inherent in equity securities and similar instruments and there can be no assurances that appreciation will occur. The price of Shares can go down as well as up and investors may not realise their initial investment.

### **Liquidity Risk**

Investments made by some Funds may be illiquid.

In particular, it may not always be possible to execute a buy or sell order on exchanges at the desired price or to liquidate an open position due to market conditions including the operation of daily price fluctuation limits. If trading on an exchange is suspended or restricted, these Funds may not be able to execute trades or close out positions on terms which the ACD believes are desirable.

In addition, swap contracts are OTC contracts with a single counterparty and may as such be illiquid. Although swap contracts may be closed out to realise sufficient liquidity, such closing out may not be possible or may be very expensive in extreme market conditions.

There is consequently no assurance that the liquidity of such investments will always be sufficient to meet redemption requests as and when made. Any lack of liquidity may affect the liquidity of the Shares and the value of its investments. For such reasons the processing of redemption requests may be suspended (see "Suspension of dealings in Shares" on page 14).

### **3. Additional Risks for Funds investing in other collective investment schemes:**

#### **Absence of control by a supervisory authority**

Some Funds may invest in collective investment schemes domiciled in jurisdictions where these vehicles are not subject to control by a supervisory authority affording investors a protection equivalent to that in the United Kingdom. Consequently, shareholders of these collective investment schemes cannot benefit from the protection ensured by such a supervisory authority.

#### **New Collective Investment Schemes**

Collective investment schemes in which some Funds invest may have been recently set up and have little or no performance record as proof of the efficiency of their management.

#### **Concentration**

Although the Investment Adviser intends to monitor investments and transactions effected by the collective investment schemes in which the Company has invested part of its assets, investment decisions are normally taken independently at the level of these undertakings. It may be possible that some managers take positions simultaneously in the same security or in securities of the same sector or country or issued in the same currency. It is also possible that a collective investment scheme buys an instrument at the same time another decides to sell it. There is no guarantee that the selection of managers of underlying collective investment schemes will effectively result in a diversification of investment styles and that the positions of underlying collective investment schemes would always be coherent.

#### **Valuation of Collective Investment Schemes**

The net asset value per share of collective investment schemes in which some Funds will invest is not audited (except when calculated at the end of the financial year). Consequently, for the valuation of its interests in such collective investment schemes, the Company relies mainly on unaudited financial information provided by these undertakings, the administrative agents and/or market makers. When financial information used by the collective investment schemes to determine their own net asset value per share is incomplete or inexact or the said net asset value does not reflect the value of the investments made by the collective investment schemes, the Net Asset Value per share of the Funds concerned will be inexact.

#### **Lack of liquidity of Collective Investment Schemes**

Redemptions of interests in collective investment schemes in which the Funds may invest may be permitted infrequently, limited by minimum investment periods or suspended. There is no guarantee that the market liquidity for investments in collective investment schemes will always be sufficient to satisfy redemption requests favourably at the exact time they are submitted. Any absence of liquidity may have an impact on the liquidity of the Company's shares and the value of its investments. For this reason, processing of redemption requests may be suspended (see "Suspension of dealings in Shares" on page 14).

Certain Funds may invest in funds of funds. The liquidity of shares or units of funds of funds may be more limited than the liquidity of shares or units of other collective investment schemes. Funds of funds (in particular funds of hedge funds) often provide for minimum investment period, long redemption notice or infrequent redemption dates.

#### **Performance fees**

The collective investment schemes in which the Funds invest may provide for payment of performance fees. This may result in a Fund, the assets of which are invested in several collective investment schemes, having to pay performance fees in relation to some of these investments even if the Net Asset Value of the Fund has fallen due to the poor performance of some other collective investment schemes in which the Fund has invested. Furthermore, the fact that the investment managers of certain collective investment schemes in which the Funds may invest are entitled to receive a performance fee could lead them to take positions that involve more risk than they would otherwise have accepted.

#### **Fee structure**

The Company may have to bear the costs of its management and the fees paid to the service providers, as well as a proportionate share of the fees paid by the collective investment schemes (in which the Company invests) to their managers or other service providers. Consequently, the operating costs of the Company may be higher as a percentage of net asset value than those found in other investment vehicles. Moreover, some strategies deployed in collective investment schemes require frequent changes in positions and a substantial portfolio turnover. This may involve significantly higher brokerage fees than in other collective investment schemes of comparable size.

Furthermore, certain Funds are authorised to invest in funds of funds. In this case, the shareholders of the said Funds may be subject to three layers of fees and expenses.

### **Real Estate Investments**

Certain Funds may have an exposure to the real estate market through the investment in units or shares in collective investment schemes investing in real estate and/or in securities of real estate-related companies.

There are special risk considerations associated with real estate investments. These risks include: the cyclical nature of real estate values, risk related to general and local economic conditions, overbuilding and increased competition, increases in property taxes and operating expenses, demographic trends and variations in rental income, changes in zoning laws, casualty or condemnation losses, environmental risks, regulatory limitations on rents, changes in neighbourhood values, related party risks, changes in the appeal of properties to tenants, increases in interest rates and other real estate capital market influences. Generally, increases in interest rates will increase the costs of obtaining financing, which could directly and indirectly decrease the value of the relevant Fund's investment.

## **4. Additional risks for Funds investing in hedge funds and funds of hedge funds:**

### **General risks**

**Some Funds may invest in collective investment schemes which pursue a speculative investment policy. The Company, on behalf of some Funds, may also invest in collective investment schemes which trade in futures contracts and options on commodities, currencies and/or contracts on currencies and/or financial instruments. Consequently, such a collective investment scheme will use specific investment and trade techniques, such as investments in options, the use of futures contracts or short sales of securities. All these collective investment schemes generally belong to the category commonly known as "hedge funds" or "alternative investment funds". Some Funds may also invest in collective investment schemes the investment policy of which is to invest in hedge funds ("funds of hedge funds").**

**Investment in hedge funds or in funds of hedge funds involves a high degree of risk, including the risk of losing the investment entirely.**

Managers of underlying hedge funds may invest and actively trade in instruments involving substantial risks, notably due to the volatility of securities, financial futures, derivatives, foreign exchange and interest rate markets and the effect of leverage associated with trading in such markets and instruments. Trading in these markets and instruments also involves a potential exposure to losses as a result of default by counterparties. In no case can any assurance be given that an investment policy in a Fund which invests in hedge funds and funds of hedge funds will deliver positive results nor that the investment objective of this Fund will be achieved. The price and value of shares in this Fund may fluctuate and the value of shares may fall below the amount initially invested.

In no case can the information on past performance indicate the manner in which these investments will evolve in the future (in terms of profitability or correlation).

### **Leverage**

Some hedge funds in which some Funds invest directly or indirectly have recourse to significant leverage for investment purposes, and are not subject to any limitation as to the amounts they may borrow or commit to transactions with margin requirements. The total value of positions maintained by such hedge funds may exceed the net asset value of the Funds concerned. While leverage increases the total return potential, it also increases the volatility of the Funds concerned and may even result in the risk of losing the entire amount invested.

### **Short sales**

Hedge funds in which the Funds invest directly or indirectly may effect short sales of securities likely to result in an unlimited exposure of the portion of the assets of the hedge funds committed to such transactions due to the absence of a maximum price ceiling that can be reached by these securities. Nevertheless, in so far as a Fund participates in short sales via a hedge fund or a fund of hedge funds, the losses of the said Fund will be limited to the amount invested in that particular hedge fund or fund of hedge funds.

### **Types of investments and strategies**

The assets of some Funds may also be allocated to hedge funds whose investment strategies mainly provide for speculative trading in futures contracts on commodities, financial instruments or currencies. The prices of currency futures may be very volatile due to the relatively low margin requirements in futures trading. An extremely high leverage is typical in futures trading accounts. Consequently, a relatively low fluctuation in contract prices may cause substantial losses or gains for the investor. Similarly, the majority of assets in some hedge funds may be invested in options and other "geared" instruments, for which a relatively low fluctuation in prices of the underlying security can cause substantial losses or gains.

Investment strategies and techniques to which managers of underlying hedge funds have recourse are subject to very limited restrictions.

As explained in point 3 above and because of their diversified investments, some Funds may incur other risks, especially foreign exchange risks for assets denominated in other currencies, tax risks for assets invested in other jurisdictions and political risks arising from political, social and economic events which may negatively affect the assets of hedge funds or funds of hedge funds in which certain Funds may invest and which are domiciled in countries subject to economic problems or political or social instability.

# MANAGEMENT AND ADMINISTRATION

## **Authorised Corporate Director**

The Authorised Corporate Director of the Company is DB PWM Collective Management Limited which is a private company limited by shares incorporated in England and Wales under the Companies Act 1985 on 23<sup>rd</sup> March 1994.

## **Registered Office and Head Office:**

Royal Liver Building, Pier Head. Liverpool L3 1NY

Share Capital:	Authorised:	£100,000.00
	Issued:	£50,000.00
	Paid Up	£50,000.00

The ACD is responsible for managing and administering the Company's affairs, in compliance with the COLL Sourcebook.

## **Terms of Appointment:**

The ACD Agreement appoints the ACD as authorised corporate director of the Company. The ACD Agreement may be terminated upon six months' written notice by either the ACD or the Company, although in certain circumstances the agreement may be terminated forthwith by notice in writing by the ACD to the Company. Termination cannot take effect until the FSA has approved the change of director.

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

The ACD is under no obligation to account to the Depositary or the Shareholders for any profit it makes on the issue or the re-issue of Shares or cancellation of Shares which it has redeemed. The fees to which the ACD is entitled are set out on pages 26 and 27.

The ACD has a wide power to delegate its powers and duties (but retains responsibility). The ACD has delegated the functions of Investment Adviser, Administrator and Registrar. Details appear below.

## **The Depositary**

The Company's Depositary is National Westminster Bank plc which is incorporated in England as a public limited company. Its head office and registered office is at 135 Bishopsgate London EC2M 3UR. Its principal place of business for trustee and depositary services is The Broadstone, 50 South Gyle Crescent, Edinburgh, EH12 9UZ. The ultimate holding company of the Depositary is The Royal Bank of Scotland Group plc, which is incorporated in Scotland.

The principal business of the Depositary is banking. The Depositary is authorised and regulated by FSA.

The Depositary provides its services under the terms of a depositary agreement between the Company and the Depositary ("the Depositary Agreement") dated 21 July 2009, which may be terminated by three months' notice given by either the Company or the Depositary, provided that the retirement of the Depositary will only be effective on the appointment of a new depositary. Subject to the COLL Sourcebook, the Depositary has full power under the Depositary Agreement to delegate (and authorise its delegates to sub-delegate) all or any part of its duties as Depositary. The Depositary is entitled to the fees, charges and expenses detailed under "Depositary's fees, charges and expenses" on pages 27 and 28. The Depositary Agreement provides for the indemnification of the Depositary against, and for the exemption of the Depositary from, all liabilities incurred in acting as depositary except (in either case) any liability for any failure by the Depositary to exercise "due care and diligence" in the discharge of its functions in respect of the Company or a breach by the Depositary of its duties or obligations, or (in the former case) where recovery is actually made from another person.

The Depositary is not the person responsible for the information contained in this Prospectus, and accordingly does not accept any responsibility therefor under the COLL Sourcebook or otherwise.

## **The Investment Adviser**

The ACD has appointed Tilney Investment Management (trading as Deutsche Bank Private Wealth Management) to provide investment management and advisory services to the ACD. The Investment Adviser is authorised and registered with the FSA, registration number 124255.



**Terms of Appointment:**

The Investment Adviser was appointed by an agreement dated 20 July 2009 between the ACD and the Investment Adviser ("the Investment Adviser's Agreement"). Subject to and in accordance with the COLL Sourcebook and the investment objective and policies, guidelines and restrictions set out in this Prospectus, the Investment Adviser has full discretionary authority to manage the assets of the Company.

The Investment Adviser's Agreement may be terminated on 30 days' written notice by the Investment Adviser or the ACD (or immediately in certain circumstances).

Under the Investment Adviser's Agreement the ACD provides indemnities to the Investment Adviser (except in the case of any matter arising as a direct result of its fraud, wilful default, negligence or breach of contract). The ACD may be entitled under the indemnities in the ACD Agreement to recover from the Company amounts paid by the ACD under the indemnities in the Investment Adviser's Agreement.

The Investment Adviser is in the same group of companies as the ACD. Its registered office is at Royal Liver Building, Pier Head, Liverpool L3 1NY. The principal activity of the Investment Adviser is acting as a private client wealth manager.

**Administrator and Registrar**

The ACD has appointed The Bank of New York Mellon (International) Limited to provide administration services to the ACD and to act as registrar to the Company.

**Terms of Appointment:**

The Administrator was appointed pursuant to an agreement dated 14 July 2005 between the ACD and the Administrator ("the Administration Services Agreement").

The Administration Services Agreement may be terminated on 12 months' written notice by the Administrator or the ACD. The Administrator's address is at BNY Mellon House, Ingrave Road, Brentwood, Essex CM15 8TG. The principal activity of the Administrator is the provision of administration services.

**The Auditor**

The auditors of the Company are Deloitte LLP of 2 New Street Square, London EC4A 3BZ.

**Legal Advisers**

The Company is advised by Macfarlanes LLP of 20 Cursitor Street, London EC4A 1LT.

**Register of Shareholders**

The register of shareholders and the plan register of ISA holders are maintained by the Administrator at its office at BNY Mellon House, Ingrave Road, Brentwood, Essex CM15 8TG and may be inspected at that address during normal business hours by any Shareholder or any Shareholder's duly authorised agent.

## CONFLICTS OF INTEREST

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

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

## FEES AND EXPENSES

### General

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

- (a) the fees and expenses payable to the ACD (which will include the fees payable to the Investment Adviser and the fees and expenses payable to the Administrator) and to the Depositary;
- (b) fees and expenses in respect of establishing and maintaining the register of shareholders and any Individual Savings Account sub-register and related functions;
- (c) expenses incurred in acquiring and disposing of investments;
- (d) expenses incurred in distributing income to Shareholders;
- (e) fees in respect of the publication and circulation of details of the Net Asset Value;
- (f) the fees and expenses of the auditors and tax, legal and other professional advisers of the Company;
- (g) the costs of convening and holding Shareholders' meetings (including meetings of Shareholders in any particular Fund, or any particular Class within a Fund);
- (h) the costs of printing and distributing reports, accounts and any prospectus, publishing prices and any costs incurred as a result of periodic updates of any prospectus and any other administrative expenses;
- (i) taxation and duties payable by the Company;
- (j) interest on and charges incurred in borrowings;
- (k) any amount payable by the Company under any indemnity provisions contained in the Instrument of Incorporation or any agreement with any functionary of the Company;
- (l) fees of the FSA under Section 262(3)(e) and Schedule 1 paragraph 17 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 Shares are or may be marketed.

