

This document comprises a prospectus relating to F&C Managed Portfolio Trust plc (the “Company”) prepared in accordance with the Prospectus Rules and Listing Rules of the UK Listing Authority made under section 73A of the Financial Services and Markets Act 2000. This document has been approved by the Financial Conduct Authority in accordance with Rule 3.2 of the Prospectus Rules. This document will be made available to the public in accordance with the Prospectus Rules by being made available at [www.fcmanagedportfolio.co.uk](http://www.fcmanagedportfolio.co.uk).

The Directors of the Company, whose names appear on page 22 of this document, and the Company each accept responsibility for the information contained in this document. The Directors and the Company, having taken all reasonable care to ensure that such is the case, believe that the information contained in this document is, to the best of the knowledge of the Directors and the Company, in accordance with the facts and does not omit anything likely to affect the import of such information.

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# **F&C MANAGED PORTFOLIO TRUST PLC**

*(incorporated in Scotland under the Companies Act 1985 with registered no. SC338196 and registered as an investment company within the meaning of section 833 of the Companies Act 2006)*

## **Issue of up to 50 million New Income Shares and 50 million New Growth Shares in aggregate**

**Investment Manager**

**F&C Investment Business Limited**

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Applications will be made to the UK Listing Authority for the New Shares to be admitted to the Official List and to the London Stock Exchange for the New Shares to be admitted to trading on the London Stock Exchange’s Main Market for listed securities. It is expected that such admissions will become effective, and dealings in the New Shares will commence, during the period from 30 October 2015 to 28 October 2016.

This Prospectus does not constitute, and may not be used for the purposes of, an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. The distribution of this Prospectus and the offering of New Shares in certain jurisdictions may be restricted and, accordingly, persons into whose possession this document comes are required to inform themselves about and to observe such restrictions. The New Shares have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) or under any of the relevant securities laws of Canada, Australia or Japan. Accordingly, the New Shares may not (unless an exemption from such Act or such laws is available) be offered, sold or delivered, directly or indirectly, in or into the USA, Canada, Australia or Japan. The Company will not be registered under the United States Investment Company Act of 1940 (as amended) and investors will not be entitled to the benefits of such Act.

Dickson Minto W.S., which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is the sponsor and solicitor to the Company. Dickson Minto W.S. is not acting for any other person in connection with the Issues. Apart from the responsibilities and liabilities, if any, which may be imposed on Dickson Minto W.S. by the Financial Services and Markets Act 2000 or the regulatory regime established thereunder, Dickson Minto W.S. will not be responsible to anyone other than the Company for providing the protections afforded to clients of Dickson Minto W.S. and is not advising any other person in relation to any transaction contemplated in or by this document.

**Potential investors should consult their stockbroker, bank manager, solicitor, accountant or other financial adviser before investing in the Company. Potential investors should also consider the risk factors relating to the Company set out on pages 14 to 18 of this document.**

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## SUMMARY

Summaries are made up of disclosure requirements known as 'Elements'. These Elements are numbered in Sections A-E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted into the summary because of the type of security and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of 'not applicable'.

### Section A – Introduction and warnings

Element	Disclosure requirement	Disclosure
A.1	Warning	This summary should be read as an introduction to the Prospectus. Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who have tabled the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	Financial Intermediaries	Not applicable. No consent has been given by the issuer or person responsible for drawing up the Prospectus to the use of the Prospectus for subsequent resale or final placement of securities by financial intermediaries.

### Section B – Issuer

Element	Disclosure requirement	Disclosure
B.1	Legal and commercial name	F&C Managed Portfolio Trust plc.
B.2	Domicile and legal form	The Company was incorporated and registered in Scotland on 20 February 2008 as a public company limited by shares under the Companies Act 1985 with registered number SC338196. The Company operates under the Act and regulations made under the Act.
B.5	Group description	Not applicable. The Company is not part of a group.
B.6	Major shareholders	As at 27 October 2015, the Company had received no notifications of significant voting rights (under the Disclosure and Transparency Rules). The Directors are not aware of any person or persons who, following the Issues, will or could, directly or indirectly, jointly or severally, exercise control over the Company. There are no different voting rights for any Shareholder, save for those which derive from the Articles.

B.7	Key financial information	<div>Selected historical financial information relating to the Company which summarises the financial condition of the Company for each of the three financial years up to 31 May 2015 is set out in the following table:</div> <table><thead><tr><th></th><th><i>Audited financial results for the year ended 31 May 2013</i></th><th><i>Audited financial results for the year ended 31 May 2014</i></th><th><i>Audited financial results for the year ended 31 May 2015</i></th></tr></thead><tbody><tr><td><b>Net asset value</b></td><td></td><td></td><td></td></tr><tr><td>Net assets (£'000)</td><td>62,545</td><td>68,328</td><td>88,230</td></tr><tr><td>Net asset value per Income Share (p)</td><td>117.68</td><td>119.85</td><td>126.37</td></tr><tr><td>Net asset value per Growth Share (p)</td><td>124.78</td><td>136.41</td><td>153.92</td></tr><tr><td><b>Income</b></td><td></td><td></td><td></td></tr><tr><td>Revenue return after taxation (£'000)</td><td>1,390</td><td>1,499</td><td>1,737</td></tr><tr><td>Revenue return per Income Share (p)</td><td>5.20</td><td>5.56</td><td>5.87</td></tr><tr><td>Dividend per Income Share (p)</td><td>4.6</td><td>4.8</td><td>5.00</td></tr><tr><td><b>Portfolio summary</b></td><td></td><td></td><td></td></tr><tr><td>Shareholders' funds (£'000)</td><td>62,545</td><td>68,328</td><td>88,230</td></tr><tr><td>Loans drawn down (£'000)</td><td>(851)</td><td>(467)</td><td>(2,900)</td></tr><tr><td>Future commitments (£'000)</td><td>(355)</td><td>(368)</td><td>(451)</td></tr><tr><td>Income Share price (p)</td><td>116.5</td><td>122.0</td><td>128.5</td></tr><tr><td>Growth Share price (p)</td><td>123.0</td><td>136.0</td><td>155.0</td></tr></tbody></table> <div>During the three financial years up to 31 May 2015 (being the end of the last financial period of the Company for which financial information has been published) and subsequent to 31 May 2015, there has been no significant change in the Company's financial condition or the operating results of the Company.</div>		<i>Audited financial results for the year ended 31 May 2013</i>	<i>Audited financial results for the year ended 31 May 2014</i>	<i>Audited financial results for the year ended 31 May 2015</i>	<b>Net asset value</b>				Net assets (£'000)	62,545	68,328	88,230	Net asset value per Income Share (p)	117.68	119.85	126.37	Net asset value per Growth Share (p)	124.78	136.41	153.92	<b>Income</b>				Revenue return after taxation (£'000)	1,390	1,499	1,737	Revenue return per Income Share (p)	5.20	5.56	5.87	Dividend per Income Share (p)	4.6	4.8	5.00	<b>Portfolio summary</b>				Shareholders' funds (£'000)	62,545	68,328	88,230	Loans drawn down (£'000)	(851)	(467)	(2,900)	Future commitments (£'000)	(355)	(368)	(451)	Income Share price (p)	116.5	122.0	128.5	Growth Share price (p)	123.0	136.0	155.0
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B.8	Key pro forma financial information	Not applicable. No pro forma financial information is included in this document.																																																												
B.9	Profit forecast	Not applicable. No profit forecasts or estimates are made in this document.																																																												
B.10	Description of the nature of any qualifications in the audit report on the historical financial information	Not applicable. The audit reports on the historical financial information contained within the document are not qualified.																																																												
B.11	Insufficient working capital	Not applicable. The Company is of the opinion that the working capital available to the Company is sufficient for the Company's present requirements (that is, for at least the next twelve months from the date of this document).																																																												
B.34	Investment policy	The Company's objective is to provide an attractive level of income with the potential for income and capital growth to Income Shareholders and to provide capital growth for Growth Shareholders, in each case through investing principally in a diversified portfolio of investment companies.																																																												

		<p>The Income Portfolio invests in a diversified portfolio of at least 25 investment companies that have underlying investment exposures across a range of geographic regions and sectors and that focus on offering an income yield above the yield of the FTSE All-Share Index.</p> <p>The Growth Portfolio invests in a diversified portfolio of at least 25 investment companies that have underlying investment exposures across a range of geographic regions and sectors and that the focus of which will be to maximise total returns, principally through capital growth.</p> <p>The Company invests principally in closed-ended investment companies, wherever incorporated, which are listed on the Official List of the UK Listing Authority. The majority of the Company's holdings comprise equity investments although it is permitted to invest in other securities issued by investment companies. The Company is permitted to invest in other closed-ended investment companies, wherever incorporated, whose shares are traded on AIM or a regulated exchange (other than the Official List of the UK Listing Authority) up to a maximum of 25 per cent. of the total assets of the relevant Portfolio.</p> <p>In accordance with the Listing Rules of the UK Listing Authority, the Company will not invest more than 10 per cent. in aggregate of its total assets in other UK listed investment companies that themselves may invest more than 15 per cent. of their total assets in other UK listed investment companies.</p> <p>There are no maximum levels set for underlying exposures to geographic regions or sectors.</p> <p>No investment in either Portfolio may exceed 15 per cent. of the relevant Portfolio's total assets at the time of the latest purchase.</p> <p>The Manager may invest the assets of the Company in other investment companies managed by the Manager or another member of the F&amp;C Group, provided that such investments in the Income or Growth Portfolios shall not exceed 20 per cent. of the total assets of the relevant Portfolio at the time of investment.</p> <p>There are no defined limits on securities and accordingly the Company may invest up to 100 per cent. of total assets in any particular type of security.</p> <p>The Company may use derivatives, principally for the purpose of efficient portfolio management, including protecting the Portfolios against market falls.</p> <p>The Company may use gearing in either Portfolio. Borrowings are not normally expected to exceed 20 per cent. of the total assets of the relevant Portfolio. Under the Articles, the maximum borrowing limit is 50 per cent. of the total assets of the relevant Portfolio.</p>
B.35	Borrowing limits	<p>From time to time bank borrowings are used to gear the Income Portfolio and the Growth Portfolio. The Company has a one year £5 million unsecured revolving credit facility with The Royal Bank of Scotland plc. As at 27 October 2015 the</p>

		<p>Company had drawn down £2.9 million under this facility. The Company also has an undrawn short term borrowing facility with JPMorgan Chase Bank, its custodian as a delegate of the Depositary, to draw down amounts up to £1 million for a maximum of 30 days.</p> <p>Under the Articles the Company's borrowings in respect of either Portfolio shall not at any time, save with previous sanction of an ordinary resolution passed at a separate general meeting of the holders of Shares having rights over such Portfolio, exceed an amount equal to 50 per cent. of the total assets of the relevant Portfolio.</p>
B.36	Regulatory status	Save for its compliance with the Act, the Listing Rules, the Disclosure and Transparency Rules, the Prospectus Rules and the UK Code, the Company is not a regulated entity.
B.37	Typical investor	The Directors believe that the profile of a typical investor in the Income Shares is a professionally advised individual, including an existing investor in the F&C Share Plans, who is seeking an attractive level of income with the potential for income and capital growth through investing in a diversified portfolio of Investment Companies. The Directors believe that a typical investor in the Growth Shares is a professionally advised individual, including an existing investor in the F&C Share Plans, who is seeking capital growth through investing in a diversified portfolio of Investment Companies.
B.38	Investment of 20% or more in single underlying asset or investment company.	Not applicable. No investment in either Portfolio may exceed 15 per cent. of the relevant Portfolio's total assets at the time of the latest purchase.
B.39	Investment of 40% or more in single underlying asset or investment company.	Not applicable. No investment in either Portfolio may exceed 15 per cent. of the relevant Portfolio's total assets at the time of the latest purchase.
B.40	Applicant's service providers	<p><i>The Manager</i></p> <p>The Company has appointed F&amp;C Investment Business Limited, a wholly owned subsidiary of F&amp;C Asset Management plc ("<b>F&amp;C</b>"), as its investment manager and alternative investment fund manager for the purposes of the AIFM Directive. The Manager is a private limited company and was incorporated in Scotland under the Companies Act 1985 with registered number SC151198 on 1 June 1994. The Manager operates under the Act and is authorised and regulated by the Financial Conduct Authority. F&amp;C is wholly owned by BMO Global Asset Management (Europe) Limited, which is itself a wholly owned subsidiary of the Bank of Montreal.</p> <p>The Company has entered into the Investment Management Agreement with the Manager under which the Manager is responsible for the day-to-day management of the Company's investment portfolio, subject to the overall control and supervision of the Board. The Manager manages the Company's investments in accordance with the policies laid down by the Directors from time to time and in accordance with the investment restrictions referred to in the Investment Management Agreement.</p>

		<p>The Manager is entitled to a base fee of an amount equal to 0.65 per cent. per annum of the Total Assets of each Portfolio payable quarterly in arrears, subject to being reduced to 0.325 per cent. per annum on any assets which are invested in other investment vehicles managed by the Manager.</p> <p>The Manager is also entitled to a performance fee. The Performance Fee may be payable annually and is equal to 10 per cent. of the monetary amount by which the total return of the relevant Portfolio over that year (after all costs and expenses excluding the Performance Fee) exceeds the total return on the FTSE All-Share Index (in each case with dividends reinvested). The Performance Fee payable in respect of any one year is capped at 0.35 per cent. of the total assets of the relevant Portfolio and is charged wholly to capital.</p> <p>The Investment Management Agreement can be terminated by either party on six months notice.</p> <p><i>Administration arrangements</i></p> <p>All secretarial and administrative services are provided by the Manager. The Manager receives a secretarial and administrative fee of £78,986 per annum, subject to annual changes in line with the UK Consumer Price Index.</p> <p><i>Depositary arrangements</i></p> <p>The Company has appointed J.P. Morgan Europe Limited to provide depositary services, in accordance with the AIFM Directive. The Depositary receives an annual fee for its services of one basis point of the Company's net assets, payable monthly in arrears.</p>
B.41	Regulatory status of investment manager and custodian	The Investment Manager is authorised and regulated by the FCA. The Depositary is authorised by the PRA and regulated by the FCA and the PRA.
B.42	Calculation of Net Asset Value	The Net Asset Value per Share is calculated by the Company in accordance with the Company's accounting policies and is published daily through a Regulatory Information Service. The calculation of the Net Asset Value per Share will be suspended only in circumstances where the underlying data necessary to value the investments of the Company cannot readily, or without undue expenditure, be obtained. Details of any suspension in making such calculations will be announced through a Regulatory Information Service.
B.43	Cross liability	Not applicable. The Company is not an umbrella collective investment undertaking and as such there is no cross liability between classes or investment in another collective investment undertaking.
B.44	No financial statements have been made up	Not applicable. The Company has commenced operations and historical financial information is included within the document.
B.45	Portfolio	The Portfolios comprise predominantly equities. As at 27 October 2015, the Income Portfolio comprised investments with an aggregate unaudited value, calculated in accordance with the Company's accounting policies, of £43.8 million. On the same date, the Growth Portfolio comprised investments with an aggregate unaudited value,



		calculated in accordance with the Company's accounting policies, of £46.4 million.
B.46	Net Asset Value	The unaudited NAV per Income Share was 117.04 pence and the unaudited NAV per Growth Share was 148.68 pence as at close of business on 27 October 2015 (being the latest practicable date prior to the publication of this document).

### Section C – Securities

Element	Disclosure requirement	Disclosure
C.1	Type and class of securities	The Company has two classes of shares in issue. The Company will issue a maximum of 50 million New Income Shares and 50 million New Growth Shares pursuant to the Issues. The ISIN number for the Income Shares is GB00B2PP3J36 and the ISIN number for the Growth Shares is GB002PP2527. The SEDOL number for the Income Shares is B2PP3J3 and the SEDOL number for the Growth Shares is B2PP252.
C.2	Currency	The Company will issue New Shares denominated in Sterling.
C.3	Number of securities to be issued	The Company will issue a maximum of 50 million New Income Shares and 50 million New Growth Shares pursuant to the Issues.
C.4	Description of the rights attaching to the securities	<p>The New Shares will rank <i>pari passu</i> in all respects with the existing Shares.</p> <p><i>Voting Rights</i></p> <p>Subject to any special rights, restrictions or prohibitions as regards voting for the time being attached to any Shares, all Shareholders shall have the right to receive notice of and to attend and vote at general meetings of the Company.</p> <p>At any general meeting of the Company each Income Shareholder and each Growth Shareholder has, on a show of hands, one vote and, on a poll, a weighted vote determined in accordance with the underlying NAV of the relevant Share as specified in the Articles.</p> <p>At any class meeting of Income Shareholders each Income Shareholder has, on a show of hands, one vote and, on a poll, one vote for each Income Share held and at any class meeting of Growth Shareholders each Growth Shareholder has, on a show of hands, one vote and, on a poll, one vote for each Growth Share held.</p> <p>Any material change to the investment policy of the Company will only be made with the prior class consent of Shareholders of the class to which the change relates (where the proposed material change only relates to a particular class) and with the prior approval of the Shareholders of the Company.</p> <p><i>Dividend rights</i></p> <p>No dividends are paid on the Growth Shares. Any net income arising in the Growth Portfolio is transferred to the Income Portfolio and a corresponding transfer of an identical amount made from the capital attributable to the Income Portfolio to the Growth Portfolio. Such income transfers benefit the income prospects of the Income Shares and the capital growth prospects of the Growth Shares. The New Shares</p>



		<p>issued under the Cayenne Issue will not qualify for the second interim dividend in respect of the quarter to 30 November 2015 which is to be paid by the Company on 4 January 2016 as announced by the Directors on 29 October 2015.</p> <p><i>Return of capital</i></p> <p>Shareholders are entitled to participate (in accordance with the rights specified in the Articles) in the assets of the Company attributable to their Shares in a winding up of the Company or a winding up of the business of the Company.</p> <p><i>Conversion Mechanism</i></p> <p>Subject to certain minimum thresholds, Shareholders have the right to convert their Income Shares into Growth Shares and their Growth Shares into Income Shares on an annual basis. The Directors also have the discretion to add additional conversion dates.</p> <p>The ratio in which Shares convert is determined on a relative net asset value basis as at the Conversion Date, adjusted for any dividends that go ex dividend prior to the Conversion Date and such that the Converting Shares bear the costs of conversion. Upon conversion, a Converted Share ranks <i>pari passu</i> with all the other Shares of its new class.</p> <p>Once lodged, a conversion notice may not be withdrawn without the consent in writing of the Board. The Board may permit different arrangements to apply to nominee holders or other holders at its discretion.</p> <p>The Board may from time to time set a maximum number of Income or Growth Shares which may be converted on any Conversion Date. If this limit is exceeded, requests to convert will be satisfied on a <i>pro rata</i> basis, pro rated by the total number of Shares each Shareholder wished to convert and any Shares above those amounts shall not be converted.</p> <p>Under current law and practice, such conversions will not be treated as disposals for UK capital gains tax purposes.</p> <p><i>Compulsory conversion</i></p> <p>The Articles provide the Directors with the discretion to require the compulsory conversion of all the Income Shares or all the Growth Shares if the net assets of the relevant Portfolio fall below £2 million or would fall below such limit following requested conversions pursuant to the Conversion Mechanism.</p>
C.5	Restrictions on the free transferability of the securities	There are no restrictions on the free transferability of the Shares.
C.6	Admission	Applications will be made to the UK Listing Authority for the New Shares to be admitted to the Official List and to the London Stock Exchange for the New Shares to be admitted to trading on the Main Market. It is expected that such admissions will become effective, and that dealings in the New Shares will commence during the period from 30 October 2015 to 28 October 2016.

C.7	Dividend policy	<p>Income Shares are entitled to all dividends of the Company. The Growth Shares do not carry an entitlement to receive dividends. In the absence of unforeseen circumstances, the Company typically pays four quarterly interim dividends per Financial Year: in October (for the quarter to 31 August), January (for the quarter to 30 November), April (for the quarter to 28 February) and July (for the quarter to 31 May).</p> <p>Dividends are paid from current year revenue and may be supplemented through the use of the Company's revenue reserves as required. The revenue reserve, to which the Income Shares are solely entitled, is enhanced through the transfer of net income generated on the Growth Portfolio to the Income Portfolio. It is the intention of the Directors that from time to time the Company may retain a proportion of the income generated by the Company to increase the revenue reserves of the Company to allow smoothing of future dividend payments.</p>
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### Section D – Risks

Element	Disclosure requirement	Disclosure
D.2	Key information on the key risks specific to the issuer or its industry	<p>The key risk factors relating to the Company are:</p> <ul style="list-style-type: none"> <li>the value of an investment in the Company, and the income and/or capital derived from it, may go down as well as up and may not always reflect the Net Asset Value per Share;</li> <li>changes in economic conditions, markets, currencies and other factors can substantially and adversely affect the value of investments and therefore the Company's performance and prospects;</li> <li>the past performance of the Company, and of investments managed by the Manager and/or other companies within the F&amp;C Group, are not necessarily indicative of future performance;</li> <li>there is no guarantee that the Company's investment objective will be achieved or provide the returns sought by the Company;</li> <li>the relative Total Assets of the Income Portfolio and Growth Portfolio are not fixed, or subject to a minimum amount. There is no guarantee of any further net income being generated on the Growth Portfolio. Accordingly, investors should not assume that the ability to transfer net income from the Growth Portfolio to the Income Portfolio will continue to enhance the revenue reserves available to pay dividends on the Income Shares;</li> <li>the Company is permitted to use borrowings to gear either or both of the Income Portfolio and the Growth Portfolio. While gearing will enhance the Net Asset Value total return of the relevant Portfolio when the return on that Portfolio exceeds the costs and expenses borne by that Portfolio (including the costs of borrowing), when the return does not exceed that amount, the effect of gearing will lead to a reduction in the Net Asset Value total return of the relevant Portfolio;</li> </ul>

		<ul style="list-style-type: none"> <li>• as a matter of law, the Company is a single entity and, while under the Articles the assets of the Income Portfolio are separated for the benefit of the Income Shareholders and the assets of the Growth Portfolio are separated for the benefit of the Growth Shareholders, there is no distinction between the assets of the Income Portfolio and the Growth Portfolio as far as creditors of the Company are concerned and the assets of one Portfolio may be required to meet the liabilities of the other Portfolio if the other Portfolio has liabilities greater than its assets;</li> <li>• the Company will principally invest in Investment Companies which may themselves have borrowings and the Company may therefore be indirectly exposed to gearing through the borrowings from time to time of those other funds; and</li> <li>• any change in the Company's tax status or in taxation legislation or accounting practice could: (i) affect the value of the investments held by the Company; (ii) affect the Company's ability to provide returns to Shareholders; and/or (iii) alter the post-tax returns to Shareholders.</li> </ul>
D.3	Key information on the key risks specific to the securities.	<p>The key risk factors relating to the Shares are:</p> <ul style="list-style-type: none"> <li>• the market value of, and the income and/or capital derived from, the Shares can fluctuate and, notwithstanding the Company's efforts to manage the discount and premium at which the Shares trade, may not always reflect the Net Asset Value per Share;</li> <li>• the Shares may trade at a discount to NAV per Share and shareholders may be unable to realise their investments through the secondary market at NAV per Share;</li> <li>• there can be no assurance that the Income Shares and Growth Shares will not trade at a significant discount to Net Asset Value and, in addition, the Investment Companies held in each Portfolio may themselves trade at a discount to Net Asset Value which could result in a double discount applying;</li> <li>• although the Shares are listed on the Official List and admitted to trading on the London Stock Exchange, it is possible that there may not be a liquid market in the Shares and Shareholders may have difficulty in selling them;</li> <li>• the Company will only pay dividends to Income Shareholders to the extent that it has distributable revenue profits available for that purpose. The amounts of dividends payable by the Company may fluctuate and the level of available revenue reserves per Share will be diluted by the issue of any New Shares; and</li> <li>• for the purposes of the Rollover Proposals, and in order to enable the Company to acquire certain assets from the Cayenne Trust, the value of the assets of the Company and the Cayenne Trust are expected to be valued as at close of business on 25 November 2015</li> </ul>

