



# Prospectus

## BNY Mellon Managed Funds II

This Prospectus has been prepared in accordance with the Rules of the Financial Conduct Authority as contained in the Collective Investment Schemes Sourcebook of the Financial Conduct Authority and is dated and is valid as at 07 August 2019. This Prospectus replaces any previous Prospectus issued by BNY Mellon Managed Funds II.

(An open-ended investment company with variable capital incorporated with limited liability and registered in England and Wales under registered number IC000509)

IMPORTANT: IF YOU ARE IN ANY DOUBT AS TO THE CONTENTS OF THIS PROSPECTUS YOU SHOULD CONSULT YOUR FINANCIAL ADVISER.



**BNY MELLON**  
INVESTMENT MANAGEMENT

*BNY Mellon Fund Managers Limited is the Authorised Corporate Director (ACD) of the Company. The ACD is responsible for managing and administering the Company's affairs in compliance with the Regulations. The ACD will delegate portfolio management functions to one or more of its affiliated specialist investment boutiques.*

**Non-UCITS Retail Scheme: Umbrella Fund (Fund of Funds)**

## Prospectus of BNY Mellon Managed Funds II (formerly, Insight Investment Funds-of-Funds II ICVC)

An open-ended investment company with variable capital incorporated with limited liability and registered in England and Wales under number IC000509.

Copies of this Prospectus have been sent to the Financial Conduct Authority and the Depositary.

BNY Mellon Fund Managers Limited, /the Authorised Corporate Director of the Company, is the person responsible for the information contained in this Prospectus. To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case), the information in this document does not contain any untrue or misleading statement or omit any matters required by The Open-Ended Investment Companies Regulations 2001 to be included in it. BNY Mellon Fund Managers Limited accepts responsibility accordingly.

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

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

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

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

The provisions of the Company's Instrument of Incorporation are binding on each of its Shareholders (who are taken to have notice of them).

This Prospectus has been approved for the purpose of section 21 of the Financial Services and Markets Act 2000 by BNY Mellon Fund Managers Limited.

This Prospectus is based on information, law and practice at the date hereof. The Company cannot be bound by an out of date prospectus when it has issued a new prospectus, and investors should check with BNY Mellon Fund Managers Limited that this is the most recently published prospectus.

The Depositary is not a person responsible for the information contained in this Prospectus and accordingly does not accept any responsibility therefore under the Regulations or otherwise.

Further information regarding any compensation scheme or any other investor-compensation scheme of which the Manager or the Fund is a member (including, if relevant, membership through a branch) or any alternative arrangement provided, is available on request.

The Shares have not been and will not be registered in the United States under the Securities Act of 1933, as amended (the "Securities Act"), or any U.S. state securities laws, and neither the Sub-Funds nor the Company has been or will be registered in the United States under the Investment Company Act of 1940, as amended (the "1940 Act"), and shareholders will not be entitled to

the benefits of such registration. Accordingly, except as provided below, no Shares may be offered or sold, directly or indirectly, in the United States, any state thereof or its territories or possessions or to any U.S. Person. The ACD may authorise the offer and sale of Shares in the United States or to a limited number or category of U.S. Persons provided that, if so authorised, Shares will be offered and sold only to such persons and in such manner as will not require registration of the Company, any Sub-Fund, or the Shares under the securities laws of the United States or any state thereof. The Shares have not been approved or disapproved by the United States Securities and Exchange Commission, any state securities commission or other regulatory authority in the United States, nor has any such authority passed upon or endorsed the merits of this offering or the accuracy or adequacy of this Prospectus as may be amended or supplemented from time to time. Any representation to the contrary is a criminal offence. Certain restrictions also apply to subsequent transfers of Shares in the United States or to U.S. Persons (please see the compulsory redemption provisions page 21 entitled "Restrictions and Compulsory Transfer and Redemption" of the Prospectus). Should a Shareholder become a U.S. Person they may be subject to adverse tax consequences including without limitation U.S. withholding taxes and tax reporting.

Applicants will be required to certify that they are not U.S. Persons precluded from purchasing, acquiring or holding Shares.

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

**The price of Shares in the Company and the income from them may go down as well as up and an investor may not get back the amount invested.**

# TABLE OF CONTENTS

<b>Directory</b>	6
<b>Definitions</b>	7
<b>The Company</b>	11
<b>The Sub-Funds and their Investment Objectives and Policies</b>	11
Typical investor profile	11
Investment and borrowing powers	11
Cluster Munitions	11
Benchmark Regulation	11
<b>Changes to the Company, the Sub-Funds or a Share Class</b>	12
<b>Distribution of Income</b>	12
<b>How Distributable Income Is Determined</b>	12
<b>Characteristics of Shares</b>	13
<b>Shareholder Meetings and Voting Rights</b>	14
<b>Class Rights</b>	14
<b>Valuation</b>	14
<b>Charges</b>	16
Preliminary Charge	16
Periodic Charges	16
Performance Fee	16
Expenses of the ACD	17
General Administration Charge	17
Fees of the Investment Manager	18
Rebate of Preliminary Charge or Periodic Charges; Commission	18
<b>Depositary's Remuneration and Expenses</b>	18
Periodic Charge	18
Depositary's Expenses	18
<b>Other Payments out of the Scheme Property</b>	19
<b>Buying and Selling of Shares</b>	20
Suspension of Dealing	20
Liquidity Management	20
Pricing	20
Publication of Prices of Shares	20
Restrictions and Compulsory Transfer and Redemption	21
<b>Switching and Conversion between Sub-Funds or Classes</b>	21
Switching	21
Conversion	22
Telephone Recordings	22
<b>General Information</b>	23
Shareholders' Rights	23
Fair treatment of investors	23
Professional Liability Risks	23
Reports and Accounts	23
Inspection of Documents	23
Register of Shareholders	23
Material Contracts	23

Best Execution .....	23
Strategy for the exercise of voting rights .....	23
Conflicts of Interest .....	24
Inducements .....	24
Disclosures .....	24
Class Action Litigation .....	24
Complaints .....	25
Data Protection .....	25
Investors Compensation Scheme .....	25
Risk Management .....	25
Past Performance Details .....	25
<b>Taxation .....</b>	<b>26</b>
Sub-Fund .....	26
Income Tax .....	26
Corporation Tax .....	26
Tax on Chargeable Gains .....	26
Equalisation .....	27
Foreign Account Tax Compliance Act and Other Reporting Obligations .....	27
Common Reporting Standards .....	27
FINROF's tax regime .....	27
<b>Winding-Up and Termination .....</b>	<b>28</b>
Winding-up of the Company or termination of a Sub-Fund .....	28
Winding-up of the Company .....	28
<b>Additional Information .....</b>	<b>30</b>
Risks .....	30
<b>Appendix 1 .....</b>	<b>33</b>
Investment and Borrowing Powers and Restrictions .....	33
Investment and Financial Techniques .....	36
<b>Appendix 2 .....</b>	<b>38</b>
Service Providers .....	38
<b>Appendix 3 .....</b>	<b>41</b>
The Sub-Funds and their Principal Terms and Share Classes .....	41
Absolute Insight Fund .....	41
<b>Appendix 4 .....</b>	<b>43</b>
Examples of How the Performance Fee is Calculated .....	43
<b>Appendix 5 .....</b>	<b>46</b>
Historical Performance .....	46

## ■ The Company

### **BNY Mellon Managed Funds II**

Registered and Head Office:  
BNY Mellon Centre  
160 Queen Victoria Street  
London EC4V 4LA

## ■ Authorised Corporate Director and AIFM

### **BNY Mellon Fund Managers Limited**

Registered and Head Office:  
BNY Mellon Centre  
160 Queen Victoria Street  
London EC4V 4LA

## ■ Investment Manager

### **Insight Investment Management (Global) Limited**

Registered Office:  
BNY Mellon Centre  
160 Queen Victoria Street  
London  
EC4V 4LA

## ■ Administrator

### **The Bank of New York Mellon (International) Limited**

Registered Office:  
One Canada Square  
London E14 5AL

#### **Address for Correspondence**

BNY Mellon Fund Managers Limited  
Client Service Centre  
PO Box 366  
Darlington  
DL1 9RF

## ■ Depositary

### **NatWest Trustee and Depositary Services Limited**

Registered and Head Office:  
250 Bishopsgate  
London  
EC2M 4AA

#### **Principal Place of Business**

NatWest Trustee and Depositary Services Limited  
2nd Floor, Drummond House,  
1 Redheughs Avenue  
Edinburgh  
EH12 9RH

## ■ Auditor

### **Ernst & Young LLP**

Registered Office:  
1 More London Place  
London SE1 2AF

#### **Address for Correspondence**

### **Ernst & Young LLP**

Atria One  
144 Morrison Street  
Edinburgh  
EH3 8EX

# DEFINITIONS

## ■ “Accumulation Shares”

Shares in respect of which income is accumulated and added to the capital property of the Company.

## ■ “ACD”

BNY Mellon Fund Managers Limited which acts as the authorised corporate director of the Company.

## ■ “Administrator”

The Bank of New York Mellon (International) Limited, or other such entity as is appointed to act as administrator to the Company from time to time.

## ■ “AIFM”

The legal person appointed on behalf of the Sub-Funds and which (through this appointment) is responsible for managing the Sub-Funds in accordance with the AIFM Directive and The Alternative Investment Fund Managers Regulations 2013, which at the date of this Prospectus is the ACD.

## ■ “AIFM Directive”

Alternative Investment Fund Managers Directive 2011/61/EU of the European Parliament and Council of 8 June 2011 as amended from time to time.

## ■ “Approved Bank”

in relation to a bank account opened by the Company:

- (a) if the account is opened at a branch in the United Kingdom;
  - (i) the Bank of England;  
or
  - (ii) the central bank of a member state of the OECD;  
or
  - (iii) a bank or a building society which offers, unrestrictedly, banking services;  
or
  - (iv) a bank which is supervised by the central bank or other banking regulator of a member state of the OECD;  
or
- (b) if the account is opened elsewhere:
  - (i) a bank in (a);  
or
  - (ii) a credit institution established in an EEA State other than in the United Kingdom and duly authorised by the relevant Home State Regulator;  
or
  - (iii) a bank which is regulated in the Isle of Man or the Channel Islands;  
or
- (c) a bank supervised by the South African Reserve Bank.

## ■ “Auditor”

Ernst & Young LLP or other such entity as is appointed to act as auditor of the Company from time to time.

## ■ “Business Day”

Monday to Friday (except for a public holiday in England and Wales and other days at the ACD’s discretion).

## ■ “COLL Sourcebook”

the Collective Investment Schemes Sourcebook which forms part of the FCA Handbook. COLL accordingly refers to the appropriate chapter or rule in the COLL Sourcebook.

## ■ “Company”

BNY Mellon Managed Funds II (formerly, Insight Investment Funds-of-Funds II ICVC).

## ■ “Dealing Day”

Each Business Day and/or such other day or days as the ACD may determine.

## ■ “Depositary”

NatWest Trustee and Depositary Services Limited or other such entity as is appointed to act as the depositary of the Company.

## ■ “Direct Investments”

Any investment which is permitted by the Regulations and the Instrument of Incorporation which are not shares or units in a collective investment scheme.

## ■ “EEA State”

A member state of the European Union and any other state which is within the European Economic Area.

## ■ “Eligible Institution”

One of certain eligible institutions being a BCD credit institution authorised by its home state regulator, as defined in the glossary of definitions in the FCA Handbook, or an ISD investment firm authorised by its home state regulator as defined in the glossary of definitions in the FCA Handbook.

## ■ “Eligible Market”

A market which is considered eligible for the purposes of investment by the Company in accordance with FCA Rules.

## ■ “FATCA”

the US Foreign Account Tax Compliance provisions enacted by the US Hiring Incentives to Restore Employment Act of 18 March 2010 (as amended, consolidated or supplemented from time to time).

## ■ “FCA”

The Financial Conduct Authority of 12 Endeavour Square, London, E20 1JN or any other regulatory body which may assume its regulatory responsibilities from time to time.

## ■ “FCA Handbook”

The handbook of rules and guidance published by the FCA as amended from time to time.



### ■ **“FCA Rules”**

The rules contained in the COLL Sourcebook or FUND Sourcebook.

### ■ **“FUND Sourcebook”**

the Investment Funds sourcebook which forms part of the FCA Handbook. FUND accordingly refers to the appropriate chapter or rule in the FUND Sourcebook.

### ■ **“Income Shares”**

Shares in respect of which income is distributed to Shareholders.

### ■ **“Insight”**

Insight Investment Management (Global) Limited.

### ■ **“Instrument of Incorporation”**

The instrument of incorporation of the Company as amended from time to time.

### ■ **“Investment Manager”**

Insight in respect of the Absolute Insight Fund.

### ■ **“Larger Denomination Share”**

A Share issued by the Company as a larger denomination share.

### ■ **“Net Asset Value” or “NAV”**

The value of the property of the Company, a Sub-Fund or a Class (as the context may require) less the liabilities of the Company (or Sub-Fund or Class concerned) as calculated in accordance with the Instrument of Incorporation.

### ■ **“Net Asset Value per Share” or “NAV per Share”**

The Net Asset Value of a Class in issue in respect of any Sub-Fund divided by the number of Shares of the relevant Class in issue or deemed to be in issue.

### ■ **“Non-Qualified Person”**

Any person to whom a transfer of Shares (legally or beneficially) or by whom a holding of Shares (legally or beneficially) would or, in the opinion of the ACD, might:-

- (a) be in breach of any law (or regulation by a competent authority) of any country or territory by virtue of which the person in question is not qualified to hold such Shares including, without limitation, U.S. Persons;  
or
- (b) require the Company or the ACD or the Investment Manager to be registered under any law or regulation whether as an investment fund or otherwise, or cause the Company to be required to apply for registration, or comply with any registration requirements in respect of any of its Shares, whether in the United States of America or any other jurisdiction;  
or
- (c) cause the Company, its Shareholders, the ACD or the Investment Manager some legal, regulatory, taxation, pecuniary or material administrative disadvantage which the Company or its Shareholders might not otherwise have incurred or suffered.