Value Added Tax is payable on these charges where appropriate.

It is not currently proposed to seek a listing for the Shares on any stock exchange, but if a listing is sought in the future the fees connected with the listing will be payable by the Company.

Expenses are allocated between capital and income in accordance with the COLL Sourcebook. The annual management charges for each Fund are allocated against income except in the case of the Diversified Enhanced Income Portfolio Fund, where they are allocated against capital, which may constrain capital growth in that Fund. If all the expenses of a Class in any period exceed the income of that Class, the ACD may take the excess from the capital property attributable to the Fund of which that Class forms a part.

### Charges payable to the ACD

In payment for carrying out its duties and responsibilities the ACD is entitled to take an annual fee out of each Fund. The annual management charge will accrue on a daily basis and be calculated as at the last business day in each calendar month in respect of that day and the period since the last business day in the preceding month,

and is payable within seven days after the last business day in each month. The fee is calculated by reference to the value of each Fund on the last business day of the preceding month except for the first accrual which is calculated by reference to the first valuation point of each Fund. The current annual management charges for the Funds are set out in the Schedule to this Prospectus.

In addition to the annual management charge specified above, the ACD may be entitled to receive a fee based on performance (the "Performance Fee") in respect of the Shares of certain Classes of a Fund, payable in arrears in respect of each Performance Period (as defined in relation to the relevant Fund and/or Class of Shares). Currently, a Performance Fee is payable in respect of the Class A and Class B Shares in the Diversified Growth Portfolio Fund (see Part 5 of the Schedule for further information) and in respect of the Class A and Class B Shares in the Diversified Growth Plus Portfolio Fund (see Part 7 of the Schedule for further information). No other Shares are subject to a Performance Fee.

The ACD is also entitled to all reasonable, properly vouched, out-of-pocket expenses incurred in the performance of its duties, including Stamp Duty Reserve Tax on transactions in Shares. Transfers of Shares in the Funds are not chargeable to Stamp Duty, but are subject to Stamp Duty Reserve Tax (SDRT) at 0.5%, which is payable by DB PWM Collective Management Limited as the ACD.

The ACD may not increase the current rate or amount of its remuneration payable out of the Scheme Property of the Company or the initial charge within the relevant maximum unless, not less than 60 days before the introduction or increase, the ACD gives prior written notice of the introduction or increase and the date of its commencement to all Shareholders and has revised and made available the prospectus to reflect the introduction or new rate and the date of its commencement.

#### **Investment Adviser's fee**

The Investment Adviser's fees (plus VAT thereon) will be paid by the ACD out of its remuneration under the ACD Agreement.

The Investment Adviser or companies in the same group as the Investment Adviser may also receive fees, expenses and commissions (out of the Scheme Property of the Company or otherwise) in connection with the acquisition and disposal of investments where they act in the capacity of investment adviser, broker or in a similar capacity.

#### **Depositary's fees, charges and expenses**

The Depositary receives for its own account a periodic fee which will accrue monthly on the last business day in each calendar month in respect of that day and the period since the last business day in the preceding month and is payable within seven days after the last business day in each month. The fee is calculated by reference to the value of each Fund on the last business day of the preceding month except for the first accrual which is calculated by reference to the first valuation point of each Fund. The fee is payable out of the property attributable to each Fund. The rate of the periodic fee is agreed between the ACD and the Depositary and is subject to a current maximum of 1.5 per cent per annum of the value of the relevant Fund. The actual charge is calculated for each Fund on the following basis:

0.0375% per annum of the value of the Scheme Property subject to a minimum of £5,000 per annum per Fund.

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

The first accrual in relation to any Fund will take place in respect of the period beginning on the day on which the first valuation of that Fund is made and ending on the last business day of the month in which that day falls.

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

<b>Item</b>	<b>Range</b>
Transaction Charges	£10 to £550.
Custody Charges	0.00001% to 3%.

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

Where relevant, the Depositary may make a charge for its services in relation to: distributions, the provision of

banking services, holding money on deposit, lending money, or engaging in stock lending transactions, in relation to a Fund and may purchase or sell or deal in the purchase or sale of Scheme Property, provided always that the services concerned and any such dealing are in accordance with the provisions of the COLL Sourcebook.

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

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

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

In each such case such payments, expenses and disbursements may be payable to any person (including the ACD or any associate or nominee of the Depositary or of the ACD) who has had the relevant duty delegated to it pursuant to the COLL Sourcebook by the Depositary.

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

#### **Administrator's Fee**

The Administrator will be paid by the ACD out of the expenses and remuneration payable to the ACD, with the exception of the expenses incurred in maintaining the share register and any Individual Savings Account (ISA) sub-registers and related functions, which are charged to the Funds.

#### **Allocation of Fees and Expenses between Funds**

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

# INSTRUMENT OF INCORPORATION

The Instrument of Incorporation of the Company (which is available for inspection at the ACD's office at Royal Liver Building, Pier Head, Liverpool L3 1NY and at the Administrator's office at BNY Mellon House, Ingrave Road, Brentwood, Essex CM15 8TG) contains provisions to the following effect:

## 1. Share Capital

- (a) The Company may from time to time issue Shares of different Classes in respect of a Fund, and the directors may by resolution from time to time create additional Classes in respect of a Fund (whether or not falling within one of the Classes in existence on incorporation).
- (b) The directors may by resolution from time to time create additional funds with such investment objectives and such restrictions as to geographic area, economic sector, monetary zone or category of transferable security, and denominated in such currency as the director from time to time determines.

## 2. Transfer of Shares

- (a) All transfers of registered Shares must be effected by transfer in writing in any usual or common form or in any other form as may be approved by the directors. It is not possible to transfer Shares on the authority of an electronic communication.
- (b) No instrument of transfer may be given in respect of more than one Class.
- (c) In the case of a transfer to joint holders the number of joint holders to whom a Share is to be transferred may not exceed four.

## 3. Income

- (a) The following provisions apply in respect of Shares in issue in respect of the Funds available in the Company:

An allocation of income (whether annual or interim) to be made in respect of each Share issued by the Company or sold by the ACD during the accounting period in respect of which that income allocation is made shall be of the same amount as the allocation to be made in respect of the other Shares of the same Class issued in respect of the same Fund but shall where appropriate include a capital sum ("income equalisation") representing the ACD's best estimate of the amount of income included in the price of that Share, being either the actual amount of income included in the issue price of that Share or an amount arrived at by taking the aggregate of the amounts of income included in the price in respect of Shares of that Class issued or sold to Shareholders in the annual or interim accounting period in question and dividing that aggregate amount by the number of such Shares and applying the resultant average to each of the Shares in question.

- (b) Each allocation of income made in respect of any Fund at a time when more than one Class is in issue in respect of that Fund shall be done by reference to the relevant holders' proportionate interests in the Scheme Property of the Fund in question. These will be ascertained for each Class as follows:
  - (i) A notional account will be maintained for each Class. Each account will be referred to as a "Proportion Account".
  - (ii) The word "proportion" in this context means the proportion which the balance on a Proportion Account at the relevant time bears to the balance on all the Proportion Accounts of a Fund at that time.
  - (iii) There will be credited to a Proportion Account:
    - the subscription money (excluding any initial charges or dilution levy) for the issue of Shares of the relevant Class;
    - that Class's proportion of the amount by which the Net Asset Value of the Fund exceeds the total subscription money for all Shares in the Fund;
    - that Class's proportion of the Fund's income received and receivable; and
    - any notional tax benefit under paragraph (v) below.
  - (iv) There will be debited to a Proportion Account:
    - the redemption payment for the cancellation of Shares of the relevant Class;
    - that Class's proportion of the amount by which the Net Asset Value of the Fund falls short of the total subscription money for all Shares in the Fund;
    - all distributions of income (including equalisation) made to Shareholders of that Class;

- all costs, charges and expenses incurred solely in respect of that Class;
  - that Class's share of the costs, charges and expenses incurred in respect of that Class and one or more other Classes in the Fund, but not in respect of the Fund as a whole;
  - that Class's proportion of the costs, charges and expenses incurred in respect of or attributable to the Fund as a whole; and
  - any notional tax liability under paragraph (v).
- (v) Any tax liability in respect of the Fund and any tax benefit received or receivable in respect of the Fund will be allocated between Classes in order to achieve, so far as possible, the same result as would have been achieved if each Class were itself a Fund so as not materially to prejudice any Class. The allocation will be carried out by the ACD after consultation with the auditors.
- (vi) Where a Class is denominated in a currency which is not the base currency, the balance on the Proportion Account shall be converted into the base currency in order to ascertain the proportions of all Classes. Conversions between currencies shall be at a rate of exchange decided by the ACD as being a rate that is not likely to result in any material prejudice to the interests of Shareholders or potential Shareholders.
- (vii) The Proportion Accounts are memorandum accounts maintained for the purpose of calculating proportions. They do not represent debts from the Company to Shareholders or the other way round.

Each credit and debit to a Proportion Account shall be allocated to that account on the basis of that Class's proportion immediately before the allocation. All such adjustments shall be made as are necessary, to ensure that on no occasion on which the proportions are ascertained is any amount counted more than once.

The proportionate interest of a Class in the assets and income of a Fund is its "proportion".

The Company may adopt a method of calculating the amount of income to be allocated between the Shares in issue (or the Shares in issue in respect of any Fund) which is different to that set out in paragraph 3(b) above provided that the ACD is satisfied that such method is fair to Shareholders and that it is reasonable to adopt such method in the given circumstances.

#### **4. Number of Directors**

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

#### **5. Removal of ACD**

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

#### **6. Proceedings at General Meetings**

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

## **7. Corporations acting by representatives**

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

## **8. Class meetings and Fund meetings**

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

## **9. Instrument of Incorporation**

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

## **10. Indemnity**

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

# SHAREHOLDER MEETINGS AND VOTING RIGHTS

## Requisitions of Meetings

The Company is not required to hold Annual General Meetings however, the ACD may requisition a general meeting at any time.

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

## Notice and Quorum

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

## Voting Rights

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

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

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

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

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

"Shareholders" in this context means Shareholders on the date seven days before the notice of the relevant meeting was deemed to have been served, but excludes holders who are known to the ACD not to be Shareholders at the time of the meeting.

## Class and Fund Meetings

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

## Variation of Class Rights

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



# TAXATION

## General

The information given under this heading does not constitute legal or tax advice and prospective investors should consult their own professional advisers as to the implications of subscribing for, purchasing, holding, switching or disposing of Shares under the laws of the jurisdiction in which they may be subject to tax.

A brief description of certain UK tax considerations appears below. These statements are based on UK law and Her Majesty's Revenue & Customs practice as known at the date of this document. They are aimed at investors who are solely resident, ordinarily resident and domiciled in the United Kingdom and who are solely beneficially entitled to their investment, and who are not traders or dealers in relation to their Shares, and who have not acquired their Shares in connection with any office or employment.

## The Company

The Funds are exempt from UK tax on capital gains realised on the disposal of investments held within them.

Dividends from UK companies are received by a Fund with a tax credit and no further tax is payable by the Fund on that income. Income received by a Fund from transactions in futures or options contracts is exempt from tax. The Funds will each be subject to corporation tax at 20% on other types of income but after deducting allowable expenses (which include the gross amount of any interest-type distributions made).

Income from foreign securities may be subject to withholding tax. Where this is the case the Company will be entitled to a tax credit for the withholding against its UK corporation tax liability.

## Shareholders' Income

It is intended that Income Shares in each Fund will pay out income on a regular basis, while any income attributable to Accumulation Shares of a Fund will periodically be credited to capital. The discussion of income distributions below is therefore primarily applicable to Shareholders with Income Shares in a Fund.

The type of distribution made by a Fund will depend on its investments. Funds with at least 60% invested throughout their interim and annual accounting periods in interest-paying investments will make interest distributions. These are paid with a 20% income tax credit. The tax credit attached to the interest distribution will satisfy the tax liability of Shareholders subject to lower or basic rate income tax. Shareholders liable to income tax at the higher tax rate must pay further tax on the gross interest payment. UK residents not liable to tax on some or all of their income may reclaim the appropriate part of the tax credit from Her Majesty's Revenue & Customs.

Shareholders liable to pay corporation tax will be treated as receiving interest with a 20% income tax credit attached.

All other Funds will pay dividend distributions. Dividend distributions will be made with a tax credit equivalent to one ninth of the net dividend paid. For individual Shareholders, the aggregate amount of the distribution and the tax credit will be subject to income tax and the credit will satisfy the Shareholders' basic or lower rate tax liability. Shareholders liable to income tax at the higher rate will be liable on the grossed up amount but with the benefit of the tax credit. The tax credit is not reclaimable by non-taxpayers (including holders of Shares through Individual Savings Accounts).

Corporate Shareholders who receive dividend distributions may have to divide them into two (the division will be indicated on the tax voucher). Any part representing dividends received from a UK company will be treated as dividend income (that is, franked investment income) and no further tax will be due on it. The remainder will be received as an annual payment after deduction of tax at the lower rate, and corporate Shareholders may be liable to tax on the grossed up amount, with the benefit of the income tax credit attached.

## Income Equalisation

Income equalisation applies in relation to all the Funds.

Part of the purchase price of a Share reflects the relevant share of accrued income received or to be received by the Company. This capital sum is returned to a Shareholder with the first allocation of income in respect of a Share issued during an accounting period.

The amount of income equalisation is either the actual amount of income included in the issue price of that Share or is calculated by dividing the aggregate of the amounts of income included in the price of Shares issued or sold to Shareholders in an annual or interim accounting period by the number of those Shares and applying the resultant average to each of the Shares in question.

**Gains**

Shareholders may be liable to capital gains tax or, if a company, corporation tax in respect of gains arising from the sale, exchange or other disposal of Shares (but not on switches between Classes within a Fund).