		(which will be the calculation date for the purposes of the Cayenne Scheme) and those assets will be transferred on the Effective Date or as soon as practicable thereafter. Movements on the value of those assets during the intervening period may have a positive or negative effect on the value of entitlements of investors.
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## Section E – Offer

Element	Disclosure requirement	Disclosure
E.1	Net proceeds and costs of the Issues	<p>The aggregate costs of and incidental to the publication of this document, which have been or will be borne by the Company, are approximately £110,000 (the “<b>Documentation Costs</b>”).</p> <p>Assuming that the Issues are fully subscribed and 50 million Income Shares are issued at a price of 118.21 pence per Share and 50 million Growth Shares are issued at a price of 150.17 pence per Share, being a one per cent. premium to the relevant NAV per Share at the latest practicable date of this document, the gross proceeds of the Issues would be £134.2 million. The fixed costs of the Issues would be £110,000 and listing fees of £66,000 would be payable. Accordingly the net proceeds of the Issues would be £134.0 million.</p> <p>Under the Cayenne Scheme, the Company and the Cayenne Trust have agreed to bear their own costs. The costs associated with the Cayenne Issue, which have been or will be borne by the Company, are approximately £110,000 (less a costs contribution from the Manager equal to one year’s management fee on the assets transferred under the Cayenne Scheme which will be paid by means of a fee waiver, provided that such amount shall not exceed the net costs incurred by the Company, after offsetting the premium to NAV on the New Shares issued).</p> <p>In the event that either the Company or the Cayenne Trust decides not to proceed with the Cayenne Scheme, including if Cayenne Shareholders do not approve any resolution required to implement the Cayenne Scheme, (the “<b>Defaulting Party</b>”) then the non-Defaulting Party shall be entitled to the costs incurred by it in implementing the Scheme from the Defaulting Party, up to a maximum of £75,000 (inclusive of VAT). The non-Defaulting Party will bear any costs incurred by it in excess of £75,000 (inclusive of VAT).</p>
E.2 A	Reasons for the offer and use of proceeds	<p>The Directors intend to offer New Shares under the Cayenne Issue in relation to the rollover of certain assets held by the Cayenne Trust to the Company by way of a scheme of reconstruction and winding up of the Cayenne Trust under section 110 of the Insolvency Act 1986.</p> <p>The Issue Programme has been proposed in principle by the Directors to allow the Company to issue New Shares to satisfy demand from investors at times when Shares are trading at a premium to the relevant NAV per Share. Accordingly, the issue of New Shares pursuant to the Issues will not result in a dilution of the Net Asset Value per Share so</p>

		calculated. The Directors intend to apply the net proceeds of any Issue in accordance with the Company's investment policy.
E.3	Terms and conditions of the offer	<p>The Company will issue a maximum of 50 million Income Shares and 50 million Growth Shares under the Issues.</p> <p>The Cayenne Issue is conditional upon:</p> <ul style="list-style-type: none"> <li>the passing of the resolutions to approve the Cayenne Scheme at the general meeting of the Cayenne Shareholders and the Cayenne Scheme becoming unconditional;</li> <li>the Admission of the New Shares issued in relation to the Cayenne Scheme; and</li> <li>neither the Directors terminating the Company's participation in the Cayenne Scheme nor the directors of the Cayenne Trust having resolved to abandon the Cayenne Scheme.</li> </ul> <p>Each Issue under the Issue Programme will be conditional upon Admission of the relevant New Shares.</p>
E.4	Material interests	Not applicable. No interest is material to the Issues.
E.5	Name of person selling securities	Not applicable. No person or entity is offering to sell the security as part of the Issues.
E.6	Dilution	<p>Shareholders of the Company are not able to participate in the Cayenne Issue. Therefore, Shareholders will suffer a dilution to the percentage of the issued share capital that their current holding represents based on the actual number of Shares issued under the Cayenne Issue. The issue of New Shares pursuant to the Cayenne Issue will not result in a dilution of the Net Asset Value per Share.</p> <p>Assuming all Cayenne Shareholders elect to receive Income Shares and on the basis that 25 million Income Shares (being the maximum number of Income Shares that may be issued under the Cayenne Scheme) are issued, Income Shareholders will suffer a dilution of approximately 40.9 per cent. to their existing percentage holdings.</p> <p>Assuming all Cayenne Shareholders elect to receive Growth Shares and on the basis that 25 million Growth Shares (being the maximum number of Growth Shares that may be issued under the Cayenne Scheme) are issued, Growth Shareholders will suffer a dilution of approximately 45.3 per cent. to their existing percentage holdings.</p>
E.7	Expenses charged to the investor	Not applicable. There are no direct costs charged to the investor. The immediate dilution in the Net Asset Value per Share arising from the Documentation Costs (on the assumption that no New Shares are issued pursuant to any Issue and based on the Net Asset Value per Share as at 27 October 2015) is approximately 0.13 per cent. in respect of the Income Shares and 0.12 per cent. in respect of the Growth Shares. New Shares will be issued at a level of premium to the NAV per Share such that, disregarding the Documentation Costs, no Issue is expected to be dilutive to the Net Asset Value per Share after taking into account the other costs of the Issues.

## **RISK FACTORS**

The risk factors referred to below are the risks which are considered by the Company and the Directors to be material as at the date of this document but are not the only risks relating to the Company or the Shares. Additional risks and uncertainties relating to the Company or the Shares that are not currently known to the Company or the Directors or that the Directors or the Company do not currently consider to be material may also have a material adverse effect on the Company. Potential investors should review this Prospectus carefully and in its entirety and consult with their stockbroker, bank manager, solicitor, accountant or other independent financial adviser before acquiring any Shares.

Prospective investors should note that the risks relating to the Company, its industry and the Shares summarised in the section of this document headed “Summary” are the risks that the Company believes to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Shares. However, as the risks which the Company faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of the document headed “Summary” but also, among other things, the risks and uncertainties described below.

Potential investors should carefully consider the following material risk factors in relation to the Company and the Shares.

### **Risks involved in investing in the Company**

An investment in Shares is only suitable for investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses which may arise therefrom (which may be equal to the whole amount invested). Such an investment should be seen as long term in nature and complementary to existing investments in a range of other financial assets.

Changes in economic conditions (including, for example, interest rates and rates of inflation), industry conditions, competition, changes in the law, political and diplomatic events and trends, tax laws and other factors can substantially and adversely affect the value of investments and therefore the Company's performance and prospects.

### **Risks specific to the Company**

There can be no guarantee that any appreciation in the value of the Portfolios of investments will occur and investors may not get back the full value of their initial investment. The value of an investment in the Company and the income derived from it, if any, may go down as well as up. There can be no guarantee that the investment objectives of the Company will be met. Meeting its objectives is a target but the existence of such objectives should not be considered as an assurance or guarantee that they can or will be met in relation to the Portfolios: in general or in relation to any part of it.

Past performance of the Company, and/or investments managed by the Manager and/or other companies within the F&C Group, are not necessarily indicative of future performance.

### **Risks specific to the Shares**

The Company will only pay dividends on the Income Shares to the extent that it has profits available for that purpose, which will largely depend on the amount of income which the Company receives on its investments and the timing of such receipts.

The relative Total Assets of the Income Portfolio and Growth Portfolio are not fixed, or subject to a minimum amount. There is no guarantee of any further net income being generated on the Growth Portfolio and, accordingly, investors should not assume that the ability to transfer income from the Growth Portfolio to the Income Portfolio will continue to enhance the revenue reserves available to pay dividends on the Income Shares.

The market value of, and the income derived from, the Shares can fluctuate and may not always reflect the Net Asset Value per Share. No dividends are or will be paid on the Growth Shares. There can be no guarantee that any appreciation in the value of the Company's investments will occur and investors



may not get back the full value of their investment. Holders of Income Shares will bear all the rewards and risks of the success or otherwise of the Company's investments in the Income Portfolio and holders of Growth Shares will bear all the rewards of capital gains and risks of capital losses arising in the Growth Portfolio.

In the event that there is no capital growth on the Income Portfolio, the proposed level of dividends payable on the Income Shares may reduce the Net Asset Value of the Income Shares.

The market value of the Shares, as well as being affected by their Net Asset Value, also takes into account their dividend yield and prevailing interest rates, supply and demand for the Shares, market conditions and general investor sentiment. As a result, the market value of a Share may be at a discount to its underlying Net Asset Value.

As a matter of law, the Company is a single entity and, while under the Articles the assets of the Income Portfolio are separated for the benefit of the Income Shareholders and the assets of the Growth Portfolio are separated for the benefit of the Growth Shareholders, there is no distinction between the assets of the Income Portfolio and the Growth Portfolio as far as creditors of the Company are concerned and the assets of one Portfolio may be required to meet the liabilities of the other Portfolio if the other Portfolio has liabilities greater than its assets.

Although the Shares are listed on the Official List and are traded on the Main Market, it is possible that there may not be a liquid market in the Shares and Shareholders may have difficulty in selling them.

There is no fixed ratio of Income Shares to Growth Shares. The ratio of Income Shares to Growth Shares may be affected by Share issuances or buy-backs and by conversions of Income Shares to Growth Shares and vice versa under the Conversion Mechanism. In addition, as described in more detail under "*Compulsory conversion*" in Part 1 of this document, the Directors may compulsorily convert one class of Share into the other in the event that the Net Asset Value of Shares of that class falls below £2 million. Therefore, there is no guarantee as to what the ratio of Income Shares to Growth Shares will be at any particular moment and it is likely to vary (potentially materially) throughout the life of the Company.

In addition, the Directors may, at their discretion, set minimum and maximum limits on the number of Shares which can convert on any Conversion Date. Therefore there is no guarantee that an Income Shareholder or Growth Shareholder will actually be able to convert all or any Shares on a Conversion Date.

The operation of the Conversion Mechanism will give rise to the creation of Deferred Shares from time to time. The Deferred Shares have no voting rights and very few dividend rights or rights on any return of capital and will therefore be effectively of no economic value. For the convenience of Shareholders and to reduce administrative costs for the Company, the Deferred Shares are transferred for nil value to a nominee company or they are bought back by the Company and cancelled. As the Deferred Shares are effectively of no economic value, it is not expected that Income Shares or Growth Shares will suffer any economic loss as a result of the cancellation of the Deferred Shares.

The differing rights and characteristics of the Income Shares and the Growth Shares make it likely that the interests of Income Shareholders and Growth Shareholders will not always be aligned and Income Shareholders may not always vote in the best interests of Growth Shareholders and vice versa. Under the Act and the Articles, Income Shareholders and Growth Shareholders are protected by class rights and, in the event of any proposed change to their class rights, would generally be entitled to a separate vote on the matter, but there is no guarantee that these class rights will always be sufficient to prevent one class of Shares being able to prejudice the other class of Shares through exercising voting rights or otherwise.

In addition, some Shareholders may hold Shares of the other class and may not always vote their Income Shares or their Growth Shares in the best interests of Income Shareholders or Growth Shareholders respectively.

The majority of the Shares in the Company are held through the F&C Share Plans which are administered by the Manager. The Manager has agreed to waive all rights it would otherwise have to vote those Shares held through the F&C Share Plans at its discretion and has agreed to vote the Shares in accordance with the instructions of the underlying Shareholders. The Manager has agreed



that, subject to any regulatory restrictions, it will operate a proportional voting system whereby, provided it receives instructions to vote in respect of more than 10 per cent. of the Shares in the F&C Share Plans, it will vote all the Shares in respect of which it has not received instructions proportionately to those for which it has received instructions, except that any Shares held by the underlying holder in excess of 0.25 per cent. of the issued Shares of the relevant class will not be counted for the purposes of pro rating the voting of non-directed Shares. There is a risk that this may allow a relatively small number of Shareholders a disproportionate voting weighting.

### **Risks relating to the Company's investments**

The Company's investments are subject to normal market fluctuations and the risks inherent in the purchase, holding or selling of securities, and there can be no assurance that appreciation in the value of those investments will occur.

Changes in economic conditions (including, for example, interest rates, foreign exchange rates and rates of inflation), industry conditions, competition, political and diplomatic events, tax laws, environmental laws and other laws and other factors can substantially and either adversely or favourably affect the value of the securities in which the Company invests and, therefore, the Company's performance and prospects.

Investment Companies may trade at a premium or discount to their net asset values from time to time. Premiums and discounts reflect investor sentiment within the market for listed closed-ended funds. Investing in the Company, which will itself invest in other Investment Companies, exposes investors to the risk of a double discount. If the Investment Companies in which the Company invests trade at a discount or that discount widens, this may materially adversely affect the performance of the Company notwithstanding the performance of the underlying investments. Changes in the discounts at which shares in Investment Companies trade may magnify the movement of the Company's underlying investments.

Although the majority of the Investment Companies in which the Company invests will have shares denominated and traded in Sterling, since the Company may also invest in Investment Companies whose underlying assets are quoted in currencies other than Sterling, movements in the rates of exchange between Sterling and other currencies may adversely affect the value of the Portfolio, notwithstanding any efforts made to hedge such fluctuations by the Investment Companies in which the Company invests.

The Company may invest in securities that are not readily tradeable from time to time, which may make it difficult for the Company to sell such securities and may lead to volatility in the market price of the Shares.

The Company may invest in unlisted funds (e.g. AIM traded funds or overseas funds) which are not listed on the Official List of the UKLA and may not be subject to the restrictions imposed on Investment Companies listed on the UKLA's Official List, including those in relation to cross-holdings. This could therefore have the effect of reducing diversification across the Company's Portfolio and may affect materially and adversely the performance of the Company.

There can be no guarantee that any realisation of an investment will be on a basis which reflects the Company's valuation of that investment for the purposes of calculating the NAV of the Shares.

From time to time a proportion of the Company's Portfolio may be held in cash or cash-equivalent investments. Although this should give some protection against negative stockmarket movements, such proportion of the Company's assets will be out of the market and will not benefit from positive stockmarket movements, which may not generate rates of return consistent with the Company's objectives.

### *Emerging markets risk*

Investments may be made by the underlying funds in securities of companies in emerging markets. Such securities may involve a higher degree of risk not typically associated with investing in other more established economies or securities markets and may be considered speculative. As at 27 October 2015 (the latest practicable date prior to the publication of this document) the Company held 3.5 per cent. of its Income Portfolio and 3.8 per cent. of its Growth Portfolio in Investment Companies in the

emerging markets sector. The risks relating to investing in emerging markets include: (i) greater risk of expropriation, confiscation, taxation, nationalisation and social, political and economic instability; (ii) the small current size of the markets for securities of emerging markets issuers and the currently low or non-existent volume of trading, resulting in lack of liquidity and in price volatility; (iii) certain national policies which may restrict the investment opportunities available in respect of a fund including restrictions on investing in issuers or industries deemed sensitive to relevant national interests; and (iv) the absence of developed legal structures governing private or foreign investment and private property. In the event that any of these risks materialise, it may make it more difficult for the Company to sell its securities and may lead to volatility in the market price of the Shares and/or it may materially and adversely affect the performance of the Company.

#### *Other alternative assets risk*

Investments may be made by the underlying funds in property (either commercial or residential, and either standing or developmental), private equity and/or hedge funds. Such investments may involve a higher degree of risk. They may be illiquid, the value of such investments may fluctuate as a result of factors outside the underlying funds' and/or the Company's control. They may also be considered speculative. Should such risks materialise the Company may not be able to realise its investments in the underlying funds for some considerable time, if at all, which may lead to volatility in the market price of the Company's Shares and/or it may materially and adversely affect the performance of the Company.

#### *Offshore funds risk*

Although the Company invests mainly in investment trusts and Investment Companies incorporated in the United Kingdom, the Company may from time to time invest in closed-ended Investment Companies incorporated outside the United Kingdom. Such Investment Companies may be subject to less restrictive laws, rules or codes of corporate governance and may not afford Shareholders the same or equivalent protections as would UK laws, rules or codes of corporate governance.

#### *Derivative instrument risks*

The Investment Companies in which the Company invests may utilise derivatives. The Company may also (although it does not currently do so) use derivatives for efficient portfolio management. Derivative instruments can be highly volatile and expose investors to a high risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, depending on the type of instrument, a relatively small movement in the price of a contract or the underlying securities may result in a profit or loss which is high in proportion to the amount of funds actually placed as initial margin and may result in further loss exceeding any margin deposited. In addition, daily limits on price fluctuations and speculative position limits on exchanges may prevent prompt liquidation of positions resulting in potentially greater losses.

Furthermore, there may not be a price correlation between the price movements in the underlying securities, currency or index, on the one hand, and price movements in the derivative on the other. Trading in derivatives markets may be unregulated or subject to less regulation than in other markets.

#### *Debt instruments, warrants and convertible securities*

The Company from time to time invests in debt instruments, warrants and/or convertible shares issued by companies within its investment universe in addition to equity securities issued by those companies. Debt instruments, warrants and convertible shares may involve a higher degree of risk to the Company as they may be less liquid than equity securities and may effectively gear the assets of the underlying investments and therefore may reflect the volatility of the underlying investments. The use of such instruments may therefore increase the volatility in the value of the Company's investments and its returns on that investment which may affect the financial condition of the Company.

#### *Risks relating to gearing*

The Company invests in other Investment Companies which may themselves incur borrowings from time to time. Accordingly, the Company may itself be indirectly exposed to gearing through its investments. Whilst the use of borrowings by a fund in which the Company has invested should enhance the total return on that investment where the return on the relevant fund's underlying assets

is rising and exceeds the cost of borrowing, it will have the opposite effect where the underlying return is falling or is rising at a lower rate than the cost of borrowing. The use of such borrowings may increase the volatility in the value of the Company's investment in that fund and in its returns on that investment.

The Company may invest in shares in Investment Companies trading at a discount to their net asset value from time to time. As a result, Shareholders may be exposed to "discount gearing" in that they are exposed to more than £1 of underlying gross assets for every £1 invested in Shares in the Company. This may magnify the movement of the Company's underlying investments and may materially affect the performance of the Company.

The Articles currently restrict the Company to borrowing no more than 50 per cent. of its Total Assets at the time of drawdown and it is expected that such borrowings will not normally exceed 20 per cent. of the relevant Portfolio. Whilst the use of borrowings should enhance the Net Asset Value total return of the relevant share class where the return on the underlying assets exceeds the costs and expenses borne by the Portfolio (including the cost of borrowing), when the return does not exceed that amount, the effect of gearing will lead to a reduction in the Net Asset Value total return of the relevant share class. Any borrowings of the Company will rank ahead of the entitlements of Shareholders on a winding up.

From time to time the Company has gearing over the Income Portfolio and the Growth Portfolio. The costs of gearing may reduce the net income of the Company and the costs of any gearing may therefore adversely affect the net income attributable to holders of Income Shares.

### **Risks associated with the Rollover Proposals**

For the purposes of the Rollover Proposals, and in order to enable the Company to acquire certain assets from the Cayenne Trust, the value of the assets of the Company and the Cayenne Trust are expected to be valued as at close of business on 25 November 2015 (which will be the Calculation Date for the purposes of the Cayenne Scheme) and those assets will be transferred on the Effective Date or as soon as practicable thereafter. Movements in the value of those assets during the intervening period may have a positive or negative effect on the value of entitlements of investors.

Implementation of the Rollover Proposals is conditional, *inter alia*, on the shareholders of the Cayenne Trust approving the Cayenne Scheme. In the event that either the Company or the Cayenne Trust decides not to proceed with the Cayenne Scheme, including if Cayenne Shareholders do not approve any resolution required to implement the Cayenne Scheme, (the "**Defaulting Party**") then the non-Defaulting Party shall be entitled to the costs incurred by it in implementing the Scheme from the Defaulting Party, up to a maximum of £75,000 (inclusive of VAT). The non-Defaulting Party will bear any costs incurred by it in excess of £75,000 (inclusive of VAT).

### **Risks relating to regulation and taxation**

If, under UK law or accounting rules and standards applicable to the Company, there were to be a change to the basis on which dividends could be paid by companies, this could have a negative effect on the Company's ability to pay dividends.

Any change in the Company's tax status or in taxation legislation or accounting practice could affect the value of the investments held by the Company, affect the Company's ability to provide returns to Shareholders or alter the post-tax returns to Shareholders. Representations in this document concerning the taxation of investors are based upon current tax law and practice which are, in principle, subject to change.

## **IMPORTANT INFORMATION**

### **General**

This document should be read in its entirety. New investors should rely only on the information contained in this document. No person has been authorised to give any information or make any representations other than as contained in the Prospectus and, if given or made, such information or representations must not be relied on as having been authorised by the Company or the Investment Manager or any of their respective affiliates, officers, directors, employees or agents. Without prejudice to the Company's obligations under the Prospectus Rules, the Listing Rules and the Disclosure and Transparency Rules neither the delivery of the Prospectus nor any subscription made under this document shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document nor that the information contained herein is correct as at any time subsequent to its date.

Shareholders must not treat the contents of the document or any subsequent communications from the Company, or the Investment Manager or any of their respective affiliates, officers, directors, employees or agents as advice relating to legal, taxation, accounting, regulatory, investment or any other matters.

Apart from the liabilities and responsibilities (if any) which may be imposed on Dickson Minto W.S. by FSMA or the regulatory regime established thereunder, Dickson Minto W.S. makes no representations, express or implied, or accepts any responsibility whatsoever for the contents of this document nor for any other statement made or purported to be made by it or on its behalf in connection with the Company, the New Shares or the Issues. Dickson Minto W.S. accordingly disclaims all and any liability (save for any statutory liability) whether arising in tort or contract or otherwise which it might otherwise have in respect of this document or any such statement.

All Shareholders are entitled to the benefit of, and are bound by and are deemed to have notice of, the provisions of the Articles of the Company.

If you are in doubt about the contents of this document you should consult your stockbroker, bank manager, solicitor, accountant, legal or professional adviser or other financial adviser.

### **Regulatory information**

This document does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy, New Shares in any jurisdiction in which such offer or solicitation is unlawful. The issue or circulation of the Prospectus may be prohibited in some countries.

This Prospectus does not constitute, and may not be used for the purposes of, an offer or an invitation to subscribe for any Shares by any person: (i) in any jurisdiction in which such offer or invitation is not authorised; or (ii) in any jurisdiction in which the person making such offer or invitation is not qualified to do so; or (iii) to any person to whom it is unlawful to make such an offer or invitation. In particular, this Prospectus may not be distributed in or into the United States or to or for the account of any US Person. The Company has not been and will not be registered under the Investment Company Act of 1940 (as amended), and investors will not be entitled to the benefits of the Investment Company Act of 1940 (as amended). In addition, the Shares have not been and will not be registered under the Securities Act of 1993, or with any securities regulatory authority of any State or other jurisdiction of the United States. Accordingly, the Shares may not be offered, sold, pledged or otherwise transferred or delivered, directly or indirectly, in or into the United States, or to or for the benefit of any US Person, except in transactions that are exempt from registration under the Securities Act of 1993 and under circumstances which will not require the Company to register under the Investment Company Act of 1940 (as amended). There will be no public offer of the Shares in the United States.

### **Investment considerations**

The contents of this document are not to be construed as advice relating to legal, financial, taxation, accounting, regulatory, investment decisions or any other matter. Prospective investors must inform themselves as to: (i) the legal requirements within their own countries for the purchase, holding, transfer or other disposal of Shares; (ii) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of Shares which they might encounter; and (iii) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of Shares.