### ■ **“OECD”**

The Organisation for Economic Co-operation and Development.

### ■ **“OEIC”**

A company incorporated under the OEIC Regulations.

### ■ **“OEIC Regulations”**

The Open-Ended Investment Companies Regulations 2001 (as amended from time to time).

### ■ **“Regulations”**

The OEIC Regulations and the FCA Rules.

### ■ **“Scheme Property”**

The Scheme Property of the Company or such part of it as is attributable to a particular Sub-Fund or Class, as the context may require in each case, from time to time.

### ■ **“securities financing transactions” or “SFTs”**

as defined in article 3 of the Securities Financing Transactions Regulation, i.e. any or all of the following:

- (a) a repurchase contract;
- (b) securities or commodities lending and securities or commodities borrowing;
- (c) a buy-sell back transaction or sell-buy back transaction;
- (d) a margin lending transaction.

### ■ **“Securities Financing Transactions Regulation” or “SFTR”**

Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012;

### ■ **“Service Providers”**

the ACD, the Depositary, the Investment Adviser and the Administrator.

### ■ **“Share” or “Shares”**

A share or shares in the Company (including Larger Denomination Shares and Smaller Denomination Shares).

### ■ **“Share Class” or “Class of Shares” or “Class”**

All of the Shares issued by the Company as a particular class of Shares relating to a single Sub-Fund.

### ■ **“Shareholder”**

A holder of Shares in the Company.

### ■ **“Smaller Denomination Share”**

A Share carrying one thousandth of the rights of a Larger Denomination Share.



### ■ “Sub-Fund” or “Sub-Funds”

A sub-fund or sub-funds of the Company. Each Sub-Fund forms part of the property of the Company but is pooled separately and is invested in accordance with the investment objective applicable to that Sub-Fund.

### ■ “total return swap” or “TRS”

A derivative contract in which one counterparty transfers the total economic performance, including income from interest and fees, gains and losses from price movements, and credit losses, of a reference obligation to another counterparty;

### ■ “UK”

United Kingdom of Great Britain and Northern Ireland.

### ■ “United States”

the United States of America (including the states thereof and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction.

### ■ “U.S. Person”

means a person who is in either of the following two categories:

- (a) a person included in the definition of “U.S. person” under Rule 902 of Regulation S under the Securities Act
- or
- (b) a person excluded from the definition of a “Non-United States person” as used in Commodity Futures Trading Commission (“CFTC”) Rule 4.7. For the avoidance of doubt, a person is excluded from this definition of U.S. Person only if he or it is outside both the definition of “U.S. person” in Rule 902 and the definition of a “Non-United States person” under CFTC Rule 4.7.

“U.S. person” under Rule 902 generally includes the following:

- (a) any natural person resident in the United States (including U.S. residents temporarily residing abroad);
- (b) any partnership or corporation organised or incorporated under the laws of the United States;
- (c) any estate of which any executor or administrator is a U.S. person;
- (d) any trust of which any trustee is a U.S. person;
- (e) any agency or branch of a non-U.S. entity located in the United States;
- (f) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. person;
- (g) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organised, incorporated or (if an individual) resident in the United States; and
- (h) any partnership or corporation if:
  - (i) organised or incorporated under the laws of any non-U.S. jurisdiction; and
  - (ii) formed by a U.S. person principally for the purpose of investing in securities not registered under the Securities Act, unless it is organised or incorporated, and owned, by accredited investors (as defined in Rule 501(a) of Regulation D under the Securities Act) who are not natural persons, estates or trusts.

Notwithstanding the preceding paragraph, “U.S. person” under Rule 902 does not include: (i) any discretionary account or similar account (other than an estate or trust) held for the

benefit or account of a non-U.S. person by a dealer or other professional fiduciary organised, incorporated, or (if an individual) resident in the United States; (ii) any estate of which any professional fiduciary acting as executor or administrator is a U.S. person, if (A) an executor or administrator of the estate who is not a U.S. person has sole or shared investment discretion with respect to the assets of the estate, and (B) the estate is governed by non-United States law; (iii) any trust of which any professional fiduciary acting as trustee is a U.S. person, if a trustee who is not a U.S. person has sole or shared investment discretion with respect to the trust assets, and no beneficiary of the trust (and no settler if the trust is revocable) is a U.S. person; (iv) an employee benefit plan established and administered in accordance with the law of a country other than the United States and customary practices and documentation of such country; (v) any agency or branch of a U.S. person located outside the United States if (A) the agency or branch operates for valid business reasons, and (B) the agency or branch is engaged in the business of insurance or banking and is subject to substantive insurance or banking regulation, respectively, in the jurisdiction where located; and (vi) certain international organisations as specified in Rule 902(k)(2)(vi) of Regulation S under the Securities Act.

CFTC Rule 4.7 currently provides in the relevant part that the following persons are considered “Non-United States persons”:

- (a) a natural person who is not a resident of the United States;
- (b) a partnership, corporation or other entity, other than an entity organised principally for passive investment, organised under the laws of a non-U.S. jurisdiction and which has its principal place of business in a non-U.S. jurisdiction;
- (c) an estate or trust, the income of which is not subject to United States income tax regardless of source;
- (d) an entity organised principally for passive investment such as a pool, investment company or other similar entity, provided that units of participation in the entity held by persons who do not qualify as Non-United States persons or otherwise as qualified eligible persons (as defined in CFTC Rule 4.7(a)(2) or (3)) represent in the aggregate less than ten percent of the beneficial interest in the entity, and that such entity was not formed principally for the purpose of facilitating investment by persons who do not qualify as Non-United States persons in a pool with respect to which the operator is exempt from certain requirements of Part 4 of the CFTC’s regulations by virtue of its participants being non-United States persons; or
- (e) a pension plan for the employees, officers or principals of an entity organised and with its principal place of business outside the United States.

### ■ “Underlying Fund”

a collective investment vehicle in which any Sub-Fund may from time to time invest, except that in respect of the Absolute Insight Fund only, “Underlying Fund” means any of the absolute return funds established pursuant to the UCITS Directive and currently managed or advised by Insight or another member in the same group of companies as Insight in which that Sub-Fund invests.

### ■ “Valuation Point”

The point, whether on a periodic basis or for a particular valuation, at which the ACD carries out a valuation of the property of the Company or a Sub-Fund (as the case may be) for the purpose of determining the price at which Shares of a Class may be issued, cancelled or redeemed. The Valuation Point will be 12pm (noon) on each Dealing Day.

■ **“VAT”**

Value added tax.

# THE COMPANY

The Company is an open-ended investment company with variable capital. The Company is incorporated in England and Wales with Registered Number IC000509 and is authorised pursuant to Regulation 14 of the OEIC Regulations. The effective date of the authorisation order made by the FCA (previously the Financial Services Authority) was 27 February 2007 (FCA product reference number 460853).

Please note that authorisation by the FCA in this context does not in any way indicate or suggest endorsement or approval of the Sub-Funds as an investment.

The minimum share capital of the Company shall be £5 million and the maximum share capital shall be £500 billion. The base currency for the Company is pounds sterling. The Shareholders are not liable for the debts of the Company. Shares in the Company are not listed on any investment exchange.

The Company is an umbrella company authorised as a non-UCITS retail scheme for the purposes of the FCA Rules.

At present, the Sub-Funds available for investment are:

Absolute Insight Fund

Subject to the Regulations and the Instrument of Incorporation, the ACD may establish additional Sub-Funds from time to time.

The address in the UK for service on the Company of notices or other documents required or authorised to be served on the Company is BNY Mellon Centre, 160 Queen Victoria Street, London EC4V 4LA. All communications in relation to this Prospectus shall be in the languages referred to in the relevant Key Investor Information Document.

The Sub-Funds of the Company are segregated portfolios of assets and, accordingly, the assets of each Sub-Fund belong exclusively to that Sub-Fund and shall not be used to discharge directly or indirectly the liabilities of, or claims against, any other person or body, including the Company, or any other Sub-Fund, and shall not be available for any such purpose. Any liability incurred on behalf of or attributable to any Sub-Fund shall be discharged solely out of the assets of that Sub-Fund.

While the provisions of the OEIC Regulations provide for segregated liability between Sub-Funds, the concept of segregated liability is relatively new. Accordingly, where claims are brought by local creditors in foreign courts or under foreign law contracts, it is not yet known how those foreign courts will react to regulations 11A and 11B of the OEIC Regulations.

## THE SUB-FUNDS AND THEIR INVESTMENT OBJECTIVES AND POLICIES

Details of the investment objective, policy and certain terms relating to an investment in the Sub-Funds are set out in Appendix 3.

Where and when appropriate, the historical performance of the Sub-Funds will be set out in Appendix 5.

### Typical investor profile

Share(s) in each of the Sub-Funds of the Company are available and marketable to retail and institutional investors, subject to the Share Class Restrictions as set out under the section headed "Characteristics of Shares". Shares of a Sub-Fund might be suitable for investors that are comfortable that the value of investments in such Sub-Fund can go down as well as up, that capital may be at risk and that performance varies over time and returns are not guaranteed.

Investors should be aware that there is no protection of capital and no guaranteed return and investors can lose the amount invested. Accordingly, Units of a Sub-Fund are not suitable for:

any investor who does not have sufficient resources to bear any loss resulting from the investment;

investors who are not prepared to take any risk with their money or put their capital at risk; and/or

any investor looking for guaranteed income or a guaranteed total return.

### Investment and borrowing powers

The assets of the Sub-Fund will be invested with the aim of achieving the investment objective and in accordance with the policy of the Sub-Fund. They must also be invested so as to

comply with this Prospectus, the Instrument and with the investment and borrowing powers and restrictions set out in the COLL Sourcebook as they apply to a Non-UCITS scheme. A summary of the investment and borrowing powers and restrictions applicable to the Sub-Funds is set out in Appendix 1.

The ACD is subject to the provisions of the Securities Financing Transactions Regulation. The SFTR sets out certain disclosure requirements regarding the use of securities financing transactions and total return swaps, as described in Appendix 1 under the section headed "Investment and Financial Techniques".

### Cluster Munitions

The UN Convention on Cluster Munitions (the "Convention") prohibits all use, stockpiling, production and transfer of cluster munitions and anti-personnel mines.

The ACD, in recognition of the Convention, has decided not to invest, for all the BNY Mellon Managed Funds II Sub-Funds (unless otherwise stated within the specific Sub-Fund supplement in Appendix 1), in corporates involved in cluster munitions and anti-personnel mines. To this end, the ACD uses an external research provider to highlight those corporates involved in cluster munitions and anti-personnel mines. Where a corporate is reported by our external research provider to undertake such activities, the ACD's policy is not to invest in the securities issued by that corporate.

### Benchmark Regulation

For those Sub-Funds that may track their return against a benchmark index, or whose asset allocation is defined by reference to a benchmark index, or otherwise use a benchmark index to compute a performance fee, the ACD will ensure that the

applicable benchmark administrators for the benchmark indices used by such Sub-Funds are or intend to get themselves included

in the register maintained by the European Securities and Markets Authority within the timeframes specified under the Benchmark Regulation (EU) 2016/1011.

## CHANGES TO THE COMPANY, THE SUB-FUNDS OR A SHARE CLASS

Where any changes are proposed to be made to the Company, the Sub-Funds or a Share Class (including any increase in fees), the ACD will assess whether the change is fundamental, significant or notifiable in accordance with COLL 4.3. If the change is regarded as fundamental, approval will be required from the relevant Shareholders. If the change is regarded as significant,

60 days' prior written notice will be given to the affected Shareholders. If the change is regarded as notifiable, Shareholders will receive suitable pre or post event notice of the change. Changes to the Sub-Fund's investment objective or policy will usually be significant or fundamental.

## DISTRIBUTION OF INCOME

The Company's annual accounting period ends on the last day in December in each year, with an interim accounting period ending on 30 June in each year. Notwithstanding these dates, under the FCA Rules the ACD may, with the agreement of the Depositary, elect that a particular accounting period shall end on a day which is not more than seven days after or before the day on which the period would otherwise end. References to the above dates and the dates of income allocation periods and of publication of the yearly and half yearly report of the Company should be read accordingly.

Allocation of income to holders of any Accumulation Shares that may be issued will be transferred to the capital property of each Sub-Fund at the end of the income allocation period and be reflected in the value of Shares on the first Business Day following the end of that income allocation period. Details of the allocation periods in respect of the Sub-Funds are set out in Appendix 3.

Any distribution of income that is unclaimed for a period of six years after having become due for payment, shall be forfeited and shall revert to the Sub-Fund to which such distribution relates.

## HOW DISTRIBUTABLE INCOME IS DETERMINED

The income available for distribution or accumulation in relation to a Sub-Fund is determined in accordance with the FCA Rules. In general terms, the income comprises all the sums deemed by the Company, after consultation with the Auditors of the Company, to be income in nature and received or receivable by the Company and attributable to a Sub-Fund in respect of the accounting period concerned, after deducting charges and expenses paid or payable out of such income and after making such adjustments in relation to taxation and other matters. The allocation of income to each Share Class is made after allowing for the effect, including attributable taxation, of any charges or expenses made on bases which vary by Share Class.

Income relating to a particular Sub-Fund is allocated at each Valuation Point among the Classes of Shares allocated to that particular Sub-Fund in proportion to the value of each Share Class relative to the value of the entire Sub-Fund as at the immediately preceding Valuation Point including any share class creation and cancellation movements applied at the immediately preceding Valuation Point.

# CHARACTERISTICS OF SHARES

Several Classes of Share may be issued in respect of each Sub-Fund, distinguished by their criteria for subscription, fee structure, currency denomination and treatment of income (Income Shares and Accumulation Shares).