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

**Stamp Duty Reserve Tax (SDRT)**

There is no SDRT payable on the issue of new shares, but all transfers of shares back to the Company on redemption are potentially stampable. The SDRT may be relieved to the extent that the ACD disposes of underlying investments, but will be payable if the redeemed shares are subsequently issued to purchasers of new shares.

Her Majesty's Revenue & Customs has decided that the SDRT payable can be determined by using a formula which ensures that SDRT is payable on redemptions to the extent that these are matched by issues of shares in a given period. The amount of SDRT payable in respect of these redemptions may be charged to redeeming or incoming investors, but the ACD has decided that it will be paid out of the assets of the Fund concerned, charged to capital and provided for in the accounts of that Fund on a monthly basis.

This will have an impact on the performance of the Fund, but the amount of SDRT charged in this way is not anticipated to be significant when expressed as a percentage of Net Asset Value.

In addition, SDRT will be payable at 0.5% on all transfers of Shares in the Funds between Shareholders, which are not exempt from Stamp Duty under one of the statutory exemptions. In such cases, the transfer form will not be accepted until payment has been made to the Administrator by the transferee of the SDRT due on the transfer.

## **WINDING UP OF THE COMPANY OR A FUND OF THE COMPANY**

The Company shall not be wound up except as an unregistered company under Part V of the Insolvency Act 1986 as modified by the OEIC Regulations or under the COLL Sourcebook (subject to the OEIC Regulations). A Fund may only be wound up under the COLL Sourcebook (subject to the OEIC Regulations).

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

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

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

On the occurrence of any of the above:

- (a) COLL Sourcebook Rules 6.2 and 6.3 and Chapter 5 relating to pricing and dealing and investment borrowing will cease to apply to the Company or the particular Fund;
- (b) The Company will cease to issue and cancel Shares in the Company or the particular Fund and the ACD shall cease to sell or redeem or arrange for the Company to issue or cancel them for the Company or the particular Fund;
- (c) No transfer of a Share shall be registered and no other change to the register shall be made without the sanction of the ACD;
- (d) Where the Company is wound up, the Company shall cease to carry on its business except in so far as it is beneficial for the winding up of the Company;
- (e) The corporate status of the Company, and, subject to the provisions of (a) and (b) above, the powers of the ACD shall remain until the Company is dissolved.

The ACD shall, as soon as is practicable after the Company or the Fund falls to be wound up, realise the assets and meet the liabilities of the Company and, after paying out or retaining adequate provision for all liabilities properly payable and retaining provision for the costs of winding up, arrange for the Depositary to make one or more interim distributions out of the proceeds to Shareholders proportionately to their rights to participate in the Scheme Property of the Company or the Fund. When the ACD has caused all of the Scheme Property to be realised and all of the liabilities of the Company or the particular Fund to be paid, the ACD shall arrange for the Depositary to also make a final distribution to Shareholders on or prior to the date on which the final account is sent to Shareholders of any balance remaining in proportion to their holdings in the Company or the particular Fund.

As soon as reasonably practicable after completion of the winding up of the Company or any particular Fund of the Company, the ACD shall notify the Registrar of Companies and the FSA that it has done so.

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

Following the completion of a winding up of either the Company or a Fund, the ACD must prepare a final account showing how the winding up took place and how the Scheme Property was distributed. The auditors of the Company shall make a report in respect of the final account stating their opinion as to whether the final account has been properly prepared. This final account and the auditor's report must be sent to the FSA, to each

Shareholder and, in the case of the winding up of the Company, to the Registrar of Companies within two months of the winding up.

As the Company is an umbrella company, any liabilities attributable or allocated to a particular Fund under the COLL Sourcebook shall be met out of the Scheme Property attributable or allocated to that particular Fund.

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

# GENERAL INFORMATION

## Accounting Periods

The annual accounting period of the Company ends each year on 30<sup>th</sup> June (the accounting reference date). The interim accounting periods for the Funds ends each year on 31<sup>st</sup> December.

## Income Allocations

Allocations of income are made in respect of the income available for allocation in each accounting period.

Distributions of income for each of the Funds (with the exception of the Diversified Enhanced Income Portfolio Fund) are paid on or before the annual income allocation date of 31<sup>st</sup> August and (in the case of Funds with net Income Shares in issue) on or before the interim allocation date of 28<sup>th</sup> February in each year.

Distributions of income for the Diversified Enhanced Income Portfolio Fund are paid on or before the annual income allocation date of 31<sup>st</sup> August and (in the case of any net Income shares in issue) on or before the interim allocation dates of 30<sup>th</sup> November, 28<sup>th</sup> February and 31<sup>st</sup> May in each year.

A re-investment facility is available. If a distribution remains unclaimed for a period of six years after it has become due, it will be forfeited and will revert to the Company.

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

## Client Money

If the ACD holds money which constitutes "Client Money" for purposes of the rules of the FSA, that money will be held in a client money bank account and will not earn interest.

## Commission paid to Financial Intermediaries

The ACD may pay commission at its discretion to financial intermediaries including its associated companies out of the initial charge and/or the annual management charge.

## Annual Reports

Annual reports of the Company will be published within four months of 30<sup>th</sup> June in each year and half-yearly reports will be published within two months of 31<sup>st</sup> December in each year. The accounts contained in the report will be in short form. Copies of the report containing long form accounts will be available on request from the ACD at Royal Liver Building, Pier Head, Liverpool L3 1NY.

## Documents of the Company

The following documents may be inspected free of charge between 9.30am and 4.30pm on every business day at the office of the ACD at Royal Liver Building, Pier Head, Liverpool L3 1NY or at the office of the Administrator at BNY Mellon House, Ingrave Road, Brentwood, Essex CM15 8TG:

- (a) the most recent annual and half-yearly reports of the Company;
- (b) the Instrument of Incorporation (and any amending instrument of incorporation); and
- (c) the material contracts referred to below.

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

## Material Contracts

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

- (a) the Agreement dated 20 July 2009 between the Company and the ACD;

- (b) the Investment Adviser's Agreement dated 20 July 2009 between the ACD and Tilney Investment Management;
- (c) the Depositary Agreement dated 21 July 2009 between the Company, the ACD and the Depositary; and
- (d) the Administration Services Agreement dated 14 July 2005 between the ACD and the Administrator.

Details of the above contracts are given under the heading "Management and Administration" on pages 24 and 25.

### **Complaints**

Complaints concerning the operation or marketing of the Company may be referred to the compliance officer of the ACD at Royal Liver Building, Pier Head, Liverpool L3 1NY. The ACD has a formal complaint handling procedure, which is fully explained in a leaflet available from the Administrator at BNY Mellon House, Ingrave Road, Brentwood, Essex CM 15 8TG. This leaflet also explains the circumstances in which a complaint may be referred to the Financial Ombudsman Service.

### **Further Information**

The ACD must use a risk management system to enable the monitoring and measurement of a Fund's derivative positions and their contribution to the overall risk profile of the Company.

The ACD will provide the following information about its risk management system to any Shareholder on request:

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

The ACD will provide to any Shareholder on request appropriate information on its execution policy and on any material changes to it.

# THE SCHEDULE

## PART 1 - MAXIMUM GROWTH PORTFOLIO FUND

### Launch Date

The launch date for Class A Shares in the Fund was 24 July 2009, for Class B Shares it was 12 March 2010, for Class C Shares it was 18 January 2010 and for Class D Shares it was [            ].

### Share Classes available

Class A net Income Shares  
Class A net Accumulation Shares  
Class B net Income Shares  
Class C net Income Shares  
Class D net Income Shares

### The Investment Objective

The Maximum Growth Portfolio Fund aims to achieve capital growth over a time period of at least 7 years primarily through investment in a portfolio of equity and equity-related securities.

### The Investment Policy

The Fund invests globally without limitation on exposures to particular regions or countries. The Fund will, typically, be well diversified through region and underlying holding but not through asset class. Investment may be made in fixed income, commodities and alternative assets including real estate related investments, hedge funds and future and forward contracts. Investment may be made either directly or through investment in regulated and unregulated collective investment schemes, including those managed by the Investment Advisor or companies related to the Investment Advisor.

The Investment Advisor will seek to add value from both asset allocation (tactical and strategic) and underlying investment selection. Asset allocation strategy will be formulated with reference to the house investment view of Deutsche Bank Private Wealth Management globally.

Underlying investments will be primarily focused on collective investment schemes and index trackers identified by the global fund selection group within Deutsche Bank Private Wealth Management. It is intended that the skills of some of the leading managers in the industry will be blended with index tracking investments to deliver a flexible, well balanced strategy.

Derivatives may be used for the purposes of efficient portfolio management (including hedging) and meeting the investment objectives.

The property of the Fund will be invested with the aim of achieving the investment objective of the Fund but subject to the limits set out by the FSA for non-UCITS retail schemes.

There are no arrangements intended to produce a particular level of investment return from the investment objective of the Fund.

It is the normal policy of the Fund to be fully invested, but this will be subject to market conditions, and from time to time higher levels of cash may be retained.

The base currency of the Fund is sterling. The Investment Advisor may hedge the returns of the Fund against currency movements when it invests in overseas securities.

The Fund will be managed in line with the requirements for inclusion in an Individual Savings Account.

### Dealing Days

Monday to Friday inclusive except for Bank Holidays in England and Wales and other days at the ACD's discretion.

### Initial Charge

The initial charge for this fund is 5.25% of the amount invested in the Fund by the prospective investor, which may be waived in whole or in part by the ACD in its discretion. 5.25% is the maximum initial charge that may be levied.

### Annual Management Charge

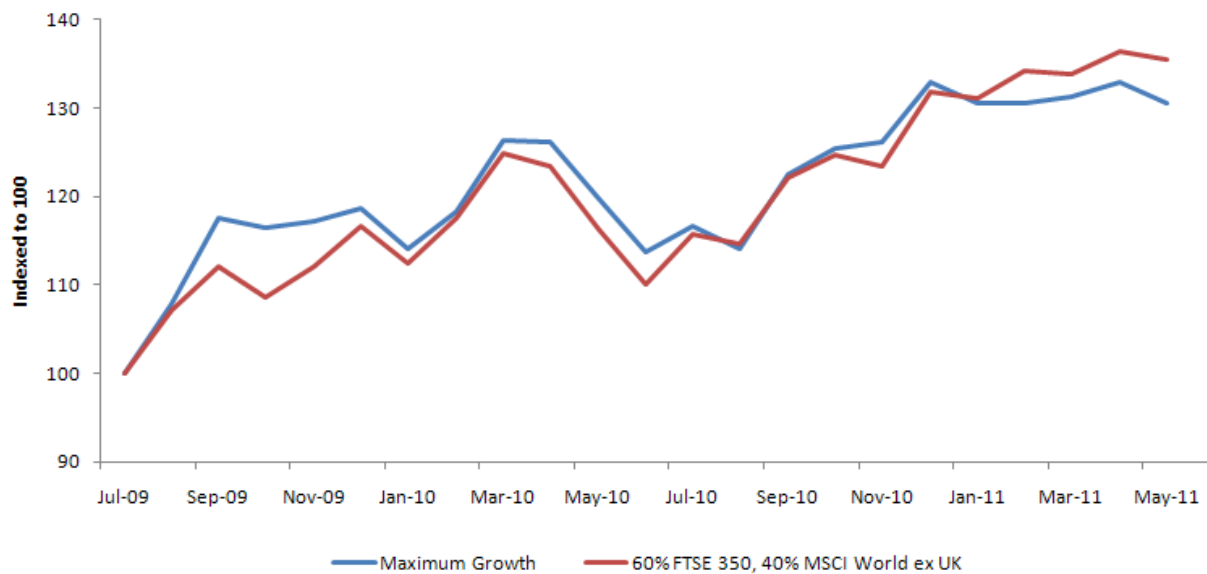
The current management charge made by the ACD is 1.5% for Class A Shares, 1.00% for Class B Shares, 0.10% for Class C Shares and 0.5% for Class D Shares.

### Profile of the typical investor

The Fund has been designed for investors seeking to grow their capital over a period of at least 7 years. Typical investors are prepared to accept a high risk of short term loss in return for an opportunity to grow their capital more meaningfully over the long term. This Fund is available to retail investors.

### Past Performance

A graph setting out the performance of the Fund since launch is set out below. Performance is shown against an appropriate market return or composite indicator which, in the opinion of the Investment Adviser, is broadly reflective of the investment strategy and objectives of the Fund.



**Please note that past performance is not a reliable indicator of future results.** The performance shown is that of Class A net Accumulation Shares, after deduction of all fees. Source of data: Morningstar; The Bank of New York Mellon (International) Limited. Please note that this Fund was previously called "Capital Growth Portfolio Fund".



## **PART 2 – DYNAMIC MULTI ASSET PORTFOLIO FUND**

### **Launch Date**

The launch date for Class A net Income Shares in the Fund was 8 December 2009, for Class A net Accumulation Shares it was 23 June 2010, and for Class B and Class C Shares it was 4 November 2009.

### **Share Classes available**

Class A net Income Shares  
Class A net Accumulation Shares  
Class B net Income Shares  
Class C net Income Shares

### **The Investment Objective**

The Dynamic Multi Asset Portfolio Fund aims to enhance capital in real terms through investment portfolio in a portfolio of equity, fixed income and alternative assets without reference to a formal benchmark or pre determined structure.

### **The Investment Policy**

The Fund seeks to deliver positive overall returns without reference to a formal benchmark or pre determined portfolio structure while seeking to control exposure to loss in any given year. The Fund may be managed actively with frequent switches between assets classes in line with changing market conditions. Investment may be made across all asset classes with no particular structural skew to any one of them. Investment may be made either directly or through investment in regulated and unregulated collective investment schemes, including those managed by the Investment Advisor or companies related to the Investment Advisor. As part of its exposure to alternative assets, the Fund may invest in units or shares of hedge funds or funds of hedge funds and/or units or shares of collective investment schemes the principal objective of which is investment in real estate and/or real estate related companies and/or future and forward contracts.

The Investment Advisor will seek to add value from both asset allocation (tactical and strategic) and underlying investment selection. Asset allocation strategy will be formulated with reference to the house investment view of Deutsche Bank Private Wealth Management globally.

Underlying investments will be primarily focused on collective investment schemes and index trackers identified by the global fund selection group within Deutsche Bank Private Wealth Management. It is intended that the skills of some of the leading managers in the industry will be blended with index tracking investments to deliver a flexible, well balanced strategy.

Derivatives may be used for the purposes of efficient portfolio management (including hedging) and meeting the investment objectives.