Prospective investors must rely on their own representatives, including their own legal advisers and accountants, as to legal, tax, accounting, regulatory, investment or any other related matters concerning the Company and an investment therein.

It should be remembered that the price of a Share, and the income from such Shares (if any), can go down as well as up. An investment in Shares is suitable only for investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses which may arise therefrom (which may be equal to the whole amount invested). Such an investment should be seen as long term in nature and complementary to existing investments in a range of other financial assets.

Any investment objectives of the Company are targets only and should not be treated as assurance or guarantees of performance.

### **Forward looking statements**

To the extent that this document includes “forward looking statements” concerning the Company, those statements are based on the current expectations of the Board and are naturally subject to uncertainty and changes in circumstances. Forward looking statements include, without limitation, statements typically containing words such as “intends”, “expects”, “anticipates”, “targets”, “estimates” and words of similar import.

By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Given these risks and uncertainties, potential investors should not place undue reliance on forward looking statements as a prediction of actual results.

Nothing in the preceding two paragraphs seeks to limit or qualify, in any way, the working capital statement in paragraph 8 of Part 4 of this document.

The Company does not undertake any obligation to update publicly or revise forward looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

Information in this document will be updated as required by the Prospectus Rules, Listing Rules and Disclosure and Transparency Rules, as appropriate.

### **Documents incorporated by reference**

The published annual report and accounts of the Company for each of the three financial years up to 31 May 2015, on the pages specified in the table below, are incorporated by reference into this document. The non-incorporated parts of these annual reports and accounts of the Company are either not relevant to investors or covered elsewhere in this document.

	<i>Statutory Accounts for year ended</i>		
	<i>31 May 2013 Page No.</i>	<i>31 May 2014 Page No.</i>	<i>31 May 2015 Page No.</i>
<i>Nature of information</i>			
Financial Results	2-3	2-3	2-3
Chairman’s Statement	4-7	4-7	4-7
Investment Manager’s Review/Manager’s Review	9-13	11-15	11-15
Investment Portfolio – Income Shares	15	16	16
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Income Statement	36	41	41
Reconciliation of Movements in Shareholders’ Funds	39	44	44
Balance Sheet	37	42	42
Cash Flow Statement	38	43	43
Notes to Accounts	40-57	45-62	45-63
Independent Auditor’s Report	35	38-40	38-40

The documents incorporated by reference can be obtained from the Company’s website, [www.fcmanagedportfolio.co.uk](http://www.fcmanagedportfolio.co.uk) and as set out in paragraph 12 of Part 6 of this document.

## EXPECTED TIMETABLE

<b>Cayenne Issue</b>	<b>Date</b>
Publication of the Prospectus and Cayenne Issue opens	30 October 2015
First general meeting of the Cayenne Trust	23 November 2015
Latest time and date for receipt of elections under the Cayenne Scheme	1.00 p.m. on 24 November 2015
Calculation Date	25 November 2015
Second general meeting of the Cayenne Trust	30 November 2015
RIS announcement in respect of the results of the Cayenne Issue	30 November 2015
Effective Date of the Cayenne Scheme (transfer of the assets to the Company under the Cayenne Scheme)	30 November 2015
Admission and dealings in New Shares issued under the Cayenne Issue commence	2 December 2015
Crediting of CREST accounts in respect of New Shares issued under the Cayenne Scheme	2 December 2015
Share certificates in respect of New Shares issued under the Cayenne Scheme despatched (if applicable)	Week commencing 7 December 2015
<b>Issue Programme</b>	<b>Date</b>
Admission and dealings in New Shares commence	30 October 2015 to 28 October 2016
Publication of Issue Price in respect of each Issue	As soon as practicable following each Issue
Crediting of CREST accounts in respect of New Shares	8.00 a.m. on each day New Shares are issued
Share certificates in respect of New Shares despatched (if applicable)	Approximately one week following the issue of any New Shares

**Notes:**

- (i) In this document, where the context requires, references to 27 October 2015 should be treated as being references to the latest practicable date prior to the publication of this document.
- (ii) New Shares will be issued pursuant to the Issues only at such times (if any) as the Directors believe it is advantageous to the Company's Shareholders to do so. New Shares will be issued pursuant to the Issues only during the period commencing at 8.00 a.m. on 30 October 2015 and ending at 5.00 p.m. on 28 October 2016.



## DIRECTORS, INVESTMENT MANAGER AND OTHER ADVISERS

<b>Directors</b>	Richard Martin ( <i>Chairman</i> ) David Harris Colin McGill Alistair Stewart  all non-executive and of 80 George Street Edinburgh EH2 3BU
<b>AIFM, Investment Manager and Company Secretary</b>	F&C Investment Business Limited 80 George Street Edinburgh EH2 3BU
<b>Sponsor and Solicitors</b>	Dickson Minto W.S. Broadgate Tower 20 Primrose Street London EC2A 2EW
<b>Auditors</b>	Ernst & Young LLP 10 George Street Edinburgh EH2 2DZ
<b>Tax Advisers</b>	Ernst & Young LLP 10 George Street Edinburgh EH2 2DZ
<b>Registrars</b>	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA
<b>Depository</b>	J.P. Morgan Europe Limited 25 Bank Street Canary Wharf London E14 5JP
<b>Bankers</b>	The Royal Bank of Scotland 24-25 St Andrew Square Edinburgh EH2 1AF



## DEFINITIONS

In this document, the words and expressions listed below have the meanings set out opposite them (except where the context otherwise requires):

<b>Act</b>	the Companies Act 2006 (as amended)
<b>Admission</b>	in respect of New Shares, the admission of such New Shares to the Official List and to trading on the Main Market
<b>AIC</b>	the Association of Investment Companies
<b>AIC Code</b>	the AIC's Code of Corporate Governance
<b>AIFM</b>	an alternative investment fund manager pursuant to the UK SI 2013/1773 The Alternative Investment Fund Managers' Regulations 2013
<b>AIFM Directive</b>	Directive 2011/61/EU of the European Parliament and of the Council
<b>AIM</b>	the Alternative Investment Market operated by the London Stock Exchange
<b>Annual General Meeting</b>	the annual general meeting of the Company held at Exchange House, Primrose Street, London EC2A 2NY at 12.30 p.m. on 14 September 2015
<b>Articles</b>	the articles of association of the Company, as amended from time to time
<b>Australia</b>	the Commonwealth of Australia, its territories and possessions and all areas under its jurisdiction and political sub-divisions thereof
<b>Base Fee</b>	the base fee payable by the Company to the Investment Manager pursuant to the Investment Management Agreement
<b>Calculation Time</b>	in respect of each Issue, the time of the conclusion of the agreement to effect such Issue
<b>Canada</b>	Canada, its provinces and territories and all areas under its jurisdiction and political sub-divisions thereof
<b>Cash Option</b>	the option for Cayenne Shareholders to receive cash in respect of their holding of Cayenne Shares under the Cayenne Scheme
<b>Calculation Date</b>	the time and date on which the value of the assets of the Cayenne Trust and the Company will be calculated for the purposes of the Cayenne Scheme (which is expected to be close of business on 25 November 2015)
<b>Cayenne Issue</b>	the issue of new shares in relation to the rollover of certain assets held by the Cayenne Trust to the Company by way of a scheme of reconstruction and winding up of the Cayenne Trust under section 110 of the Insolvency Act 1986

<b>Cayenne FAV</b>	the net asset value of the Cayenne Trust calculated as at the Calculation Date in accordance with the Cayenne Scheme and the Cayenne Trust's accounting policies
<b>Cayenne Scheme</b>	the scheme of reconstruction and winding up of the Cayenne Trust under section 110 of the Insolvency Act 1986
<b>Cayenne Shareholders</b>	the holders of shares in the Cayenne Trust
<b>Cayenne Trust</b>	The Cayenne Trust plc, a company incorporated in England and Wales (registered number 02774914), whose registered office is at Springfield Lodge, Colchester Road, Chelmsford, Essex CM2 5PW
<b>Company</b>	F&C Managed Portfolio Trust plc, a company incorporated in Scotland (registered number SC338196), whose registered office is at 80 George Street, Edinburgh EH2 3BU
<b>Consumer Price Index</b>	the measure of inflation of consumer prices in the United Kingdom
<b>Conversion Date</b>	each 1 October (provided that, if any Conversion Date would otherwise fall on a day which is not a business day, such Conversion Date shall be the next following business day) and any such other date as the Board may determine in its sole and absolute discretion from time to time
<b>Conversion Mechanism</b>	the mechanism provided for in the Articles by which holders of Income Shares may convert those shares into Growth Shares and vice versa on certain specified dates and as described more fully under the heading " <i>Conversion Mechanism</i> " in Part 1 of this document
<b>Converting Shares</b>	the converting shares in the capital of the Company as described in paragraph 3.6 of Part 6 of this document
<b>CREST</b>	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear UK & Ireland Limited in accordance with the Uncertificated Securities Regulations 2001 (SI 2001/3755) as amended
<b>Deferred Shares</b>	the deferred shares in the capital of the Company as described in paragraph 3.6 of Part 6 of this document
<b>Depository</b>	J.P. Morgan Europe Limited, a company incorporated in England and Wales (registered number 00938937) whose registered office is at 25 Bank Street, Canary Wharf, London E14 5JP
<b>Directors or Board</b>	the directors of the Company
<b>Disclosure and Transparency Rules</b>	the disclosure and transparency rules made by the FCA under Part VI of FSMA, as amended from time to time
<b>EEA States</b>	the member states of the European Economic Area
<b>Effective Date</b>	the time and date on which the Cayenne Scheme becomes effective (which is expected to be close of business on 30 November 2015)

<b>F&amp;C</b>	F&C Asset Management plc, a company incorporated in Scotland with registered number SC073508 and whose registered office is 80 George Street, Edinburgh EH2 3BU, and members of its group
<b>F&amp;C Group</b>	F&C and its subsidiary undertakings from time to time
<b>F&amp;C Share Plan</b>	each and any of the CTFs, JISAs, ISAs, and share plans through which investors hold or may hold (as the context may require) Shares in the Company and which are managed by F&C Management Limited which may include (as the context may require) the legacy share plans which are managed by F&C Management Limited
<b>FCA</b>	the Financial Conduct Authority
<b>Financial Year(s)</b>	the financial year(s) of the Company from time to time, currently being the 12 month period ending on 31 May in each year
<b>FSMA</b>	the Financial Services and Markets Act 2000 (as amended)
<b>Growth Portfolio</b>	the portfolio of assets attributable to Growth Shareholders in accordance with the Articles
<b>Growth Shareholders</b>	holders of Growth Shares
<b>Growth Shares</b>	growth shares of 10 pence each in the capital of the Company
<b>Income Portfolio</b>	the portfolio of assets attributable to Income Shareholders in accordance with the Articles
<b>Income Shareholders</b>	holders of Income Shares
<b>Income Shares</b>	income shares of 10 pence each in the capital of the Company
<b>Investment Company or Investment Companies</b>	closed-ended investment companies, wherever incorporated, including investment trusts (in accordance with Chapter 4 of Part 24 of the Corporation Tax Act 2010) which are listed on the Official List or traded on AIM or a regulated exchange
<b>Investment Management Agreement</b>	the amended and restated investment management agreement dated 15 July 2014 (originally dated 22 February 2008) between the Company and the Investment Manager, further details of which are set out in paragraph 6.1 of Part 6 of this document
<b>Investment Manager or Manager</b>	F&C Investment Business Limited, a company incorporated in Scotland (registered number SC151198), whose registered office is at 80 George Street, Edinburgh EH2 3BU
<b>ISA</b>	an individual savings account for the purposes of section 694 of the Income Tax (Trading and Other Income) Act 2005
<b>Issue or Issues</b>	an issue or issues of Shares at the Issue Price for such issue, as described in this document

<b>Issue Price</b>	the price at which New Shares are to be issued under any Issue, which will be determined as explained in Part 3 of this document
<b>Issue Programme</b>	the issue of New Shares outwith the Cayenne Issue
<b>Japan</b>	Japan, its cities, prefectures, territories and possessions
<b>Listing Rules</b>	the listing rules made by the FCA under Part VI of FSMA, as amended from time to time
<b>London Stock Exchange</b>	London Stock Exchange plc
<b>Main Market</b>	the London Stock Exchange's main market for listed securities being a regulated market for the purposes of Directive 2004\39\EC
<b>Net Asset Value or NAV</b>	in relation to a Share, means its net asset value on the relevant date calculated in accordance with the Company's normal accounting policies
<b>Net Asset Value per Share or NAV per Share</b>	the prevailing net asset value per Income Share and/or Growth Share as the context may require from time to time, calculated in accordance with the Company's normal accounting policies
<b>New Growth Shares</b>	the new Growth Shares to be issued pursuant to any Issue
<b>New Income Shares</b>	the new Income Shares to be issued pursuant to any Issue
<b>New Shares</b>	the New Income Shares and the New Growth Shares, together
<b>Official List</b>	the official list of the UK Listing Authority
<b>Performance Fee</b>	the performance fee which may be payable by the Company to the Investment Manager pursuant to the Investment Management Agreement
<b>Portfolio</b>	the Income Portfolio and/or the Growth Portfolio as the context may require
<b>PRA</b>	the Prudential Regulation Authority
<b>Prospectus</b>	this document
<b>Prospectus Directive</b>	Directive 2003/71/EC (and the amendments thereto, including Directive 200/73/EU)
<b>Prospectus Rules</b>	the prospectus rules made by the Financial Conduct Authority under Part VI of FSMA, as amended from time to time
<b>Regulatory Information Service</b>	a regulatory information service that is on the list of regulatory information services maintained by the Financial Conduct Authority
<b>Rollover FAV</b>	the amount equal to that part of the Cayenne FAV which is attributable to Cayenne Shareholders who have elected (or are deemed to have elected) for the Rollover Option

<b>Rollover Option</b>	the option for Cayenne Shareholders to receive New Shares in respect of their holding of Cayenne Shares under the Cayenne Scheme
<b>Rollover Proposals</b>	the proposals for the rollover of certain assets held by the Cayenne Trust to the Company as announced by the Company on 15 September 2015
<b>Rollover Shares</b>	the Cayenne Shares held by Cayenne Shareholders who have elected (or are deemed to have elected) for the Rollover Option
<b>Shareholder</b>	a holder of Shares
<b>Shares</b>	the Income Shares and/or the Growth Shares as the context may require
<b>Scheme Issue Price</b>	New Shares will be issued in connection with the Cayenne Scheme at the NAV per Share plus a 1.0 per cent. premium, unless the value of the aggregate Rollover FAV exceeds £5 million in which case the premium will be reduced on the basis of 1.0 per cent. on all assets up to £5 million and 0.75 per cent. on all assets above £5 million
<b>SIPP</b>	a self-invested personal pension plan
<b>SSAS</b>	a small self-administered pension scheme
<b>Sterling</b>	the lawful currency of the United Kingdom
<b>Total Assets</b>	the aggregate gross value of the assets of the Company or the relevant Portfolio, as the case may be, less current liabilities of the Company or the relevant Portfolio (but there shall not be included as current liabilities principal amounts borrowed for investment)
<b>Takeover Code</b>	the City Code on Takeovers and Mergers
<b>Tax Act</b>	the Corporation Tax Act 2010
<b>TCGA</b>	the Taxation of Chargeable Gains Act 1992
<b>Transfer Agreement</b>	the transfer agreement between the Company and the Cayenne Trust pursuant to which the assets to be transferred under the Cayenne Scheme will be transferred to the Company
<b>UK Code</b>	the UK Corporate Governance Code issued by the Financial Reporting Council in September 2014
<b>UK Listing Authority or UKLA</b>	the FCA, acting in its capacity as the competent authority for the purposes of Part VI of FSMA
<b>United States or USA or US</b>	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia

## PART 1

### THE COMPANY

#### Introduction

F&C Managed Portfolio Trust plc is an investment trust which was formed in 2008 and whose assets are managed by F&C Investment Business Limited. The Company principally invests in closed-ended listed Investment Companies. The Company has two classes of shares in issue, Income Shares and Growth Shares, which are listed on the premium segment of the Official List and traded on the Main Market. The Company's investments are held in two separate Portfolios, the Income Portfolio and the Growth Portfolio, to which the Income Shares and the Growth Shares are respectively entitled.

#### Background to the Issues

##### *12 month Issue Programme*

Over the last 12 months, due to market demand, the Company has issued 8,100,000 New Income Shares and 2,835,000 New Growth Shares together with the sale of 1,290,000 Growth Shares which were held in treasury. The Board believes that the Company's continuing ability to issue shares under the Issue Programme at a premium to the Net Asset Value increases liquidity, spreads the fixed costs of the Company over a larger asset base and reduces volatility by preventing the build-up of excessive demand for Shares.

The Prospectus Rules provide that where a company wishes to apply for the admission to trading on a regulated market of shares representing, over a period of 12 months, 10 per cent. or more of that company's shares which are already admitted to trading on that regulated market (excluding shares admitted pursuant to an exemption under the Prospectus Rules), then the company concerned is required to issue a prospectus. In view of the level of expected demand for the Company's Shares, the Issue Programme set out in this document is necessary in order to allow the Company to continue its current approach of issuing Shares at a small premium to the relevant NAV per Share where demand exceeds supply.

The New Shares to be admitted pursuant to the Issue Programme will be issued only: (i) at a premium to the relevant NAV per Share; (ii) to meet demand from investors; and (iii) when the Directors believe that it is in the best interests of the Company to do so. In no circumstances will the New Shares be actively marketed pursuant to the Issues.

The Company will issue a maximum of 50 million New Income Shares and 50 million New Growth Shares under the Issues. At the Annual General Meeting the Board sought authority from Shareholders for the authority to issue, on a non pre-emptive basis for cash, New Income Shares up to a nominal amount of £2.5 million (equating to 25 million Income Shares) and New Growth Shares up to a nominal amount of £2.5 million (equating to 25 million Growth Shares). This document will be in force for a period of 12 months and therefore the maximum number of New Income Shares and New Growth Shares which may be issued by the Company pursuant to the Issues is intended to cover the Shareholder authorities granted at the Annual General Meeting and any future authorities granted by Shareholders.

Although this document is in relation to Issues which may occur from time to time in the period from the date of this document to 28 October 2016, the Company will continue to manage the discount or premium at which the Shares trade following the expiry of this period and will seek to issue further prospectuses as and when required under the Prospectus Rules. Further details of the Issues are set out in Part 3 of this document.

#### *Cayenne Issue*

The Directors also intend to offer Shares under the Cayenne Scheme.

As announced on 15 September 2015, the Company has entered into heads of terms with The Cayenne Trust plc in relation to the rollover of certain assets held by the Cayenne Trust to the Company by way of a scheme of reconstruction and winding up of the Cayenne Trust under section 110 of the Insolvency

Act 1986. As part of the Cayenne Scheme shareholders in the Cayenne Trust will be offered New Shares in exchange for their existing shares in the Cayenne Trust. The Cayenne Scheme is subject to approval by the existing shareholders in the Cayenne Trust.

The portfolio of assets that the Company will acquire under the Cayenne Scheme is expected to consist predominantly of cash and cash equivalents. The Company and the Cayenne Trust invest in similar portfolios of assets, accordingly under the Cayenne Scheme the Company may agree to acquire certain assets held by the Cayenne Trust which the Investment Manager has identified as suitable to be held by the Company in accordance with the Company's investment policy and strategy. Any such assets acquired by the Company are not expected to represent a majority of the total assets transferred under the Cayenne Scheme.

### Investment performance

The Manager has continued since the launch of the Company in 2008 to focus on investing in Investment Companies which it believes will be capable of outperforming their benchmarks. The Company's performance, in both Portfolios, to 30 September 2015, against their benchmark index was as follows:

	1 year	3 years	5 years	Since launch (16 April 2008)
Income Shares (% NAV total return)	0.8	28.4	50.6	62.9
Growth Shares (% NAV total return)	4.1	37.7	52.3	46.1
Benchmark – FTSE All-Share Index (% total return)	-2.3	23.3	38.2	41.5

Information about the past and the further performance of the Company and the Shares can be obtained from the Company's website, [www.fcmanagedportfolio.co.uk](http://www.fcmanagedportfolio.co.uk). Neither the Company's website nor the content of any website accessible from hyperlinks on that website (or any other website) is (or is deemed to be) incorporated into, or forms (or is deemed to form) part of this Prospectus.

### Investment policy

The Company's objective is to provide an attractive level of income with the potential for income and capital growth to Income Shareholders and to provide capital growth for Growth Shareholders, in each case through investing principally in a diversified portfolio of investment companies.

The Income Portfolio invests in a diversified portfolio of at least 25 investment companies that have underlying investment exposures across a range of geographic regions and sectors and that focus on offering an income yield above the yield of the FTSE All-Share Index.

The Growth Portfolio invests in a diversified portfolio of at least 25 investment companies that have underlying investment exposures across a range of geographic regions and sectors and that the focus of which will be to maximise total returns, principally through capital growth.

The Company invests principally in closed-ended investment companies, wherever incorporated, which are listed on the Official List of the UK Listing Authority. The majority of the Company's holdings comprise equity investments although it is permitted to invest in other securities issued by investment companies. The Company is permitted to invest in other closed-ended investment companies, wherever incorporated, whose shares are traded on AIM or a regulated exchange (other than the Official List of the UK Listing Authority) up to a maximum of 25 per cent. of the total assets of the relevant Portfolio.

In accordance with the Listing Rules of the UK Listing Authority, the Company will not invest more than 10 per cent. in aggregate of its total assets in other UK listed investment companies that themselves may invest more than 15 per cent. of their total assets in other UK listed investment companies.

There are no maximum levels set for underlying exposures to geographic regions or sectors.

No investment in either Portfolio may exceed 15 per cent. of the relevant Portfolio's total assets at the time of the latest purchase.

The Manager may invest the assets of the Company in other investment companies managed by the Manager or another member of the F&C Group, provided that such investments in the Income or



Growth Portfolios shall not exceed 20 per cent. of the total assets of the relevant Portfolio at the time of investment.

There are no defined limits on securities and accordingly the Company may invest up to 100 per cent. of total assets in any particular type of security.

The Company may use derivatives, principally for the purpose of efficient portfolio management, including protecting the Portfolios against market falls.

The Company may use gearing in either Portfolio. Borrowings are not normally expected to exceed 20 per cent. of the total assets of the relevant Portfolio. Under the Articles, the maximum borrowing limit is 50 per cent. of the total assets of the relevant Portfolio.

Any material change in the Company's investment policy will require the approval of Shareholders at a general meeting. In the event of a breach of the Company's investment policy, the Directors will announce through a Regulatory Information Service the actions which will be taken to rectify the breach.

### **Investment opportunity and strategy**

In recent years there has been significant broadening of the areas in which equity based income Investment Companies invest and, therefore, a broadening of the opportunity base for the Income Portfolio. Historically, more equity based income Investment Companies would have been classified in the AIC UK equity income sector. Currently, however, examples of equity based income Investment Companies can be found which invest in the Pacific, emerging markets, European small companies, commercial property and the mining and natural resources sectors amongst others. There is no restriction on the sectors that may be held within the Income Portfolio and the Company invests in those which the Board believes, taking into account the advice of the Manager, are most appropriate for the Income Portfolio and its objective from time to time.

The Growth Portfolio, in particular and where considered appropriate, seeks to take advantage of the development of new and existing sectors within the Investment Company universe that possess strong growth prospects. Examples of such sectors are technology and biotechnology, private equity, flagship funds of boutique investment managers and emerging markets. There is no restriction on the sectors that may be held within the Growth Portfolio and the Company invests in those which the Board believes are most appropriate for the Growth Portfolio and its objective from time to time.