In addition to the classes of Shares listed below, the Instrument of Incorporation allows for the creation of additional classes of Shares in respect of Sub-Funds.

Investment in each class of Share(s) is restricted to meeting certain requirements ("Share Class Restrictions") as set out below.

The Classes of Share currently available for each Sub-Fund are set out in Appendix 3.

Class A Shares	not available for further investment
Class Ap Shares	are Sterling denominated Shares which are available to any retail investor.
Class Fp Shares	are Sterling denominated Shares which are available to any retail investor.
Class S Shares	are Shares which are available exclusively to investors who are clients of or who otherwise have an investment management agreement with Insight or its associates. There is no specific minimum initial investment level however such investors may be subject to minimum account maintenance or other qualifications established from time to time by Insight or its associates
Class Sp Shares	are Shares which are available exclusively to investors who are clients of or who otherwise have an investment management agreement with Insight or its associates. There is no specific minimum initial investment level however such investors may be subject to minimum account maintenance or other qualifications established from time to time by Insight or its associates
Class W Shares	are Sterling denominated Shares which are available: <ol style="list-style-type: none"> <li>to institutional investors who meet the minimum initial investment level and the minimum holdings as set out in Appendix 3; and</li> <li>entities designated by the ACD as providing platform services, and which have platform arrangements (or an equivalent) with the ACD or its associates, and which are investing on behalf of underlying investors rather than on their own behalf. There are no specific minimum initial investment or holding requirements, however platforms will be subject to minimum account maintenance or other qualifications established from time to time by the ACD.</li> </ol>

The ACD has the right to waive the Share Class Restrictions for any class of Share in one or more Sub-Funds at any time. Where the Company has different Classes, each Class may attract different charges and so monies may be deducted from Classes in unequal proportions. In these circumstances the proportionate interests of the Classes will be adjusted accordingly.

## Income and Accumulation Shares

All references in this Prospectus to Income Shares and Accumulation Shares are to both gross Income and gross Accumulation Shares unless otherwise stated.

The Instrument of Incorporation allows gross Income and gross Accumulation Shares to be issued as well as net Income and net Accumulation Shares. Net Shares are Shares in respect of which income allocated to them is distributed periodically to the relevant Shareholders (in the case of Income Shares) or credited periodically to capital (in the case of Accumulation Shares), in either case in accordance with relevant tax law, net of any tax deducted or accounted for by the Company. Gross Shares are Income or Accumulation Shares where, in accordance with relevant tax law, distribution or allocation of income is made without any tax being deducted or accounted for by the Company.

## Accumulation Shares

Holders of Accumulation Shares are not entitled to be paid the income attributed to such Shares, but that income is automatically transferred to (and retained as part of) the capital assets of the

Company on the relevant interim accounting date and/or annual accounting date as set out in Appendix 3. This is reflected in the price of an Accumulation Share.

## Income Shares

The Company does not currently offer Income Shares but may do so in the future.

Holders of Income Shares are entitled to be paid the income attributed to such Shares on or before the annual income allocation date and on or before the interim income allocation date in each year.

## Title to Shares

The title to Shares is evidenced by entries on the Register of Shareholders. Certificates for Shares will not be issued.

## Shares with Different Denominations

In order to calculate fractional entitlements of less than one Larger Denomination Share, Shares are expressed in two denominations - Larger Denomination Shares and Smaller Denomination Shares.

- The Smaller Denomination Shares are whole Shares which carry a fraction of one thousandth of the rights of a Larger Denomination Share.
- Whenever the number of any such Smaller Denomination Shares shall reach one thousand, the ACD shall automatically consolidate the Smaller Denomination Shares into one Larger Denomination Share of the same Class.

# SHAREHOLDER MEETINGS AND VOTING RIGHTS

The Company will not hold Annual General Meetings.

Certain changes to this Prospectus or the Instrument of Incorporation require the prior approval of a Meeting of Shareholders, in accordance with the FCA Rules. When such approval is not required by the FCA Rules, the ACD may make changes to the Prospectus or the Instrument of Incorporation without the approval of Shareholders.

In certain circumstances, the FCA Rules require that a resolution be passed as an extraordinary resolution, which is a resolution passed by a majority of not less than three-quarters of the votes validly cast (whether on a show of hands or on a poll) for and against the resolution. In other cases, a resolution may be passed by a simple majority of the votes validly cast for and against the resolution.

At any Meeting of Shareholders a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before the declaration of the result of the show of hands) demanded by the Chairman, by the Depositary or, by at least two shareholders present in person or by proxy or, in the case of a body corporate, by a duly authorised representative.

On a show of hands every Shareholder who (being an individual) is present in person or by proxy shall have one vote.

On a poll every Shareholder who is present in person or by proxy shall have one vote for every Larger Denomination Share and a further one thousandth of one vote for every Smaller Denomination Share of which he is a holder.

The quorum at a Meeting of Shareholders shall be two Shareholders present in person or by proxy. The quorum for an adjourned meeting is one Shareholder present in person or by proxy.

A corporation being a Shareholder may authorise such person as it thinks fit to act as its representative at any Meeting of Shareholders and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as the corporation could exercise if it were an individual Shareholder.

The ACD shall be entitled to receive notice of and attend at any such meeting but shall not be entitled to vote or be counted in the quorum therefore and accordingly, the Shares held or deemed to be held by the ACD shall not be regarded as being in issue.

Any associate of the ACD shall not be entitled to vote at any such meeting except in respect of Shares which he holds on behalf of a person who, if himself the registered holder, would be entitled to vote, and from whom he has received voting instructions.

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

Where a resolution is required on any issue and every Shareholder is prohibited under the FCA Rules from voting at a general meeting on the matter it shall not be necessary to convene such a meeting and a resolution may, with the prior written agreement of the Depositary to the process, instead be passed with the written consent of Shareholders representing 50% or more or, for an extraordinary resolution, 75% or more, of the Shares in issue.

## CLASS RIGHTS

The rights attached to a Class of Shares may only be amended by a class meeting of Shareholders of that Class of Shares. Any amendment to the Instrument of Incorporation that relates to a particular Class of Shares or particular Share Classes and does not prejudice the Shareholders of any other Share Class may be made by an extraordinary resolution passed at a class meeting.

The provisions regarding the conduct of meetings set out above shall apply to meetings of a Sub-Fund or a Share Class within a Sub-Fund, but by reference to the Shares of a Sub-Fund or Share Class concerned and the prices of Shares in such Sub-Fund or Share Class.

## VALUATION

The Scheme Property is valued at each Valuation Point on each Dealing Day in order to determine the price at which Shares in the Sub-Funds may be purchased from or redeemed by the ACD and created or cancelled by the Company. There will only be a single price for any Share as determined from time to time by reference to a particular Valuation Point.

The ACD reserves the right to carry out an additional valuation to the Scheme Property if it considers it desirable to do so. The ACD shall inform the Depositary of any decision to carry out an additional valuation.

An outline of the basis on which the Scheme Property is valued is as follows:

1. Units or shares in a collective investment scheme:
  - 1.1 if a single price for buying and redeeming units or shares is quoted, at the most recent such price;  
or
  - 1.2 if separate buying and redemption prices are quoted, at the average of the two prices provided the buying price has been reduced by any initial charge included therein and the redemption price has been increased by any exit or redemption charge attributable thereto;  
or

2. Transferable securities:
  - 2.1 if a single price for buying and selling the investment is quoted, at that price;  
or
  - 2.2 if the investment is one for which different prices are quoted according to whether it is being bought or sold, at its mid-market price;  
or
  - 2.3 if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no price exists, or, if the most recent price available does not reflect the ACD's best estimate of the value of the units or shares at a value which, in the opinion of the ACD, is fair and reasonable.
3. Any fiscal charges or commissions or other charges that have been paid or are payable on the acquisition or disposal of the investments above are excluded from their value.
4. Cash is valued at its nominal value.
5. Any other property of a particular Sub-Fund will be valued at what the ACD considers a fair value.
6. Deductions are made for anticipated tax liabilities and for an estimated amount in respect of other liabilities payable out of a particular Sub-Fund.
7. Contingent liability transactions will be valued using a method agreed between the ACD and the Depositary.
8. An amount is added in respect of estimated recoverable tax and any other amounts due to be paid into a particular Sub-Fund.

Where the ACD has reasonable grounds to believe that the price obtained is unreliable or the most recent price available does not reflect the ACD's best estimate of the value of the relevant investment at the relevant Valuation Point or no price or no recent price exists, the ACD may use a price which, in the opinion of the ACD reflects a fair and reasonable price for that investment (the fair value price).

The proportionate interests of each Share Class in the assets and income of a Sub-Fund shall be determined by the ACD as the proportion of the Scheme Property of that Sub-Fund that is attributable to that Share Class at the end of the previous business day.

The proportion of assets and income allocated to each Share Class is made after allowing for the effect, including attributable taxation, of any charges and expenses made on bases which vary by Share Class.

The price per Share at which Shares are bought or are redeemed is the Net Asset Value per Share.



# CHARGES

## Preliminary Charge

The ACD is permitted to make a preliminary charge on the sale of Shares to an investor. The current percentage rates of charge are shown in Appendix 3.

The ACD may not increase the preliminary charge save in accordance with the FCA Rules.

## Periodic Charges

The ACD may make a periodic charge (the “Annual Management Charge” or “AMC”) which shall be paid out of the property of each Sub-Fund monthly in arrears at the annual percentage rate shown in Appendix 3. This is calculated and accrued daily, based on the value of the Scheme Property at the preceding Valuation Point.

This charge will be deducted from the income property of each Sub-Fund.

Where the charge is normally deducted from the income of a Sub-Fund but the income generated is insufficient, the charge may then be deducted from the capital property of that Sub-Fund.

The ACD may not increase any charge it takes from a Sub-Fund save in accordance with the FCA Rules (see section 12 in “General Administration Charge”).

## Performance Fee

**This section is relevant to Class Ap, Fp, Sp and W Shares only and any reference to “Class” in this section means only these Classes.**

In addition to the AMC payable in respect of each Class of Shares in any Sub-Fund, the ACD may also be entitled to a performance fee (the “Performance Fee”) in respect of Class Ap, Fp, Sp and W Shares. The Performance Fee will be calculated and paid after consideration of all other payments.

Within this section, the terms outlined below have the following meanings:

### ■ “Excess Return”

For each Lot, the excess of the NAV per Share at the end of a Performance Period over the Target NAV per Share for that Performance Period.

### ■ “Hurdle Rate”

The Hurdle Rate for the Class Ap, Fp, Sp and W Shares is the percentage growth in Sterling 3 month LIBOR (as defined by the British Banker’s Association [www.bba.org.uk](http://www.bba.org.uk)) minus 0.125% per annum as averaged over the Performance Period (using the rate published at each Valuation Point).

### ■ “High Water Mark”

For each Lot, the highest NAV per Share reached at the end of any of the previous Performance Periods, or the subscription price if higher. For Lots relating to Shares issued

prior to 1 January 2011, the High Water Mark will be the highest NAV per Share as at 31 December in any previous year for the particular Class.

### ■ “Lot”

A group of Shares within a particular Share class which were subscribed for on the same day.

### ■ “Performance Period”

The Performance Period shall normally run from 1 January to 31 December in each year except as noted below:

- in the case of Shares subscribed for in each Class during the year, the first Performance Period will run from the subscription date to the following 31 December;
- and
- in the case of a redemption of Shares, the final Performance Period in respect of those Shares will end on the redemption date of the Shares.

### ■ “Target NAV per Share”

The greater of (a) The NAV per Share at the end of the previous Performance Period (or the subscription price where the Share was subscribed for in the current Performance Period) multiplied by the Hurdle Rate +1; or (b) the High Water Mark for the particular Lot relating to the Share.

The Performance Fee will accrue and be taken into account in the calculation of the Net Asset Value per Share of each Class at each Valuation Point.

The Performance Fee in respect of a particular Share Class is calculated by grouping the Shares in issue at the end of the Performance Period into Lots. A calculation is carried out separately for each Lot taking into account the specific subscription price, Hurdle Rate and High Water Mark relating to each Lot. The total fee payable for the particular Share Class is the sum of all such calculations for each Lot relating to that Share Class. The sum of the Performance Fee calculated in respect of each Lot is then divided by the total number of Shares in issue for a particular Share Class and applied to each Share issued in that Share Class.

The Performance Fee in respect of a particular Lot becomes due in the event that both of the conditions below are met for that Lot:

- the percentage growth in the NAV per Share (prior to any accrual for the Performance Fee) over the Performance Period exceeds a target rate of growth, being the Hurdle Rate applicable to that particular Lot, over the same period;
- and
- the NAV per Share at the end of the Performance Period exceeds the High Water Mark for that particular Lot.

The Performance Fee per Share in respect of each Lot is equal to 10% of the Excess Return for that Lot.

The Performance Fee is payable one month after the end of the Performance Period.

The Performance Fee can be expressed as follows (please note that this formula is additional to the explanatory provisions in this page 16 and is for those investors wishing to refer to a mathematical formula to consider the Performance Fee.):

Total Performance Fee = the sum of:  $(10\% \times \text{Excess\_Return}_i)$ , for  $i = 1$  to  $n$

$$\text{Performance Fee per Share} = \frac{\text{Total Performance Fee}}{n}$$

Where:

- $n$  = number of Shares in issue for the particular Share Class at end of Performance Period, or the number of Shares redeemed where the Performance Fee is being calculated in respect of a redemption of Shares
- $\text{Excess\_Return}_i$  = greater of:
- $\text{NAV}_{\text{end}} - \text{NAV}_{\text{target}_i}$  ;
  - and
  - Zero
- $\text{NAV}_{\text{end}}$  = NAV per Share (prior to any accrual for Performance Fees) on the last day of the Performance Period
- $\text{NAV}_{\text{target}_i}$  = Greater of:
- $\text{NAV}_{\text{start}_i} \times (1 + \text{Hurdle Rate})$ ;
  - and
  - High Water Mark in respect of the  $i^{\text{th}}$  Share in issue
- $\text{NAV}_{\text{start}_i}$  = NAV per Share on last day of previous Performance Period, or the subscription date of the  $i^{\text{th}}$  Share where it was subscribed for since 1st January in the year in question.