The Fund may invest directly in fixed income securities (with maturities not exceeding 60 years) issued or guaranteed by governments of OECD member countries, by supranational organisations or by other issuers where the following quality criteria are satisfied - the issuer or guarantor is rated BBB or better by Standard and Poor's Corporation (S&P) or Baa3 or better by Moody's Investor Services or is considered to have an equivalent rating to issuers rated BBB or better by S&P or Baa3 by Moody's.

The property of the Fund will be invested with the aim of achieving the investment objective of the Fund but subject to the limits set out by the FSA for non-UCITS retail schemes.

There are no arrangements intended to produce a particular level of investment return from the investment objective of the Fund.

It is the normal policy of the Fund to be fully invested, but this will be subject to market conditions, and from time to time higher levels of cash may be retained.

The base currency of the Fund is sterling. The Investment Advisor may hedge the returns of the Fund against currency movements when it invests in overseas securities.

The Fund will be managed in line with the requirements for inclusion in an Individual Savings Account.

### **Dealing Days**

Every Wednesday except for Bank Holidays in England and Wales and other days at the ACD's discretion.

### **Initial Charge**

16013444.7

The initial charge for this Fund is 5% of the amount invested in the Fund by the prospective investor, which may be waived in whole or in part by the ACD in its discretion. 5% is the maximum initial charge that may be levied.

#### Annual Management Charge

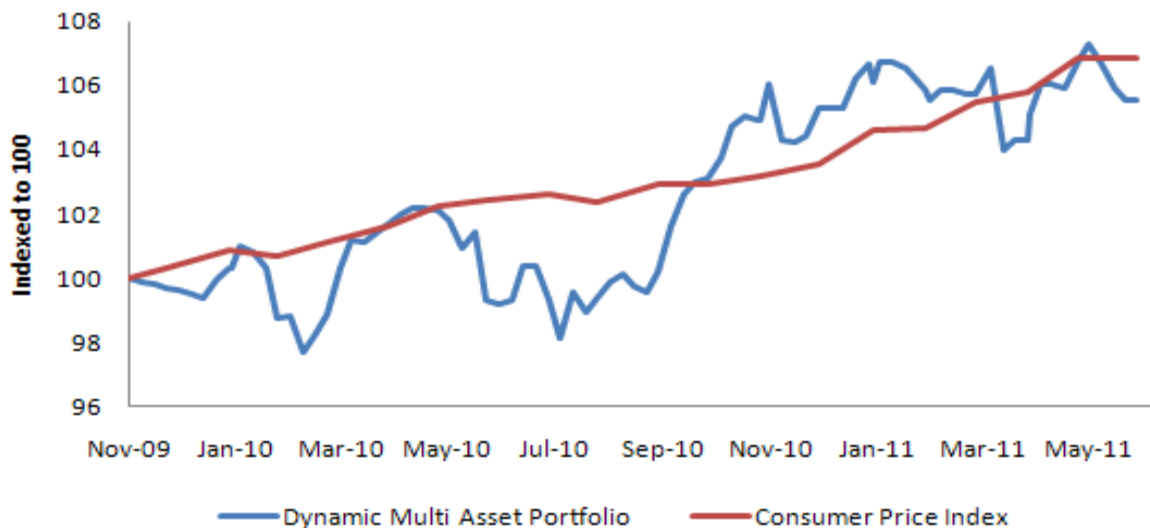
The current management charge made by the ACD is 1.3% for Class A Shares, 1.00% for Class B Shares and 0.10% for Class C Shares.

#### Profile of the typical investor

The Fund has been designed for investors seeking a balance between wealth preservation and capital creation. Some level of risk and loss tolerance must be accepted. Typical investors would be seeking an attractive return over time but with controlled exposure to loss in any given year. This Fund is appropriate for investors with a minimum time horizon of at least 3 years and is available to retail investors.

#### Past Performance

A graph setting out the performance of the Fund since launch is set out below. Performance is shown against an appropriate market return or composite indicator which, in the opinion of the Investment Adviser, is broadly reflective of the investment strategy and objectives of the Fund.



**Please note that past performance is not a reliable indicator of future results.** The performance shown is that of Class A net Income Shares, inclusive of net dividends paid and after deduction of all fees. Source of data: Morningstar; The Bank of New York Mellon (International) Limited.

## **PART 3 – DIVERSIFIED CONSERVATIVE PORTFOLIO FUND**

### **Launch Date**

The launch date for Class A net Income Shares in the Fund was 31 March 2010, for Class A net Accumulation Shares it was 24 March 2010, for Class B Shares it was 10 March 2010, and for Class C Shares it was 5 May 2010.

### **Share Classes available**

Class A net Income Shares  
Class A net Accumulation Shares  
Class B net Income Shares  
Class C net Income Shares

### **The Investment Objective**

The Diversified Conservative Portfolio Fund aims to enhance capital in real terms through investment in a portfolio of equity, fixed income and alternative assets. The portfolio seeks to minimise the variability of returns.

### **The Investment Policy**

The Fund will invest principally in equity, fixed income and alternative asset classes with an emphasis on less volatile investments. Riskier assets such as equities are likely to play a less significant role. The Fund will invest either directly or through investments in regulated and unregulated collective investment schemes including those managed by the Investment Adviser of the Fund or companies related to the Investment Adviser. As part of its exposure to alternative assets the Fund may invest in (i) units or shares of hedge funds or funds of hedge funds and/or (ii) units or shares of collective investment schemes the principal objective of which is investment in real estate and/or real estate related companies and/or (iii) future and forward contracts.

The Investment Advisor will seek to add value from both asset allocation (tactical and strategic) and underlying investment selection. Asset allocation strategy will be formulated by Deutsche Bank Private Wealth Management UK Investment Committee in conjunction with the house investment view of Deutsche Bank Private Wealth Management globally.

Underlying investments will be primarily focused on collective investment schemes and index trackers identified by the global fund selection group within Deutsche Bank Private Wealth Management. It is intended that the skills of some of the leading managers in the industry will be blended with index tracking investments to deliver a flexible, well balanced strategy.

Derivatives may be used for the purposes of efficient portfolio management (including hedging) and meeting the investment objectives.

The Fund may invest directly in fixed income securities (with maturities not exceeding 60 years) issued or guaranteed by governments of OECD member countries, by supranational organisations or by other issuers where the following quality criteria are satisfied - the issuer or guarantor is rated BBB or better by Standard and Poor's Corporation (S&P) or Baa3 or better by Moody's Investor Services or is considered to have an equivalent rating to issuers rated BBB or better by S&P or Baa3 by Moody's.

The property of the Fund will be invested with the aim of achieving the investment objective of the Fund but subject to the limits set out by the FSA for non-UCITS retail schemes.

There are no arrangements intended to produce a particular level of investment return from the investment objective of the Fund.

The Fund will be managed with the volatility and performance of the following composite benchmark in mind:

Equity	30%:	18% FTSE 100 TR Index 12% MSCI World ex UK TR Index
Fixed Income	40%:	FTSE Govt UK Gilts 5-15 Year TR Index
Cash	30%	JP Morgan 1 Month Deposit TR Index

It is the normal policy of the Fund to be fully invested, but this will be subject to market conditions, and from time to time higher levels of cash may be retained.

The base currency of the Fund is sterling. The Investment Advisor may hedge the returns of the Fund against currency movements when it invests in overseas securities.

The Fund will be managed in line with the requirements for inclusion in an Individual Savings Account.

### Dealing Days

Every Wednesday except for Bank Holidays in England and Wales and other days at the ACD's discretion.

### Initial Charge

The initial charge for this Fund is 5% of the amount invested in the Fund by the prospective investor, which may be waived in whole or in part by the ACD in its discretion. 5% is the maximum initial charge that may be levied.

### Annual Management Charge

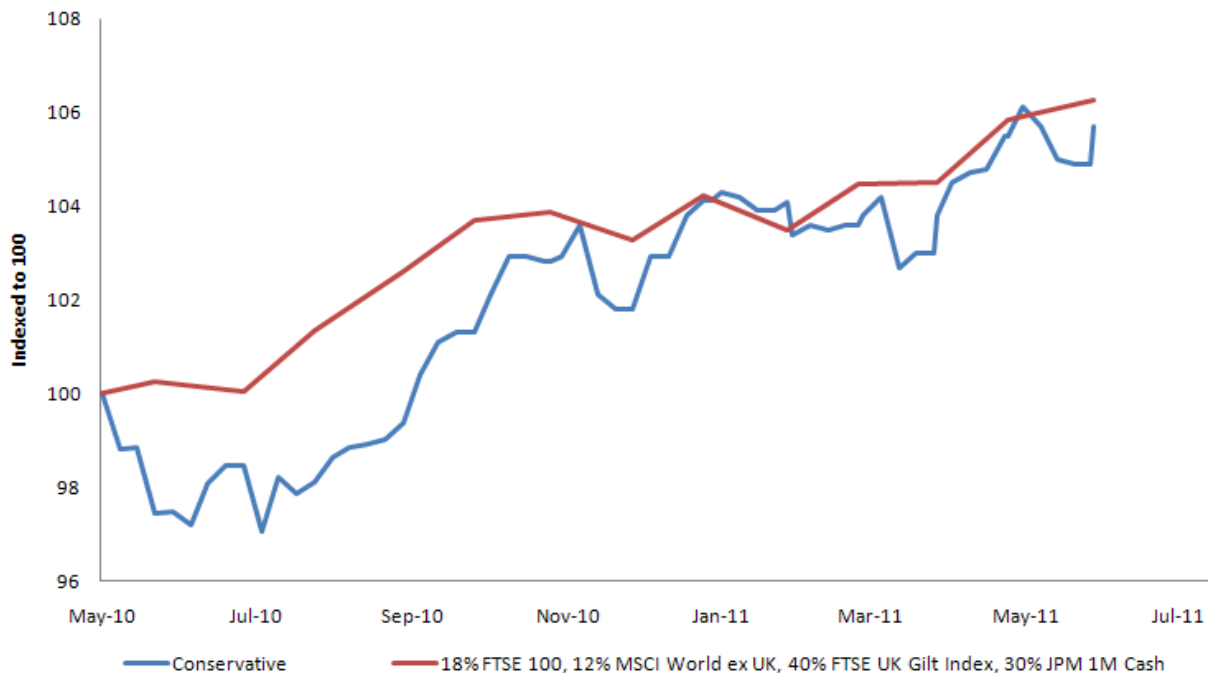
The current management charge made by the ACD is 1.3% for Class A Shares, 1.00% for Class B Shares and 0.10% for Class C Shares.

### Profile of the typical investor

The strategy has been designed for investors seeking to preserve capital in real terms with an aversion to suffering short term loss. However, some level of risk and loss tolerance must be accepted. Typical investors would be prepared to forego an opportunity to grow their capital more meaningfully in exchange for reduced exposure to short term loss. This Fund is appropriate for investors with a minimum time horizon of at least 3 years and is available to retail investors.

### Past Performance

A graph setting out the performance of the Fund since launch is set out below. Performance is shown against an appropriate market return or composite indicator which, in the opinion of the Investment Adviser, is broadly reflective of the investment strategy and objectives of the Fund.



**Please note that past performance is not a reliable indicator of future results.** The performance shown is that of Class A net Income Shares, inclusive of net dividends paid and after deduction of all fees. Source of data: Morningstar; The Bank of New York Mellon (International) Limited.

## **PART 4 – DIVERSIFIED CORE PORTFOLIO FUND**

### **Launch Date**

The launch date for Class A net Income Shares and Class B Shares in the Fund was 10 March 2010, for Class A net Accumulation Shares it was 14 April 2010 and for Class C Shares it was 12 May 2010.

### **Share Classes available**

Class A net Income Shares  
Class A net Accumulation Shares  
Class B net Income Shares  
Class C net Income Shares

### **The Investment Objective**

The Diversified Core Portfolio Fund aims to enhance capital in real terms through investment in a portfolio of equity, fixed income and alternative assets. The Fund seeks to deliver a balance between wealth preservation and capital creation.

### **The Investment Policy**

The Fund will invest principally in equity, fixed income and alternative asset classes, either directly or through investments in regulated and unregulated collective investment schemes including those managed by the Investment Adviser of the Fund or companies related to the Investment Adviser. Balanced exposures to riskier asset classes are likely to be maintained as standard but in controlled size. Investment may be made across all asset classes. As part of its exposure to alternative assets the Fund may invest in (i) units or shares of hedge funds or funds of hedge funds and/or (ii) units or shares of collective investment schemes the principal objective of which is investment in real estate and/or real estate related companies and/or (iii) future and forward contracts.

The Investment Advisor will seek to add value from both asset allocation (tactical and strategic) and underlying investment selection. Asset allocation strategy will be formulated by Deutsche Bank Private Wealth Management UK Investment Committee in conjunction with the house investment view of Deutsche Bank Private Wealth Management globally.

Underlying investments will be primarily focused on collective investment schemes and index trackers identified by the global fund selection group within Deutsche Bank Private Wealth Management. It is intended that the skills of some of the leading managers in the industry will be blended with index tracking investments to deliver a flexible, well balanced strategy.

Derivatives may be used for the purposes of efficient portfolio management (including hedging) and meeting the investment objectives.

The Fund may invest directly in fixed income securities (with maturities not exceeding 60 years) issued or guaranteed by governments of OECD member countries, by supranational organisations or by other issuers where the following quality criteria are satisfied - the issuer or guarantor is rated BBB or better by Standard and Poor's Corporation (S&P) or Baa3 or better by Moody's Investor Services or is considered to have an equivalent rating to issuers rated BBB or better by S&P or Baa3 by Moody's.

The property of the Fund will be invested with the aim of achieving the investment objective of the Fund but subject to the limits set out by the FSA for non-UCITS retail schemes.

There are no arrangements intended to produce a particular level of investment return from the investment objective of the Fund.

The portfolio will be managed with the volatility and performance of the following composite benchmark in mind:

Equity	45%:	27% FTSE 100 TR Index 18% MSCI World ex UK TR Index
Fixed Income	35%:	FTSE Govt UK Gilts 5-15 Year TR Index
Cash	20%:	JP Morgan 1 Month Deposit TR Index

It is the normal policy of the Fund to be fully invested, but this will be subject to market conditions, and from time to time higher levels of cash may be retained.

The base currency of the Fund is sterling. The Investment Advisor may hedge the returns of the Fund against currency movements when it invests in overseas securities.