Many Investment Companies trade at share prices which represent a discount to the net asset value of their underlying assets. Discounts reflect investor sentiment within the market for Investment Companies. Whilst holding Investment Companies whose share price trades at a premium to net asset value exposes the Company to the risk that the premium may not be sustained, the Company can benefit from discounts narrowing in Investment Companies which are out of favour with wide discounts, carrying with them the potential for an increase in the Company's own Net Asset Value. The average discount in the UK investment trust sector is approximately six per cent.

The Board believes a key driver to performance over the long term is asset appreciation and, whilst mindful of discounts, believes that discounts are less important when returns are viewed over a long term perspective. Most of the Manager's research effort is devoted to identifying fund managers who can outperform. In this regard, regular meetings with fund managers are important with around 100 undertaken by the Manager each year. A key aspect is flexibility in terms of investment strategy and, within the framework of seeking long term returns, both Portfolios are actively managed.

### **Investment outlook**

Although there are concerns about the threat of deflation and levels of growth, particularly in relation to Europe, the effects of the massive fall in the oil price will likely go some way to offset these fears. Whilst the decline presents challenges for oil producers it is good news for oil consumers, basically Europe, US and Asia Pacific. This is because substantially lower oil prices are equivalent to a tax cut for consumers, particularly in the US and Europe and is helpful for growth in both areas. With interest rates expected to remain at historically low levels for some considerable time this creates a climate that is supportive of equities.

Although there are uncertainties in the near term, the prospects for equities to achieve positive returns over the long term are promising. Whilst volatility may persist, equity valuations remain attractive in many markets, particularly in relation to other asset classes. The outlook for equity Investment Companies remain linked to that of equity markets generally and, as such, prospects are positive. Furthermore the Investment Company sector provides access to a wide range of asset classes not all of which are strongly correlated with equity markets in developed economies.

## **Dividends**

### *Dividend policy*

Income Shares are entitled to all dividends of the Company. The Growth Shares do not carry an entitlement to receive dividends. Any net income arising in the Growth Portfolio is transferred to the Income Portfolio and a corresponding transfer of an identical amount made from the capital attributable to the Income Portfolio to the Growth Portfolio. Such income transfers benefit the income prospects of the Income Shares and the capital growth prospects of the Growth Shares. The respective rights of the Income Shares and the Growth Shares to dividends and the capital of the Company are set out in the Articles which are summarised in paragraph 3 of Part 6 of this document.

In the absence of unforeseen circumstances, the Company typically pays four quarterly interim dividends per Financial Year: in October (for the quarter to 31 August), January (for the quarter to 30 November), April (for the quarter to 28 February) and July (for the quarter to 31 May).

Dividends are paid from current year revenue and may be supplemented through the use of the Company's revenue reserves as required. The revenue reserve, to which the Income Shares are solely entitled, is enhanced through the transfer of net income generated on the Growth Portfolio to the Income Portfolio. It is the intention of the Directors that, from time to time, the Company may retain a proportion of the income generated by the Company to increase the revenue reserves of the Company to allow smoothing of future dividend payments.

### *Payment of dividends*

As part of a strategy review in 2013, the Board adopted the twin objectives of aiming to increase the total dividends paid each year to holders of Income Shares and of maintaining a revenue reserve equivalent to six months' dividends. In the year ended 31 May 2015, the Company increased the annual dividend by 4.2 per cent. and increased the revenue reserve from 42 per cent. to 45 per cent. of the annual dividend cost.

With respect to the financial year to 31 May 2015, the Board paid three interim dividends, each of 1.15 pence per Income Share and a fourth interim dividend of 1.55 pence. As at the date of this document, the Board has paid a first interim dividend of 1.2 pence per Income Share in respect of the financial year to 31 May 2016 which was paid to holders of Income Shares on 2 October 2015. The Board announced on 29 October 2015 that it would pay a second interim dividend of 1.2 pence per Income Share on 4 January 2016 to Shareholders on the register of members of the Company on 20 November 2015. In the absence of unforeseen circumstances, the Board intends to declare a further interim dividend, of 1.2 pence per Income Share payable in April 2016. A fourth interim dividend will be paid in July 2016 at a rate to be determined when a clearer view emerges of income for the year. For the avoidance of doubt, Cayenne Shareholders who elect to receive New Income Shares under the Cayenne Scheme will not be eligible to receive the second interim dividend (and the NAV per Income Share on the basis of which New Income Shares will be issued to such Cayenne Shareholders will be ex-such dividend), but will be eligible to receive all future dividends.

There is no guarantee that the Company will be able to pay the dividends as referred to above. The Company will only pay dividends on the Income Shares to the extent that it has distributable revenue profits available for the purpose which will largely depend on the amount of income which the Company receives on its investments and the timing of such receipts.

Save as referred to above, the New Income Shares will rank *pari passu* with the existing Income Shares, and the New Growth Shares will rank *pari passu* with the existing Growth Shares.

## Capital structure

### *Share capital*

The Company's share capital comprises Income Shares and Growth Shares, all of which are admitted to the Official List and to trading on the Main Market. There is no fixed ratio of Income Shares to Growth Shares. The relative sized of the Income Portfolio and the Growth Portfolio may vary over time depending on investment performance, Shareholder elections to convert Income Shares for Growth Shares or vice versa under the Conversion Mechanism and Share buy-backs or issuances carried out by the Company from time to time.

Neither the Income Shares nor the Growth Shares represent capital gearing for the other Share class.

The rights attaching to the Shares in respect of dividends are summarised under the heading "*Dividend policy*" above.

### *Conversion Mechanism*

Subject to certain minimum and maximum thresholds, Shareholders have the right to convert their Income Shares into Growth Shares and their Growth Shares into Income Shares on an annual basis. The Directors also have the discretion to add additional conversion dates.

The ratio in which Shares convert is determined on a relative NAV basis as at the Conversion Date, adjusted for any dividends that go ex-dividend prior to the Conversion Date and such that the Converting Shares bear the costs of conversion. Upon conversion, a converted Share ranks *pari passu* with all the other Shares of its new class.

Once lodged, a conversion notice may not be withdrawn without the consent in writing of the Board. The Board may permit different arrangements to apply to nominee holders or other holders at its discretion.

The Board may, from time to time, set a maximum number of Income Shares or Growth Shares which may be converted on any Conversion Date. If this limit is exceeded, requests to convert will be satisfied on a *pro rata* basis, pro rated by the total number of Shares each Shareholder wishes to convert and any Shares above those amounts shall not be converted.

Under current law and practice, such conversions will not be treated as disposals for UK capital gains tax purposes.

### *Compulsory conversions*

The Articles provide the Directors with the discretion to require the compulsory conversion of all the Income Shares or all the Growth Shares if the net assets of the relevant portfolio fall below £2 million or would fall below such limit following requested conversions pursuant to the Conversion Mechanism.

### *Voting rights*

At any general meeting of the Company, each Shareholder has, on a show of hands, one vote and, on a poll, a weighted vote determined in accordance with the underlying NAV of the relevant Share as specified in the Articles.

At any class meeting of Income Shareholders, each Income Shareholder has, on a show of hands, one vote and, on a poll, one vote, for each Income Share held. At any class meeting of Growth Shareholders, each Growth Shareholder has, on a show of hands, one vote and, on a poll, one vote, for each Growth Share held.

Any material change to the investment policy of the Company will only be made with the prior class consent of Shareholders of the class to which the change relates (where the proposed material change only relates to a particular class) and with the prior approval of the Shareholders of the Company.

## Borrowings and gearing

From time to time bank borrowings are used to gear the Income Portfolio and the Growth Portfolio. The Company has a one year £5 million unsecured revolving credit facility with The Royal Bank of Scotland

plc. As at 27 October 2015 the Company had drawn down £2.9 million under this facility. The Company also has an undrawn short term borrowing facility with JPMorgan Chase Bank, its custodian as a delegate of the Depositary, to draw down amounts up to £1 million for a maximum of 30 days.

The Company has the power under its Articles to borrow an amount up to 50 per cent. of the Total Assets of the relevant Portfolio. However, it is expected that the Company's borrowings in relation to each Portfolio will not exceed 20 per cent. of the Total Assets of the relevant Portfolio at the time of drawdown.

### **Duration**

As the Company is a long term investment vehicle, it does not have a fixed life. However, the Articles require the Board to put a resolution to Shareholders at the tenth annual general meeting of the Company to be held in 2018 and five-yearly thereafter to continue the Company. If such resolution is not passed, the Board will be required to propose a resolution or resolutions to Shareholders within six months of the continuation vote which offer all Shareholders the option to realise their investments in the Company and may offer an option to reconstruct the Company. The continuation vote will be proposed as an ordinary resolution.

### **Discount management**

The Directors have the authority to buy back up to 14.99 per cent. of each class of the Company's Shares in issue as at 14 September 2015, being the date of the Company's last annual general meeting, and will consider seeking renewal of this authority, in respect of the enlarged share capital, from Shareholders annually and at other times should this prove necessary. Any buy-back of Shares is made subject to the Act and within guidelines established from time to time by the Directors. The making and timing of any buy-backs is at the discretion of the Directors.

Subject to the overriding obligation to act in the best interests of Shareholders as a whole (and to any regulatory restrictions on the making and timing of Share buy-backs), it is the policy of the Company in stable market conditions and in the absence of unforeseen circumstances to repurchase Shares of either class when there are willing sellers and the market price stands at a discount to NAV of five per cent. or more. Shares will not be bought back at a premium to Net Asset Value. Shares which are bought back by the Company may be cancelled or held in treasury. Shares are only resold from treasury at a price representing a discount of not more than five per cent. to NAV at the time of resale, subject to the conditions that, first, the discount at which such Shares are to be resold must be less than the average discount at which Shares of that class held in treasury have been repurchased and, second, the NAV dilution in any one Financial Year on the Income Shares and the Growth Shares respectively must not exceed 0.5 per cent. of the net assets attributable to the relevant share class.

The Company may buy back Shares from time to time and, in the event that any Income Share is bought back, any difference between the purchase price after costs and the Net Asset Value of that Income Share is allocated *pro rata* across the Income Shares only and, in the event that any Growth Share is bought back, any difference between the purchase price after costs and the Net Asset Value of that Growth Share is allocated *pro rata* across the Growth Shares only.

## PART 2

### DIRECTORS, INVESTMENT MANAGER AND ADMINISTRATION OF THE COMPANY

#### Directors

The Board comprises four Directors, each of whom is non-executive and independent of the Investment Manager. Although the management of the Company has been delegated to the Investment Manager, the Directors retain overall responsibility for the determination of the Company's investment policy and the overall supervision of the Company.

The Directors of the Company are as follows:

**Richard Martin** (Chairman): He is an adviser to several family groups and a director of Montanaro European Smaller Companies Trust plc and Aurora Investment Trust plc. He was previously Head of Investments at Scottish Amicable Life Association. He was Chairman of the Investment Committee of the National Trust for Scotland between 2007 and 2009.

**David Harris**: He is Chief Executive of InvaTrust Consultancy Ltd. The group undertakes a variety of investment consultancy projects for a number of UK Financial Institutions. He is currently a non-executive director of six quoted UK companies and appears regularly as an investment commentator on TV and radio.

**Colin McGill**: He is a qualified lawyer and accountant. He was Chief Executive Officer of Sportech PLC, a company listed on the London Stock Exchange, between 2000 and 2003. Between 1975 and 2000 he was with the Bank of Scotland and from 1998 to 2000 was Chief Executive of the Corporate Division of the Bank of Scotland, responsible for all of the UK and global corporate banking.

**Alistair Stewart**: He qualified as a chartered accountant before joining Murray Johnstone Ltd (investment managers) in 1973 where he served as a director between 1983 and 1999. Between 2000 and 2007 he was head of research at Speirs & Jeffrey Ltd, private client stockbrokers.

#### The Investment Manager

The Investment Manager, which is authorised and regulated by the FCA, is a wholly-owned subsidiary of F&C Asset Management plc ("**F&C**"). F&C is a leading asset manager in both the UK and Europe and provides investment management and other services to a range of investment clients. F&C is wholly owned by BMO Global Asset Management (Europe) Limited which is wholly owned by The Bank of Montreal.

As at 30 September 2015, F&C had £69.3 billion of assets under management, including approximately £16.4 billion in equities and £41.0 billion in fixed interest securities. Furthermore, as at 30 September 2015, F&C managed £7.0 billion on behalf of investment trusts.

Peter Hewitt, the lead fund manager, has managed the Company since launch and managed the assets in the F&C Shares Plans, which were transferred to the Company at its launch, since 2002. Peter is a member of the Global Equities Team at F&C that is responsible for various portfolios of Investment Companies.

#### Investment management and administrative arrangements

The Directors have overall responsibility for the Company's activities and are responsible for the determination of the Company's investment policy. Under the terms of the Investment Management Agreement, the Investment Manager has been appointed as the Company's AIFM with responsibility for the day-to-day management of the Company's assets subject to the overall supervision of the Directors and to provide certain administrative and secretarial services to the Company. The Investment Manager manages the Company's investments in accordance with the policies laid down by the Directors and in accordance with the investment policy referred to in the Investment Management Agreement and this Prospectus.

Under the Investment Management Agreement, the Company pays to the Investment Manager both a base fee and, if certain conditions are met, a performance fee.



The Base Fee is a management fee at the rate of 0.65 per cent. per annum of the total assets of each Portfolio. The Base Fee is payable quarterly in arrears. The Investment Manager also receives a separate secretarial and administrative fee of £78,986 per annum, subject to annual changes in line with the Consumer Price Index. The Base Fee payable to the Investment Manager in respect of any of the Company's funds which are invested in other vehicles managed by the Investment Manager is reduced to 0.325 per cent. per annum on the relevant assets.

The Performance Fee (if any) for each Share class is payable in each Financial Year and is equal to 10 per cent. of the value of the total return outperformance of the relevant Portfolio (after all costs and expenses other than the Performance Fee) over the total return of the FTSE All-Share Index (in each case with dividends reinvested), provided that:

- (i) the Performance Fee in any Financial Year is capped at 0.35 per cent. of the total assets of the relevant Portfolio, although outperformance in excess of this cap is taken into account in calculating the Performance Fee in the next four Financial Years;
- (ii) if the NAV per Share for the relevant Portfolio at the end of the Financial Year is less than (a) the NAV per Share at the start of the Financial Year or (b) in the case of the Growth Shares, the NAV per Share immediately following first admission, whichever is the higher (the "**Watermark NAV**"), payment of the Performance Fee in respect of that Financial Year is deferred until the end of the next Financial Year when the NAV per Share for the relevant Portfolio is in excess of the Watermark NAV. If the Watermark NAV is not reached by the end of the fourth Financial Year subsequently, the performance fee will no longer be payable and will be cancelled and credited for the benefit of the Portfolio against which it was accrued; and
- (iii) any underperformance of the relevant Portfolio in relation to the FTSE All-Share Index in any Financial Year must be made up in any subsequent Financial Year before any Performance Fee is payable thereby creating a "high watermark" for the relative performance against the FTSE All-Share Index.

The Base Fee and the Performance Fee are charged to the relevant Portfolio. In respect of the Income Portfolio, the Base Fee is charged 60 per cent. to capital and 40 per cent. to income. In respect of the Growth Portfolio, the Base Fee is charged 80 per cent. to capital and 20 per cent. to income. The Performance Fee, in respect of each Portfolio, is charged wholly to capital.

Further details of the Investment Management Agreement are set out in paragraph 6.1 of Part 6 of this document.

### **Depository arrangements**

J.P. Morgan Europe Limited has been appointed as the depository of the assets of the Company. The Depository holds all of the cash, securities and other assets of the Company and arranges and settles all transactions relating to those assets as agent for the Company. The Depository has its registered office at 25 Bank Street, Canary Wharf, London E14 5JP. Its telephone number is 020 7777 2000. The Depository is authorised by the PRA and regulated by the FCA and the PRA.

Further details of the Depository Agreement are set out in paragraph 6.2 of Part 6 of this document.

### **Annual fees and expenses**

The Company incurs ongoing and annual fees and expenses, including, *inter alia*, the Base Fee and, subject to performance conditions, the Performance Fee under the Investment Management Agreement, the secretarial and administration fee, audit fees, Directors' fees, the Depository's fees, regulatory fees, Directors' insurance premiums, marketing fees and printing costs.

Fees and expenses relating to a particular Portfolio, for example the Base Fee and the Performance Fee, are allocated to the relevant Portfolio. All other fees and expenses are allocated to each Portfolio quarterly (or such other period as the Directors determine from time to time) on the basis of the relative total assets of the respective Portfolios at each preceding quarter end.

## **Corporate governance**

The Chairman, and each of the other Directors, is independent of the Investment Manager. Each member of the Board is non-executive. The Board has put in place a framework for corporate governance which it believes is suitable for an investment trust and which will enable the Company to comply with the UK Code issued by the Financial Reporting Council and the AIC Code. Save as disclosed below, the Company complies with the provisions of the UK Code and the AIC Code.

The UK Code includes provisions relating to:

- the role of the chief executive;
- executive directors' remuneration; and
- the need for an internal audit function.

For the reasons set out in the AIC Corporate Governance Guide and in the preamble to the UK Code, the Board considers that these provisions are not relevant to the Company, being an externally managed investment company.

### *Senior independent director*

All Directors are equally responsible under the law for the proper conduct of the Company's affairs. The Directors are also responsible for ensuring that their policies and operations are in the best interests of the Shareholders and that the best interests of the creditors and suppliers to the Company are properly considered. David Harris has been designated as the "senior independent director" as recommended by the AIC Code. He is available to Shareholders if they have concerns which the chairman or the Investment Manager have failed to resolve or where contacting the chairman or the Investment Manager is not appropriate.

### *Appointment and re-election*

Directors are selected and appointed by the Board as a whole functioning as a nomination committee. It is chaired by Richard Martin. The Directors are therefore responsible for reviewing the size, structure and skills of the Board and considering whether any changes are required or new appointments are necessary to meet the requirements of the Company's business or to maintain a balanced Board.

The Articles require that Directors submit themselves for re-election at least every three years. Further details are given at paragraph 3.11 of Part 6 of this document.

### *Board and Directors' performance appraisal*

The Directors recognise the importance, in the terms of the AIC Code, of evaluating the performance of the Board as a whole and individual Directors. During the last Financial Year, the Directors underwent an appraisal process to evaluate the performance of the Board as a whole and of the individual Directors. The results of the appraisal process were considered by the Board to be satisfactory.

### *The audit committee*

The Board is supported by an audit committee of all of the Directors which is chaired by Colin McGill. The audit committee has written terms of reference, which are reviewed annually and clearly define its responsibilities and duties.

The audit committee meets at least twice a year to review the internal financial and non-financial controls, accounting policies and the contents of the interim and annual reports to Shareholders. In addition, the audit committee reviews the auditor's independence, objectivity and effectiveness, the quality of services of all the service providers to the Company and, together with the Investment Manager and company secretary, reviews the Company's compliance with the financial reporting and regulatory requirements. At each audit committee meeting, a representative of the Investment Manager's internal audit and compliance team is available to present. Representatives of Ernst & Young LLP, the Company's auditors, attend the audit committee meeting at which the draft annual report and financial statements are considered.



The audit committee is responsible to the Board for reviewing each aspect of the financial reporting process: the system of internal control and management of financial risks; the audit process; relationships with the external auditors; the Company's process for monitoring compliance with laws and regulations; its code of business conduct; and for making recommendations to the Board.

#### *The remuneration committee*

The remuneration committee meets at least once a year to review the performance of the Investment Manager, the services provided by it and the Investment Management Agreement with it. The remuneration committee also determines the level of Directors' fees. The Board as a whole fulfils the function of the remuneration committee.

#### *Internal audit function*

The Directors have reviewed the need of the Company to establish an internal audit function but consider that, as it is an investment company, such a function is not necessary.

### **The F&C Share Plans**

Since the launch of the Company, the majority of the Income Shares and Growth Shares in the Company have been held through the F&C Share Plans which are administered by the Manager.

The Manager does not have discretion to exercise any voting rights in respect of the Shares held in the F&C Share Plans. The Manager has undertaken to the Company that, except with the written consent of the Company and except as may otherwise be required by law or regulation, it will operate a proportional voting system in respect of those Shares in the Company held through the F&C Share Plan(s).

The proportional voting mechanism provides that the nominee company holding the Shares will vote the Shares held on behalf of investors in accordance with the instructions of such investors, save that where investors do not provide instructions the nominee company will vote their Shares in the same proportions for, against and withheld, as those who have returned a voting direction under the relevant F&C Share Plan. In order to reduce the potential for a small number of underlying investors to have a disproportionate impact on any vote, the proportional voting mechanism will not operate where less than 10 per cent. of the Shares held through the F&C Share Plans are voted by the underlying holders and any Shares held by one underlying holder in excess of 0.25 per cent. of the Shares of the relevant class in issue will not be counted for the purposes of pro-rating the voting of non-directed Shares. The Directors may vary these limits at their discretion from time to time by agreement with the Manager.

### **Shareholder information**

The Company's annual report and accounts are prepared up to 31 May each year and are typically sent to Shareholders in the following August. Shareholders also receive an unaudited half yearly report covering the six months to 30 November each year, which is normally despatched in January.

The Net Asset Value of a Share is calculated by the Investment Manager in accordance with the Company's accounting policies and is published daily through a Regulatory Information Service. Valuations may be suspended if the Company is unable to procure accurate and up-to-date prices or valuations for a substantial proportion of the assets in one or both of the Income Portfolio or the Growth Portfolio. In the event of any suspension in valuations, such suspension shall be notified through a Regulatory Information Service.

The Manager, which operates the F&C Share Plans, allows all underlying investors in the F&C Share Plans rights equivalent to "information rights" under the Act. The Company also sends copies of all information and documentation which it sends to its registered Shareholders, directly to the underlying holders in the F&C Share Plans who have indicated that they wish to receive such documentation.

### **Accounting policies**

The audited accounts of the Company are prepared in pounds Sterling under United Kingdom Generally Accepted Accounting Practice ("UK GAAP") and in accordance with guidelines set out in the Statement of Recommended Practice, for investment trust companies and venture capital trusts issued by the AIC.

### **Conflicts of interest**

The Investment Manager and its officers and employees may be involved in other financial, investment or professional activities that may on occasion give rise to conflicts of interest with the Company. In particular, the Investment Manager may provide investment management, investment advice or other services in relation to a number of funds which may have similar investment policies to that of the Company or in which the Company will invest. The Investment Manager has regard to its obligations under the Investment Management Agreement or otherwise to act in the best interests of the Company, so far as is practicable having regard to its obligations to other clients or funds, should potential conflicts of interest arise. Having regard to these obligations, the Company may buy investments from, or sell investments to, the Investment Manager only on an arm's length basis. In particular, the Investment Manager uses reasonable efforts to ensure that the Company has the opportunity to participate in potential investments identified by the Investment Manager that fall within the Company's investment objective and policy on the best terms reasonably obtainable at the relevant time, having regard to the interests of the Company. In so doing, the Investment Manager takes into consideration the appropriateness of investments for inclusion in the Company's Portfolio, the level of uninvested cash held by the Company and the size of investments available so that allocations of investments which are *de minimis* in size will normally not be made.

The Investment Manager may invest the assets of the Company in other Investment Companies managed by the Investment Manager or another member of the Investment Manager's group, provided that such investments in the Income Portfolio or the Growth Portfolio shall not exceed 20 per cent. of the total assets in the relevant Portfolio.

### **Taxation**

The Company has been approved by HM Revenue & Customs as an investment trust. The Directors believe that the affairs of the Company have been conducted so as to continue to satisfy the conditions to qualify as an investment trust under section 1158 of the Tax Act and accordingly the Company will be exempt from UK taxation on its capital gains. The Company will, however, be liable to UK corporation tax on its income in the normal way, with dividend income generally being exempt from UK corporation tax. Income arising from overseas investments may be subject to foreign withholding taxes at varying rates, but double taxation relief may be available on overseas income other than dividend income.