On a redemption of Shares, the redemption will be attributed to existing Shares in issue in order to determine which particular Shares are being redeemed on a reasonable and fair basis as agreed with the Depositary. The total Performance Fee payable will be the Performance Fee calculated as above attributable to the Shares being redeemed on the same basis and will be payable within one month of the date of redemption. The Performance Fee will accrue and be taken into account in the calculation of the Net Asset Value per Share at each Valuation Point. The amount accrued at each Valuation Point will be determined by calculating the Performance Fee that would be payable if the Valuation Point was the last day of the current Performance Period.

The amount of the Performance Fee will be calculated by the Administrator and verified by the ACD.

The level of the Performance Fee, or the Hurdle Rate, will not be changed unless, 60 days before the change, the ACD gives notice of its intentions and the date of commencement of the change to Shareholders and has revised and made available the Prospectus to reflect such changes.

It should be noted that there is no repayment of any Performance Fee already paid if the price subsequently falls back below the High Water Mark, even if a Shareholder redeems their holding. The price at which a Shareholder redeems units will include an amount equivalent to the Performance Fee accrued or previously paid from the Company. There is no maximum annual cap on the amount of Performance Fee that may be charged as this is determined by the rate of performance growth within the Company.

It should be noted that where a Performance Fee is payable, it will be based on net realised and unrealised gains and losses of underlying holdings in the Sub-Fund at the end of each Performance Period. As a result, a Performance Fee may be paid on unrealised gains which may subsequently never be realised.

The ACD may from time to time and at its sole discretion and out of its own resources decide to rebate to Shareholders part or all of the Annual Management Charge and/or Performance Fee. Any such rebates may be applied in paying up additional Shares to be issued to the Shareholder, or may (at the discretion of the ACD) be paid in cash.

Holders of Class A Shares will not be charged a Performance Fee although an AMC of 1.5% is payable regardless of the performance of those Shares. A Shareholder may, however, convert between Class A and Class Ap or Class Fp, or Class W Shares on application to the ACD (see section "Switching and Conversion between Sub-Funds or Classes" page 21).

**For examples showing the way in which the Performance Fee works please see Appendix 4.**

## Expenses of the ACD

The Company will also pay to the ACD out of the Scheme Property any expenses incurred by the ACD or its delegates of the kinds described below under "Other Payments out of the Scheme Property", including legal and professional expenses of the ACD and its delegates in relation to the proper performance of the ACD's duties under the ACD Agreement, or related to documents amending the ACD Agreement, all expenses incurred in preparing valuations of Scheme Property and publishing prices of Shares, all postage and communication costs incurred in the proper performance of duties under the ACD Agreement, and all expenses incurred in producing any prospectus or key investor information documents in distributing any prospectus and expenses of the ACD in buying or selling Shares (but excluding any commissions or similar payments as the Company is prohibited from making under the FCA Rules).

For the avoidance of doubt, to the extent that any expense referred to above or under "Other Payments out of the Scheme Property" below is covered by the General Administration Charge (described in further detail below), such expense shall be paid out of scheme property under the General Administration Charge only.

## General Administration Charge

The ACD may make a General Administration Charge (the "General Administration Charge") which shall be paid out of the property of the Sub-Funds. The General Administration Charge

reimburses the ACD for any of the costs, charges, fees and expenses in relation to the administration of a Sub-Fund which it pays on behalf of the Sub-Fund including the following:

1. fees and expenses in respect of establishing and maintaining the Register of Shareholders and any sub register of shareholders (as defined in the FCA Rules);
2. any costs incurred in or about the listing of Shares in the Company on any stock exchange, and the issue, conversion and cancellation of Shares;
3. any costs incurred by the Company in publishing the price of the Shares;
4. any costs incurred in producing and dispatching any payments made by the Company, or the yearly and half-yearly reports of the Company;
5. any fees, expenses or disbursements of any legal or other professional adviser of the Company;
6. any costs incurred in taking out and maintaining an insurance policy in relation to the Company;
7. any costs incurred in respect of meetings of shareholders convened for any purpose including those convened on a requisition by shareholders not including the ACD or an associate of the ACD and otherwise communicating with shareholders in accordance with FCA Rules;
8. liabilities on unitisation, amalgamation or reconstruction including certain liabilities arising after transfer of property to the Sub-Funds in consideration for the issue of Shares as more fully detailed in the FCA Rules;
9. interest on borrowings and charges incurred in effecting or terminating such borrowings or in negotiating or varying the terms of such borrowings;
10. any expense incurred in relation to company secretarial duties including the cost of maintenance of minute books and other documentation required to be maintained by the Company;
11. any payments otherwise due by virtue of the FCA Rules; and
12. any value added or similar tax relating to any charge or expense set out herein.

In return for paying or satisfying (1) to (12), the ACD will collect from the Company a charge as follows: in respect of the Class A, Class Ap and Class Fp share classes, the current charge is a rate per annum of 0.10%; in respect of Class S, Class Sp and Class W share classes the rate is 0.03%. By giving not less than 60

days' notice before the change, the ACD may increase these rates. The charge is calculated and accrued daily and payable monthly. Such a charge provides greater transparency for investors and certainty as to the level of such costs which they will bear as well as providing for simpler administration on the part of the ACD.

The actual ongoing registration and general expenses paid by the ACD (or companies in its group) on behalf of the Company may be greater or less than the above mentioned charges received by the ACD from the Company. Therefore, the ACD (or companies in its group) will bear any excess of the actual ongoing registration and general expenses above the charges received from the Company. Conversely, the ACD will be entitled to retain any amount by which the charges received from the Company exceed the actual ongoing registration and general expenses paid.

Charges and expenses are allocated between capital and income in accordance with FCA Regulations.

## Fees of the Investment Manager

The fees of the Investment Manager and any other investment manager or adviser will be paid by the ACD out of its AMC and/or the Performance Fee.

The Investment Manager may use internal and external research to inform its decision-making. Payment for the external research used by the Investment Manager will be out of its own resources.

The rate of the General Administration Charge will be reviewed by the ACD periodically, and at least every 24 months, and if necessary adjusted, to ensure that it continues to reflect the fund administration costs which the ACD incurs.

## Rebate of Preliminary Charge or Periodic Charges; Commission

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

# DEPOSITARY'S REMUNERATION AND EXPENSES

## Periodic Charge

The remuneration of the Depositary will be paid out of the Scheme Property monthly in arrears and will consist of a periodic charge, calculated and accrued daily, based on the value of the property of the Company on the preceding Business Day. The periodic charge will be at such annual percentage rate (before Value Added Tax) of the value of the property of the Sub-Fund as the ACD and Depositary may from time to time agree. The current charge is calculated on a sliding scale on the following basis:

1. 0.025% per annum of the first £40 million of the Scheme Property
2. 0.015% per annum of the next £40 million of the Scheme Property
3. 0.005% per annum of the next £420 million of the Scheme Property
4. 0.0020% per annum of the balance of the Scheme Property.

The Depositary is also entitled to receive out of the property of the Company remuneration for performing or arranging for the performance of the functions conferred on the Depositary by the Instrument of Incorporation or the FCA Rules. The Depositary's remuneration shall accrue when the relevant transaction or other dealing is effected and shall be paid in arrears on the next following date on which payment of the Depositary's periodic charge is to be made or as soon as practicable thereafter.

## Depositary's Expenses

The Depositary will be reimbursed by the Company for expenses properly incurred in performing or arranging for the performance of functions conferred on it by the Regulations, the Instrument of Incorporation, the Prospectus, the FCA Rules, the depositary agreement between the ACD and the Company (the "Depositary Agreement") or by general law. These functions may (without limitation of the foregoing) include custody, insurance, acquisition

and dealing with assets of the Company; making deposits or loans, dealing with borrowings, effecting foreign currency dealings and effecting hedging transactions, as permitted by the FCA Rules; collection of income or capital; submissions of tax returns and handling tax claims; preparation of the Depositary's annual report; calling shareholders' meetings and communicating with shareholders; preparing, clearing and despatching distribution warrants; obtaining professional advice; conducting legal proceedings; carrying out administration relating to the Company; supervision of certain of the activities of its authorised corporate director and such other duties as the Depositary is permitted or required by law to perform.

On the winding up of the Company, a Sub-Fund or the redemption and cancellation of a Class of Shares, the Depositary will be paid all accrued and owing fees, charges and reimbursement of expenses due to the date of commencement of the winding up or due in relation to the redemption and cancellation of the relevant Class of Shares (as appropriate) and any additional expenses necessarily arising out of or in connection with its obligations under the Depositary Agreement.

The Depositary has appointed The Bank of New York Mellon, London Branch ("the Custodian") as the Custodian of the property of the Company and is entitled to receive reimbursement of the Custodian's fees as an expense of the Company. The Bank of New York's remuneration for acting as Custodian is calculated at an ad valorem rate determined by the territory or country in which each Sub-Fund's assets are held and currently the lowest rate is

0% and the highest rate is 0.5%. In addition the Custodian makes a transaction charge determined by reference to the country or territory in which the transaction is effected. Currently, the transaction charges range from £3 to £76 per transaction. For assets held outside of the Custodian's custody there is a charge of £65 per line of security per month.

The current rate of the Depositary's annual remuneration, or transaction charges or charges for custody services may only be increased in accordance with the FCA Rules and after the ACD has revised and made available the revised Prospectus to reflect the new rate and the date of its commencement. The following further expenses may also be paid out of the property of the Company:

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

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

## OTHER PAYMENTS OUT OF THE SCHEME PROPERTY

In accordance with the Regulations, the following payments may lawfully be made out of the property of the Company:

1. Broker's commission, fiscal charges and other disbursements which it is necessary to incur in effecting transactions for the Sub-Funds concerned and which are normally shown in contract notes, confirmation notes and difference accounts, as appropriate.
2. Taxation and duties payable in respect of the property of a Sub-Fund or in respect of the issue or redemption of Shares in a Sub-Fund, including stamp duties and any other transfer or financial transaction taxes or duties in relation to the transfer to the Sub-Fund of assets acquired in exchange for the issue of Shares or in relation to the redemption of Shares.
3. Any costs incurred in modifying the Instrument of Incorporation, including costs incurred in respect of meetings of Shareholders convened for purposes which include the modification of the Instrument of Incorporation where the modification is necessary to implement changes in the law, or necessary as a direct consequence of any change in the law, or expedient having regard to any change in the law made by, or under, any fiscal enactment and which the ACD and the Depositary agree is in the interests of Shareholders, or to remove obsolete provisions from the Instrument of Incorporation.
4. The audit fee of the Auditor of the Company and any proper expenses of such an auditor.
5. The periodic fees of the FCA in respect of the Company as may be prescribed under the Financial Services and Markets Act 2000 (as amended), or any relevant regulations made thereunder and any payments otherwise due by virtue of the FCA Rules or the corresponding fees of any regulatory authority in a country or territory outside the UK in which the Shares are or may be marketed.
6. The Administrators' fees.
7. The costs of preparing and printing the or key investor information documents (although not the costs of disseminating the or key investor information documents and distributing any documents required by the FCA Rules and any costs incurred as a result of periodic updates or changes to such documents and any other administrative expenses.
8. Any costs incurred in producing and despatching dividend or other payments of the Company.
9. Any fees, expenses or disbursements of any investment, legal or other professional adviser of the Company and those of the Company's sub-advisers.
10. All fees and expenses incurred in relation to the addition and initial organisation of any new Sub-Funds, the listing of Shares on any stock exchange, the registration of the Company with any regulator (including the fees of any law firm or other adviser in connection thereto) any offer of Shares (including the preparation and printing of any prospectus) and the creation, conversion and cancellation of Shares.
11. Expenses incurred by the Company in respect of any movable and immovable property in which the Company has an interest. Currently the Company does not intend to hold any such interests.
12. Any value added or similar tax relating to any charge or expense set out above.

All fees, duties, charges and expenses (other than any borne by the ACD) are charged to the Sub-Fund in which they were incurred. However, where they are not attributable to a particular Sub-Fund, they will be allocated among the Sub-Funds in a manner which the ACD considers is fair to the Shareholders generally. The costs of authorisation of any new Sub-Fund may be borne by that Sub-Fund at the discretion of the ACD.



# BUYING AND SELLING OF SHARES

Shares in each Sub-Fund may be bought or sold on any Business Day between 9am to 5pm (UK time).

Shares may be bought and sold by telephone or by written instructions or by such other means as the ACD may make available from time to time. A purchase or sale of Shares in writing and/or by telephone is a legally binding contract. In addition, the ACD may from time to time make arrangements to allow Shares to be bought or sold online or through other communication media. At present, transfer of title by electronic means is not accepted.

Orders received and accepted by the ACD by 12pm (noon) UK time on a Business Day will be dealt with at the price calculated on that Dealing Day. Orders received after that time will be dealt with at the price calculated on the next Dealing Day.

A contract note giving details and, where appropriate, a notice of the applicant's right to cancel the transaction will be issued on the Business Day following the purchase or sale. Certificates will not be issued in respect of Shares in a Sub-Fund as ownership is evidenced by entry on the Register. In the case of a purchase of Shares, settlement will be required on receipt of the contract note. In the case of a redemption, the ACD will issue a settlement cheque within three working days of receipt of a form of renunciation (copies of which may be obtained from the ACD). Any form of renunciation must be signed by each of the holders of the relevant Shares.

Shareholders' investments are governed by this Prospectus, the Instrument of Incorporation and the application form. The ACD treats a Shareholder's participation in the Sub-Funds as being governed by the laws of England and Wales. The English courts shall have exclusive jurisdiction to settle any disputes or claims which may arise out of, or in connection with, a Shareholder's participation in the Funds.