The Fund will be managed in line with the requirements for inclusion in an Individual Savings Account.

### Dealing Days

Every Wednesday except for Bank Holidays in England and Wales and other days at the ACD's discretion.

### Initial Charge

The initial charge for this Fund is 5% of the amount invested in the Fund by the prospective investor, which may be waived in whole or in part by the ACD in its discretion. 5% is the maximum initial charge that may be levied.

### Annual Management Charge

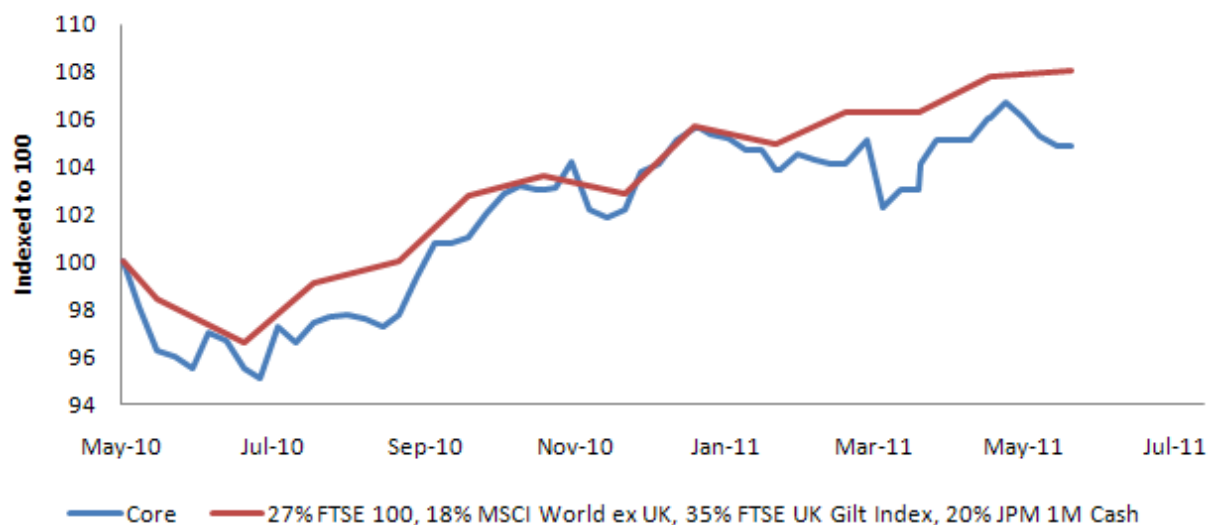
The current management charge made by the ACD is 1.3% for Class A Shares, 1.00% for Class B Shares and 0.10% for Class C Shares.

### Profile of the typical investor

The Fund has been designed for investors seeking a balance between wealth preservation and capital creation. Some level of risk and loss tolerance must be accepted. Typical investors would be prepared to accept a moderate risk of loss in the shorter term in exchange for capital appreciation over the time horizon of their investment. This Fund is appropriate for investors with a minimum time horizon of at least 3 years and available to retail investors.

### Past Performance

A graph setting out the performance of the Fund since launch is set out below. Performance is shown against an appropriate market return or composite indicator which, in the opinion of the Investment Adviser, is broadly reflective of the investment strategy and objectives of the Fund.



**Please note that past performance is not a reliable indicator of future results.** The performance shown is that of Class A net Accumulation Shares, after deduction of all fees. Source of data: Morningstar; The Bank of New York Mellon (International) Limited.

## **PART 5 – DIVERSIFIED GROWTH PORTFOLIO FUND**

### **Launch Date**

The launch date for Class A and Class B Shares in the Fund was 10 March 2010, and for Class C Shares it was 19 May 2010.

### **Share Classes available**

Class A net Income Shares  
Class A net Accumulation Shares  
Class B net Income Shares  
Class C net Income Shares

### **The Investment Objective**

The Diversified Growth Portfolio Fund aims to grow capital in real terms over a minimum time period of 5 years through investment in a portfolio of equity, fixed income and alternative assets.

### **The Investment Policy**

The Fund will invest principally in equity, fixed income and alternative asset classes, either directly or through investments in regulated and unregulated collective investment schemes including those managed by the Investment Adviser of the Fund or companies related to the Investment Adviser. A balanced or greater exposure to more volatile asset classes such as equities and commodities is likely to be maintained as standard albeit the strategy will be diversified through all major asset classes. As part of its exposure to alternative assets the Fund may invest in (i) units or shares of hedge funds or funds of hedge funds and/or (ii) units or shares of collective investment schemes the principal objective of which is the investment in real estate and/or real estate related companies and/or (iii) future and forward contracts.

The Investment Advisor will seek to add value from both asset allocation (tactical and strategic) and underlying investment selection. Asset allocation strategy will be formulated by Deutsche Bank Private Wealth Management UK Investment Committee in conjunction with the house investment view of Deutsche Bank Private Wealth Management globally.

Underlying investments will be primarily focused on collective investment schemes and index trackers identified by the global fund selection group within Deutsche Bank Private Wealth Management. It is intended that the skills of some of the leading managers in the industry will be blended with index tracking investments to deliver a flexible, well balanced strategy.

Derivatives may be used for the purposes of efficient portfolio management (including hedging) and meeting the investment objectives.

The property of the Fund will be invested with the aim of achieving the investment objective of the Fund but subject to the limits set out by the FSA for non-UCITS retail schemes.

There are no arrangements intended to produce a particular level of investment return from the investment objective of the Fund.

The portfolio will be managed with the volatility and performance of the following composite benchmark in mind:

Equity	60%:	36% FTSE 100 TR Index 24% MSCI World ex UK TR Index
Fixed Income	30%:	FTSE Govt UK Gilts 5-15 Year TR Index
Cash	10%:	JP Morgan 1 Month Deposit TR Index

It is the normal policy of the Fund to be fully invested, but this will be subject to market conditions, and from time to time higher levels of cash may be retained.

The base currency of the Fund is sterling. The Investment Advisor may hedge the returns of the Fund against currency movements when it invests in overseas securities.

The Fund will be managed in line with the requirements for inclusion in an Individual Savings Account.

### **Dealing Days**

Every Wednesday except for Bank Holidays in England and Wales and other days at the ACD's discretion.

### **Initial Charge**

The initial charge for this Fund is 5% of the amount invested in the Fund by the prospective investor, which may

be waived in whole or in part by the ACD in its discretion. 5% is the maximum initial charge that may be levied.

### **Annual Management Charge**

The current management charge made by the ACD is 0.60% for Class A Shares, 0.50% for Class B Shares and 0.10% for Class C Shares.

### **Performance Fee**

In addition to the annual management charge specified above, the ACD is entitled to receive a fee based on performance (the "Performance Fee") in respect of the Class A and Class B Shares of the Diversified Growth Portfolio Fund, payable in arrears in respect of each Performance Period.

In summary, a Performance Fee will be payable if the value of the Fund rises over a given period. A detailed explanation follows:

The Performance Fee is calculated on a Class-by-Class basis. This is because different Classes deliver different performance and are therefore subject to different Performance Fees.

For a Performance Fee to be payable in respect of a Class on a Calculation Day (as defined below), the relevant "High Water Mark" (as defined below) must be exceeded by the Base Asset Value per Share (as defined below).

The periods over which the performance of a Class is measured (each a "Performance Period") will comprise successive quarterly periods (adjusted as described below). Each Performance Period will commence immediately following the last day of the preceding Performance Period and end on the next following Calculation Day. For these purposes, "Calculation Day", in respect of a Class, means each of:

- 31 March, 30 June, 30 September and 31 December in any calendar year, or the business day immediately preceding such date if such date does not fall on a business day; and
- the date of termination of the Investment Management Agreement; and
- such other date on which the relevant Class is terminated.

A "Valuation Point" for the purposes of the calculation of the Performance Fee is 10.00am on each day that is a Dealing Day for the Fund and 10.00am on the last business day of each calendar month.

The Net Asset Value per Share of the relevant Class before the Performance Fee is calculated at each Valuation Point and is called the "Base Asset Value per Share" (see "Further information regarding the calculation of Performance Fees" below for details of the Base Asset Value calculation).

The Net Asset Value per Share of the relevant Class after the Performance Fee crystallises on a given Calculation Day is called the "Final Net Asset Value per Share".

The Performance Fee is payable on a Calculation Day at the rate of 10% of the amount (if any) by which the Base Asset Value per Share at that Calculation Day exceeds the High Water Mark applicable to the relevant Performance Period, provided that the Base Asset Value per Share has increased over the relevant Performance Period.

The average number of Shares in the relevant Class is calculated as the total number of Shares of the relevant Class in issue as at each Valuation Point during the Performance Period divided by the number of Valuation Points in such period. Note that Shares cancelled during the Performance Period are not counted for this purpose (see "Further information regarding the calculation of Performance Fees" below); however, a Performance Fee may also be payable on a cancellation of Shares (see below).

### *High Water Mark*

A Performance Fee will only be payable with regard to a Performance Period when the Base Asset Value per Share for the relevant Class on the Calculation Day exceeds the relevant "High Water Mark", and only to the extent that the increase in the Base Asset Value per Share is attributable to performance in excess of the High Water Mark. During the period from the initial issue of a Share Class to the first accounting reference date after issue, the High Water Mark is the higher of:-

1. the initial issue price of a Share in the Class, less any income distributions declared since initial issue; and
2. the highest Final Net Asset Value per Share on any previous Calculation Day on which a Performance Fee crystallised, less any income distributions declared since that point.



Thereafter, the High Water Mark is the higher of:-

1. the Final Net Asset Value per Share at the previous accounting reference date, less any income distributions declared since that date; and
2. the highest Final Net Asset Value per Share on any previous Calculation Day within the current accounting period on which a Performance Fee crystallised, less any income distributions declared since that point.

#### *Further information regarding the calculation of Performance Fees*

Please note that because the Performance Fee is calculated on a Class-by-Class basis over a Performance Period, (rather than on a Share-by-Share basis) a Shareholder acquiring Shares during a Performance Period may pay a Performance Fee which relates in whole or in part to positive performance of the Class before his acquisition of Shares and from which he does not benefit.

There is no upper limit restricting the Performance Fee to a maximum amount. The Performance Fee accrues at each Valuation Point during a Performance Period and is crystallised on a Calculation Day, provided that the High Water Mark is exceeded. It is payable quarterly in arrears in respect of each Performance Period as soon as practicable following the relevant Calculation Day.

For the purpose of calculating the Performance Fee, the Base Asset Value per Share is calculated as the Net Asset Value per Share before deduction of the Performance Fee per Share accrued by the relevant Class at the relevant Valuation Point or payable at the relevant Calculation Day. For the avoidance of doubt, the annual management charge payable to the ACD and all other expenses relating to the Performance Period will be applied to reduce the Base Asset Value per Share before the Performance Fee is calculated.

In the event that Shares of a Class are cancelled on a Dealing Day within a Performance Period, any amount of Performance Fee accrued in relation to those cancelled Shares will crystallise on cancellation of the Shares and be paid to the ACD at the end of the Performance Period. For the purpose of the Performance Fee calculations for the remainder of the relevant Performance Period (including on the Calculation Day at the end of that Performance Period), those cancelled Shares will be excluded from the total number of Shares of the relevant Class in issue at all the Valuation Points in the Performance Period.

The amount of annual management charges and Performance Fees earned by the ACD in respect of any Performance Period will be retained regardless of the subsequent performance of the relevant Class.

The Depositary shall verify the calculation of the Performance Fee as at each Calculation Day.

The ACD may increase the rate of Performance Fee for each Class of Share providing that it complies with the requirements of the FSA Rules, including the requirement to give 60 days' prior notice in writing to alter this Prospectus.

**Performance Fees are based on the Base Asset Value, which reflects both net realised and net unrealised gains and losses as at each payment date. As a result, Performance Fees may be paid on unrealised gains which may subsequently never be realised.**

#### **Example Performance Fee Calculations**

**Please note that the following examples are purely for illustrative purposes. They show the position at the end of a Performance Period and each example follows on from the previous example. The examples assume that the average number of shares in issue during the Performance Period is the same as the number of shares in issue at the Calculation Day (except where indicated).**

##### **Example 1 – First Performance Period**

Assumes

1. Initial issue price £100
2. Base Asset Value per Share up 4% in Performance Period

##### **Step 1: What is the increase in the Base Asset Value per Share?**

£4 per Share (as the Base Asset Value per Share has increased 4% to £104)

##### **Step 2: Has it beaten the High Water Mark?**

Yes – because the Base Asset Value per Share of £104 is higher than the High Water Mark of £100.

**Step 3: Is a Performance Fee payable?**

Yes – because the Base Asset Value per Share is above the High Water Mark.

The amount paid is 10% of the growth in the Base Asset Value per Share over the initial issue price.

In this case the Performance Fee is 10% of £4, which is £0.40 per Share.

**Step 4: What is the Final Net Asset Value for the Performance Period?**

The Final Net Asset Value is £103.60 (the Base Asset Value per Share less the crystallised Performance Fee of £0.40 per Share).

**Step 5: What is the High Water Mark for the next Performance Period in the current accounting period?**

The High Water Mark is £103.60 (the higher of the initial issue price and the highest Final Net Asset Value per Share on any previous Calculation Day within the current accounting period on which a Performance Fee crystallised).

**Example 2 – Second Performance Period**

Assumes

1. High Water Mark is £103.60
2. Base Asset Value per Share up 3% in Performance Period

**Step 1: What is the increase in the Base Asset Value per Share?**

£3.11 (as the Base Asset Value per Share has increased by 3% to £106.71)

**Step 2: Has it beaten the High Water Mark?**

Yes – because the Base Asset Value per Share of £106.71 is higher than the High Water Mark per Share of £103.60.

**Step 3: Is a Performance Fee payable?**

Yes – because the Base Asset Value per Share is above the High Water Mark.

The amount paid is 10% of the growth in the Base Asset Value per Share over the High Water Mark.

In this case the Performance Fee is 10% of £3.11, which is £0.31 per Share.

**Step 4: What is the Final Net Asset Value for the Performance Period?**

The Final Net Asset Value is £106.40 (the Base Asset Value per Share less the crystallised Performance Fee of £0.31 per Share).

**Step 5: What is the High Water Mark for the next Performance Period in the current accounting period?**

The High Water Mark is £106.40 (the higher of the initial issue price and the highest Final Net Asset Value per Share on any previous Calculation Day within the current accounting period on which a Performance Fee crystallised).