A guide to the general UK taxation position as at the date of this document is set out in Part 5 of this document.

**If you are in any doubt as to your taxation position, or are subject to tax in a jurisdiction other than the United Kingdom, you should consult your professional adviser without delay.**

## PART 3

### DETAILS OF THE ISSUES

#### The Issues

##### **12 month Issue Programme**

New Shares will be issued pursuant to the 12 month Issue Programme only for the purpose of controlling the premium at which the Company trades and to take the opportunity to increase the size of the Company in a manner which enhances the relevant NAV per Share for Shareholders. The New Shares to be admitted pursuant to the Issue Programme will be issued only: (i) at a premium to the NAV per Share; (ii) to meet demand from investors; and (iii) when the Directors believe that it is in the best interests of the Company to do so. In no circumstances will New Shares be actively marketed pursuant to the Issues.

New Shares will be issued pursuant to the Issue Programme during the period commencing at 8.00 a.m. on 30 October 2015 and ending at 5.00 p.m. on 28 October 2016. However, the Company will continue its aim of monitoring and controlling the discount or premium at which the Shares trade following the expiry of this period and may seek to issue further prospectuses as and when required under the Prospectus Rules.

Under the Issue Programme the Company is proposing to issue up to 50 million New Income Shares and up to 50 million New Growth Shares less the number of New Income Shares and New Growth Shares issued under the Cayenne Issue. Each Issue pursuant to the Issue Programme will be conditional upon admission of the relevant New Shares to the Official List and to trading on the Main Market becoming effective. None of the Issues pursuant to the Issue Programme will be underwritten.

The Issue Programme has been proposed in principle by the Directors to allow the Company to issue New Shares to satisfy demand from investors at times when Shares are trading at a premium to the relevant NAV per Share. Accordingly, the issue of New Shares pursuant to the Issue Programme disregarding the Documentation Costs will not result in a dilution of the NAV per Share. The Directors intend to apply the net proceeds of any Issues in accordance with the Company's investment policy.

The New Shares will rank *pari passu* in all respects with the existing issued Shares.

The Directors believe that the profile of a typical investor in the Income Shares is a professionally advised individual, including an existing investor in the F&C Share Plans, who is seeking an attractive level of income with the potential for income and capital growth through investing in a diversified portfolio of Investment Companies. The Directors believe that a typical investor in the Growth Shares is a professionally advised individual, including an existing investor in the F&C Share Plans, who is seeking capital growth through investing in a diversified portfolio of Investment Companies. In the event that the maximum number of New Shares (being 50 million New Income Shares and 50 million New Growth Shares) are issued under the Issues, the existing Shares as at 27 October 2015 would represent 42.0 per cent. of the enlarged issued Income Share capital and 37.7 per cent. of the enlarged issued Growth Share capital.

The Issue Price of each issue under the Issue Programme, which will be determined by the Board at the time of such Issue, will be calculated by applying a premium to the relevant NAV per Share (whether published or unpublished), in order to, *inter alia*, take into account the costs of the Issue per each New Share, as at the relevant Calculation Time (rounded up to the nearest tenth of one pound). Disregarding the Documentation Costs, no Issue is therefore expected to be dilutive to the NAV per Share after taking into account the other costs of such Issue. The relevant NAV per Share will be calculated in accordance with the Company's normal accounting policies. The Issue Price of each Issue will be announced through a Regulatory Information Service as soon as practicable following each Issue.

##### **Cayenne Issue**

New Shares will also be issued pursuant to the Cayenne Scheme in relation to the rollover of certain assets held by the Cayenne Trust to the Company by way of a scheme of reconstruction and winding up of the Cayenne Trust under section 110 of the Insolvency Act 1986.

Under the Cayenne Scheme, each Cayenne Shareholder may elect to receive:

- such number of New Shares as have a value (at the Scheme Issue Price per New Share) equal to the proportion of the Rollover FAV of such Cayenne Shareholder's holding of Cayenne Shares (the "**Rollover Option**"); or
- an amount of cash equal to the proportion of the Cash Entitlement attributable to such shareholder's Cayenne Shares (the "**Cash Option**").

Cayenne Shareholders who do not make a valid election under the Cayenne Scheme will be deemed to have elected to receive New Shares in the Company, split between Income Shares and Growth Shares as described below. Valid elections under the Cayenne Scheme must be received by 1.00 p.m. on 24 November 2015.

#### *Conditions of the Cayenne Issue*

The Cayenne Issue is conditional upon:

- the passing of the resolutions to approve the Cayenne Scheme at the general meeting of the Cayenne Shareholders and the Cayenne Scheme becoming unconditional;
- the Admission of the New Shares issued in relation to the Cayenne Scheme; and
- neither the Directors terminating the Company's participation in the Cayenne Scheme nor the directors of the Cayenne Trust having resolved to abandon the Cayenne Scheme.

The actual value of the Cayenne Issue cannot be determined until the elections have been received from the Cayenne Shareholders. On the basis that all of the Cayenne Shareholders elect to roll their Cayenne Shares into the Company, the maximum value of the Cayenne Issue, before expenses of the Issue, would be £38.6 million (based on the net asset value of the Cayenne Trust on 27 October 2015).

The net proceeds of the Cayenne Issue will be invested by the Company in accordance with the Company's investment policy.

#### *Formula asset value*

The entitlements of the Cayenne Shareholders under the Rollover Option will be determined by reference to the Rollover FAV. The Rollover FAV will be calculated on the basis of the net asset value of the Cayenne Trust (taking into account the full costs of the Cayenne Scheme and deducting a provision to meet unknown liabilities) as at the Calculation Date (which is expected to be close of business on 25 November 2015).

Following the calculation of the Cayenne net asset value, the Cayenne Trust will allocate the assets between those Cayenne Shareholders who have elected (or are deemed to have elected) for the Rollover Option and those Cayenne Shareholders who have elected for the Cash Option. The Rollover FAV will be an amount equal to the value of the assets allocated to the Cayenne Shareholders who have elected (or are deemed to have elected) for the Rollover Option.

New Shares will be issued in connection with the Cayenne Scheme at the NAV per Share plus a 1.0 per cent. premium unless the value of the aggregate Rollover FAV exceeds £5 million in which case the premium will be reduced on the basis of 1.0 per cent. on all assets up to £5 million and 0.75 per cent. on all assets above £5 million.

#### *Entitlement to New Shares under the Cayenne Issue*

Under the Cayenne Issue each Cayenne Shareholder who has elected (or is deemed to have elected) for the Rollover Option will receive such number of New Shares as equal the aggregate Rollover FAV of the Rollover Shares divided by the Share Issue Price of the relevant New Shares (rounded down to the nearest whole Share).

Cayenne Shareholders who have elected for the Rollover Option will be able to choose the proportion of Income Shares and Growth Shares that they receive under their entitlement to New Shares. Cayenne Shareholders who either make no valid election under the Cayenne Scheme or do not indicate in which

proportion they wish to receive New Shares shall be deemed to have elected for one half of their Rollover Shares to be exchanged for Income Shares and one half to be exchange for Growth Shares.

The number of New Shares to be issued pursuant to the Cayenne Scheme, the Rollover FAV and the Scheme Issue Price will be announced through a Regulatory Information Service as soon as practicable following the Calculation Date.

The New Shares issued under the Cayenne Issue will rank equally in all respects with the existing issued Shares (save that the New Shares issued under the Cayenne Issue will not qualify for the second interim dividend in respect of the quarter to 30 November 2015 which is to be paid by the Company on 4 January 2016 as announced by the Directors on 29 October 2015).

The New Shares issued under the Cayenne Issue are only being made available to Cayenne Shareholders pursuant to the Cayenne Scheme. The New Shares issued under the Cayenne Issue are not being offered to the existing Shareholders or to the public generally.

Full details of the Cayenne Scheme are set out in the circular to Cayenne Shareholders dated 30 October 2015, a copy of which has been sent to the Cayenne Shareholders.

#### *Dilution*

Shareholders of the Company are not able to participate in the Cayenne Issue. Therefore, Shareholders will suffer a dilution to the percentage of the issued share capital that their current holding represents based on the actual number of Shares issued under the Cayenne Issue.

Assuming all Cayenne Shareholders elect to receive Income Shares and on the basis that 25 million Income Shares (being the maximum number of Income Shares that may be issued under the Cayenne Scheme) are issued, Income Shareholders will suffer a dilution of approximately 40.9 per cent. to their existing percentage holdings.

Assuming all Cayenne Shareholders elect to receive Growth Shares and on the basis that 25 million Growth Shares (being the maximum number of Growth Shares that may be issued under the Cayenne Scheme) are issued, Growth Shareholders will suffer a dilution of approximately 45.3 per cent. to their existing percentage holdings.

#### **Listing and dealing**

Issues will be made only in the circumstances described in the paragraph headed “The Issues” above. Where Issues are effected, it is expected that New Shares will be admitted to the Official List and to trading on the Main Market not later than the third business day following the Board’s resolution to allot those New Shares. No dealings will commence before the relevant date of Admission.

New Shares issued pursuant to the Issues will be issued in registered form and may be held either in certificated form or settled through CREST. It is expected that definitive certificates in respect of New Shares will, where requested, be despatched by post in the week following the issue of the relevant New Shares. Temporary documents of title will not be issued. Pending despatch of such certificates, transfers will be certified against the register. Definitive certificates for such New Shares are expected to be despatched in the week following completion of the relevant Issue. Dealings in New Shares are expected to commence on 2 November 2015 at the earliest. The Issues cannot be revoked after dealings in the relevant New Shares have commenced.

The ISIN number for the Income Shares is GB00B2PP3J36 and the ISIN number for the Growth Shares is GB00B2PP2527. The SEDOL number for the Income Shares is B2PP3J3 and the SEDOL number for the Growth Shares is B2PP252.

#### **Costs of the Issues**

The aggregate costs of and incidental to the publication of this document, which have been or will be borne by the Company, are approximately £110,000 (the “**Documentation Costs**”).

Assuming that the Issues are fully subscribed and 50 million Income Shares are issued at a price of 118.21 pence per Share and 50 million Growth Shares are issued at a price of 150.17 pence per Share, being a one per cent. premium to the relevant NAV per Share at the latest practicable date of this

document, the gross proceeds of the Issues would be £134.2 million. The fixed costs of the Issues would be £110,000 and listing fees of £66,000 would be payable. Accordingly the net proceeds of the Issues would be £134.0 million.

Under the Cayenne Scheme, the Company and the Cayenne Trust have agreed to bear their own costs. The costs associated with the Cayenne Issue, which have been or will be borne by the Company, are approximately £110,000 (less a costs contribution from the Manager equal to one year's Management fee on the assets transferred under the Cayenne Scheme which will be paid by means of a fee waiver, provided that such amount shall not exceed the net costs incurred by the Company, after offsetting the premium to NAV on the New Shares issued).

In the event that either the Company or the Cayenne Trust decides not to proceed with the Cayenne Scheme, including if Cayenne Shareholders do not approve any resolution required to implement the Cayenne Scheme, (the "**Defaulting Party**") then the non-Defaulting Party shall be entitled to the costs incurred by it in implementing the Scheme from the Defaulting Party, up to a maximum of £75,000 (inclusive of VAT). The non-Defaulting Party will bear any costs incurred by it in excess of £75,000 (inclusive of VAT).

For the avoidance of doubt, the costs of the Issues include, in addition to the above and without limitation, the stamp duty on the investment of the net proceeds of the Issue Programme.



## PART 4

### FINANCIAL INFORMATION (INCLUDING PORTFOLIO INFORMATION)

#### 1. Introduction

Statutory accounts of the Company for the three financial years ended 31 May 2013, 31 May 2014 and 31 May 2015, in respect of which the Company's auditors, Ernst & Young LLP of 10 George Street, Edinburgh EH2 2DZ who are members of the Institute of Chartered Accountants in England and Wales, made an unqualified report under section 495 of the Act, have been in each case prepared in accordance with UK GAAP and delivered to the Registrar of Companies in Scotland. Such reports are incorporated into this document by reference and can be obtained from the Company's website, [www.fcmanagedportfolio.co.uk](http://www.fcmanagedportfolio.co.uk). Copies are also available for inspection during normal business hours on any weekday at the offices of Dickson Minto W.S., 16 Charlotte Square, Edinburgh EH2 4DF until 28 October 2016.

#### 2. Historical Financial Information

Historical financial information relating to the Company on the matters referred to below is included in the published annual report and audited accounts of the Company for the three financial years ended 31 May 2013, 31 May 2014 and 31 May 2015 as set out in the table below and is expressly incorporated by reference into this document. The non-incorporated parts of these annual reports and accounts of the Company are either not relevant to investors or covered elsewhere in the Prospectus.

<i>Nature of information</i>	<i>Statutory Accounts for year ended</i>		
	<i>31 May 2013</i>	<i>31 May 2014</i>	<i>31 May 2015</i>
	<i>Page No.</i>	<i>Page No.</i>	<i>Page No.</i>
Financial Results	2-3	2-3	2-3
Chairman's Statement	4-7	4-7	4-7
Investment Manager's Review/Manager's Review	9-13	11-15	11-15
Investment Portfolio – Income Shares	15	16	16
Investment Portfolio – Growth Shares	16	17	17
Income Statement	36	41	41
Reconciliation of Movements in Shareholders' Funds	39	44	44
Balance Sheet	37	42	42
Cash Flow Statement	38	43	43
Notes to Accounts	40-57	45-62	45-63
Independent Auditor's Report	35	38-40	38-40

### 3. Selected financial information

The information in this paragraph 3 is information regarding the Company which has been prepared by the Company and has been extracted directly from the historical financial information referred to in paragraph 2 of this Part 4. Selected historical financial information relating to the Company which summarises the financial condition of the Company for the three years ended 31 May 2013, 31 May 2014 and 31 May 2015:

	Year ended 31 May 2013	Year ended 31 May 2014	Year ended 31 May 2015
<b>Net asset value as at 31 May</b>			
Net assets (£'000)	62,545	68,328	88,230
Net asset value per Income Share (p)	117.68	119.85	126.37
Net asset value per Growth Share (p)	124.78	136.41	153.92
<b>Income for the year to 31 May</b>			
Revenue return after taxation (£'000)	1,390	1,499	1,737
Revenue return per Income Share (p)	5.20	5.56	5.87
Dividend per Income Share (p)	4.6	4.8	5.00
<b>Portfolio summary as at 31 May</b>			
Shareholders' funds (£'000)	62,545	68,328	88,230
Loans drawn down (£'000)	(851)	(467)	(2,900)
Future commitments (£'000)	(355)	(368)	(451)
Income Share price (p)	116.5	122.0	128.5
Growth Share price (p)	123.0	136.0	155.0

### 4. Operating and financial review

A description of changes in the performance of the Company, both capital and revenue, and changes to the Company's portfolio of investments is set out in the sections headed "Chairman's Statement", "Investment Manager's Review" or "Manager's Review", "Income Shares – Investment Portfolio" and "Growth Shares – Investment Portfolio" in the published statutory accounts of the Company as follows:

	<i>Statutory Accounts for year ended</i>		
	31 May 2013	31 May 2014	31 May 2015
<i>Nature of information</i>	<i>Page No.</i>	<i>Page No.</i>	<i>Page No.</i>
Chairman's Statement	4-7	4-7	4-7
Investment Manager's Review/Manager's Review	9-13	11-15	11-15
Income Shares – Investment Portfolio	15	16	16
Growth Shares – Investment Portfolio	16	17	17

### 5. Significant change

Since 31 May 2015 (being the end of the last financial period of the Company for which financial information has been published), there has been no significant change in the financial or trading position of the Company.

### 6. Significant gross change

The Issues will represent a gross change for the Company. If the Issues had been by way of a single Issue on 31 May 2015 (the last date in respect of which financial information on the Company has been published) and that Issue had been fully subscribed, approximately £134.2 million would have been raised by way of this single Issue. The gross assets of the Company would therefore have been increased by approximately £134.0 million. On this basis, the total costs and expenses of and incidental to the Issues payable by the Company would be approximately £176,000, being 0.1 per cent. of the total proceeds of the Issues. The net proceeds available for investment by the Company would therefore be approximately £134.0 million and these net proceeds would be invested in accordance with the Company's investment policy described in Part 1 of this document. If such Issue had been made on 1 April 2015 the Company would have derived enhanced earnings from the investment of the net proceeds of such Issue in the same manner as earnings are derived from the Company's current assets that are invested in accordance with the Company's investment policy.

## 7. Capitalisation and indebtedness

The following table sets out the capitalisation and indebtedness of the Company (distinguishing between guaranteed and unguaranteed, secured and unsecured indebtedness) as at 31 May 2015 (the last date in respect of which financial information on the Company has been published) and as at 27 October 2015:

	31 May 2015 £'000	27 October 2015 £'000
<b>Total current debt</b>		
– Guaranteed	—	—
– Secured	—	—
– Unguaranteed/unsecured	(2,900)	(2,900)
<b>Total Non-current debt</b>		
– Guaranteed	—	—
– Secured	—	—
– Unguaranteed/unsecured	—	—
<b>Shareholders' equity</b>		
– Share capital	6,353	6,640
– Legal reserves (excl. revenue reserves)	24,455	28,054
– Other reserves	57,422	52,594
<b>Total equity</b>	<u>88,230</u>	<u>87,288</u>

The information in the table above is audited financial information on the Company as at 31 May 2015 and unaudited financial information on the Company as at 27 October 2015.

The following table shows the Company's net indebtedness at 27 October 2015:

	£'000
A. Cash	3,423
B. Cash equivalent	—
C. Trading securities	86,894
<b>D. Liquidity (A+B+C)</b>	<u>90,317</u>
<b>E. Current financial receivable</b>	<u>265</u>
F. Current bank debt	(2,900)
G. Current portion of non-current debt	—
H. Trading securities receivable	—
I. Trading securities payable	—
<b>J. Other current financial debt</b>	<u>(394)</u>
<b>K. Current financial debt (F+G+H+I+J)</b>	<u>(3,294)</u>
<b>L. Net current financial indebtedness (D+E+K)</b>	<u>87,288</u>
M. Non-current bank loans	—
N. Debenture issued	—
O. Non-current loans	—
<b>P. Non-current financial indebtedness (M+N+O)</b>	<u>—</u>
<b>Q. Net financial indebtedness (L+P)</b>	<u>87,288</u>
Indirect indebtedness	—
Contingent indebtedness	—

## 8. Working capital

The Company is of the opinion that the working capital available to the Company is sufficient for the Company's present requirements (that is, for at least the next twelve months from the date of this document).

## 9. Net asset value

As at 27 October 2015 the unaudited Net Asset Value per Income Share was 117.04 pence and the unaudited Net Asset Value per Growth Share was 148.68 pence.

## 10. Analysis of investment portfolio

As at 27 October 2015, the Company's Income Portfolio and Growth Portfolio comprised of 42 and 44 investments respectively. The aggregate unaudited value, calculated in accordance with the Company's accounting policies, of the Income Portfolio and the Growth Portfolio was £43.8 million and £46.4 million respectively as at 27 October 2015 (being the latest practicable date prior to the publication of this document). The following tables show the distribution by each Portfolio by sector, asset class and currency as at 27 October 2015. There has been no material change in the value or composition of the Portfolio since 27 October 2015, being the date of its valuation.

### Income Portfolio

	<i>% of Total Assets</i>
<i>By sector</i>	
UK Equity Income	24.0%
Global	8.8%
Global Equity Income	8.2%
UK Equity & Bond Income	7.4%
UK Smaller Companies	5.8%
UK All Companies	5.2%
Asia Pacific – Excluding Japan	4.8%
Private Equity	4.4%
Global High Income	3.9%
European Smaller Companies	3.8%
Global Emerging Markets	3.5%
Property Direct – UK	3.5%
Infrastructure	3.5%
Debt	2.9%
Biotechnology & Healthcare	2.9%
Asia Pacific – Including Japan	2.4%
Net current assets	2.3%
North America	1.5%
Financials	1.2%
	<hr/> 100.0%

	<i>% of Total Assets</i>
<i>By asset class</i>	
Equity	97.9%
Fixed income	2.1%
	<hr/> 100.0%

	<i>% of Total Assets</i>
<i>By currency</i>	
Sterling	91.7%
US Dollar	3.2%
Swiss Franc	2.9%
Euro	2.2%
	<hr/> 100.0%

The 20 largest holdings in the Income Portfolio (representing approximately 62 per cent. of the Income Portfolio and 30 per cent. of the Company's entire Portfolio), as at 27 October 2015, were as follows:

<i>Company</i>	<i>AIC Sector</i>	<i>Valuation (£'000)</i>	<i>% of Portfolio</i>
Perpetual Income & Growth Investment Trust	UK Equity Income	2,070	4.7%
Law Debenture Corporation	Global	1,718	3.9%
European Assets Trust	European Smaller Companies	1,660	3.8%
Schroder Real Estate Investment Trust	Property Direct – UK	1,547	3.5%
City of London Investment Trust	UK Equity Income	1,455	3.3%
Lowland Investment Company	UK Equity Income	1,423	3.2%
Edinburgh Investment Trust	UK Equity Income	1,420	3.2%
Henderson International Income Trust	Global Equity Income	1,362	3.1%
Troy Income & Growth Trust	UK Equity Income	1,349	3.1%
Henderson High Income Trust	UK Equity & Bond Income	1,335	3.0%
Murray International Trust	Global Equity Income	1,302	3.0%
The Mercantile Investment Trust	UK All Companies	1,284	2.9%
BB Biotech	Biotechnology & Healthcare	1,266	2.9%
Temple Bar Investment Trust	UK Equity Income	1,255	2.9%
Invesco Perpetual UK Smaller Companies Investment Trust	UK Smaller Companies	1,242	2.8%
Invesco Perpetual Enhanced Income Limited	Global High Income	1,229	2.8%
Majedie Investments	Global	1,080	2.5%
Schroder Oriental Income Fund	Asia Pacific – Including Japan	1,072	2.4%
The Bankers Investment Trust	Global	1,072	2.4%
Henderson Far East Income	Asia Pacific – Excluding Japan	1,022	2.3%
<b>Total</b>		<b>27,163</b>	<b>61.7%</b>

#### **Growth Portfolio**

<i>By sector</i>	<i>% of Total Assets</i>
Global	15.5%
UK Equity Income	13.1%
UK Smaller Companies	11.3%
UK All Companies	9.3%
Europe	7.9%
Tech Media & Telecomm	5.6%
Net current assets	5.0%
North America	4.1%
Global Emerging Markets	3.8%
Private Equity	3.2%
Property Securities	3.1%
Biotechnology/Life Sciences	2.5%
Asia Pacific – Excluding Japan	2.3%
Biotechnology & Healthcare	2.3%
Hedge Funds	2.2%
Small Media, Comms & IT Cos	2.2%
Japan	1.9%
European Smaller Companies	1.7%
Global Equity Income	1.5%
Environmental	1.5%
	<b>100.0%</b>
<i>By asset class</i>	<i>% of Total Assets</i>
Equity	100.0%
<i>By currency</i>	<i>% of Total Assets</i>
Sterling	100.0%

The 20 largest holdings in the Growth Portfolio (representing approximately 54 per cent. of the Growth Portfolio and 28 per cent. of the Company's entire Portfolio), as at 27 October 2015, were as follows:

<i>Company</i>	<i>AIC Sector</i>	<i>Valuation (£'000)</i>	<i>% of Portfolio</i>
Perpetual Income & Growth Investment Trust	UK Equity Income	1,886	4.1%
Jupiter European Opportunities Trust	Europe	1,670	3.6%
TR Property Investment Trust	Property Securities	1,425	3.1%
Lowland Investment Company	UK Equity Income	1,424	3.1%
Polar Capital Technology Trust	Tech Media & Telecomm	1,410	3.0%
Diverse Income Trust	UK Equity Income	1,391	3.0%
Finsbury Growth & Income Trust	UK Equity Income	1,391	3.0%
The Mercantile Investment Trust	UK All Companies	1,284	2.8%
Scottish Mortgage Investment Trust	Global	1,262	2.7%
Allianz Technology Trust	Tech Media & Telecomm	1,192	2.6%
JPMorgan American Investment Trust	North America	1,169	2.5%
Biotech Growth Trust	Biotechnology/Life Sciences	1,166	2.5%
Henderson European Focus Trust	Europe	1,137	2.5%
Strategic Equity Capital	UK Smaller Companies	1,095	2.4%
Fidelity Special Values	UK All Companies	1,086	2.3%
Worldwide Healthcare Trust	Biotechnology & Healthcare	1,068	2.3%
Ruffer Investment Company	Global	1,055	2.3%
Personal Assets Trust	Global	1,053	2.2%
Woodford Patient Capital Trust	UK All Companies	1,039	2.2%
BH Macro	Hedge Funds	1,008	2.2%
<b>Total</b>		<b>25,211</b>	<b>54.4%</b>

The information in this paragraph 10 is unaudited information of the Company, which has been extracted from internal management accounting records held by the Company and has not been reported on by an accountant.