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

## Suspension of Dealing

The ACD may, with the prior agreement of the Depositary, and must without delay if the Depositary so requires temporarily suspend the issue, cancellation, sale and redemption of Shares in any or all of the Sub-Funds where due to exceptional circumstances it is in the interests of all the Shareholders in the relevant Sub-Fund or Sub-Funds.

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

The ACD or the Depositary (as appropriate) will immediately inform the FCA of the suspension and the reasons for it and will follow this up as soon as practicable with written confirmation of the suspension and the reasons for it to the FCA and the regulator in each EEA state where any or all of the Sub-Funds are offered for sale.

The ACD will notify Shareholders as soon as is practicable after the commencement of the suspension, including details of the exceptional circumstances which have led to the suspension, in a clear, fair and not misleading way and giving Shareholders details of how to find further information about the suspension.

Where such suspension takes place, the ACD will publish details on its website or other general means, sufficient details to keep Shareholders appropriately informed about the suspension, including, if known, its possible duration.

During the suspension none of the obligations in COLL 6.2 (Dealing) will apply but the ACD will comply with as much of COLL 6.3 (Valuation and Pricing) during the period of suspension as is practicable in light of the suspension.

Suspension will cease as soon as practicable after the exceptional circumstances leading to the suspension have ceased but the ACD and the Depositary will formally review the suspension at least every 28 days and will inform the FCA of the review and any change to the information given to Shareholders.

The ACD may agree during the suspension to deal in Shares in which case all deals accepted during and outstanding prior to the suspension will be undertaken at a price calculated at the first Valuation Point after the restart of dealings in Shares.

## Liquidity Management

The ACD has a liquidity management policy and maintains tools and methods of monitoring the liquidity of the Sub-Funds and to ensure that the ACD can carry out investment requests. The liquidity risk management policies and procedures include the management, implementation and maintaining of appropriate liquidity limits for each Sub-Fund and periodic stress testing of the liquidity risk of each Sub-Fund under both normal and exceptional liquidity conditions to ensure that anticipated redemption requests can be met. In normal circumstances, dealing requests will be processed as set out above. In exceptional circumstances, other procedures, such as suspending dealings in a Sub-Fund or applying in-specie redemptions may be used. If the ACD's policy for managing liquidity should change, this will be set out in the Annual Report.

## Pricing

The ACD deals on a forward pricing basis. A forward price is the price calculated at the next Valuation Point after receipt of a request for a purchase or sale.

## Publication of Prices of Shares

The ACD will make available the daily prices of Shares on its website at: [www.bnymellonim.com](http://www.bnymellonim.com)

The ACD may also, at its sole discretion, decide to publish certain Share prices in third party websites or publications.

**The most recent prices of the Class A Shares, Class S Shares, Class Sp and Class W Shares will be available on the website of the ACD only.**

## In Specie Subscription and Redemption

The ACD may, in the case of a redemption in the event of a request for redemption in excess of 5% of the Scheme Property of the relevant Sub-Fund or £2 million (whichever is the lesser), arrange that in lieu of payment of the price of the Shares in cash, the Company shall cancel the Shares and transfer to that Shareholder property of the relevant Sub-Fund of the relevant value or, if required by the Shareholder, the net proceeds of the sale of the relevant property to him. In the case of a redemption, the ACD must give written notice to the Shareholder concerned of its decision to exercise these powers before the cash payment would otherwise be due. The Scheme Property to be transferred (or sold) will be selected by the ACD in consultation with the Depositary and with a view to achieving no more advantage or disadvantage to the Shareholder requesting redemption of his Shares than to continuing Shareholders. The Company may retain

out of the Scheme Property to be transferred (or the proceeds of the sale) property or cash of a value or amount equivalent to any stamp duty reserve tax to be paid in relation to the subscription or redemption of Shares.

## Restrictions and Compulsory Transfer and Redemption

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

If it comes to the notice of the ACD that any Shares are or may be owned or held legally or beneficially by a Non-Qualified Person ("affected Shares") the ACD may give notice to the registered holder(s) of the affected Shares requiring either the transfer of such Shares to a person who is not a Non-Qualified Person or a

request in writing for the redemption or cancellation of such Shares in accordance with the FCA Rules. If any person upon whom such a notice is served does not, within 30 days after the date of such notice, transfer the affected Shares to a person who is not a Non-Qualified Person or establish to the satisfaction of the ACD (whose judgement is final and binding) that he and the beneficial owner are not Non-Qualified Persons, he shall be deemed upon the expiration of that 30 day period to have given a request in writing for the redemption or cancellation (at the discretion of the ACD) of all the affected Shares pursuant to the FCA Rules.

A person who becomes aware that he has acquired or holds affected Shares as described above shall forthwith, unless he has already received a notice from the ACD as above, either transfer the affected Shares to a person qualified to own them or give a request in writing for the redemption or cancellation of such Shares pursuant to the FCA Rules.

In the case of in specie redemptions, the Scheme Property to be transferred is subject to stamp duty reserve tax unless the Scheme Property is transferred pro-rata.

## SWITCHING AND CONVERSION BETWEEN SUB-FUNDS OR CLASSES

A Shareholder may give notice to the ACD, in such form as the ACD shall from time to time determine, that he wishes to either (i) switch all or some of his Shares of one Sub-Fund ("the Original Shares") for Shares in another Sub-Fund ("the New Shares"), or (ii) convert all or some of his Shares of one Class issued in respect of any Sub-Fund for Shares of another Class issued in respect of the same Sub-Fund. Such switch or conversion can only take place if, following the exchanges, the Shareholder's holding of New Shares will satisfy the criteria and applicable minimum investment requirement of that Class or Sub-Fund. A switch between Shares in different Sub-Funds may result in a chargeable event for capital gains tax purposes, as detailed on pages 21 - 22.

The ACD may impose restrictions on switches or conversions, but any restriction related to switches of Shares of different Sub-Funds must be on reasonable grounds relating to the circumstances of the Shareholder concerned.

### Switching

The number of New Shares to be issued to the holder on a switch will be determined by reference to the respective prices of New Shares and Original Shares at the Valuation Point applicable at the time the Original Shares are redeemed and the New Shares are issued. The following formula will be applied:

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

Where

N	=	is the number of New Shares to be issued or sold, rounded down to the nearest whole number of Smaller Denomination Shares
O	=	is the number of Original Shares which the holder has requested to exchange
CP	=	is the price at which a single Original Share may be redeemed
SP	=	is the price at which a single New Share may be purchased when the Shares are exchanged:

The ACD may adjust the number of New Shares to be issued to reflect the application of any charge on switching together with any other charges or levies in respect of the application for the New Shares or redemption of the Original Shares as may be permitted pursuant to the FCA Rules.

The then prevailing preliminary charge on the New Shares will be payable on an exchange but the ACD may at its discretion offer a discount on such preliminary charge. If an exchange would result in the Shareholder holding a number of Original Shares or New Shares of a value which is less than minimum holding in the a particular Sub-Fund, the ACD may, if it thinks fit, convert the whole of the Shareholder's holding of Original Shares to New Shares or refuse to effect any exchange of the Original Shares. No switch will be made during any period when the right of

Shareholders to require the redemption of their Shares is suspended. The general provisions on procedures relating to redemption will apply equally to an exchange.

The ACD may at its discretion make a charge on the switching of Shares between Sub-Funds. Any such charge on switching will be deducted from the value of the Original Shares before the purchase of the New Shares but will not in any event exceed the amount of the preliminary charge at that date for the New Shares.

A switch of Shares in one Sub-Fund for Shares in another Sub-Fund will be treated as a redemption and sale and will, for persons subject to UK taxation, be a realisation for the purposes of capital gains tax, which may give rise to a liability to tax, depending on the Shareholder's circumstances.

In no circumstances will a Shareholder who switches Shares in one Sub-Fund for Shares in another Sub-Fund be given a right by law to withdraw from, or cancel, the transaction. Shares cannot be switched during a period when dealings in Shares of the relevant Sub-Fund or Sub-Funds are suspended by the Company pursuant to the FCA Rules and the right of a Shareholder to switch during a period of suspension is similarly suspended.

---

## Conversion

Where more than one Class is in issue in a Sub-Fund, the ACD may at its absolute discretion permit a Shareholder to convert all or some Shares held from one Class in a Sub-Fund for Shares in another Class in the same Sub-Fund, subject to minimum investment and eligibility requirements as described in this Prospectus (including Appendix 3).

Such conversions will usually be executed within three Dealing Days of receipt of a valid instruction. Requests to convert between Classes are undertaken by reference to the respective prices of each Class.

Where the ACD determines at its absolute discretion that Class conversions are materially prejudicial to the shareholders of a Class, instructions to convert between Classes will only be executed on the Dealing Day following the relevant Sub-Fund's income allocation date. In such circumstances, instructions to convert between Classes must be received by the ACD no sooner than ten business days before the Sub-Fund's relevant income allocation date.

Requests to convert between Classes must be submitted in writing to BNY Mellon Fund Managers Limited, Client Service Centre, PO Box 366, Darlington, DL1 9RF. Requests may also be faxed to 0844 892 2716 or +44 (0) 131 3053289. Shareholders may be required to complete a conversion request form (which, in the case of joint shareholders must be signed by all the joint holders). Conversion request forms may be obtained from the Administrator.

Where conversion requests involve multiple individual shareholder accounts the ACD may at its discretion impose a requirement to process the request on a pre-agreed date and template. The ACD may agree to accept submission of such bulk requests by means other than in writing including electronically.

The ACD may at its discretion make a charge on the conversion of Shares. Any such charge on conversion will be deducted from the value of the original Shares before the purchase of the new Shares but will not in any event exceed the amount of the preliminary charge at that date for the new Shares.

In no circumstances will a Shareholder who converts Shares for another Class in the same Sub-Fund be given a right by law to withdraw from, or cancel, the transaction.

No conversion will be made during any period when the right of the Shareholders to request a redemption of Shares is suspended.

---

## Telephone Recordings

Please note that telephone calls may be recorded by the ACD and the Administrator, their delegates, their duly appointed agents and any of their respective related, associated or affiliated companies for record keeping, security and/or training purposes.



# GENERAL INFORMATION

## Shareholders' Rights

Shareholders are entitled to participate in the Company on the basis set out in this Prospectus (as amended from time to time). The sections in the Prospectus or the application form dealing with complaints, personal data, Shareholder meetings and voting rights, class rights, reports and accounts and inspection of documents, set out important rights about Shareholders' participation in the Company.

Shareholders may have no direct rights against the Service Providers.

Shareholders have statutory and other legal rights which include the right to complain and may include the right to cancel an order or seek compensation.

## Fair treatment of investors

Procedures, arrangements and policies have been put in place by the ACD to ensure compliance with the principles of fair treatment of investors. The principles of treating investors fairly include, but are not limited to:

- acting in the best interest of the Sub-Funds and of the investors;
  - executing the investment decisions taken for the account of the Sub-Funds in accordance with the objectives, the investment policy and the risk profile of the Sub-Funds;
  - ensuring that the interests of any group of investors are not placed above the interests of any other group of investors;
  - ensuring that fair, correct and transparent pricing models and valuation systems are used for the Sub-Funds managed;
  - preventing undue costs being charged to the Sub-Funds and investors;
  - taking all reasonable steps to avoid conflicts of interests and, when they cannot be avoided, identifying, managing, monitoring and, where applicable, disclosing those conflicts of interest to prevent them from adversely affecting the interests of investors;
- and
- recognising and dealing with complaints fairly.

## Professional Liability Risks

The ACD makes provision in its capital resources for professional negligence and/or other liabilities arising from the management of investment funds.

## Reports and Accounts

The long form annual reports in respect of the Company will be published within four months of the end of the annual accounting period which ends on the last day of December. The half-yearly accounting period ends on 30 June and long form half-yearly reports will be made up to such date each year and published within two months. The accounts contained in the annual and half yearly reports will be prepared in accordance with the FCA Rules and the Statement of Recommended Practice for Financial Statements of Authorised Funds. The long reports will be made available to Shareholders on request.

## Inspection of Documents

Copies of the Instrument of Incorporation (as amended), the most recent Prospectus, the material contracts referred to below "Material Contracts" section, any amending instrument and the most recent long form annual and half-yearly reports may be inspected and obtained free of charge during normal office hours from:

The ACD at BNY Mellon Fund Managers Limited, BNY Mellon Centre, 160 Queen Victoria Street, London EC4V 4LA.

## Register of Shareholders

The Register of Shareholders in the Company can be inspected at the offices of the ACD at BNY Mellon Centre, 160 Queen Victoria Street, London, EC4V 4LA. Any notice or document required to be sent to Shareholders will be sent either by post to the address most recently notified to the Company and as entered on the Register of Shareholders, or electronically to the email address most recently notified to the Company (where a Shareholder has consented to the receipt of documents and notices electronically), at the ACD's discretion. All documents and remittances are sent at the risk of the Shareholder.

## Material Contracts

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

- (a) the ACD Agreement dated 28 February 2007, as novated, between the Company and the ACD and as amended from time to time;
- (b) the Depositary Agreement between the ACD, the Company and the Depositary, as amended from time to time.
- (c) the Investment Management Agreement dated between ACD and the Investment Manager dated 9 February 2013 and as amended from time to time.

Details of the above contracts are given in Appendix 2.

## Best Execution

The ACD's best execution policy sets out the basis upon which the ACD will effect transactions and place orders for the Company while complying with its obligations under the Regulations to obtain the best possible result for the Company.

The ACD has delegated the investment management of the Sub-Funds to the Investment Manager, who in turn executes decisions to deal on behalf of the Sub-Funds. The Investment Manager has established and implemented an order execution policy to allow it to obtain the best possible results for the Company.

Details of the best execution policy are available from the ACD on written request.