**Example 3 – Third Performance Period (which ends on the first accounting reference date since the issue of the Class)**

Assumes

1. High Water Mark is £106.40
2. Base Asset Value per Share down 2% in Performance Period

**Step 1: What is the decrease in the Base Asset Value per Share?**

Decrease of £2.13 (as the Base Net Asset Value per Share has decreased 2% to £104.27)

**Step 2: Has it beaten the High Water Mark?**

No – because the Base Asset Value per Share of £104.27 is lower than the High Water Mark of £106.30.

### **Step 3: Is a Performance Fee payable?**

No – The Base Asset Value per Share is below the High Water Mark.

### **Step 4: What is the Final Net Asset Value for the Performance Period?**

The Final Net Asset Value is £104.27 (the same as the Base Asset Value per Share as no Performance Fee has crystallised in respect of the Performance Period).

### **Step 5: What is the High Water Mark for the next Performance Period?**

The High Water Mark is £104.27 (the Final Net Asset Value per Share at the accounting reference date).

### **Example 4 – First Performance Period in the next accounting period**

Assumes

1. High Water Mark is £104.27
2. Base Asset Value per Share up 3% in Performance Period

### **Step 1: What is the increase in the Base Asset Value per Share?**

£3.13 (as the Base Net Asset Value per Share has increased 3% to £107.40)

### **Step 2: Has it beaten the High Water Mark?**

Yes – because the Base Asset Value per Share of £107.40 is higher than the High Water Mark of £104.27.

### **Step 3: Is a Performance Fee payable?**

Yes – because the Base Asset Value per Share is above the High Water Mark.

The amount paid is 10% of the growth in the Base Asset Value per Share over the High Water Mark.

In this case the Performance Fee is 10% of £3.13, which is £0.31 per Share.

### **Step 4: What is the Final Net Asset Value for the Performance Period?**

The Final Net Asset Value is £107.09 (the Base Asset Value per Share of £107.40 less the crystallised Performance Fee of £0.31 per Share).

### **Step 5: What is the High Water Mark for the next Performance Period in the current accounting period?**

The High Water Mark is £107.09 (the higher of the Final Net Asset Value per Share at the previous accounting reference date and the highest Final Net Asset Value per Share on any previous Calculation Day within the current accounting period on which a Performance Fee crystallised).

### **Impact of use of average share methodology**

In Example 1 if, at the end of the Performance Period, the number of Shares in issue is 100,000 and the average number of Shares in issue for the Performance Period is also 100,000, then the actual Performance Fee payable to the ACD would be £40,000 in total, equivalent to £0.40 per Share in issue. The Final Net Asset Value per Share for the Performance Period would be £103.60 and the High Water Mark per Share for the subsequent Performance Period would be £103.60.

However, if the average number of Shares in issue for the Performance Period was 95,000, then the actual Performance Fee payable to the ACD would be £38,000 (£0.40 x 95,000), equivalent to £0.38 per Share for the 100,000 Shares in issue at the end of the Performance Period. The Final Net Asset Value per Share for the Performance Period and the High Water Mark per Share for the subsequent Performance Period would be £103.62.

### **Impact of income distributions**

In Example 2, if an income distribution of £1 per Share had been declared at the end of the previous Performance Period, then the High Water Mark for the subsequent Performance Period would have been reduced by the amount of the distribution and would therefore be £102.60 per Share. If the Base Asset Value per Share were then to increase to £106.71 by the end of the Performance Period, then the percentage increase in the Base Asset Value per Share would be 4.01% (increase from £102.60 to £106.71). As a result, the Base Asset Value per Share would exceed the High Water Mark per Share. A Performance Fee of £0.40 per Share would be

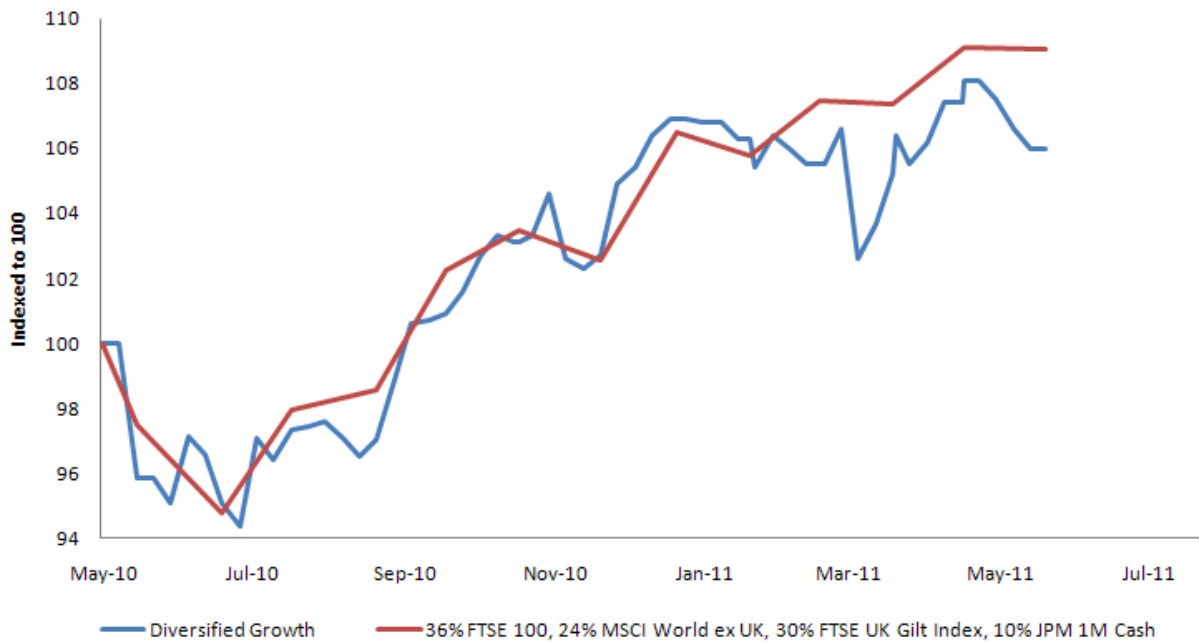
payable (assuming that the average Shares in issue for the Performance Period is the same as the number of Shares in issue at the end of the Performance Period).

**Profile of the typical investor**

The Fund has been designed for investors seeking to grow capital in real terms over the minimum period of at least 5 years. Typical investors are prepared to accept an increased risk of loss in the shorter term in return for capital appreciation. This Fund is available to retail investors.

**Past Performance**

A graph setting out the performance of the Fund since launch is set out below. Performance is shown against an appropriate market return or composite indicator which, in the opinion of the Investment Adviser, is broadly reflective of the investment strategy and objectives of the Fund.



**Please note that past performance is not a reliable indicator of future results.** The performance shown is that of Class A net Accumulation Shares, after deduction of all fees. Source of data: Morningstar; The Bank of New York Mellon (International) Limited.

## **PART 6 – DIVERSIFIED ENHANCED INCOME PORTFOLIO FUND**

### **Launch Date**

The launch date for Class A Shares in the Fund was 24 February 2010, for Class B Shares it was 14 April 2010 and for Class C Shares it was 17 February 2010.

### **Share Classes available**

Class A net Income Shares  
Class B net Income Shares  
Class C net Income Shares

### **The Investment Objective**

The Diversified Enhanced Income Portfolio Fund aims to maximise income while preserving capital primarily through investment in a portfolio of fixed income and high yielding equity. The portfolio seeks to deliver inflation protected income through dividends, bond coupons and a diversified approach between asset classes.

### **The Investment Policy**

The Fund is likely to invest primarily in government and investment grade debt with a smaller allocation to property and international high yielding equity in order to benefit from rental and dividend growth. Currency allocation will be based to Sterling but non Sterling assets will be included as judged appropriate by the Investment Adviser. The Fund may invest in fixed income, high yielding equity and alternative asset classes, either directly or through investments in regulated and unregulated collective investment schemes including those managed by the Investment Adviser of the Fund or companies related to the Investment Adviser. As part of its exposure to alternative assets the Fund may invest in hedge funds, real estate related investments and future and forward contracts.

The Investment Adviser will seek to add value from both asset allocation (tactical and strategic) and underlying investment selection. Asset allocation strategy will be formulated with reference to the house investment view of Deutsche Bank Private Wealth Management globally.

Underlying investments will be primarily focused on collective investment schemes and index trackers identified by the mutual fund selection group within Deutsche Bank Private Wealth Management. It is intended that the skills of some of the leading managers in the industry will be blended with index tracking investments to deliver a flexible, well balanced strategy.

Derivatives may be used for the purposes of efficient portfolio management (including hedging).

The Fund may invest directly in fixed income securities (with maturities not exceeding 60 years) issued or guaranteed by governments of OECD member countries, by supranational organisations or by other issuers where the following quality criteria are satisfied - the issuer or guarantor is rated BBB or better by Standard and Poor's Corporation (S&P) or Baa3 or better by Moody's Investor Services or is considered to have an equivalent rating to issuers rated BBB or better by S&P or Baa3 by Moody's.

The property of the Fund will be invested with the aim of achieving the investment objective of the Fund but subject to the limits set out by the FSA for non-UCITS retail schemes.

There are no arrangements intended to produce a particular level of investment return from the investment objective of the Fund.

The Fund will be managed with the volatility and performance of the following composite benchmark in mind:

Equity	30%:	30% FTSE 100 TR Index
Fixed Income	70%:	FTSE Govt UK Gilts 5-15 TR Index

It is the normal policy of the Fund to be fully invested, but this will be subject to market conditions, and from time to time higher levels of cash may be retained.

The base currency of the Company is sterling. The ACD may hedge the returns of the Fund against currency movements when it invests in overseas securities.

The Fund will be managed in line with the requirements for inclusion in an Individual Savings Account.

### **Dealing Days**

Every Wednesday except for Bank Holidays in England and Wales and other days at the ACD's discretion.

### Initial Charge

The initial charge for this Fund is 5% of the amount invested in the Fund by the prospective investor, which may be waived in whole or in part by the ACD in its discretion. 5% is the maximum initial charge that may be levied.

### Annual Management Charge

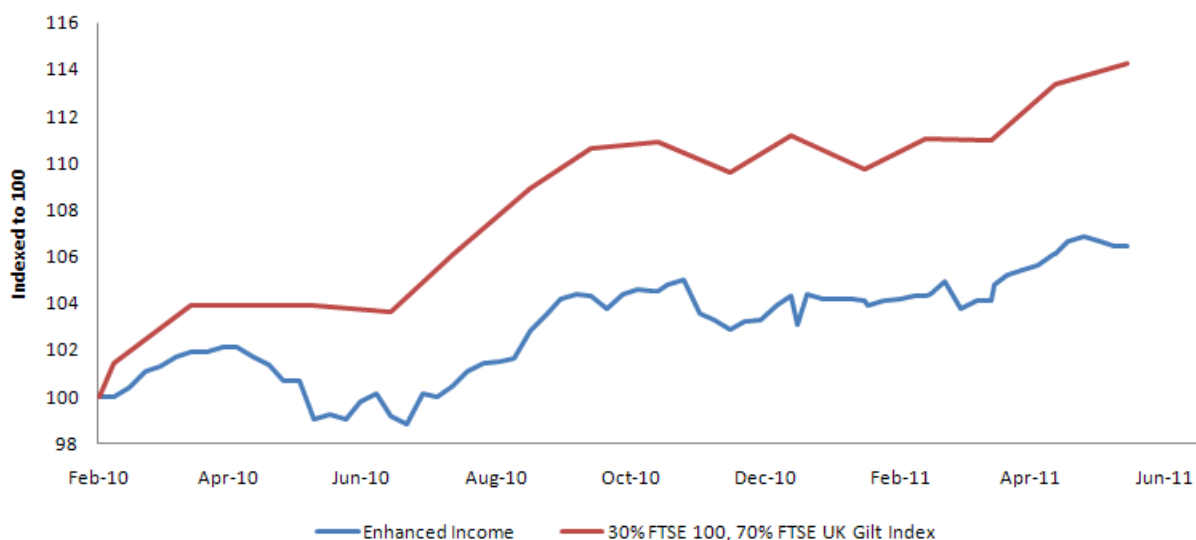
The current management charge made by the ACD is 1.10% for Class A Shares, 0.80% for Class B Shares and 0.10% for Class C Shares. The management charge is taken from the capital of this Fund which may constrain capital growth in the Fund.

### Profile of the typical investor

The Fund is designed for investors seeking a high income yield from their investment combined with the opportunity for some level of inflation protection. Some level of risk and loss tolerance must be accepted. Typical investors would be prepared to forego an opportunity to grow their capital more meaningfully in exchange for a higher income yield. This fund is appropriate for investors with a minimum time period of 3 years and is available to retail investors.

### Past Performance

A graph setting out the performance of the Fund since launch is set out below. Performance is shown against an appropriate market return or composite indicator which, in the opinion of the Investment Adviser, is broadly reflective of the investment strategy and objectives of the Fund.



**Please note that past performance is not a reliable indicator of future results.** The performance shown is that of Class A net Income Shares, inclusive of net dividends paid and after deduction of all fees. Source of data: Morningstar; The Bank of New York Mellon (International) Limited.

## **PART 7 – DIVERSIFIED GROWTH PLUS PORTFOLIO FUND**

### **Launch Date**

The launch date for all Classes of Shares in the Fund was

### **Share Classes available**

Class A net Income Shares  
Class A net Accumulation Shares  
Class B net Income Shares  
Class C net Income Shares

### **The Investment Objective**

The Diversified Growth Plus Portfolio Fund aims to grow capital in real terms over a minimum time period of 5 years primarily through investment in a portfolio of equity and equity related securities.

### **The Investment Policy**

The Fund will invest principally in equity, fixed income and alternative asset classes, either directly or through investments in regulated and unregulated collective investment schemes including those managed by the Investment Adviser of the Fund or companies related to the Investment Adviser. A majority of the Fund is likely to be exposed to more volatile asset classes such as equities and commodities as standard. Investment may also be made in fixed income and alternative assets but they will play a less prominent role. As part of its exposure to alternative assets the Fund may invest in (i) units or shares of hedge funds or funds of hedge funds and/or (ii) units or shares of collective investment schemes the principal objective of which is the investment in real estate and/or real estate related companies and/or (iii) future and forward contracts.