## PART 5

### TAXATION

The information contained in this document relating to taxation is a summary of the taxation matters which the Directors consider should be brought to the attention of prospective investors. The following statements are intended as a general guide only and do not constitute legal or tax advice to any Shareholder or prospective Shareholder or investor. They are based upon the United Kingdom law and HM Revenue & Customs practice currently in force, and relate only to the position of Shareholders who are beneficial owners of their Shares. They may not relate to certain categories of Shareholders, such as dealers in securities. Prospective investors should consult their own professional advisers on the potential tax consequences of acquiring, holding or selling Shares in the Company.

#### 1. The Company

It is the intention of the Directors to continue to conduct the affairs of the Company so as to satisfy the conditions for approval as an investment trust under section 1158 of the Corporation Tax Act 2010. The Company has been approved as an investment trust pursuant to the Investment Trust (Approved Company) (Tax) Regulations 2011, which came into force on 1 January 2012 and have applied to the Company from its accounting period beginning 1 June 2012. The Company will therefore continue to have investment trust status in each accounting period going forward, other than to the extent that the Company commits a serious breach of one of the conditions for qualification as an investment trust and will be exempt from United Kingdom taxation on its capital gains. In order to maintain its investment trust status for an accounting period, the Company must not, *inter alia*, be a close company at any time in that accounting period. The Directors do not anticipate that the Company will be a close company.

The Company will, however, be liable to UK corporation tax on its income profits in the normal way, with dividend income generally being exempt from UK corporation tax. Income arising from overseas investments may be subject to foreign withholding taxes at varying rates, but double taxation relief may be available on overseas income other than dividend income.

#### 2. Shareholders

##### 2.1 *Taxation of capital gains – Disposals*

Shareholders resident in the UK for taxation purposes may, depending upon their personal circumstances, be liable to UK capital gains tax or, in the case of corporations, UK corporation tax on chargeable gains arising from the sale or other disposal (which includes disposal upon a winding up) of their Shares for the purposes of the TCGA (“**Capital Gains Tax**”). On such a disposal by an individual Shareholder who is resident in the UK for taxation purposes, a rate of Capital Gains Tax of 28 per cent. for individuals who pay income tax at the higher or additional rates of tax; otherwise a tax rate of 18 per cent. applies. An individual may be able to claim certain reliefs (including the annual exemption in respect of the first £11,100 of capital gains received in the financial year 2015/16). Shareholders which are corporations resident in the UK will benefit from an indexation allowance which, in general terms, increases the Capital Gains Tax base cost of an asset in accordance with changes in the Retail Prices Index. Indexation allowance may not create or increase an allowable loss.

Shareholders who are not resident in the UK for taxation purposes will not normally be liable to Capital Gains Tax arising from the sale or other disposal of their Shares unless (in the case of a corporate shareholder) those Shares are held through a UK branch or agency, although they may be subject to foreign taxation depending upon their personal circumstances.

##### 2.2 *Taxation of capital gains – Conversions*

A conversion of Growth Shares to Income Shares, or Income Shares to Growth Shares will, under current legislation, constitute a reorganisation of share capital. Accordingly, no

liability to taxation in respect of capital gains will arise on conversion. Instead, the new Growth Shares, or Income Shares, whichever the case may be, will be treated as having been acquired on the same date and for the same attributable base cost as the Income Shares or Growth Shares from which they are derived.

### **2.3 Taxation of dividends**

Under current legislation, no withholding tax will be deducted from any dividends paid by the Company.

Until 5 April 2016, individuals resident in the UK for taxation purposes are generally liable to UK income tax on the aggregate amount of a dividend and a tax credit equal to one-ninth of the dividend. For example, on a dividend of £90, the tax credit would be £10, and an individual would be liable to UK income tax on £100. No further UK income tax is payable in respect of the dividend by UK resident individuals who are not liable to UK income tax at the higher rate or the additional rate. UK resident individuals who are subject to tax at the higher rate, but not the additional rate, have to pay further tax on a dividend to the extent that tax at the rate applicable to dividends for such individuals (32.5 per cent. for 2015/2016) on the aggregate of the dividend and tax credit exceeds the tax credit. For example, on a dividend of £90 such a taxpayer would have to pay additional tax of £22.50. For this purpose, dividends are treated as the top slice of an individual's income.

Until 5 April 2016, UK resident individuals who are subject to UK income tax at the additional tax rate are liable to UK income tax on dividends at the applicable rate (37.5 per cent. for 2015/2016) on the difference between the dividend received (including the accompanying tax credit) and the tax credit. For example, on a dividend of £90 such a taxpayer would have to pay UK income tax of £27.50. For this purpose, dividends are treated as the top slice of an individual's income.

No repayment of the tax credit in respect of dividends can be claimed.

From 6 April 2016, the notional 10 per cent. dividend tax credit will be abolished, on the assumption that the provisions of the 2015 Summer Finance Bill are enacted. A £5,000 (fiscal year 2016/17) annual tax free dividend allowance will be introduced. Dividends received in excess of this threshold will be taxed, for the fiscal year 2016/17, at 7.5 per cent. (basic rate), 32.5 per cent. (higher rate) and 38.1 per cent. (additional rate). The taxation of dividends received by pensions and ISAs will be unaffected.

In general, UK resident corporate Shareholders (other than dealers and certain insurance companies) are not liable to UK corporation tax or UK income tax in respect of dividends, except in certain circumstances. Non-UK resident Shareholders may be subject to tax on dividend income under any law to which they are subject outside the UK.

### **3. Stamp duty and stamp duty reserve tax**

An agreement to transfer Shares through CREST will normally be subject to stamp duty reserve tax at the rate of 0.5 per cent. However, if the transferee is a person to whom the depositary receipt or clearance service charge to stamp duty reserve tax applies, stamp duty reserve tax at the rate of 1.5 per cent. is applicable to the value of the consideration paid.

If an instrument of transfer of the Shares is subsequently executed (if the Shares are not transferred through CREST), it will generally be subject to stamp duty at the rate of 0.5 per cent. Where the transferor is a person to whom the depositary receipt or clearance service charge to stamp duty applies, stamp duty at the rate of 1.5 per cent. is applicable to the value of the consideration paid. In either case the duty is rounded up to the nearest multiple of £5. When such an instrument of transfer is duly stamped and stamp duty is paid within specified time limits, the stamp duty reserve tax charge will be cancelled and any stamp duty reserve tax already paid will be refunded.

When Shares are transferred in CREST, there will be no stamp duty reserve tax on the transfer (unless made for a consideration, in which case stamp duty reserve tax will be payable at the rate of 0.5 per cent. of the actual consideration paid).

Liability to pay stamp duty or stamp duty reserve tax is normally that of the transferee or purchaser.

**4. ISAs/NISAs**

New Shares will qualify for the purposes of an ISA, provided that they are acquired by an ISA manager in the market. Shares subscribed for directly pursuant to an Issue will not qualify for an ISA. Direct transfers to an ISA will render such shares ineligible for ISAs.

The New ISA ("**NISA**") regime came into effect on 1 July 2014 which, amongst other things, removed the concept of stocks and shares and cash components of an ISA. For the 2015/16 tax year NISAs have an overall subscription limit of £15,240, all of which can be invested in stocks and shares, of which New Shares will qualify.

**5. ISAs conversions**

Deferred Shares which arise on the conversion of Growth Shares to Income Shares, or Income Shares to Growth Shares will, under current legislation, not be eligible to be held within the stocks and shares component of an ISA. It is the intention of the Company that, within 30 calendar days of the creation of any Deferred Shares, it will either: (i) compulsorily transfer the Deferred Shares to a nominee company; or (ii) buy back the Deferred Shares and cancel them.

**6. SIPPs and SSASs**

Shares will be permitted investments for SIPPs and SSASs.

## PART 6

### GENERAL INFORMATION

#### 1. Incorporation and general

- 1.1 The Company was incorporated and registered in Scotland on 20 February 2008 as a public company limited by shares under the Companies Act 1985 with the registered number SC338196. Shares in the Company were first admitted to listing on 16 April 2008. The Company operates under the Act and regulations made under the Act. Its registered office is 80 George Street, Edinburgh EH2 3BU (telephone number: 0131 225 2375). Save for its compliance with the Act, the Listing Rules, the Disclosure and Transparency Rules, the Prospectus Rules and the UK Code, the Company is not a regulated entity.
- 1.2 The objects of the Company are unrestricted.
- 1.3 The Investment Manager is a private limited company and was incorporated in Scotland under the Companies Act 1985 with the registered number SC151198 on 1 June 1994. The Investment Manager operates under the Act. Its registered office is 80 George Street, Edinburgh EH2 3BU (telephone number: 0131 718 1000). The Investment Manager is authorised and regulated by the FCA.
- 1.4 The Depositary is a private limited company and was incorporated in England and Wales under the Companies Acts 1948 to 1967 with registered number 00938937 on 18 September 1968. The Depositary's registered office is 25 Bank Street, Canary Wharf, London E14 5JP (telephone number: 020 7777 2000). The Depositary is authorised by the PRA and regulated by the FCA and the PRA with firm reference number 124579.

#### 2. Share capital

- 2.1 The issued share capital of the Company (all of which issued shares will be fully paid-up) as at the date of this document and immediately following Admission (assuming the maximum number of New Shares are issued) will be as follows:

	<i>No. of Shares</i>	<i>Nominal value of each Share</i>
<b>As at the date of this document</b>		
Income Shares	36,164,936	£0.10
Growth Shares	30,239,843	£0.10
<b>Immediately following Admission of all of the New Shares</b>		
Income Shares	86,164,936	£0.10
Growth Shares	80,239,843	£0.10

As at the date of this document, no Income Shares are held by the Company in treasury and no Growth Shares are held in treasury.

- 2.2 The Company's issued Income Share capital history between 1 June 2012 and 31 May 2015 is as follows:

- (i) On 24 October 2012 125,000 Income Shares were bought back for treasury.
- (ii) On 31 October 2012 100,000 Income Shares were bought back for treasury.
- (iii) On 10 December 2012 75,000 Income Shares were bought back for treasury.
- (iv) On 30 April 2013 50,000 Income Shares were sold from treasury.
- (v) On 8 July 2013 200,000 Income Shares were sold from treasury.
- (vi) On 9 July 2013 50,000 Income Shares were sold from treasury.

- (vii) On 4 February 2014 100,000 Income Shares were sold from treasury.
- (viii) On 10 March 2014 75,000 Income Shares were sold from treasury.
- (ix) On 20 March 2014 75,000 Income Shares were sold from treasury.
- (x) On 2 April 2014 235,000 Income Shares were sold from treasury.
- (xi) On 28 April 2014 100,000 Income Shares were issued from the block listing facility.
- (xii) On 7 May 2014 50,000 Income Shares were issued from the block listing facility.
- (xiii) On 6 June 2014 50,000 Income Shares were issued from the block listing facility.
- (xiv) On 12 June 2014 100,000 Income Shares were issued from the block listing facility.
- (xv) On 13 June 2014 50,000 Income Shares were issued from the block listing facility.
- (xvi) On 19 September 2014 200,000 Income Shares were issued from the block listing facility.
- (xvii) On 30 September 2014 50,000 Income Shares were issued from the block listing facility.
- (xviii) On 3 October 2014 100,000 Income Shares were issued from the block listing facility.
- (xix) On 7 November 2014 50,000 Income Shares were issued from the block listing facility.
- (xx) On 10 November 2014 100,000 Income Shares were issued from the block listing facility.
- (xxi) On 9 December 2014 50,000 Income Shares were issued from the block listing facility.
- (xxii) On 23 December 2014 75,000 Income Shares were issued from the block listing facility.
- (xxiii) On 6 January 2015 50,000 Income Shares were issued from the block listing facility.
- (xxiv) On 8 January 2015 150,000 Income Shares were issued from the block listing facility.
- (xxv) On 13 January 2015 50,000 Income Shares were issued from the block listing facility.
- (xxvi) On 5 February 2015 700,000 Income Shares were issued from the block listing facility.
- (xxvii) On 6 February 2015 160,000 Income Shares were issued from the block listing facility.
- (xxviii) On 9 February 2015 200,000 Income Shares were issued from the block listing facility.
- (xxix) On 10 February 2015 150,000 Income Shares were issued from the block listing facility.
- (xxx) On 11 February 2015 180,000 Income Shares were issued from the block listing facility.
- (xxxi) On 12 February 2015 180,000 Income Shares were issued from the block listing facility.
- (xxxii) On 13 February 2015 175,000 Income Shares were issued from the block listing facility.
- (xxxiii) On 16 February 2015 75,000 Income Shares were issued from the block listing facility.
- (xxxiv) On 17 February 2015 200,000 Income Shares were issued from the block listing facility.
- (xxxv) On 18 February 2015 125,000 Income Shares were issued from the block listing facility.
- (xxxvi) On 19 February 2015 50,000 Income Shares were issued from the block listing facility.
- (xxxvii) On 20 February 2015 50,000 Income Shares were issued from the block listing facility.
- (xxxviii) On 23 February 2015 150,000 Income Shares were issued from the block listing facility.
- (xxxix) On 24 February 2015 100,000 Income Shares were issued from the block listing facility.
- (xl) On 25 February 2015 125,000 Income Shares were issued from the block listing facility.
- (xli) On 26 February 2015 50,000 Income Shares were issued from the block listing facility.

- (xlii) On 27 February 2015 75,000 Income Shares were issued from the block listing facility.
- (xliii) On 3 March 2015 200,000 Income Shares were issued from the block listing facility.
- (xliv) On 5 March 2015 250,000 Income Shares were issued from the block listing facility.
- (xlv) On 9 March 2015 75,000 Income Shares were issued from the block listing facility.
- (xlvi) On 11 March 2015 250,000 Income Shares were issued from the block listing facility.
- (xlvii) On 12 March 2015 250,000 Income Shares were issued from the block listing facility.
- (xlviii) On 13 March 2015 75,000 Income Shares were issued from the block listing facility.
- (xlix) On 16 March 2015 75,000 Income Shares were issued from the block listing facility.
- (l) On 18 March 2015 130,000 Income Shares were issued from the block listing facility.
- (li) On 23 March 2015 200,000 Income Shares were issued from the block listing facility.
- (lii) On 24 March 2015 75,000 Income Shares were issued from the block listing facility.
- (liii) On 27 March 2015 175,000 Income Shares were issued from the block listing facility.
- (liv) On 31 March 2015 150,000 Income Shares were issued from the block listing facility.
- (lv) On 2 April 2015 100,000 Income Shares were issued from the block listing facility.
- (lvi) On 7 April 2015 50,000 Income Shares were issued from the block listing facility.
- (lvii) On 9 April 2015 400,000 Income Shares were issued from the block listing facility.
- (lviii) On 10 April 2015 100,000 Income Shares were issued from the block listing facility.
- (lix) On 14 April 2015 50,000 Income Shares were issued from the block listing facility.
- (lx) On 20 April 2015 200,000 Income Shares were issued from the block listing facility.
- (lxi) On 23 April 2015 150,000 Income Shares were issued from the block listing facility.
- (lxii) On 30 April 2015 175,000 Income Shares were issued from the block listing facility.
- (lxiii) On 6 May 2015 75,000 Income Shares were issued from the block listing facility.
- (lxiv) On 13 May 2015 100,000 Income Shares were issued from the block listing facility.
- (lxv) On 27 May 2015 50,000 Income Shares were issued from the block listing facility.

2.3 The Company's issued Growth Share capital history between 1 June 2012 and 31 May 2015 is as follows:

- (i) On 1 June 2012 60,000 Growth Shares were bought back for treasury.
- (ii) On 5 July 2012 100,000 Growth Shares were bought back for treasury.
- (iii) On 24 October 2012 80,000 Growth Shares were bought back for treasury.
- (iv) On 31 October 2012 75,000 Growth Shares were bought back for treasury.
- (v) On 3 December 2012 150,000 Growth Shares were bought back for treasury.
- (vi) On 10 December 2012 250,000 Growth Shares were bought back for treasury.
- (vii) On 6 March 2013 100,000 Growth Shares were bought back for treasury.
- (viii) On 14 May 2013 125,000 Growth Shares were bought back for treasury.
- (ix) On 6 June 2013 120,000 Growth Shares were bought back for treasury.



- (x) On 8 July 2013 100,000 Growth Shares were sold from treasury.
- (xi) On 9 July 2013 75,000 Growth Shares were sold from treasury.
- (xii) On 4 September 2013 150,000 Growth Shares were bought back for treasury.
- (xiii) On 4 February 2014 175,000 Growth Shares were sold from treasury.
- (xiv) On 6 February 2014 100,000 Growth Shares were sold from treasury.
- (xv) On 14 February 2014 100,000 Growth Shares were sold from treasury.
- (xvi) On 28 February 2014 125,000 Growth Shares were sold from treasury.
- (xvii) On 10 March 2014 75,000 Growth Shares were sold from treasury.
- (xviii) On 20 March 2014 25,000 Growth Shares were sold from treasury.
- (xix) On 4 April 2014 75,000 Growth Shares were sold from treasury.
- (xx) On 9 April 2014 100,000 Growth Shares were sold from treasury.
- (xxi) On 28 April 2014 100,000 Growth Shares were sold from treasury.
- (xxii) On 2 May 2014 75,000 Growth Shares were sold from treasury.
- (xxiii) On 7 May 2014 50,000 Growth Shares were sold from treasury.
- (xxiv) On 6 June 2014 100,000 Growth Shares were sold from treasury.
- (xxv) On 12 June 2014 100,000 Growth Shares were sold from treasury.
- (xxvi) On 15 December 2014 200,000 Growth Shares were sold from treasury.
- (xxvii) On 5 February 2015 300,000 Growth Shares were sold from treasury.
- (xxviii) On 6 February 2015 75,000 Growth Shares were sold from treasury.
- (xxix) On 9 February 2015 150,000 Growth Shares were sold from treasury.
- (xxx) On 10 February 2015 50,000 Growth Shares were sold from treasury.
- (xxxi) On 11 February 2015 100,000 Growth Shares were sold from treasury.
- (xxxii) On 12 February 2015 100,000 Growth Shares were sold from treasury.
- (xxxiii) On 13 February 2015 100,000 Growth Shares were sold from treasury.
- (xxxiv) On 17 February 2015 50,000 Growth Shares were sold from treasury.
- (xxxv) On 18 February 2015 50,000 Growth Shares were sold from the treasury.
- (xxxvi) On 19 February 2015 50,000 Growth Shares were sold from treasury.
- (xxxvii) On 20 February 2015 50,000 Growth Shares were sold from treasury.
- (xxxviii) On 25 February 2015 15,000 Growth Shares were sold from treasury.
- (xxxix) On 25 February 2015 35,000 Growth Shares were issued from the block listing facility.
- (xl) On 26 February 2015 50,000 Growth Shares were issued from the block listing facility.
- (xli) On 27 February 2015 50,000 Growth Shares were issued from the block listing facility.
- (xlii) On 3 March 2015 75,000 Growth Shares were issued from the block listing facility.
- (xliii) On 5 March 2015 100,000 Growth Shares were issued from the block listing facility.
- (xliv) On 9 March 2015 100,000 Growth Shares were issued from the block listing facility.

- (xlv) On 11 March 2015 100,000 Growth Shares were issued from the block listing facility.
  - (xlvi) On 12 March 2015 75,000 Growth Shares were issued from the block listing facility.
  - (xlvii) On 16 March 2015 50,000 Growth Shares were issued from the block listing facility.
  - (xlviii) On 24 March 2015 50,000 Growth Shares were issued from the block listing facility.
  - (xlix) On 27 March 2015 125,000 Growth Shares were issued from the block listing facility.
  - (l) On 31 March 2015 50,000 Growth Shares were issued from the block listing facility.
  - (li) On 2 April 2015 100,000 Growth Shares were issued from the block listing facility.
  - (lii) On 14 April 2015 100,000 Growth Shares were issued from the block listing facility.
  - (liii) On 20 April 2015 50,000 Growth Shares were issued from the block listing facility.
  - (liv) On 23 April 2015 50,000 Growth Shares were issued from the block listing facility.
  - (lv) On 30 April 2015 150,000 Growth Shares were issued from the block listing facility.
  - (lvi) On 6 May 2015 75,000 Growth Shares were issued from the block listing facility.
  - (lvii) On 13 May 2015 50,000 Growth Shares were issued from the block listing facility.
- 2.4 As at 1 June 2012, the Company had in issue 26,879,936 Income Shares and 25,949,843 Growth Shares and, as at 31 May 2015, the Company had in issue 34,689,936 Income Shares and 28,839,843 Growth Shares (excluding treasury). Since 31 May 2015 and up to 27 October 2015, being the latest practicable date before publication of this prospectus, the Company has issued a further 1,475,000 New Income Shares and 1,400,000 New Growth Shares.
- 2.5 No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 2.6 At the Annual General Meeting, the Directors were authorised as follows:
- (i) generally and unconditionally pursuant to section 551 of the Act, to allot Income Shares with an aggregate nominal value of up to £2.5 million and Growth Shares with an aggregate nominal value of £2.5 million (such authority to expire at the conclusion of the Company's annual general meeting to be held in 2016 or on the expiry of 15 months from the passing of the resolution, whichever is the earlier); and
  - (ii) pursuant to section 570 the Act, to allot equity securities (as defined in section 560 of the Act) (excluding treasury shares) wholly for cash pursuant to the authority noted in paragraph 2.6(i) above as if sub-section 561(1) of the Act did not apply to any such allotment or sale, provided that this authority is to expire at the conclusion of the annual general meeting of the Company to be held in 2016 or on the expiry of 15 months from the passing of the resolution, whichever is the earlier (but so that the Company may make an offer or agreement which would or might require equity securities to be allotted after expiry of this power and the Directors may allot equity securities in pursuance of that offer or agreement as if this power had not expired) and is limited to the allotment of equity securities up to an aggregate nominal value of £2.5 million in respect of Income Shares and £2.5 million in respect of Growth Shares.
- 2.7 The disapplication of statutory pre-emption rights in the terms provided under the special resolution noted at paragraph 2.6(ii) above gives the Company the flexibility to resell Shares for cash without first being required to offer such Shares to existing Shareholders in proportion to their existing holdings.
- 2.8 The Company has authority to buy back up to 14.99 per cent. of the issued Income Shares and 14.99 per cent. of the issued Growth Shares. The Company has not purchased any Shares pursuant to this authority. The Company will seek to refresh this authority at its next annual general meeting.