## Strategy for the exercise of voting rights

The ACD has a strategy for determining when and how voting rights attached to ownership of Scheme Property are to be exercised for the benefit of the Company. A summary of this strategy is available from the ACD on written request. Further details of the actions taken on the basis of this strategy for the Company are also available from the ACD on written request.

---

## Conflicts of Interest

The ACD may delegate some of its responsibilities in relation to the Sub-Funds to other companies within its corporate group. The ACD presently delegates portfolio management functions to Insight Investment Management (Global) Limited which is in the same corporate group. To alleviate any conflict of interest which may arise, the investment management agreement between the ACD and the Investment Manager have been prepared on an arm's length basis. Whilst the ACD and the Investment Manager are based at the same registered office, they are physically separated, and staffed and operated independently. The ACD has also appointed The Bank of New York Mellon (International) Limited as the administrator which is within its corporate group. The administration agreement between the ACD and the Administrator has been prepared on an arm's length basis, and the Administrator operates from a different location and independently of the ACD.

The ACD, the Investment Manager and their associates may, from time to time, act as authorised corporate directors, investment managers or advisers to other funds or sub-funds which follow similar investment objectives to those of the Company. Specifically, the Investment Manager may also be the investment manager or adviser of the Underlying Funds.

It is therefore possible that the ACD and/or the Investment Manager may in the course of their business have potential conflicts of interest with the Company or a particular Sub-Fund. Each of the ACD and the Investment Manager will, however, have regard in such event to its obligations under the ACD Agreement and the Investment Management Agreement respectively and, in particular, to its obligation to act in the best interests of the Company so far as practicable, having regard to its obligations to other clients, when undertaking any investment business where potential conflicts of interest may arise.

The Depositary may, from time to time, act as the depositary of other open-ended investment companies with variable capital and as trustee or custodian of other collective investment schemes.

The FCA Rules contain provisions on conflict of interest governing any transaction concerning the Company which is carried out by or with any "affected person", which means the Company, an associate of the Company, the ACD, an associate of the ACD, the Depositary, an associate of the Depositary, any Investment Manager and any associate of any Investment Manager.

These provisions, among other things, enable an affected person (a) to sell or deal in the sale of property to the Company or the Depositary for the account of the Company; (b) vest property in the Company or the Depositary against the issue of Shares in the Company; (c) purchase property from the Company (or the Depositary) acting for the account of the Company; (d) enter into a stocklending transaction in relation to the Company; or (e) provide services for the Company. Any such transactions with or for the Company are subject to best execution on exchange, or independent valuation or arm's length requirements as set out in the FCA Rules. An affected person carrying out such transaction is not liable to account to the Depositary, the ACD, any other affected person, or to the holders of Shares or any of them for any benefits or profits thereby made or derived.

Investment of the property of the Company may be made on arm's length terms through a member of an investment exchange (acting as principal) who is an affected person in relation to the ACD. Neither the ACD nor any such affected person will be liable to account to the Company or to the holders of Shares for any profit made or derived out of such dealings.

Further details of the ACD's conflicts of interest policy are available on request.

---

## Inducements

### 1. Financial intermediary commission:

For investors in the Company that purchase Shares through a broker or other financial intermediary, please note that the ACD, the Investment Manager and/or their respective related companies may pay such intermediary initial and renewal commission for the sale of the Shares and related services at their discretion. These charges are paid by the ACD, Investment Manager or their respective related companies out of their own charges and do not result in any additional charges to the Company. These payments may create a conflict of interest by influencing such broker or intermediary to recommend the Sub-Fund over another investment.

Any such payment of commission to brokers or other financial intermediaries is subject in all cases to applicable laws and regulations regarding the acceptance of commission from product providers to counterparties. In particular, and in accordance with FCA Rules, initial or renewal commission is not permitted to be accepted by authorised intermediaries or to third party distributors or agents in respect of any subscriptions for, or holdings of, Shares for any UK retail investors in respect of investments made as a result of the investor having received financial advice or portfolio management services.

### 2. Dealing arrangements and inducements:

When executing orders, or placing orders with other entities for execution, that relate to financial instruments for, or on behalf of, a Sub-Fund, the Investment Manager will not accept and retain any fees, commissions or monetary benefits; or accept any non-monetary benefits, where these are paid or provided by any third party or a person acting on behalf of a third party. The Investment Manager will return to each relevant Sub-Fund as soon as reasonably possible after receipt any fees, commissions or any monetary benefits paid or provided by any third party or a person acting on behalf of a third party in relation to the services provided to that Sub-Fund, and disclose in the annual report the fees, commissions or any monetary benefits transferred to it. However, the Investment Manager may accept without disclosure minor non-monetary benefits that are capable of enhancing the quality of service provided to the Sub-Fund; and of a scale and nature such that they could not be judged to impair the Investment Manager's compliance with its duty to act honestly, fairly and professionally in the best interests of each Sub-Fund.

The Investment Manager is prohibited under applicable laws and regulations regarding inducements to receive material non-monetary benefits from third parties in connection with the provision of investment management services to the ACD for the Sub-Funds. Such non-monetary benefits include the receipt of third party research by the Investment Manager unless such research is considered a minor non-monetary benefit. Accordingly, the Investment Manager has elected to pay for third party research directly itself.

---

## Disclosures

The ACD will make such disclosures to the Company regarding inducements as are required under the FCA Rules.

---

## Class Action Litigation

From time to time the ACD is asked to consider participation in litigation relevant to the Sub-Funds. Typically that litigation takes the form of proposed or actual class, group or collective litigation (referred to generally as class actions) where eligible investors are either invited to "opt-in" to litigation or "opt-out" (i.e. to choose not to participate). In respect of opt-out class actions, eligible investors automatically comprise the class and are eligible to

participate in any successful judgment or settlement unless they actively elect to opt-out. In respect of opt-in class actions, eligible investors are required to actively opt-in to the class action in order to comprise the class and participate in any successful judgment or settlement. The ACD has delegated responsibility for considering participation in both opt-in and opt-out class action litigation to the Class Actions Committee (the "Committee") pursuant to the terms of a Class Actions Policy (the "Policy"). The Policy provides that the default position in respect of opt-out class actions is that a Sub-Fund will not opt-out of such class actions, save in the event that there are considered to be compelling reasons, determined in the Committee's sole discretion, for doing so. That is primarily because participation in opt-out class actions rarely gives rise to any risk or cost to a Sub-Fund. As regards opt-in class actions, however, participation in such litigation is rarely cost, risk and obligation free and, in fact, such costs, risks and obligations can be significant. On that basis, a Sub-Fund will not opt-in to such class actions save in the event that there are considered to be compelling reasons, determined in the Committee's sole discretion, for doing so. In the event that the Committee determines that there are compelling reasons for opting-out of an opt-out class action, or opting-in to an opt-in class action, it would expect to consult with legal advisors, the Depositary, the relevant Investment Manager and any other relevant service providers before any action is taken by a Sub-Fund. The costs in doing so will ordinarily be for the account of the relevant Sub-Fund. In the event that a Sub-Fund participates in a class action which is ultimately successful, any financial award received from that action shall be to the benefit of the Sub-Fund as a whole, as opposed to any particular type of investor. It is possible, therefore, that those investors who were invested in the relevant Sub-Fund at the time that the underlying cause of action in the claim arose, or when the relevant Sub-Fund incurred costs relating to participation in the class action, do not ultimately benefit from the award in the class action; for example, if they have redeemed prior to the date of receipt of the award.

---

## Complaints

Complaints concerning the operation or marketing of the Company may be referred to BNY Mellon Fund Managers Limited, Client Service Centre, PO Box 366, Darlington, DL1 9RFor, if preferred, direct to the Financial Ombudsman Service, Exchange Tower, London, E14 9SR. Making a complaint will not prejudice any rights to commence legal proceedings.

---

## Data Protection

Shareholders and prospective investors should note that by completing and returning an application form they are providing information to the Company and its ACD which may constitute personal data within the meaning of data protection laws. A summary of how the ACD, as the authorised corporate director of the Company, will use, share and transfer investor personal data is included in a privacy notice set out in the application form. Further detailed information about how investor personal information is collected, used and shared, the lawful basis on which such information is used and an investor's associated legal rights is provided in The Bank of New York Mellon EMEA Privacy Statement, which has been issued by The Bank of New York Mellon Corporation in respect of its affiliates, including the ACD. The Privacy Statement is accessible at the 'Privacy' link on the BNY Mellon Investment Management website ([www.bnymellonim.com](http://www.bnymellonim.com)).

---

## Investors Compensation Scheme

Rights to compensation for Shareholders in a Sub-Fund are those outlined in the Financial Services Compensation Scheme.

---

## Risk Management

A statement on the methods used for risk management in connection with the Sub-Funds and the quantitative limits used together with the current risk yields of the main categories of investment is available from the ACD on request.

---

## Past Performance Details

Details of the past performance of each Sub-Fund are contained in Appendix 5.

The following statements are based on our understanding of current United Kingdom tax law and HM Revenue & Customs practice as known at the date of this Prospectus. They summarise the tax position of the Sub-Fund and of individual investors who are UK resident and hold their shares as investments. The bases and rates of taxation and reliefs from taxation may change in the future. Shareholders are recommended to consult their professional adviser if they are in any doubt as to their individual tax position or if they may be subject to tax in a jurisdiction outside the UK.

**Please note that the tax treatment of investors depends on their individual circumstances and may be subject to change in the future.**

## Sub-Fund

As the Sub-Fund is a sub-fund of an open-ended investment company established as an umbrella company to which the Authorised Investment Funds (Tax) Regulations 2006 apply, it is treated as a separate taxable entity. The Sub-Fund is generally exempt from UK corporation tax on capital gains realised on the disposal of its investments (including interest paying securities) provided that its holdings in the Absolute Insight Funds p.l.c (and any other offshore funds) are certified by HM Revenue & Customs as reporting funds throughout the time it holds them. Any gains the Sub-Fund realises upon the sale, redemption or other disposal of interests in offshore funds that are not reporting funds for UK tax purposes are known as offshore income gains and generally charged to tax as income, and not as a capital gain. The Sub-Fund is not exempt from tax on such gains, and Shareholders may not receive effective credit for tax paid on such gains.

If, for whatever reason, the Sub-Fund should invest 20% or more in holdings in non-reporting offshore funds (other than inadvertently and for a short period) then it would become taxable as a Fund Invested in Non-Reporting Funds (a "FINROF") with the results described below. It is not intended that the Sub-Fund should become a FINROF.

The Sub-Fund invests primarily in shares in subfunds of Insight Absolute Funds p.l.c. While the basic position on dividends paid by them to the Sub-Fund is that they are exempt from tax in the Sub-Fund, where the relevant sub-fund is so invested in interest-bearing investments that it is treated as a loan relationship for the purposes of corporation tax on gains (see below), then the Sub-Fund will also need to treat distributions received from it under the loan relationships for the purposes of corporation tax on income too. The Sub-Fund may also receive dividend distributions from UK collective investment schemes or dividends in respect of investments in UK equities. The dividends and any part of the dividend distributions which relate to equities are not subject to corporation tax in the Sub-Fund. The Sub-Fund is, however, liable to UK corporation tax at the current rate of 20% on other types of income, for example, interest distributions from collective investment schemes and bank deposit interest, after deducting management expenses, charges and the gross amount of any interest allocations made by the Sub-Fund.

## Income Tax

On the specified allocation dates, income allocated to holders of Accumulation Shares will be credited to capital but will be treated as distributed to such Shareholders for income tax purposes and they will be taxable on it as if they had received it.

The ACD will send a tax voucher showing the amount of income to which each Shareholder is entitled and the nature of the distribution.

Distributions accumulated may be either dividend distributions or interest distributions, depending on the nature of the income of the Sub-Fund. Interest distributions can be made only where the market value of the Sub-Fund's interest-bearing investments, including holdings in collective investment schemes that pay interest distributions and cash on deposit, exceeds 60% of the market value of all its assets throughout the accounting period to which it relates.

It is intended that the Sub-Fund will allocate interest distributions. No tax is deducted from interest distributions.

Since 6 April 2016, individual UK taxpayers have been entitled to a personal savings allowance in each tax year. The allowance is £1,000 for basic rate taxpayers, £500 for higher rate taxpayers and nil for additional rate taxpayers. Savings income covered by the allowance attracts a zero rate of income tax and the allowance operates in conjunction with the starting rate, rather than replacing it. Individuals may reclaim tax deducted on savings income that is below the allowance.

Where a UK resident individual Shareholder receives total interest and interest distributions in excess of his/her personal savings allowances then they will be liable to pay income tax at his/her marginal rates on the excess amount (normally 20% for basic rate taxpayers, 40% for higher rate and 45% for additional rate taxpayers). Shareholders will be responsible for including the full amount of any interest distribution paid by the Sub-Fund on their tax returns and to pay tax accordingly.

## Corporation Tax

It is intended that the Sub-Fund will allocate income as interest allocations.

Since 6 April 2017, interest distributions have been made without deduction of tax.

## Tax on Chargeable Gains

For holders of Shares in the Sub-Fund who are resident or ordinarily resident in the UK, switches between share classes should not give rise to a liability to capital gains tax or corporation tax on chargeable gains.

As the Shares are Accumulation Shares, the income arising from them is accumulated and added to the capital property of the Sub-Fund. As a result, such amounts will be added to the base cost of such Shares for taxation of capital gains purposes.

Individuals are only liable to capital gains tax on the sale, redemption or other disposal of their Shares if their total chargeable gains (net of allowable losses) in the year exceed the annual exemption (£12,000 for the 2019/2020 tax year). If gains in excess of this exemption are realised, the excess is taxable at the rate of 10% or 20% for gains that are not from residential property (the tax rate to be used will depend on the total amount of the individual's taxable income).

As the Sub-Fund invests more than 60% of its property in interest-paying and equivalent investments, UK corporation tax payers which acquire Shares from this date on must treat their holdings as a creditor loan relationship subject to a fair value basis of accounting for corporation tax purposes.