The Investment Advisor will seek to add value from both asset allocation (tactical and strategic) and underlying investment selection. Asset allocation strategy will be formulated by Deutsche Bank Private Wealth Management UK Investment Committee in conjunction with the house investment view of Deutsche Bank Private Wealth Management globally.

Underlying investments will be primarily focused on collective investment schemes and index trackers identified by the global fund selection group within Deutsche Bank Private Wealth Management. It is intended that the skills of some of the leading managers in the industry will be blended with index tracking investments to deliver a flexible, well balanced strategy.

Derivatives may be used for the purposes of efficient portfolio management (including hedging) and meeting the investment objectives.

The property of the Fund will be invested with the aim of achieving the investment objective of the Fund but subject to the limits set out by the FSA for non-UCITS retail schemes.

There are no arrangements intended to produce a particular level of investment return from the investment objective of the Fund.

The portfolio will be managed with the volatility and performance of the following composite benchmark in mind:

Equity	80%:	48% FTSE 100 TR Index 32% MSCI World ex UK TR Index
Fixed Income	10%:	FTSE Govt UK Gilts 5-15 Year TR Index
Cash	10%:	JP Morgan 1 Month Deposit TR Index

It is the normal policy of the Fund to be fairly fully invested, but this will be subject to market conditions, and from time to time higher levels of cash may be retained.

The base currency of the Fund is sterling. The Investment Advisor may hedge the returns of the Fund against currency movements when it invests in overseas securities.

The Fund will be managed in line with the requirements for inclusion in an Individual Savings Account.

### **Dealing Days**

Every Wednesday except for Bank Holidays in England and Wales and other days at the ACD's discretion.

### **Initial Charge**

The initial charge for this Fund is 5% of the amount invested in the Fund by the prospective investor, which may be waived in whole or in part by the ACD in its discretion. 5% is the maximum initial charge that may be levied.

**Annual Management Charge**

The current management charge made by the ACD is 0.60% for Class A Shares, 0.50% for Class B Shares and 0.10% for Class C Shares.

**Performance Fee**

In addition to the annual management charge specified above, the ACD is entitled to receive a fee based on performance (the "Performance Fee") in respect of the Class A and Class B Shares of the Diversified Growth Plus Portfolio Fund, payable in arrears in respect of each Performance Period.

In summary, a Performance Fee will be payable if the value of the Fund rises over a given period. A detailed explanation follows:

The Performance Fee is calculated on a Class-by-Class basis. This is because different Classes deliver different performance and are therefore subject to different Performance Fees.

For a Performance Fee to be payable in respect of a Class on a Calculation Day (as defined below), the relevant "High Water Mark" (as defined below) must be exceeded by the Base Asset Value per Share (as defined below).

The periods over which the performance of a Class is measured (each a "Performance Period") will comprise successive quarterly periods (adjusted as described below). The first Performance Period for each Class will commence at the close of the initial offer period and end on [insert date]. Subsequent Performance Periods will commence immediately following the last day of the preceding Performance Period and end on the next following Calculation Day. For these purposes, "Calculation Day", in respect of a Class, means each of:

- 31 March, 30 June, 30 September and 31 December in any calendar year, or the business day immediately preceding such date if such date does not fall on a business day; and
- the date of termination of the Investment Management Agreement; and
- such other date on which the relevant Class is terminated.

A "Valuation Point" for the purposes of the calculation of the Performance Fee is 10.00am on each day that is a Dealing Day for the Fund and 10.00am on the last business day of each calendar month.

The Net Asset Value per Share of the relevant Class before the Performance Fee is calculated at each Valuation Point and is called the "Base Asset Value per Share" (see "Further information regarding the calculation of Performance Fees" below for details of the Base Asset Value calculation).

The Net Asset Value per Share of the relevant Class after the Performance Fee crystallises on a given Calculation Day is called the "Final Net Asset Value per Share".

The Performance Fee is payable on a Calculation Day at the rate of 10% of the amount (if any) by which the Base Asset Value per Share at that Calculation Day exceeds the High Water Mark applicable to the relevant Performance Period, provided that the Base Asset Value per Share has increased over the relevant Performance Period.

The average number of Shares in the relevant Class is calculated as the total number of Shares of the relevant Class in issue as at each Valuation Point during the Performance Period divided by the number of Valuation Points in such period. Note that Shares cancelled during the Performance Period are not counted for this purpose (see "Further information regarding the calculation of Performance Fees" below); however, a Performance Fee may also be payable on a cancellation of Shares (see below).

**High Water Mark**

A Performance Fee will only be payable with regard to a Performance Period when the Base Asset Value per Share for the relevant Class on the Calculation Day exceeds the relevant "High Water Mark", and only to the extent that the increase in the Base Asset Value per Share is attributable to performance in excess of the High Water Mark. During the period from the initial issue of a Share Class to the first accounting reference date after issue, the High Water Mark is the higher of:-

1. the initial issue price of a Share in the Class, less any income distributions declared since initial issue; and
2. the highest Final Net Asset Value per Share on any previous Calculation Day on which a Performance Fee crystallised, less any income distributions declared since that point.



Thereafter, the High Water Mark is the higher of:-

1. the Final Net Asset Value per Share at the previous accounting reference date, less any income distributions declared since that date; and
2. the highest Final Net Asset Value per Share on any previous Calculation Day within the current accounting period on which a Performance Fee crystallised, less any income distributions declared since that point.

*Further information regarding the calculation of Performance Fees*

Please note that because the Performance Fee is calculated on a Class-by-Class basis over a Performance Period, (rather than on a Share-by-Share basis) a Shareholder acquiring Shares during a Performance Period may pay a Performance Fee which relates in whole or in part to positive performance of the Class before his acquisition of Shares and from which he does not benefit.

There is no upper limit restricting the Performance Fee to a maximum amount. The Performance Fee accrues at each Valuation Point during a Performance Period and is crystallised on a Calculation Day, provided that the High Water Mark is exceeded. It is payable quarterly in arrears in respect of each Performance Period as soon as practicable following the relevant Calculation Day.

For the purpose of calculating the Performance Fee, the Base Asset Value per Share is calculated as the Net Asset Value per Share before deduction of the Performance Fee per Share accrued by the relevant Class at the relevant Valuation Point or payable at the relevant Calculation Day. For the avoidance of doubt, the annual management charge payable to the ACD and all other expenses relating to the Performance Period will be applied to reduce the Base Asset Value per Share before the Performance Fee is calculated.

In the event that Shares of a Class are cancelled on a Dealing Day within a Performance Period, any amount of Performance Fee accrued in relation to those cancelled Shares will crystallise on cancellation of the Shares and be paid to the ACD at the end of the Performance Period. For the purpose of the Performance Fee calculations for the remainder of the relevant Performance Period (including on the Calculation Day at the end of that Performance Period), those cancelled Shares will be excluded from the total number of Shares of the relevant Class in issue at all the Valuation Points in the Performance Period.

The amount of annual management charges and Performance Fees earned by the ACD in respect of any Performance Period will be retained regardless of the subsequent performance of the relevant Class.

The Depositary shall verify the calculation of the Performance Fee as at each Calculation Day.

The ACD may increase the rate of Performance Fee for each Class of Share providing that it complies with the requirements of the FSA Rules, including the requirement to give 60 days' prior notice in writing to alter this Prospectus.

**Performance Fees are based on the Base Asset Value, which reflects both net realised and net unrealised gains and losses as at each payment date. As a result, Performance Fees may be paid on unrealised gains which may subsequently never be realised.**

**Example Performance Fee Calculations**

**Please note that the following examples are purely for illustrative purposes. They show the position at the end of a Performance Period and each example follows on from the previous example. The examples assume that the average number of shares in issue during the Performance Period is the same as the number of shares in issue at the Calculation Day (except where indicated).**

**Example 1 – First Performance Period**

Assumes

1. Initial issue price £100
2. Base Asset Value per Share up 4% in Performance Period

**Step 1: What is the increase in the Base Asset Value per Share?**

£4 per Share (as the Base Asset Value per Share has increased 4% to £104)

**Step 2: Has it beaten the High Water Mark?**

Yes – because the Base Asset Value per Share of £104 is higher than the High Water Mark of £100.

**Step 3: Is a Performance Fee payable?**

Yes – because the Base Asset Value per Share is above the High Water Mark.

The amount paid is 10% of the growth in the Base Asset Value per Share over the initial issue price.

In this case the Performance Fee is 10% of £4, which is £0.40 per Share.

**Step 4: What is the Final Net Asset Value for the Performance Period?**

The Final Net Asset Value is £103.60 (the Base Asset Value per Share less the crystallised Performance Fee of £0.40 per Share).

**Step 5: What is the High Water Mark for the next Performance Period in the current accounting period?**

The High Water Mark is £103.60 (the higher of the initial issue price and the highest Final Net Asset Value per Share on any previous Calculation Day within the current accounting period on which a Performance Fee crystallised).

**Example 2 – Second Performance Period**

Assumes

1. High Water Mark is £103.60
2. Base Asset Value per Share up 3% in Performance Period

**Step 1: What is the increase in the Base Asset Value per Share?**

£3.11 (as the Base Asset Value per Share has increased by 3% to £106.71)

**Step 2: Has it beaten the High Water Mark?**

Yes – because the Base Asset Value per Share of £106.71 is higher than the High Water Mark per Share of £103.60.

**Step 3: Is a Performance Fee payable?**

Yes – because the Base Asset Value per Share is above the High Water Mark.

The amount paid is 10% of the growth in the Base Asset Value per Share over the High Water Mark.

In this case the Performance Fee is 10% of £3.11, which is £0.31 per Share.

**Step 4: What is the Final Net Asset Value for the Performance Period?**

The Final Net Asset Value is £106.40 (the Base Asset Value per Share less the crystallised Performance Fee of £0.31 per Share).

**Step 5: What is the High Water Mark for the next Performance Period in the current accounting period?**

The High Water Mark is £106.40 (the higher of the initial issue price and the highest Final Net Asset Value per Share on any previous Calculation Day within the current accounting period on which a Performance Fee crystallised).

**Example 3 – Third Performance Period (which ends on the first accounting reference date since the issue of the Class)**

Assumes

1. High Water Mark is £106.40
2. Base Asset Value per Share down 2% in Performance Period

**Step 1: What is the decrease in the Base Asset Value per Share?**

Decrease of £2.13 (as the Base Net Asset Value per Share has decreased 2% to £104.27)

**Step 2: Has it beaten the High Water Mark?**

No – because the Base Asset Value per Share of £104.27 is lower than the High Water Mark of £106.30.

### **Step 3: Is a Performance Fee payable?**

No – The Base Asset Value per Share is below the High Water Mark.

### **Step 4: What is the Final Net Asset Value for the Performance Period?**

The Final Net Asset Value is £104.27 (the same as the Base Asset Value per Share as no Performance Fee has crystallised in respect of the Performance Period).

### **Step 5: What is the High Water Mark for the next Performance Period?**

The High Water Mark is £104.27 (the Final Net Asset Value per Share at the accounting reference date).

### **Example 4 – First Performance Period in the next accounting period**

Assumes

1. High Water Mark is £104.27
2. Base Asset Value per Share up 3% in Performance Period

### **Step 1: What is the increase in the Base Asset Value per Share?**

£3.13 (as the Base Net Asset Value per Share has increased 3% to £107.40)

### **Step 2: Has it beaten the High Water Mark?**

Yes – because the Base Asset Value per Share of £107.40 is higher than the High Water Mark of £104.27.

### **Step 3: Is a Performance Fee payable?**

Yes – because the Base Asset Value per Share is above the High Water Mark.

The amount paid is 10% of the growth in the Base Asset Value per Share over the High Water Mark.

In this case the Performance Fee is 10% of £3.13, which is £0.31 per Share.

### **Step 4: What is the Final Net Asset Value for the Performance Period?**

The Final Net Asset Value is £107.09 (the Base Asset Value per Share of £107.40 less the crystallised Performance Fee of £0.31 per Share).

### **Step 5: What is the High Water Mark for the next Performance Period in the current accounting period?**

The High Water Mark is £107.09 (the higher of the Final Net Asset Value per Share at the previous accounting reference date and the highest Final Net Asset Value per Share on any previous Calculation Day within the current accounting period on which a Performance Fee crystallised).

### **Impact of use of average share methodology**

In Example 1 if, at the end of the Performance Period, the number of Shares in issue is 100,000 and the average number of Shares in issue for the Performance Period is also 100,000, then the actual Performance Fee payable to the ACD would be £40,000 in total, equivalent to £0.40 per Share in issue. The Final Net Asset Value per Share for the Performance Period would be £103.60 and the High Water Mark per Share for the subsequent Performance Period would be £103.60.

However, if the average number of Shares in issue for the Performance Period was 95,000, then the actual Performance Fee payable to the ACD would be £38,000 (£0.40 x 95,000), equivalent to £0.38 per Share for the 100,000 Shares in issue at the end of the Performance Period. The Final Net Asset Value per Share for the Performance Period and the High Water Mark per Share for the subsequent Performance Period would be £103.62.

### **Impact of income distributions**

In Example 2, if an income distribution of £1 per Share had been declared at the end of the previous Performance Period, then the High Water Mark for the subsequent Performance Period would have been reduced by the amount of the distribution and would therefore be £102.60 per Share. If the Base Asset Value per Share were then to increase to £106.71 by the end of the Performance Period, then the percentage increase in the Base Asset Value per Share would be 4.01% (increase from £102.60 to £106.71). As a result, the Base Asset Value per Share would exceed the High Water Mark per Share. A Performance Fee of £0.40 per Share would be

payable (assuming that the average Shares in issue for the Performance Period is the same as the number of Shares in issue at the end of the Performance Period).

**Profile of the typical investor**

The Fund has been designed for investors seeking to grow capital in real terms over the minimum period of at least 5 years. Typical investors are prepared to accept an increased risk of loss in the shorter term in return for capital appreciation. This Fund is available to retail investors.

**Past Performance**

As the Fund has been in existence for less than a year at the date of this Prospectus, no past performance information was available in respect of the Fund.