- 2.9 The provisions of section 561 of the Act, which confer on Shareholders certain rights of pre-emption in respect of the allotment of equity securities which are to be paid up in cash, apply to the unissued capital of the Company except as referred to in paragraph 2.6 above.
- 2.10 Issues will be made only in the circumstances described in Part 3 of this document. Where Issues are made, it is expected that the New Shares will be issued pursuant to resolutions of the Board conditional upon admission of those Shares to the Official List and to trading on the Main Market. All of the Shares are (or, in the case of any New Shares which are issued, will be) admitted to trading on the Main Market.

### **3. Articles of Association**

The Shares have attached thereto the respective rights and privileges and are subject to the respective limitations and restrictions set out in this paragraph 3. The Articles contain provisions, *inter alia*, to the following effect:

#### **3.1 Share Capital**

The Shares of the Company shall have the rights and privileges attached to them, and shall be subject to the restrictions, as are set out in the Articles. Subject to any legislation and existing Shareholders' rights, unissued shares are at the disposal of the Directors.

#### **3.2 Establishment of the Portfolios**

The Directors shall create and maintain the Portfolios, so that the investments and other assets of the Portfolios shall be held and maintained separately, or shall otherwise be distinguishable from each other. Because the Portfolios are separate, any increase or decrease in the value of a Portfolio will be applied only to that Portfolio and more specifically:

- (i) the Board will discharge the liabilities relating to a particular Portfolio out of the assets attributable to that Portfolio;
- (ii) the Board shall procure that the Company's books of account, accounting and other records and bank accounts, and those of any nominees of the Company, shall be operated and prepared so that the assets and liabilities attributable to the Portfolios can be separately identified;
- (iii) if any question arises as to whether any investment, cash or other asset or any liability or expense of the Company is attributable to a particular Portfolio, the Board (having consulted with the auditors of the Company) shall decide on the matter and that decision shall be final and binding on the Company and its members;
- (iv) the Board may, having consulted with the auditors, adjust the attribution of any investment, cash or other asset of the Company between the Portfolios to compensate for or reflect the contribution of each to the overall tax position of the Company;
- (v) the Board shall allocate to each of the Portfolios such proportion of the liabilities (including tax liabilities) and expenses of the Company incurred or accrued or provided for from time to time in the general management and administration of the Company as the Board shall consider to be fair and reasonable having regard to:
  - a) the specific liabilities and expenses incurred or accrued or provided for in the management and administration of each of the Portfolios;
  - b) the tax effects for the Company of payments and receipts of the Portfolios of any revenue or capital deficit of the Portfolios and of dividends paid by the Company; and
  - c) the asset value of the Portfolios and so that the valuation of the Portfolios shall be prepared on a consistent basis and may be adjusted for the purposes of the Articles to take account of any realisation, acquisition or change in value if and to the extent that the Board consider appropriate; and

- (vi) the Board shall, if the assets of a Portfolio are insufficient to satisfy the liabilities attributable to that Portfolio and that Portfolio's *pro rata* share of any other liabilities, attribute the outstanding liabilities to the other Portfolio.

### 3.3 *Transfer of revenue and capital*

All net revenue of the Company attributable to the Growth Portfolio shall, as soon as reasonably practicable following recognition in accordance with the Company's accounting policies, be reallocated, applied and transferred to, and treated as revenue attributable to, the Income Portfolio. For these purposes, "net revenue" means revenue less all related expenses and tax charges incurred or suffered by the Company attributable to the Growth Portfolio in connection with such revenue and charged to revenue in accordance with the Company's accounting policies.

Contemporaneously with any such reallocation, application and transfer of any revenue to the Income Portfolio, such assets comprising part of the Income Portfolio as have a value equal to (or as nearly equal to as reasonably practicable) the net revenue so reallocated, applied and transferred shall be allocated, applied, transferred and treated as capital attributable to the Growth Portfolio and shall, if necessary, be realigned as soon as reasonably practicable by the manager of the Growth Portfolio in order to meet the investment policies and objectives of the Growth Portfolio.

The assets (which may comprise investments, cash or other current assets or any combination of investments, cash or other current assets) reallocated, applied and transferred and the accounting treatment of such reallocation, application and transfer shall be determined by or in accordance with guidelines set by the Board. If any non-cash asset is realised in connection with any such reallocation, application and transfer, then all costs and expenses incurred by the Company in connection with the conversion of such asset into cash shall be borne by, and allocated to, the Income Portfolio and all costs and expenses incurred by the Company in connection with the re-investment of such cash shall be borne by, and allocated to, the Growth Portfolio.

The Board shall set guidelines for the determination of the value of investments and current assets used in the calculation of the value of assets so reallocated, applied and transferred. These guidelines shall include the method of valuing quoted and unquoted investments, the treatment of any non-Sterling denominated investments or assets or liabilities and such other matters as the Board considers appropriate. The Board, having consulted with the Company's auditors, shall be entitled from time to time to make such changes to the guidelines as may be fair and reasonable.

The Board shall procure that all necessary transfers of assets and accounting entries are made so as to give effect to and record any such reallocations, applications, transfers and treatment.

### 3.4 *Return of assets*

On a return of assets, on liquidation or otherwise, the surplus assets of the Company comprised in either of the Income Portfolio or the Growth Portfolio, after payment of all debts and satisfaction of all the liabilities associated with that Portfolio and any other relevant liabilities, shall be paid to the holders of the shares of the particular Portfolio and distributed amongst such holders rateably according to the amounts paid up on the relevant Shares held by them respectively. Holders of Deferred Shares shall not be entitled to any repayment of capital except for whichever is the lesser of (i) 1p per Deferred Share or (ii) the nominal value of each such Deferred Share, payable in either such case only after the sum of £10,000 has been paid in respect of each Income Share and each Growth Share.

If, in the course of the liquidation of the Company, an amount of a debt or liability which is attributable to one Portfolio is met in whole or in part from assets attributable to any other Portfolio then assets of the first mentioned Portfolio of a value (conclusively determined by the Board) equivalent to such amount shall become attributed to the Portfolio from which the debt or liability has been met.

If, in the course of liquidation of the Company the assets attributable to a particular Portfolio are insufficient to satisfy the liabilities attributable to that Portfolio and that Portfolio's *pro rata* share of the Company's general liabilities, the outstanding liabilities shall be attributed to the other Portfolio.

### 3.5 Voting

Subject to the class voting rights set out below and contained in the Articles, the holders of the Shares with rights over a Portfolio shall have the right to receive notice of and to attend and vote at any general meeting of the Company.

Holders of Growth Shares with rights over a Portfolio shall not have the right to vote on any resolution put to a general meeting of the Company in relation to the declaration of a dividend relating to shares with rights over the Income Portfolio. Holders of Shares with rights over a Portfolio shall not have the right to vote on any resolution put to a general meeting of the Company in relation to changes (material or otherwise) to the investment policy of the other Portfolio, or the appointment, termination of appointment or variation of the terms of any contract appointing a manager to the other Portfolio, or on any other resolutions which the Board determines are not relevant to the holders of the shares in that Portfolio.

At a general meeting, on a show of hands, a holder of a class of Share who is present shall have one vote and, on a poll, a holder of a class of Share, in respect of that class of Share, shall have the number of votes equal to (a) the Net Asset Value of the relevant Portfolio, (b) divided by the number of Shares in that Portfolio and (c) multiplied by the number of Shares of that class he holds.

The Company shall not, without the previous sanction of a special resolution of the holders of the Shares with rights over a particular Portfolio, passed at a separate meeting of such holders convened and held in accordance with the provisions of the Articles:

- (i) pass a resolution to reduce the share capital or share premium of the Company attributable to the Shares with rights over the relevant Portfolio in any manner; or
- (ii) pass a resolution to alter, increase, consolidate, divide, cancel or purchase by the Company its share capital, except:
  - a) as required on a conversion of Shares;
  - b) to authorise the purchase by the Company of such number of Shares as shall together constitute not more than 15 per cent. of any class of the equity Shares of the Company as at the date of such resolution and so that:
    - (i) the purchase of Shares with rights over any other Portfolio shall be deemed not to constitute a variation of the class rights of holders of Shares with rights over the Portfolio; and
    - (ii) there shall be no limit to the number of such resolutions which may be passed;
  - c) to authorise the purchase of Deferred Shares for a nominal consideration and so that the purchase of Deferred Shares shall be deemed not to constitute a variation of the class rights of holders of Shares; or
- (iii) pass a resolution to authorise the issue and allotment of any security convertible into any share capital of the Company except:
  - a) as required on a conversion of Shares;
  - b) to authorise the allotment by the Company of relevant securities or any security convertible into any share capital of the Company up to an aggregate nominal amount not exceeding one-third of the then issued share capital of the Company as shown in the then latest published annual accounts of the Company; and



- c) to authorise the allotment by the Company of equity securities or any security convertible into any share capital of the Company for cash on a non pre-emptive basis of up to the entire unissued share capital of the Company as shown in the then latest published annual accounts of the Company, and so that statutory pre-emption rights do not apply to the allotment of such equity securities or any security convertible into any share capital of the Company; or
- (iv) pass a resolution for the voluntary winding-up of the Company; or
- (v) alter the memorandum or Articles of the Company in such a way as materially affects the class rights of holders of Shares of the relevant Portfolio; or
- (vi) pass a resolution authorising a liquidator to distribute assets of the Company attributable to the Portfolio on a winding-up of the Company; or
- (vii) pass a resolution sanctioning borrowings of the Company in excess of the limit imposed in the Articles.

The Deferred Shares will not have the right to receive notice of, and to vote at, general meetings of the Company.

### 3.6 *Conversion of Shares*

Each holder of Shares having rights over a Portfolio shall be entitled, as set out in the Articles, to convert all or any of his/her Shares into Shares having rights over the other Portfolio, subject to such exclusions or restrictions as the Board may from time to time impose on holders of Shares in jurisdictions outside the United Kingdom with a view to avoiding any breach by the Company of the securities or other laws of such jurisdictions. The Board shall be entitled to reclassify such Shares following the receipt of a notice from the shareholders in a prescribed form stating that he/she wishes his/her Shares to be converted. Once lodged, a conversion notice may not be withdrawn without the consent in writing of the Board. To be effective, a conversion notice must specify the number of Shares which are to be converted. The Board may specify a minimum number of Shares which are to be converted by a Shareholder in the case of a class of Share. The Board may permit different arrangements to apply to nominee holders or other holders at its discretion. The Board will specify a minimum net value of assets to be transferred from a converting Portfolio to a resulting Portfolio on any Conversion Date and may change any such minimum from time to time, in each case, in its sole and absolute discretion. If, on any Conversion Date, the value of assets to be so transferred would be less than such specified minimum, then the Board may, in its sole and absolute discretion, cancel any conversions that would otherwise have been due to occur on that Conversion Date.

Pursuant to the procedure set out in the Articles the shares to be converted (the “**Converting Shares**”) held by each registered holder of such Shares shall be converted into “Resulting Shares” and Deferred Shares.

If the aggregate nominal value of the Converting Shares is greater than the aggregate nominal value of the Resulting Shares which would arise upon such conversion then the Converting Shares will be consolidated and then sub-divided into the number of Resulting Shares to be created and then converted into Resulting Shares. One Deferred Share shall also arise, in respect of each Converting Share, with a nominal value equal to the difference between the aggregate nominal value of the Converting Shares and the aggregate nominal value of the Resulting Shares divided by the number of Deferred Shares so created.

If the aggregate nominal value of the Converting Shares is less than the aggregate nominal value of the Resulting Shares which would arise upon such conversion then:

- (i) the Converting Shares shall be consolidated and then sub-divided into the number of Resulting Shares to be created and then converted into Resulting Shares with a nominal value equal to the aggregate nominal value of such Converting Shares divided by the number of Resulting Shares thereby arising; and



- (ii) contemporaneously with the conversion of the Converting Shares, each Share of the class into which the Converting Shares are being converted (other than the Resulting Shares arising on such conversion and any Shares of that class which are Converting Shares) shall be sub-divided into a Resulting Share with a nominal value equal to the nominal value determined pursuant to the above and a Deferred Share with a nominal value equal to the difference between the nominal value of a Resulting Share immediately prior to such sub-division and the nominal value referred to above.

The Board may delay the Conversion Date at its discretion and/or if the Converting Shares represent more than five per cent. or such other percentage as the Board may determine if the estimated gross assets of the relevant Portfolio are exceeded.

The Board shall procure that all necessary transfers of assets and accounting entries are made so as to give effect to and record such conversions. The Board may, in its absolute discretion, choose the assets which shall be transferred to another Portfolio.

The Company will use its reasonable endeavours to procure that Shares arising on conversion (other than Deferred Shares) are admitted to the Official List and admitted to trading on the Main Market.

Shares arising on conversion (other than Deferred Shares) shall carry the right to receive all dividends and other distributions declared, paid or made on the Shares having rights over the Portfolio of assets attributable to the Resulting Shares after the date on which they were converted (other than any dividend declared or paid by reference to a record date prior to the relevant Conversion Date) and shall otherwise rank *pari passu* in all respects with the Resulting Shares then in issue and fully paid.

The Articles contain provisions for the determination of the value of investments, current assets and liabilities of the Company used in the calculation of the ratio to be used on conversion which is set out in the Articles. These guidelines include the method of valuing quoted and unquoted investments, the treatment of any non-Sterling denominated investments, assets or liabilities, the accrual policy for income and expenses and such other matters as the Board considers appropriate. The Board, having consulted the auditors, shall be entitled to make such changes to the guidelines as may be fair and reasonable.

The Board may make changes to some parts of the procedure set out in the Articles relating to the conversion of the Shares.

If the net assets of a particular Portfolio on a Conversion Date are, or would be following the relevant conversion, less than £2 million or if at any time less than 25 per cent. of the Income Shares or the Growth Shares are, or would be following any relevant conversion, held in public hands (as defined in the Listing Rules) the Board may, having consulted with the Company's auditors, dissolve the relevant Portfolio or put forward alternative proposals to the holders of the Shares which the Directors believe to be most likely to promote the interests of the holders of Shares having rights over the relevant Portfolio and the success of the Company for the benefit of its members as a whole. The Board shall discharge the liabilities and borrowings attributable to the Portfolio to be dissolved from the assets attributable to that Portfolio. Any existing holders of Shares in that Portfolio shall be deemed to have elected to convert their shareholding and their Shares shall be converted into the Shares of another Portfolio, as determined at the discretion of the Board, in accordance with that procedure. The Company shall comply with all legislation and regulations in force from time to time in dissolving such Portfolio and removing the relevant Shares from the Official List and trading on the Main Market.

The Board may at any time set a maximum number of Income Shares and/or Growth Shares which may be converted on any Conversion Date and may change such maximum in their absolute discretion from time to time. If this limit is exceeded the number of Shares in the request for conversion shall be reduced *pro rata* and the request for conversion will not be deemed to apply to the balance of the Shares in the conversion notices.

### 3.7 *Dividends and other distributions*

#### *Declaration of dividends by the Company*

Subject to the Act and to the voting rights of the relevant classes of Shares, the Shareholders may by ordinary resolution from time to time declare dividends not exceeding the amount recommended by the Board.

Subject to the Act, the Directors may pay interim dividends, and also any fixed rate dividend, whenever the financial position of the Company, in the opinion of the Board, justifies any such payments. If the Board acts in good faith, it shall not incur any liability for any loss that Shareholders may suffer because a lawful dividend has been paid on other Shares that rank equally with or behind their Shares.

#### *Rights of Income Shares and Growth Shares*

The holders of the Income Shares shall have the right to receive the revenue profits of the Company (including accumulated revenue reserves) available for distribution and determined to be distributed by way of interim or final dividend at such times as the Board may determine. However, no dividend shall be paid otherwise than out of profits available for distribution in accordance with the Act. The holders of Growth Shares shall have no right to receive dividends.

Any surplus over the book value derived from the sale or realisation of any capital asset and any other sums representing capital profits within the meaning of section 832 of the Act or other accretions to capital assets, including, in particular, any sums resulting from the writing up of the book values of any capital assets, and any surpluses arising from the realisation of investments, shall not be available for dividend or any other distribution within the meaning ascribed thereto by section 829 of the Act (otherwise than by way of the redemption or purchase of any of the Company's shares in accordance with Chapter 3 or 4 of Part 18 of the Act).

#### *Amounts due on Shares*

The Board may deduct from any dividend or any other moneys payable to a member by the Company on or in respect of any Shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise in respect of Shares of the Company. Sums so deducted can be used to pay amounts owing to the Company in respect of the Shares.

#### *Dividends not in cash*

Any general meeting declaring a dividend may, upon the recommendation of the Board, by ordinary resolution, subject to the class voting rights, direct that it shall be satisfied wholly or partly by the distribution of assets, and in particular of paid-up shares or debentures of any other company.

#### *Calculation and currency*

Unless the rights attached to any Shares, or the terms of any Shares, say otherwise, all dividends will be declared and paid in proportions based on the amounts paid up on the Shares during any period for which the dividend is paid. Dividends may be declared or paid in any currency unless the rights attached to any Shares or the terms of issue of any Shares say otherwise.

#### *Scrip dividends*

The Board may, if authorised by an ordinary resolution, subject to the class voting rights of the Shareholders, offer Shareholders the right to choose to receive extra Shares which are credited as fully paid instead of some or all of their cash dividend.

#### *Forfeiture of unclaimed dividends*

Any dividend unclaimed after a period of 12 years from the date when it was declared or became due for payment will be forfeited and go back to the Company.

#### *Uncashed dividends*

The Company may stop sending dividend payments through the post or cease using any other method of payment (including payment through CREST) if (i) for two consecutive dividends the payments sent through the post have been returned undelivered or remain uncashed during the period for which they are valid or the payments by any other method have failed, or (ii) for any one dividend, the payment sent through the post has been returned undelivered or remains uncashed during the period for which it is valid or the payment by any other method has failed and reasonable enquiries have failed to establish any new address or account of the registered shareholder. The Company may recommence sending dividend payments if requested in writing by the shareholder or the person entitled by transmission to the Shares.

### 3.8 *Variation of rights*

Subject to the provisions of the Act and the provisions in the Articles relating to voting rights of the holders of classes of Shares with rights over a Portfolio, rights attached to any class of Shares may be changed if this is approved either in writing by Shareholders holding at least three-quarters in nominal value of the issued Shares of that class, or by a special resolution passed at a separate general meeting of the holders of those Shares (this is called a “class meeting”). At every such class meeting (except an adjourned meeting) the quorum is two persons holding or representing by proxy not less than one-third in nominal value, of the issued Shares of the class.

### 3.9 *Form and transfer of Shares*

Shares may be held in uncertificated form and, unless the Articles say otherwise, a Shareholder may transfer some or all of his uncertificated shares by means of a relevant system in accordance with the Uncertificated Securities Regulations 2001 (as defined in the Articles) (e.g. through CREST). Transfers of Shares held in certificated form may be effected by an instrument of transfer in the common form or in any other form which the Board may approve. The share transfer form must be signed or made effective in some other way by or on behalf of the person making the transfer and, unless the Share is fully paid, by or on behalf of the transferee.

The person transferring the shares will continue to be treated as a Shareholder until the name of the person to whom it is transferred is put on the register for that Share.

The Board may, without giving any reason, refuse to register the transfer of any Shares which are not fully paid. The Directors may also refuse to register the transfer of any Shares:

#### *Certificated Shares*

- (i) unless the instrument of transfer is duly stamped or otherwise shown to the satisfaction of the Board to be exempt from stamp duty and (save in the case of a transfer to a person to whom the Company is not required by law to issue a certificate and to whom a certificate has not been issued);
- (ii) unless the share transfer form is accompanied by the relevant share certificate and such other evidence of the right to transfer as the Directors may reasonably require;
- (iii) unless the share transfer form is used to transfer one class of shares. Each class needs a separate form;
- (iv) unless the transfer is in favour of four or fewer joint holders.

#### *Uncertificated Shares*

- (i) in the circumstances set out in the Uncertificated Securities Regulations 2001 (as defined in the Articles);
- (ii) if the transfer is in favour of four or more joint holders.

### 3.10 *Alteration of share capital*

Subject to the provisions relating to voting rights set out in Articles 13 and 18, to any other voting rights relating to the classes of Shares and to the provisions of the Statutes (as defined in the Articles), the Company's Shareholders can by special resolution reduce its share capital, share premium account, capital redemption reserve or any other undistributable reserve.

### 3.11 *Directors*

#### *Appointment of Directors*

Unless otherwise determined by the members of the Company by ordinary resolution, the number of directors shall be not less than two nor more than seven. Directors may be appointed by ordinary resolution or by the Board. Any director appointed by the Board shall hold office only until the next general meeting and shall then be eligible for election.

A Director shall not require to hold any Shares in order to qualify for office. A Director shall, notwithstanding that he is not a member, be entitled to attend and speak at any general meeting and at any separate meeting of the holders of any class of Share in the Company.

#### *Retirement of Directors*

Each Director shall retire from office at the third annual general meeting after the annual general meeting at which he was last elected.

The Company may remove a Director at any time by special resolution. The office of Director shall also be vacated if:

- (i) he resigns his office by notice in writing;
- (ii) by notice in writing he offers to resign and the Board resolves to accept such offer;
- (iii) by notice in writing his resignation is requested by all of the other Directors and all of the other Directors are not less than three in number; or
- (iv) he is or has been suffering from mental ill health or become a patient for any purpose of any statute relating to mental health and the Board resolves that his office is vacated.

#### *Removal of Directors by special resolution*

The Company's Shareholders can by special resolution remove any Director before the expiration of his period of office.

#### *Remuneration of Directors*

Unless otherwise determined from time to time by ordinary resolution of the Company, the remuneration paid to the Directors (other than any Director who holds any executive office or who performs services which in the opinion of the Board or any committee authorised by the Board go beyond the ordinary duties of a Director) shall not exceed in aggregate £120,000 per annum.

The Directors or any committee authorised by the Directors will decide how much remuneration a director appointed to an executive office or who performs services beyond the ordinary duties of a Director will receive (whether as salary, commission, profit share or any other form of remuneration) and whether this is in addition to or in place of his fees as a Director.

The Company may pay the reasonable travel, hotel and incidental expenses of each Director incurred in attending and returning from general meetings, meetings of the Directors or committees of the Directors or any other meetings which as a Director he is entitled to attend. The Company will pay all other expenses properly and reasonably incurred by each Director in connection with the Company's business or in the performance of his duties as a Director.

#### *Pensions and gratuities for Directors*

The Directors or any committee authorised by the Directors may decide whether to provide pensions or other benefits to any Director or former Director of the Company, or any relation or

dependant of, or person connected to, such a person. However, if the Directors want to provide a benefit to a Director or former Director who has not been employed by or held an executive office or place of profit under the Company or any of its subsidiary undertakings or former subsidiary undertakings or any predecessor in business of the Company or any such other company, the Company's Shareholders must also pass an ordinary resolution to approve the payment.

#### *Permitted interests of Directors*

Subject to the provisions of the Act and provided that he has disclosed to the Directors the nature and extent of any material interest, a Director, notwithstanding his office:

- (i) may be party to or in any way interested in any contract or arrangement or transaction to which the Company is party or in which the Company is in any way interested; and
- (ii) may, and any company in which he is interested or any firm of which he is a member may, hold and be remunerated in respect of any office or place of profit (other than the office of auditor of the Company or any subsidiary of the Company) under the Company or any other company in which the Company is in any way interested and he (or any firm of which he is a member) may act in a professional capacity for the Company or any such other company and be remunerated for such services, and in any such case (save as otherwise agreed) he may retain for his own absolute use and benefit all profits and advantages accruing to him in consequence of such activities.