Any Shareholders within the charge to UK corporation tax that have existing holdings of Shares in the Sub-Fund on 1 January 2011 will be deemed for corporation tax purposes to have disposed of them for their market value on 31 December 2010. This deemed disposal does not crystallise any chargeable gains



(or allowable loss) at the time. Instead it is held over and is taxable as if it had been realised on the date on which the holding is actually disposed of. From 1 January 2011, affected shareholders will be subject to the loan relationships provisions on the holdings as described above.

---

## Equalisation

Where the first income allocation is made to a Shareholder in respect of a Share acquired during a distribution period, the amount representing the income equalisation payment included in the price of the Share is treated as a return of capital and is not taxable in the hands of the Shareholder.

---

## Foreign Account Tax Compliance Act and Other Reporting Obligations

The Hiring Incentives to Restore Employment Act was signed into US law in March 2010. It includes provisions generally known as FATCA and regulations implementing these provisions were issued in January 2013. The intention of these is that details of US investors (which are defined in a similar but not the same way as US Persons) holding assets outside the US will be reported by financial institutions to the US Internal Revenue Service ("IRS"), as a safeguard against US tax evasion. To discourage non-US financial institutions from staying outside this regime, US securities held by any financial institution that does not register with the IRS and comply with the regime will be subject to a US withholding tax of 30% on gross sales proceeds and income. The regime was phased in from 1 July 2014.

The UK has entered into an intergovernmental agreement (the "IGA") with the US. Under the IGA, UK financial institutions are required to report information to HM Revenue & Customs ("HMRC") and HMRC will then forward this information to the IRS. Foreign financial institutions ("FFIs") which are resident in the UK will not be required to enter into an FFI agreement with the IRS or withhold on payments to non-participating FFIs, provided that they comply with the UK's regulations implementing the UK's IGA.

The Company is registered as a 'Reporting UK Financial Institution', and intends to comply with the IGA. In order to comply with the IGA, the Company must obtain information in respect of all Shareholders so as to be able to identify accounts held by US investors and report information to HMRC. The UK's IGA requires Shareholders to provide information to the Company that they may not have previously provided. The Company, the ACD and/or the Administrator may also request further information or clarification from Shareholders for the above purposes.

FATCA has been subject to changes and there may still be further changes to it. Shareholders who are concerned about FATCA should consult their own tax advisors as to its potential impact on them.

Shareholders should be aware that a number of other jurisdictions are introducing information reporting requirements similar to FATCA, with the result that the Company may be required to request information from them and provide it to HMRC (or other relevant fiscal authorities).

---

## Common Reporting Standards

The Common Reporting Standard for Automatic Exchange of Financial Information ("CRS") was developed by the Organisation for Economic Co-Operation and Development ("OECD") to counter tax evasion by means of exchange of information. It builds upon the information sharing achieved through the recently repealed EU Savings Directive (2003/48/EC) and draws extensively on the intergovernmental approach used to implement FATCA. The

United Kingdom and over 90 other jurisdictions will enter into multilateral arrangements modelled on CRS, which will apply in the United Kingdom with an effective date of 1 January 2016.

The United Kingdom is among a group of countries which have committed to the early adoption of CRS, with the first data exchange to take place in September 2017.

The Company will be obliged to determine the tax resident status of all existing Shareholders in order to identify which Shareholders are reportable pursuant to CRS. All Shareholders subscribing to the Company after 1 January, 2016 will be required to certify their tax residency status in the application form.

The Company will then be required to provide certain information to HMRC about Shareholders resident or established in the jurisdictions which are party to such arrangements. HMRC will then pass this information to the tax authorities of the relevant jurisdiction.

There is no requirement to withhold tax under CRS.

---

## FINROF's tax regime

If 20% or more of the Sub-Fund's investments should be holdings in non-reporting funds at any time, then it would mandatorily come within the special FINROF tax regime. Under this, the Sub-Fund would be exempt from corporation tax on all offshore income gains it realises on the disposal of its holdings in non-reporting funds.

Individual UK taxpaying investors would, however, be subject to income tax on any gains they realise on the disposal of their holdings in the Sub-Fund (instead of capital gains tax). UK corporation tax paying investors in the Sub-Fund would need to do likewise, unless they are required to treat their holding as a loan relationship.

## Winding-up of the Company or termination of a Sub-Fund

The Company may be wound-up or a Sub-Fund may be terminated:

- (a) if an extraordinary resolution of the Shareholders is passed to that effect;  
or
- (b) on the date of effect stated in any agreement by the FCA to a request by the ACD for the termination;  
or
- (c) by the ACD in its absolute discretion if one year from the date of the first issue of Shares or at any date thereafter, the Net Asset Value of the Sub-Fund is less than £10,000,000;  
or
- (d) on the effective date of a duly approved scheme of arrangement which is to result in the Company ceasing to hold any Scheme Property;  
or
- (e) in the case of a Sub-Fund, on the effective date of a duly approved scheme of arrangement which is to result in the Sub-Fund ceasing to hold any Scheme Property;  
or
- (f) in the case of the Company, when all of its Sub-Funds fall within (e) or have otherwise ceased to hold any Scheme Property (notwithstanding the fact that the Company may have assets and liabilities that are not attributable to any particular Sub-Fund).

Eligible registered Shareholders will be informed in writing if the Sub-Fund is terminated or has its authorisation revoked by the FCA.

Termination of a Sub-Fund commences upon the later of the time for termination of the Sub-Fund determined in accordance with the above circumstances and the time at which the FCA, having been supplied with a statement confirming the solvency of the Sub-Fund, approves, pursuant to the OEIC Regulations, the necessary changes to the Instrument of Incorporation and this Prospectus which would result from the termination of the Sub-Fund.

On the termination of a Sub-Fund (other than in accordance with an approved scheme of amalgamation or reconstruction) the ACD is required as soon as practicable after the Sub-Fund falls to be terminated to realise the property of the Sub-Fund and pay the liabilities of the Sub-Fund out of the proceeds.

Provided that there are sufficient liquid funds in the Scheme Property available after making adequate provision for the expenses of the termination and the discharge of the liabilities remaining to be discharged, the ACD may arrange for the Depositary to make one or more interim distributions out of the property of the Sub-Fund to the Shareholders proportionately to the right to participate in the Scheme Property attached to their respective Shares as at the date of the commencement of the termination.

When the ACD has caused all the Scheme Property to be realised and all of the liabilities known to the ACD to be met, the ACD shall arrange for the Depositary to make a final distribution, on or prior to the date on which the termination account is sent to Shareholders, of the balance remaining (net of a provision for any further expenses of the termination) to the Shareholders in the proportions stated above.

If a Sub-Fund is to be terminated in accordance with an approved scheme of amalgamation or reconstruction, the ACD is required to terminate the Sub-Fund in accordance with the resolution of holders approving such a scheme.

Where the Company and one or more Shareholders (other than the ACD) agree, the requirement to realise the property of the Sub-Fund shall not apply to that part of the property which is proportionate to the right of that or those Shareholders, and the ACD may distribute that part in the form of property, after making such adjustments or retaining such provision as appears appropriate to the ACD for ensuring that that or those Shareholders bear a proportionate share of the liabilities and expenses.

Where any sum of money (including unclaimed distributions) still stands to the account of the property of the Sub-Fund, the ACD shall instruct the Depositary to retain such sum in an account separate from any other part of the property of the Company in accordance with the FCA Rules. On a winding-up of the Company, the Depositary shall cease to hold those amounts as part of that account and they shall be paid by the Depositary into court in accordance with the OEIC Regulations.

## Winding-up of the Company

The Company is to be wound-up:

- (a) if an extraordinary resolution of holders is passed to wind-up the Company;  
or
- (b) when the period (if any) fixed for the duration of the Company by the Instrument of Incorporation expires or any event occurs, for which the Instrument of Incorporation provides that the Company is to be wound up;  
or
- (c) on the date of effect stated in any agreement by the FCA in response to a request by the ACD for the winding up of the Company, albeit that such agreement is subject to there being no material change in any relevant factor prior to the date of the revocation.

The Company may only be wound-up under the FCA Rules if the Company is solvent and there is no vacancy in the position of the ACD. If the Company is insolvent, or there is such a vacancy, the Company may only be wound-up under Part V of the Insolvency Act 1986 as an unregistered company.

On a winding-up (other than in accordance with an approved scheme of amalgamation or reconstruction) the ACD is required as soon as practicable after the time the Company falls to be wound-up, to realise the property of the Company and pay the liabilities of the Company out of the proceeds. Liabilities of the Company attributable to a particular Sub-Fund shall be met first out of the property attributable or allocated to such a Sub-Fund.

After making adequate provision for the expenses of the winding-up and the discharge of the liabilities of the Company remaining to be discharged, the ACD may arrange for the Depositary to make one or more interim distributions, and then a final distribution of the proceeds of the realisation of the property attributable or allocated to each Sub-Fund to the holders in each Sub-Fund, proportionately to the right to participate in the Scheme Property attached to their respective Shares.

If the Company is to be wound-up in accordance with an approved scheme of amalgamation or reconstruction, the ACD is required to wind-up the Company in accordance with a resolution of holders approving such scheme.

Where the Company and one or more Shareholders (other than the ACD) agree, the requirement to realise the property of the Company shall not apply to that part of the property which is proportionate to the right of that or those Shareholders, and the ACD may distribute that part in the form of property, after making such adjustments or retaining such provision as appears to the ACD appropriate for ensuring that that or those Shareholders bear a proportionate share of the liabilities and expenses.

If any sum of money is unclaimed or stands to the account of the Company at the date of its dissolution, the ACD shall arrange for the Depositary to pay such sum into court within one month after that date in accordance with the OEIC Regulations.



## Risks

The nature of the Company's investment in the Underlying Funds involves certain risks and the Underlying Funds will utilise investment techniques (such as the use of derivatives) which may carry additional risks. There can be no assurance that the investment objective of any Sub-Fund or the investment objectives of any Underlying Fund will be achieved and investment results may vary substantially over time. Prospective investors should consider, among others, the following factors before subscribing for Shares:

### ■ General Risks

Investors should be aware that there are risks inherent in the holding of securities:-

- (a) Past performance is no guide to the future. The value of Shares, and any income from them, can go down as well as up, particularly in the short term, meaning that an investment may not be returned in full.
- (b) Transfers or switches into a different Sub-Fund and conversions into a different Class of the same Sub-Fund will be held as cash for part of the transfer period. This means that until the cash is reinvested into the selected Sub-Fund(s) or Class there is no exposure to any gains or falls in stock markets.
- (c) Sub-Funds with similar objectives may experience differences in performance due to the selection of different assets within each Sub-Fund. Sub-Funds may also diverge from their benchmark for the same reason.
- (d) Sub-Funds aiming for relatively high performance can incur greater risk than those adopting a more standard investment approach. There is no guarantee for the performance of your investment.
- (e) The tax treatment of the Company and the Sub-Funds may change and such changes cannot be foreseen.
- (f) Where regular investments are made with the intention of achieving a specific capital sum in the future, this will normally be subject to maintaining a specified level of investment.

#### (g) Liabilities of the Company

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

#### (h) Effect of Initial Charge

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

The Shares therefore should be viewed as medium to long term investments.

#### (i) Suspension of Dealings in Shares

Investors are reminded that in certain circumstances their right to redeem Shares (including a redemption by way of switching or conversion) may be suspended (see "Suspension of Dealing" on page 20).

### ■ Specific Risks

#### (a) Fund of Funds

The Sub-Fund will invest predominantly in the Underlying Funds and as such will be a 'fund of funds'. Accordingly many if not all of the risks attributable to an investment in the Underlying Funds will be relevant to an investment in the Sub-Fund.

The Investment Manager seeks to monitor investments and trading activities of the Underlying Funds in which the Sub-Fund may invest. However, investment decisions are normally made independently at the level of the Underlying Fund and are solely subject to the restrictions applicable to those Underlying Funds. None of the Company, the Sub-Funds, the Investment Manager or the ACD are liable for compliance with such restrictions.

It is possible that some of the Underlying Funds will take positions in the same security or in issues of the same industry or country or in the same currency or commodity at the same time. Consequently, it is possible that one Underlying Fund may purchase an instrument at the same time as another Underlying Fund decides to sell it. There is no guarantee that the selection of the Underlying Fund will actually result in diversification of investment styles and that the positions taken by the Underlying Funds will always be consistent.

Investments in Underlying Funds do usually entail a duplication of entrance, management, administration, custodian charges and taxes. However, such duplication is expected to be partly reduced in the case of Absolute Insight Fund by the fact that Absolute Insight Fund will only invest in share classes of the Underlying Funds which bear no annual management charge and by obtaining waiver of, or re-allowances on, sales commission by the Underlying Funds in which investments will be made or by investing in Underlying Funds exempt of sales commission.

Investments will be made in units or shares of collective investment schemes which are UCITS schemes.

#### (b) Concentration of Investments

Each Underlying Fund may at certain times hold relatively few investments. A Sub-Fund could be subject to significant losses if it, through one or more Underlying Funds, has exposure to a large position in a particular investment that declines in value or is otherwise adversely affected, including default of the issuer.

#### (c) Debt Securities

The Underlying Funds may invest in debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets. The Underlying Funds may invest in debt securities which are not protected by financial covenants or limitations on additional indebtedness. The Underlying Funds may therefore be subject to credit, liquidity and interest rate risks.

#### (d) Derivatives

The Underlying Funds will make extensive use of both exchange-traded and over-the-counter futures, options and contracts for differences and also warrants as part of its investment policy. These instruments can be highly volatile and expose investors to a high risk of loss. Transactions in over-the-counter contracts may involve additional risk as

there is no exchange market on which to close out an open position and it may be impossible to liquidate an existing position.