## APPENDIX I

### **PART 1 - ELIGIBLE SECURITIES MARKETS**

Any market established in a Member State of the EC or of the European Economic Area on which transferable securities admitted to official listing in the Member State are dealt in or traded; and any of the following markets:

Australia	-	The Australian Stock Exchange
Brazil	-	Sao Paulo Stock Exchange Rio de Janeiro Stock Exchange
Canada	-	The Montreal Stock Exchange The Toronto Stock Exchange TSX Ventures Exchange Government of Canada Bond Market
Chile	-	Bolsa Comercio, Santiago Exchange
China	-	Shanghai Stock Exchange Shenzhen Stock Exchange
Colombia	-	Bolsa de Valores de Colombia
Czech Republic	-	Prague Stock Exchange
Egypt	-	Egyptian Exchange
France	-	Euronext Paris
Hong Kong	-	Hong Kong Exchanges
Hungary	-	Budapest Stock Exchange
India		Bombay Stock Exchange, Mumbai
Indonesia	-	Jakarta Stock Exchange Surabaya Stock Exchange
Israel		Tel Aviv Stock Exchange
Japan	-	Tokyo Stock Exchange, 1 <sup>st</sup> and 2 <sup>nd</sup> Sections The Osaka Stock Exchange The Nagoya Stock Exchange The Sapporo Stock Exchange The Over-the-Counter Market
The Republic of Korea	-	The Korea Stock Exchange
Malaysia		Bursa Malaysia
Malta		Malta Stock Exchange
Mexico	-	The Mexican Stock Exchange
New Zealand		The New Zealand Stock Exchange
Peru	-	Lima Stock Exchange
Philippines	-	The Philippine Stock Exchange
Poland	-	Warsaw Stock Exchange
Russia	-	Level 1 and Level 2 RTS Stock Exchange, MICEX
Singapore	-	The Singapore Stock Exchange
South Africa	-	JSE Securities
South Korea-		Korea Stock Exchange, KOSDAQ

Sri Lanka	-	Colombo Stock Exchange
Switzerland	-	SWX Swiss Exchange
Taiwan		Taiwan Stock Exchange Gre Tai Securities Market
Thailand	-	The Stock Exchange of Thailand
Turkey	-	Istanbul Stock Exchange
United Kingdom	-	The Alternative Investment Market of the London Stock Exchange; and "When Issued Trading" SEAQ International techMARK Euronext LIFFE SWX Europe
USA	-	The American Stock Exchange The Boston Stock Exchange The Cincinnati Stock Exchange The Chicago Stock Exchange The New York Stock Exchange The Pacific Stock Exchange The Philadelphia Stock Exchange The United States Bond Market NASDAQ The "Over-the-Counter" Market regulated by NASDAQ The National Stock Exchange

## **PART 2 - ELIGIBLE DERIVATIVES MARKETS**

Bolsa Comercio, Santiago Exchange

Chicago Board of Trade  
Chicago Board Options Exchange  
Chicago Mercantile Exchange

Copenhagen Stock Exchange (inc FUTOP)

Euronext

Euronext LIFFE  
Euronext Paris  
EUREX

Egyptian Exchange

Finnish Options Market

Hong Kong Futures Exchange

International Securities Market Association

Irish Stock Exchange

JSE Securities Exchange

Kansas City Board of Trade

Korea Stock Exchange, KOSDAQ

Level 1 and Level 2 RTS Stock Exchange, MICEX

MEFF

Montreal Stock Exchange

New York Futures Exchange  
New York Mercantile Exchange  
New York Stock Exchange

New Zealand Futures & Options Exchange

OMLX The London Securities and Derivatives Exchange Ltd

Stockholmsborsen

Osaka Securities Exchange

Pacific Stock Exchange

Philadelphia Board of Trade  
Philadelphia Stock Exchange

Singapore Exchange

South Africa Futures Exchange (SAFEX)

Sydney Futures Exchange

Tokyo International Financial Futures Exchange

Tokyo Stock Exchange

Toronto Futures Exchange

## APPENDIX II

### INVESTMENT AND BORROWING POWERS OF THE COMPANY

#### Investment restrictions

The property of each Fund will be invested with the aim of achieving the investment objective of that Fund but subject to the limits on investment set out in the COLL Sourcebook. These limits apply to each Fund as summarised below:

- Generally the Company will invest in approved securities which are transferable securities admitted to official listing in a Member State or are traded on eligible securities markets (see Appendix I) and in approved money-market instruments which are normally dealt in on the money market, are liquid and have a value which can be accurately determined at any time.
- “Eligible securities markets” are
  - (i) markets established in Member States on which transferable securities admitted to official listing in these states are dealt in or traded; and
  - (ii) markets which the ACD, after consultation with the Depositary, has decided are appropriate for the purpose of investment of or dealing in the property of the Company having regard to the relevant criteria in the COLL Sourcebook and Guidance from FSA. Such markets must operate regularly and be regulated, recognised and open to the public.
- The eligible securities markets for each Fund of the Company are set out in Part 1 of Appendix I.

New eligible securities markets may be added to the existing list only by the passing of a resolution of Shareholders at a Shareholders’ meeting, unless the ACD and the Depositary have agreed in writing that the addition is of minimal significance to the investment strategy of the Company or the Fund concerned, or the ACD has, not less than 60 days before the intended change, given notice in writing of the proposed change to the Depositary and Shareholders and has revised the Prospectus to reflect the intended change and the date of its commencement.

- Up to 20% of the value of the Scheme Property of a Fund may be invested in transferable securities which are not approved securities (which will include recently issued transferable securities which are not yet admitted to official listing in a Member State or traded on eligible securities markets, but are to be so listed or traded) and unregulated collective investment schemes.
- A unit in a closed end fund is a transferable security if, in addition to satisfying the general criteria for transferable securities, either:
  - (a) where the closed end fund is constituted as an investment company or a unit trust:
    - (i) it is subject to corporate governance mechanisms applied to companies; and
    - (ii) where another person carries out asset management activity on its behalf, that person is subject to national regulation for the purpose of investor protection; or
  - (b) where the closed end fund is constituted under the law of contract:
    - (i) it is subject to corporate governance mechanisms equivalent to those applied to companies; and
    - (ii) it is managed by a person who is subject to national regulation for the purpose of investor protection.
- The investment policy of a Fund may mean that at times it is appropriate not to be fully invested but to hold cash or near cash. This will only occur when the ACD reasonably regards it as necessary to enable Shares to be redeemed or for the efficient management of a Fund or a purpose which may reasonably be regarded as ancillary to the investment objectives of the Fund.
- Not more than 20% in value of the Scheme Property of a Fund may be deposited with a single body.
- Up to 10% of a Fund may be invested in transferable securities other than government and other public securities or money market instruments (including certificates representing certain securities) issued by any one issuer. However, this limit is increased to 25% of the value of a Fund in respect of covered bonds.
- Up to 35% of the Scheme Property of a Fund may be invested in government and other public securities issued by any one issuer. Subject to this restriction, there is no limit on the amount of the Scheme Property of a Fund which may be invested in Government and other public securities or such securities issued by any one issuer or of any one issue.
- The Scheme Property of a Fund may be invested in units or shares in collective investment schemes provided such schemes (i) comply with the conditions necessary for them to enjoy the rights conferred by the



UCITS Directive; (ii) are non-UCITS retail schemes; (iii) are recognised schemes under the Financial Services and Markets Act 2000; (iv) are constituted outside the UK and the investment and borrowing powers of which are the same or more restrictive than those of a non-UCITS retail scheme; or (v) are schemes not falling with (i) to (iv) and in respect of which no more than 20% of the Scheme Property is invested, and in each case, the schemes operate on the principle of the prudent spread of risk and are prohibited from having more than 15% in value of their property in other collective investment schemes.

- Not more than 35% of the Scheme Property can be invested in any one collective investment scheme.
- A Fund may, subject to the conditions above and other provisions in the COLL Sourcebook, and to the same extent as it may invest its Scheme Property in other collective investment schemes, invest its Scheme Property in either:
  - (a) another scheme operated by or managed by the ACD; or
  - (b) another scheme for which the ACD or an associate of the ACD acts as authorised corporate director.
- No Fund may invest in the Shares of another Fund.
- Up to 100% in value of the Scheme Property of a Fund may consist of warrants listed on an eligible securities market, provided that warrants may only be held if it is reasonably foreseeable that the exercise of the rights conferred by the warrants will not contravene the COLL Sourcebook. **This may increase the volatility and risk profile of the Fund.**
- It is not intended that the Funds will have any direct interest in immovable property or tangible moveable property; however Funds may be exposed to such property through investment in collective investment schemes.
- It is not intended that the Funds will have any direct interest in gold.

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

### **Use of Derivatives**

**Derivative transactions may be used by the Funds for the purposes of Efficient Portfolio Management or meeting their investment objectives. Use of derivatives for investment purposes may increase the volatility and risk profile of the Funds.** Use of derivatives for Efficient Portfolio Management will generally have the effect of reducing the volatility and risk profile of the Funds. Efficient Portfolio Management is a technique where derivatives that are economically appropriate (in that they are realised in a cost effective way) are used for one or more of the following purposes: (i) the reduction of risk; (ii) the reduction of cost; or (iii) the generation of additional income with a risk level which is consistent with the risk profile of a scheme and the risk diversification rules laid down in COLL.

In pursuing a Fund's objective the Investment Adviser may make use of a variety of derivative instruments in accordance with the FSA Rules. As a result the net asset value of the relevant Fund could potentially be more volatile, however it is the intention of the Investment Adviser that each Fund, owing to its portfolio composition or the Efficient Portfolio Management techniques used, will not have volatility over and above the general market volatility of the markets of their underlying investments. Use of derivatives will not contravene the investment objective or limits of the Funds.

A Fund may make permitted transactions in derivatives (which include futures, options, contracts for differences (CFDs) and forwards), and may do so for investment purposes or for the purpose of hedging the Fund's investments in order to manage the risk profile of the Scheme Property, reduce costs and generate additional capital or income. The transactions must be in line with the Fund's investment objectives and be sufficiently covered by the Scheme Property to the extent permitted by the COLL Sourcebook.

A permitted transaction is one made in approved derivatives traded on or under the rules of an eligible derivatives market or if an OTC (Over The Counter) derivative a future, an option or a contract for differences which must be entered into with a counterparty that is acceptable in accordance with the COLL Sourcebook, must be on approved terms as to valuation and close out and must be capable of valuation.

Eligible derivatives markets are regulated markets which the ACD, after consultation and notification with the Depositary, has decided are appropriate for the purpose of investment of or dealing in the Scheme Property with regard to the relevant criteria set out in the COLL Sourcebook and the Guidance on eligible markets issued by FSA as amended from time to time.

The eligible derivatives markets for the Company are set out in Part 2 of Appendix I.

The addition of new eligible derivatives markets for a Fund requires the approval by resolution of Shareholders unless the ACD and the Depositary have agreed in writing that the addition is of minimal significance to the investment strategy of the Fund concerned, or the ACD has, not less than 60 days before the change, given notice in writing as set out above in the case of additional eligible securities markets.

Exposure of the Scheme Property to the underlying asset of a derivative must not cause the Fund to exceed the limits for investment in such assets as set out in this Appendix II and the COLL Sourcebook. Such underlying assets may only consist of transferable securities, money market instruments, deposits, permitted derivatives, collective investment schemes, immovables, gold, financial indices, interest rates, forward exchange rates and currencies.

Where a transferable security or money market instrument embeds a derivative, this must be taken into account for the purposes of calculating any limits. A transferable security or an approved money-market instrument will embed a derivative if it contains a component which fulfils the following criteria:

- by virtue of that component some or all of the cash flows that otherwise would be required by the transferable security or approved money-market instrument which functions as host contract can be modified according to a specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, and therefore vary in a way similar to a stand-alone derivative;
- its economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract; and
- it has a significant impact on the risk profile and pricing of the transferable security or approved money-market instrument.

Each derivative transaction must be fully covered by Scheme Property sufficient in value or amount to match the exposure arising from a derivative obligation to which the Fund is committed. Exposure includes the principal or notional principal created by the transaction taking into account the value of the underlying assets, any reasonably foreseeable market movements, counterparty risk and the time available to liquidate any positions. A Fund may not enter into a derivative position which would result in the Fund's global exposure exceeding the net value of its Scheme Property.

Generally Scheme Property is not available for cover if it is the subject of a stocklending transaction, unless the ACD has taken reasonable care to determine that such Scheme Property is redelivered in time to meet the obligation for which cover is required.

Cash not yet received into the Scheme Property, but due to be received within one month, is available as cover. The exposure relating to derivatives held in the Trust may not exceed the net value of its Scheme Property.

In the case of off exchange derivatives, which may only be futures, options or CFDs, the transaction may only be entered into once the Depositary is satisfied that the counterparty will agree to provide reliable and verifiable valuations on at least a daily basis and otherwise meet the conditions set out in the COLL Sourcebook.

Any off exchange transactions must be with an approved counterparty (eligible institutions or approved banks or authorised principals). A derivative or forward transaction which would or could lead to delivery of Scheme Property to the Depositary in respect of the Company may be entered into only if such Scheme Property can be held by the Company, and the ACD reasonably believes that the delivery of the property pursuant to the transaction will not lead to a breach of the COLL Sourcebook.

The exposure to any one counterparty in an OTC derivative transaction must not exceed 10% in value of the Scheme Property. For the purpose of calculating the limit in (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:

- is marked-to-market on a daily basis and exceeds the value of the amount at risk;
- is exposed only to negligible risks (e.g. government bonds of first credit rating or cash) and is liquid;
- 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
- can be fully enforced by the relevant Fund at any time.

Use of derivatives must be supported by a risk management process maintained by the Investment Adviser which takes account of the investment objective and policy of the Trust.

### **Stocklending**

The Company, or the Depositary at the request of the Company, may enter into certain stocklending transactions in respect of the Company. Briefly, such transactions are those where the Company or the Depositary delivers securities which are the subject of the transaction in return for which it is agreed that securities of the same kind and amount should be redelivered to the Company or the Depositary at a later date. The Company or the Depositary at the time of delivery receives collateral to cover against the risk of the future redelivery not being

completed. There is no limit on the value of the property of the Company which may be the subject of stocklending transactions.

Such transactions must always comply with the requirements of the Taxation of Chargeable Gains Act 1992. The transactions must also comply with the requirements of the COLL Sourcebook and the Guidance on Stocklending issued by FSA as amended from time to time.

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

#### **Borrowing powers**

The ACD may, on the instructions of the Company and subject to the COLL Sourcebook, borrow money from an eligible institution or an approved bank for the use of the Company on terms that the borrowing is to be repayable out of the Scheme Property.

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

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