A Director may be or become a director or other officer of, or otherwise interested in, any other company in which the Company is a shareholder or is otherwise interested, and shall not (unless it is otherwise agreed) be liable to account to the Company for any remuneration or other benefits receivable by him as a director or officer of or from his interest in such other company. The Directors may exercise the voting power conferred by the shares in any other company held or owned by the Company in such manner in all respects as they think fit.

#### *Restrictions on voting*

A Director cannot vote on, or be counted in a quorum in relation to, his own appointment, or the settlement or variation of the terms or the termination of his own appointment, as the holder of any office or place of profit with the Company or any other company in which the Company is interested.

The provisions above also apply in relation to any resolution of the Board in respect of any actual or proposed transaction or arrangement with the Company in which a Director has an interest of which he is aware, or ought reasonably to be aware, that conflict, or can reasonably be regarded as likely to give rise to a conflict, with the interests of the Company, rather than in respect of any contract which the Director has, to his knowledge, a material interest (subject to certain carve outs). Subject to the legislation and compliance with the Listing Rules, the Shareholders may by ordinary resolution suspend or relax the above provisions to any extent or ratify any contract which has not been properly authorised in accordance with the Articles.

#### *Conflicts of interest*

In respect of any situation in which a Director has, or could have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company, the Board may authorise the matter provided that:

- (i) the Director has declared the full nature and extent of the situation to the Board; and
- (ii) it is proposed (either by the Director in question or another) that the Board authorise the matter and upon the resolution to do so the requirement for the quorum is met without counting the Director in question and the resolution was agreed to without such Director voting or would have been agreed if their votes had not been counted.

### *Borrowing and other powers*

Subject to the Act, the Articles and to any directions given to the Company at a general meeting by special resolution, the Directors shall manage the Company's business and can use all the Company's powers. In particular, the Directors may exercise all the Company's powers to borrow money, to mortgage or charge all or any of the Company's undertaking, property and assets (present and future) and uncalled capital, to issue debentures and other securities and to give security for any debt, liability or obligation of the Company or of any third party. The Directors will limit the total borrowings of the Company and, so far as they are able, its subsidiary undertakings to ensure that the total amount of the group's borrowing in relation to any Portfolio does not exceed, at the time such borrowings are incurred, 50 per cent. of the Total Assets (calculated in accordance with the Articles) of the relevant Portfolio.

However, the Shareholders may pass an ordinary resolution allowing borrowings to exceed such limit.

### **3.12** *Votes of members*

Subject to the provisions in the Articles relating to holders of Shares which have rights over a Portfolio and the variation of class rights and any other special terms as to voting upon which any Shares may be issued or may at the relevant time be held and to any other provisions of the Articles, on a show of hands every member who is present in person or by proxy at a general meeting of the Company shall have one vote. On a poll the members' votes shall be determined in accordance with the class rights relating to each class of Share as set out in the Articles (and described above). Notwithstanding any other provision of the Articles, on a poll at any separate general meeting of the holders of Shares of a class, every member who is present in person or by proxy shall have one vote for every Share of that class of which he is the holder.

### **3.13** *Capital reserves*

The Board shall establish a reserve to be called the "capital reserve" and shall either carry to the credit of such reserve from time to time all capital profits or appreciations arising on the sale, transposition, payment of or revaluation of any investment or other capital asset of the Company in excess of the book value thereof or apply the same in providing for depreciation or contingencies. Any losses realised on the sale, transposition, payment of or revaluation of any investment or other capital asset and any other expenses, loss or liability (or provision therefor) considered by the Board to be of a capital nature shall be carried to the debit of the capital reserve except in so far as the Board may in its discretion decide to make good the same out of other funds of the Company.

Subject to the Act, the Board may determine whether any amount received by the Company is to be dealt with as income or capital or partly one and partly the other. The Board may determine whether any cost, liability or expense (including any costs incurred or sums expended in connection with the management of the assets of the Company or any finance costs (including interest charge) is to be treated as a cost, liability or expense chargeable to capital or to revenue or partly one and partly the other, having regard, *inter alia*, to the investment objectives of the Company, and to the extent the Board determines that any such cost, liability or expense should reasonably and fairly be apportioned to capital the Board may debit or charge the same to the capital reserve.

Any surplus over the book value derived from the sale or realisation of any capital asset and any other sums representing capital profits within the meaning of section 832 of the Act or any other accretions to capital assets, including in particular any sums resulting from the writing up of the book values of any capital assets and any surpluses arising from the realisation of investments, shall not be transferred to the revenue account or be regarded or treated as profits of the Company available for dividend or any other distribution within the meaning ascribed thereto by section 829 of the Act (otherwise than by way of the redemption or purchase of any of the Shares in accordance Chapter 3 or 4 of Part 18 of the Act).



### 3.14 *Duration*

The Directors shall put an ordinary resolution to the Shareholders to approve the continuation of the Company, in its then form, at the annual general meeting of the Company to be held in 2018 and thereafter at five-yearly intervals. If at any such annual general meeting, such resolution is not passed, the Board shall, within six months of such meeting, convene an extraordinary general meeting of the Company at which a special resolution shall be proposed to the members of the Company for the winding up of the Company and/or a special resolution shall be proposed to the members of the Company for the reconstruction of the Company, provided that such resolution for the reconstruction of the Company shall, if passed, provide an option to Shareholders to elect to realise their investment in the Company in full.

### 3.15 *Untraced Shareholders*

The Company shall be entitled to sell at the best price reasonably obtainable any Share of a member or the Shares to which a person is entitled by transmission if, for a period of 12 years, all cheques and warrants sent by the Company to the member have remained uncashed and at least three dividends have been paid in relation to such Shares during those 12 years and no such dividend has been claimed and within a further period of three months from the date of advertisements giving notice of its intention to sell such Shares (placed after the expiry of the period of 12 years) the Company has not received any communication from the member or the person entitled by transmission.

### 3.16 *General meetings*

An annual general meeting shall be convened by not less than twenty-one clear days' notice in writing. All other general meetings shall be convened by not less than fourteen clear days notice in writing. The notice shall specify the place, day and time of the meeting, and the general nature of the business to be transacted. Except as otherwise provided in the Articles, the quorum for a general meeting shall be two shareholders present in person or by proxy.

### 3.17 *Changes to the Articles*

In accordance with the Act, the Articles can be amended by means of a special resolution of Shareholders which requires 75 per cent. of the votes cast at a general meeting to be in favour, provided that in relation to any amendment which would affect class rights, the appropriate class has approved the amendment in accordance with the Articles.

## **4. Directors and their interests**

4.1 The aggregate remuneration that was paid and the benefits in kind that were granted to the Directors by the Company in respect of the last Financial Year ended 31 May 2015 was £80,000. The total remuneration and benefits in kind granted to the Directors will not be varied as a consequence of the Issues.

4.2 Each of Richard Martin, David Harris, Colin McGill and Alistair Stewart has entered into a letter of appointment with the Company dated 22 February 2008. The current period of service for Richard Martin expires at the annual general meeting of the Company to be held in 2016 subject to renewal at that time, and the current period of service for David Harris expires at the annual general meeting of the Company to be held in 2017 subject to renewal at that time. The current period of service for Colin McGill and Alistair Stewart expires at the annual general meeting of the Company to be held in 2018 (each subject to renewal at that time). The Company has the right to terminate each appointment without compensation if the relevant Director is required to vacate office in accordance with the Articles and may terminate the appointment upon one month's notice or a payment in lieu of notice equal to one month's fees. The fees that were paid in respect of the Company's last Financial Year were £24,000 per annum to Richard Martin, the Chairman, £20,000 per annum to Colin McGill, who chairs the audit committee, and £18,000 per annum to each of David Harris and Alistair Stewart. For the current financial year to 31 May 2016 these amounts were increased to £26,000 per annum to Richard Martin, the Chairman, £21,000 per annum to Colin McGill, who chairs the audit committee and £19,000 per annum to each of David Harris and Alistair Stewart. The fees are reviewed annually and may be increased in line with usual market rates. No amounts have been set aside by the Company to provide pension,

retirement or similar benefits. Save as set out in this paragraph 4.2, there are no existing or proposed service contracts, letters of engagement or consultancy agreements between any of the Directors and the Company.

- 4.3 No Director has or has had any direct or indirect interest in any transaction which is or was unusual in its nature or conditions or which is or was significant to the business of the Company and which was effected by the Company since its date of incorporation.
- 4.4 No loan or guarantee has been granted or provided by the Company for the benefit of any Director.
- 4.5 The Company has purchased directors' and officers' liability insurance for the benefit of the Directors of the Company. The current annual premium for this insurance is £5,725 (plus insurance premium tax) and the aggregate limit of liability for all claims is £7,500,000.
- 4.6 The Company has entered into deeds of indemnity in favour of each of the Directors. The deeds of indemnity give each Director the benefit of an indemnity, out of the assets and profits of the Company, to the extent permitted by the Act and subject to certain limitations against liabilities incurred by each of them in the execution of their duties and exercise of the powers as Directors of the Company.
- 4.7 The interests of the Directors in the share capital of the Company at the date of this document, all of which are beneficial, are set out below beside their names below:

<i>Director</i>	<i>Income Shares</i>	<i>Growth Shares</i>
Richard Martin	31,000	10,000
David Harris	2,500	2,500
Colin McGill	10,000	10,000
Alistair Stewart	10,000	10,000

- 4.8 Details of those companies (other than the Company and subsidiaries of the companies disclosed below) and partnerships of which the Directors have been a member of the administrative, management or supervisory body or a partner at any time during the five years immediately preceding the date of this document are as follows:

	<i>Current Directorships</i>	<i>Previous Directorships</i>
(i) Richard Martin	AIT Trading Limited Aurora Investment Trust plc Montanaro European Smaller Companies Trust plc Odysseus Capital Management Limited	Fairbridge in Scotland Irvine Robertson Wines Limited Schroder Split Investment Fund plc (in liquidation) Schroder Split ZDP plc (in liquidation) Victory VCT plc Upgrade Properties Limited (formerly Meghraj Properties Limited) (in liquidation)
(ii) David Harris	Aseana Properties Ltd Chalfont Productions Limited Grosvenor Park 2003 Film Partnerships No. 1 LLP InvaTrust Limited Manchester and London Investment Trust Public Limited Company SDF Productions Limited Small Companies Dividend Trust plc Small Companies ZDP plc The Character Group PLC	Chantrey Vellacott Financial Management Limited Cobra Holdings plc Core VCT V plc (in liquidation) Phoros Client Services Limited Premier Absolute Growth & Income Trust plc (dissolved)

	<i>Current Directorships</i>	<i>Previous Directorships</i>
(iii) Colin McGill	City Health Clinic Edinburgh Limited City Health Clinic Group Limited City Health Clinic Limited NCTECH Ltd Reddington House Wealth Management Limited Touch Bionics Limited	Bloxx Limited Hermes Sports Management Limited Roseburn Leisure Limited
	<i>Current Directorships</i>	<i>Previous Directorships</i>
(iv) Alistair Stewart	None	None

- 4.9 Save as disclosed above for the subsidiaries of companies listed above, none of the Directors has in the five years preceding the date of this document been a director, or a member of the administrative, management or supervisory body, of any company or a partner in any partnership.
- 4.10 Further details of each Director's relevant experience can be found on page 34 in Part 2 of this document.
- 4.11 As at the date of this document, other than as set out below in paragraph 4.12, none of the Directors:
- (i) has any convictions in relation to fraudulent offences for at least the previous five years;
  - (ii) has been, in at least the previous five years, the subject of any bankruptcies, receiverships or liquidations when acting in the capacity of a member of the administrative, management or supervisory body of the companies and/or in the capacity of a partner of the partnerships referred to in paragraph 4.8 above save as disclosed in paragraph 4.12 of this Part 6; or
  - (iii) has been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.
- 4.12 Richard Martin was a director of Upgrade Properties Limited (formerly Meghraj Properties Limited), Schroder Split Investment Fund plc and Schroder Split ZDP plc all of which have been placed in members' voluntary liquidation within the past five years. David Harris was a director of Core VCT V plc and Premier Absolute Growth & Income plc which were placed in members' voluntary liquidation within the past five years. All of the companies set out in this paragraph 4.12 remain in liquidation except Premier Absolute Growth & Income plc which completed liquidation proceedings on 28 June 2011.
- 4.13 There are no potential conflicts of interest between any duties of the Directors to the Company and their private interests and/or other duties. There are no arrangements or undertakings with any major Shareholders, customers, suppliers or others pursuant to which any of the Directors were selected as a Director or a member of any committee of the Board. All of the Directors are independent of the Investment Manager and any other company in the same group of companies as the Investment Manager

## **5. Substantial Share Interests**

- 5.1 As at the close of business on 27 October 2015 (being the latest practicable date prior to the publication of this document) the Company was not aware of any person who was directly or indirectly was interested in three per cent. or more of the Company's issued share capital. Since the launch of the Company, the majority of the Income Shares and the Growth Shares have been held through the F&C Share Plans and the voting arrangement for these Shares is set out under the heading "*The F&C Share Plans*" in Part 2 of this document.

- 5.2 There are no different voting rights for any Shareholder, save those which derive from the Articles.

## 6. Material contracts

The following are all of the material contracts, other than contracts entered into in the ordinary course of business, that have been entered into by the Company within two years preceding the date of the publication of this document and any other contract, not being a contract entered into in the ordinary course of business, that has been entered into by the Company which contains any provisions under which the Company has any obligation or entitlement which is material to the Company as at the date of this document.

### 6.1 *Investment Management Agreement*

The Company is party to the amended and restated Investment Management Agreement dated 15 July 2014 (originally dated 22 February 2008) with the Investment Manager whereby the Investment Manager has been appointed (subject to the instructions and directions of the Directors and to the investment policy of the Company) as the Company's alternative investment manager to manage the investments and other assets of the Company and to provide secretarial and administrative services to the Company. The Company pays the Manager a base fee and a performance fee in respect of these services. The Base Fee is payable at the rate of 0.65 per cent. per annum of the Total Assets of each Portfolio (reduced to 0.325 per cent. on assets invested in other funds managed by the Investment Manager). A separate administration and secretarial fee will be paid of £78,986 per annum, index linked to the Consumer Price Index. The Base Fee is payable quarterly in arrears.

The Performance Fee (if any) for each Share class is payable in each Financial Year and equals 10 per cent. of the value of the total return outperformance of the relevant Portfolio (after all costs and expenses other than the Performance Fee) over the total return of the FTSE All-Share Index (in each case with dividends reinvested), provided that:

- (i) the Performance Fee in any financial year shall be capped at 0.35 per cent. of the Total Assets of the relevant Portfolio, although outperformance in excess of this cap will be taken into account in calculating the Performance Fee in the next four Financial Years;
- (ii) if the NAV per Share for the relevant Portfolio at the end of the Financial Year is less than (a) the NAV per Share at the start of the Financial Year; or (b) in the case of the Growth Shares, the NAV per Share immediately following first admission, whichever is the higher (the "**Watermark NAV**"), payment of the Performance Fee in respect of that Financial Year shall be deferred until the end of the next Financial Year when the NAV per Share for the relevant Portfolio is in excess of the Watermark NAV. If the Watermark NAV is not reached by the end of the fourth Financial Year subsequently the Performance Fee will no longer be payable and will be cancelled and credited for the benefit of the Portfolio against which it was accrued; and
- (iii) any underperformance of the relevant Portfolio in relation to the FTSE All-Share Index in any Financial Year must be made up in any subsequent Financial Year before any Performance Fee is payable thereby creating a "high watermark" for the relative performance against the FTSE All-Share Index.

The Investment Management Agreement is terminable by either party on six months' notice. The Company may terminate early upon payment of an amount equal to the Base Fee which would have been payable had the notice period been complied with plus any Performance Fee accrued at termination. The Company is entitled to terminate the agreement summarily in the event of a change of control in the Investment Manager other than on an internal group reorganisation.

### 6.2 *The Depositary Agreement*

The Company is party to the Depositary Agreement with J.P. Morgan Europe Limited dated 17 July 2014 pursuant to which the Depositary provides depositary services to the Company. Under the terms of the Depositary Agreement the Depositary holds all of the cash, securities and assets of the Company and arranges and settles all transactions relating to those assets on

behalf of the Company. The fees payable to the Depositary are determined by the assets held by the Company. The Depositary Agreement may be terminated by either party by giving 90 days' written notice or immediately if either party is in material breach of the terms of the Depositary Agreement.

### 6.3 *Transfer agreement*

The Company and Alan Graham and John Milsom who are to be appointed as joint liquidators to the Cayenne Trust, have irrevocably undertaken, in connection with the Cayenne Scheme, to enter into a transfer agreement (the "**Transfer Agreement**") on the Effective Date, pursuant to which the assets to be transferred under the Cayenne Scheme will be transferred to the Company in exchange for the issue of New Shares to the Cayenne Shareholders who elect, or are deemed to have elected, to rollover their investment into New Shares. Under the terms of the Transfer Agreement each of the parties will undertake to use its reasonable endeavours to give effect to the Cayenne Scheme, provided that the conditions to the Cayenne Scheme have been fulfilled.

### 6.4 *The JPMorgan facility agreement*

The Company is party to a facility agreement dated 1 July 2010 with JPMorgan Chase Bank, its custodian as a delegate of the Depositary, whereby the custodian has provided the Company with an unsecured borrowing facility of up to 10 per cent. of the value of the Company's assets and is repayable on demand. Interest is payable at the Sterling overnight interbank average rate (SONIA) plus two per cent.

### 6.5 *The Royal Bank of Scotland facility agreement*

The Company is party to a one year revolving credit facility agreement dated 10 December 2014 with the Royal Bank of Scotland plc ("**RBS**") whereby RBS has provided the Company with an unsecured borrowing facility of up to £5 million. Interest is payable at 0.65 per cent. per annum plus LIBOR.

## 7. **Related party transactions**

Save as described below, the Company has not entered into any related party transaction (as defined in the standards adopted according to the Regulation (EC) No 1606/2002) at the time during the three financial periods ended 31 May 2013, 31 May 2014 and 31 May 2015 in respect of which the Company has published statutory accounts, or during the period from 1 June 2015 to 27 October 2015 (being the latest practicable date prior to publication of this document) with the exception of:

- (i) the Investment Management Agreement (described in paragraph 6.1 of this Part 6);
- (ii) the deeds of indemnity entered into by the Company with the Directors (described in paragraph 4.6 of this Part 6); and
- (iii) the holding of investments in BlackRock Income Strategies Limited (formerly British Assets Trust plc) while managed by F&C, European Assets Trust plc, Investors Capital Trust plc and TR Property Investment Trust plc which are also managed by the Investment Manager.

## 8. **General**

- 8.1 There are no governmental, legal or arbitration proceedings (including, in so far as the Company is aware, any governmental, legal or arbitration proceedings which are pending or threatened) which may have, or have had in the previous twelve months, a significant effect on the Company or the Company's financial position or profitability.
- 8.2 The Company does not have any employees nor does it own any premises.
- 8.3 The Company does not have any parent undertakings, subsidiaries or associated companies.
- 8.4 Dickson Minto W.S. has given and not withdrawn its written consent to the issue of this document with inclusion therein of its name in the form and context in which they are included.



## **9. Mandatory bids, squeeze-out and sell-out rules**

### **9.1 *Mandatory bids***

As a company incorporated in Scotland with shares admitted to trading on the London Stock Exchange, the Company is subject to the provisions of the Takeover Code. Under Rule 9 of the Takeover Code, any person or group of persons acting in concert with each other which, taken together with shares already held by that person or group of persons, acquires 30 per cent. or more of the voting rights of a public company which is subject to the Takeover Code or holds not less than 30 per cent. but not more than 50 per cent. of the voting rights exercisable at a general meeting and acquires additional shares which increase the percentage of their voting rights, would normally be required to make a general offer in cash at the highest price paid within the preceding 12 months for all the remaining equity share capital of the Company.

Under Rule 37 of the Takeover Code, when a company purchases its own voting shares, a resulting increase in the percentage of voting rights carried by the shareholdings of any person or group of persons acting in concert will be treated as an acquisition for the purposes of Rule 9. A shareholder who is neither a director nor acting in concert with a director will not normally incur an obligation to make an offer under Rule 9. However, under note 2 to Rule 37, where a shareholder has acquired shares at a time when it had reason to believe that a purchase by the company of its own voting shares may take place, an obligation to make a mandatory bid under Rule 9 may arise in certain circumstances. The buying back by the Company of Shares could, therefore, have implications for Shareholders with significant shareholdings.

### **9.2 *Squeeze-out and sell-out rules***

Other than as provided by the Act, there are no rules or provisions relating to squeeze-out and sell-out rules in relation to the Shares.

## **10. Disclosure requirements and notification of interest in shares**

10.1 Under Chapter 5 of the Disclosure and Transparency Rules, subject to certain limited exceptions, a person must notify the Company (and, at the same time, the FCA) of the percentage of voting rights he holds (within two trading days) if he acquires or disposes of shares in the Company to which voting rights are attached and if, as a result of the acquisition or disposal, the percentage of voting rights which he holds as a shareholder (or, in certain cases, which he holds indirectly) or through his direct or indirect holdings of certain types of financial instruments (or a combination of such holdings):

- (i) reaches, exceeds or falls below three per cent. of each one per cent. threshold thereafter; or
- (ii) reaches, exceeds or falls below an applicable threshold in paragraph 10.1(i) of this Part 6 as a result of events changing the breakdown of voting rights and on the basis of the total voting rights notified to the market by the Company.

10.2 The FCA may take enforcement action against a person holding voting rights who has not complied with Chapter 5 of the Disclosure and Transparency Rules.

10.3 A notification must be made using the prescribed form TR1 available from the FCA's website at <http://www.fca.gov.uk>. Under the Disclosure and Transparency Rules, the Company must announce the notification to the public as soon as possible and in any event by not later than the end of the trading day following receipt of a notification in relation to voting rights.

## **11. Restrictions on transfer**

### **11.1 *General***

The distribution of this document and offer of Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions, including those in paragraph 11.2 of this Part 6. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdiction.



## 11.2 *European Economic Area*

11.2.1 In relation to each of the EEA States (other than the UK) which has implemented the Prospectus Directive (each, a “relevant member state”), with effect from and including the date on which the Prospectus Directive was implemented in that relevant member state (the “relevant implementation date”) no Shares have been offered or will be offered pursuant to an offer to the public in that relevant member state, except that with effect from and including the relevant implementation date, offers of Shares may be made to the public in that relevant member state at any time:

- (i) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (ii) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43 million; and (iii) an annual net turnover of more than €50 million as shown in its annual or consolidated accounts; or
- (iii) in any other circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive,

provided that no such offer of Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a relevant member state.

11.2.2 For the purpose of the expression an “offer of any Shares to the public” in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the issue of any Shares, so as to enable a potential investor to decide to purchase or subscribe for the Shares, as the same may be varied in that relevant member state by any measure implementing the Prospectus Directive in that relevant member state.

## 12. **Documents available for inspection**

Copies of the following documents are available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of Dickson Minto W.S., 16 Charlotte Square, Edinburgh EH2 3BU until 28 October 2016:

- (i) the articles of association of the Company;
- (ii) the annual reports and accounts of the Company for the three financial years up to 31 May 2015; and
- (ii) this document.

## 13. **Availability of Prospectus**

The Prospectus is available for inspection at [www.morningstar.co.uk/uk/NSM](http://www.morningstar.co.uk/uk/NSM) and, until 28 October 2016, copies are available for collection, free of charge, from the offices of Dickson Minto W.S., 16 Charlotte Square, Edinburgh EH2 3BU and from the registered office of the Company, 80 George Street, Edinburgh EH2 3BU.

**30 October 2015**