**(e) Liquidity Risk**

Liquidity risk exists when particular investments are difficult to purchase or sell. The Underlying Fund's investment in illiquid securities may reduce the returns of the Underlying Fund because it may be unable to sell the illiquid securities at an advantageous time or price. Investments in foreign securities, derivatives or securities with substantial market and/or credit risk tend to have the greatest exposure to liquidity risk. Illiquid securities may be highly volatile and difficult to value.

**(f) Repurchase and Reverse Repurchase Agreements**

The Underlying Funds may enter into repurchase and reverse repurchase agreements which involve certain risks. For example, if the seller of securities to the Underlying Fund under a reverse repurchase agreement defaults on its obligation to repurchase the underlying securities, as a result of its bankruptcy or otherwise, the Underlying Fund will seek to dispose of such securities, which action could involve costs or delays. If the seller becomes insolvent and subject to liquidation or reorganisation under applicable bankruptcy or other laws, the Underlying Fund's ability to dispose of the underlying securities may be restricted. It is possible, in a bankruptcy or liquidation scenario, that the Underlying Fund may not be able to substantiate its interest in the underlying securities. Finally, if a seller defaults on its obligation to repurchase securities under a reverse repurchase agreement, the Underlying Fund may suffer a loss to the extent that it is forced to liquidate its position in the market, and proceeds from the sale of the underlying securities are less than the repurchase price agreed to by the defaulting seller. Similar elements of risk arise in the event of the bankruptcy or insolvency of the buyer.

**(g) Credit Default Swaps**

Certain of the Underlying Funds may utilise credit default swaps. Credit default swaps carry specific risks including high levels of gearing, the possibility that premiums are paid for credit default swaps which expire worthless, wide bid/offer spreads and documentation risks. In addition, there can be no assurance that the counterparty to a credit default swap will be able to fulfil its obligations to the Underlying Fund if a credit event occurs in respect of the reference entity.

**(h) Emerging Markets**

Certain of the Underlying Funds may invest in emerging markets debt and securities. Investment in emerging markets may increase the volatility of the Underlying Fund's NAV and accordingly, an investment in the such fund's shares may be worth more or less on redemption than their original purchase value. Investing in emerging markets involves additional risks and special considerations not typically associated with investing in other more established economies or securities markets. Such risks may include (1) restrictions on foreign investment and on repatriation of capital invested in emerging markets, (2) currency fluctuations, (3) potential price volatility and lesser liquidity of securities traded in emerging markets, (4) economic and political risks, including the risk of nationalisation or expropriation of assets or confiscatory taxation, (5) risks related to custodial arrangements and delays or other factors in the settlement of securities transactions, and (6) accounting, auditing, financial and other reporting standards in emerging markets are not equivalent to those in more developed markets.

**(i) Performance Fee**

For any Sub-Fund, the Performance Fee in respect of each relevant Share Class is calculated by dividing the Shares in issue at the end of the Performance Period into Lots. A calculation is carried out separately for each Lot taking into

account the specific issue price, Hurdle Rate and High Water Mark relating to each Lot. The total fee payable for the particular Share Class is the sum of all such calculations for each Lot relating to that Share Class. While efforts will be made to eliminate potential inequalities between Shareholders through the performance fee calculation methodology, there may be occasions where a Shareholder may pay a performance fee for which they have received no benefit.

**(j) Profit Sharing**

Although no Performance Fee will be payable in respect of investment by a Sub-Fund in the Underlying Funds, in addition to receiving an investment management fee, the investment manager of the Underlying Funds may also receive a performance fee based on the appreciation in the net asset value of such Underlying Fund and accordingly the performance fee will increase with regard to unrealised, as well as realised gains. Such performance fee may create an incentive for the investment manager in question to make investments for such Underlying Funds which are riskier than would be the case in the absence of a fee based on the performance of the Underlying Funds.

**(k) Non-UCITS Retail Scheme**

As the Company is a non-UCITS retail scheme, the Sub-Funds have wider investment and borrowing powers than UCITS schemes, with higher investment limits in various areas. They may also invest to a greater extent in areas such as property and unregulated schemes and have the option to borrow on a permanent basis. Such additional powers may increase potential reward, but may also increase risk.

**(l) Segregated Liability Risk**

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

**(m) Cyber Security Risk**

The Company, the ACD and their service providers (including the Investment Manager, the Administrator, the Depositary and its distributors) ("Affected Persons") may be susceptible to operational and information security and related risks of cyber security incidents. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyber security attacks include, but are not limited to, gaining unauthorised access to digital systems (e.g., through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data or causing operational disruption. Cyber attacks also may be carried out in a manner that does not require gaining unauthorised access, such as causing denial-of-service attacks on websites (i.e., efforts to make services unavailable to intended users). Cyber security incidents affecting the Affected Persons have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, including by interference with a fund's ability to calculate its NAV; impediments to trading for a Sub-Fund's portfolio; the inability of Shareholders to transact business with the Company; violations of applicable privacy, data security or other laws; regulatory fines and penalties; reputational damage; reimbursement or other compensation or remediation costs; legal fees; or additional compliance costs. Similar adverse

consequences could result from cyber security incidents affecting issuers of securities in which a Sub-Fund invests, counterparties with which a Sub-Fund engages in transactions, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions and other parties. While information risk management systems and business continuity plans have been developed which are designed to reduce the risks associated with cyber security, there are inherent limitations in any cyber security risk management systems or business continuity plans, including the possibility that certain risks have not been identified.

**(n) Volcker Rule**

U.S. regulators have adopted the “Volcker Rule” which imposes a number of restrictions on financial organizations like The Bank of New York Mellon Corporation and its affiliates (“BNY Mellon”), but also provides various exemptions.

The Volcker Rule excludes “foreign public funds”, such as the Sub-Funds of the Company, that meet certain criteria, including, in the case of the Sub-Funds, that ownership interests in the Sub-Funds be sold predominantly to persons other than BNY Mellon and its directors and employees (the regulators expect at least 85% of each Sub-Fund to be held by non-U.S. persons who are neither affiliated with, nor directors or employees of, BNY Mellon). Therefore, to the extent BNY Mellon directors and employees invest in a Sub-Fund and/or BNY Mellon provides seed capital to a Sub-Fund, BNY Mellon will be required to take steps to raise enough fund assets through investments by third parties and/or reduce its seed capital investments so that investments by BNY Mellon, its directors and employees will constitute less than 15% of the Sub-Fund within, generally, three years of the establishment of the Sub-Fund.

If directors and employees of BNY Mellon redeem their ownership interest in a Sub-Fund and/or BNY Mellon is required to divest some or all of its seed capital investments in a Sub-Fund, it will involve sales of portfolio holdings to raise cash. Such sales entail the following risks: remaining investors may own a larger percentage of the Sub-Fund; and it may increase Sub-Fund portfolio turnover rates with corresponding increased brokerage and transfer costs and expenses and tax consequences. Details of BNY Mellon’s investment in each Sub-Fund, where applicable, are available upon request.

**(o) Tax**

The tax regimes governing the Sub-Fund and investors’ receipts from it may change. Further, if the Sub-Fund should invest 20% or more of its scheme property in offshore funds that are non-reporting funds (for whatever reason) other than inadvertently and for a short period, then it would become subject to the FINROFs regime, as described in the tax section of this prospectus, and in particular investors would become subject to income tax on gains realised on disposal of their holdings.

**(p) Stock Lending arrangements risk**

As with any lending, there are risks of delay and recovery. Should the borrower of securities fail financially or default in any of its obligations under any stock lending transaction, the collateral provided in connection with such transaction will be called upon. The value of the collateral will be maintained to equal or exceed the value of the securities transferred. However, there is a risk that the value of the collateral may fall below the value of the securities transferred.

**(q) IBOR Phase Out Risk**

Many financial instruments use or may use a floating rate based on the interbank offered rates (IBORs), especially the London Interbank Offered Rate (LIBOR), which is the offered rate for short-term Eurodollar deposits between major international banks. On July 27, 2017, the head of the United Kingdom’s Financial Conduct Authority announced a desire to phase out the use of LIBOR by the end of 2021. Many other countries are also planning to phase out the use of IBORs within the same time period. There remains uncertainty regarding the future utilisation of IBORs and the nature of any replacement rate. As such, the potential effect of a transition away from IBORs on a Sub-Fund or the financial instruments in which a Sub-Fund invests cannot yet be determined. The transition process might lead to increased volatility and illiquidity in markets that currently rely on IBORs to determine interest rates. It could also lead to a reduction in the value of some IBOR-based investments and reduce the effectiveness of new hedges placed against existing IBOR-based instruments. Since the usefulness of IBORs as benchmarks could deteriorate during the transition period, these effects could occur prior to the end of 2021. The transition process may also require changes to be made to a Sub-Fund’s benchmark and/or benchmarks against which Performance Fees are calculated (where applicable).

## Investment and Borrowing Powers and Restrictions

### 1. General

The Scheme Property of a Sub-Fund will be invested with the aim of achieving the investment objective of that Sub-Fund but subject to the limits set out in the Sub-Fund's investment policy, this Prospectus and the limits set out in Chapter 5.6 of the COLL Sourcebook ("COLL 5.6") that are applicable to non-UCITS retail schemes. These limits apply to each Sub-Fund as summarised below.

Although the investment policy of each Sub-Fund will mean it is usually invested predominantly in Underlying Funds the following provisions apply to the Direct Investments of the Company as well as in respect of investments in Underlying Funds. These limits apply to the Sub-Funds as summarised below.

The ACD's investment policy may mean that at times, where it is considered appropriate, the Scheme Property will not be fully invested and that prudent levels of liquidity which may at times be substantial or even (exceptionally) 100% will be maintained.

It is not intended that the Sub-Funds will have any interest in any immovable property or tangible movable property.

#### 1.1 Prudent spread of risk

The ACD must ensure that, taking account of the investment objectives and policies of each Sub-Fund, the Scheme Property aims to provide a prudent spread of risk.

#### 1.2 Cover

1.2.1 Where the FCA Rules allow a transaction to be entered into or an investment to be retained only (for example, investment in warrants and nil and partly paid securities and the general power to accept or underwrite) if possible obligations arising out of the investment transactions or out of the retention would not cause any breach of any limits in COLL 5, it must be assumed that the maximum possible liability of a Sub-Fund under any other of those rules has also to be provided for.

1.2.2 Where a rule in the FCA Rules permits an investment transaction to be entered into or an investment to be retained only if that investment transaction, or the retention, or other similar transactions, are covered:

1.2.2.1 it must be assumed that in applying any of those rules, a Sub-Fund must also simultaneously satisfy any other obligation relating to cover; and

1.2.2.2 no element of cover must be used more than once.

### 2. Non-UCITS retail schemes – general

2.1 Subject to the investment objective and policy of a Sub-Fund, the Scheme Property must, except where otherwise provided in COLL 5.6 only consist of any or all of:

2.1.1 transferable securities;

2.1.2 money-market instruments;

2.1.3 units or shares in permitted collective investment schemes;

2.1.4 permitted derivatives and forward transactions;

2.1.5 permitted deposits;

2.1.6 permitted immovables;

and

2.1.7 gold up to a limit of 10% in value of the Scheme Property of the Sub-Funds.

2.2 Transferable securities and money-market instruments held within a Sub-Fund must (subject to paragraph 2.2.4 of this Appendix) be:

2.2.1 admitted to or dealt on an eligible market as described below;

2.2.2 be approved money-market instruments not admitted or dealt in on an eligible market below which satisfy the requirement of paragraph 8 in this Appendix;

2.2.3 recently issued transferable securities provided that:

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

2.2.3.2 such admission is secured within a year of issue.

2.2.4 subject to a limit of 20% in value of the Scheme Property be:

2.2.4.1 transferable securities which are not within 2.2.1 to 2.2.3; or

2.2.4.2 money-market instruments which are liquid and have a value which can be determined accurately at any time.

2.3 The requirements on spread of investments generally and in relation to investment in government and public securities do not apply until the expiry of a period of twelve months after the later of the date of effect of the authorisation order in respect of a Sub-Fund or the date the initial offer period commenced, provided that the requirement to maintain prudent spread of risk in paragraph 1.1 of this Appendix is complied with.

### 3. Eligible markets regime: purpose

3.1 To protect investors the markets on which investments of a Sub-Fund are dealt in or traded on should be of an adequate quality ("eligible") at the time of acquisition of the investment and until it is sold.

3.2 Where a market ceases to be eligible, investments on that market cease to be approved securities. The 20% restriction on investing in non approved securities applies and exceeding this limit because a market ceases to be eligible will generally be regarded as an inadvertent breach.

3.3 A market is eligible for the purposes of the rules if it is:

3.3.1 a regulated market as defined in the FCA Handbook; or



- 3.3.2 a market in an EEA State which is regulated, operates regularly and is open to the public.
- 3.4 A market not falling within paragraph 3.3 of this Appendix is eligible for the purposes of COLL 5 if:
- 3.4.1 the ACD, after consultation and notification with the Depositary, decides that market is appropriate for investment of, or dealing in, the Scheme Property;
- 3.4.2 the market is included in a list in the Prospectus; and
- 3.4.3 the Depositary has taken reasonable care to determine that:
- 3.4.3.1 adequate custody arrangements can be provided for the investment dealt in on that market; and
- 3.4.3.2 all reasonable steps have been taken by the ACD in deciding whether that market is eligible.
- 3.4.4 In paragraph 3.4.1, a market must not be considered appropriate unless it is regulated, operates regularly, is recognised as a market or exchange or as a self-regulating organisations by an overseas regulator, is open to the public, is adequately liquid and has adequate arrangements for unimpeded transmission of income and capital to or for the order of investors.
- 4. Spread: general**
- 4.1 This rule on spread does not apply to government and public securities.
- 4.2 Not more than 20% in value of the Scheme Property of a Sub-Fund is to consist of deposits with a single body.
- 4.3 Not more than 10% in value of the Scheme Property of a Sub-Fund is to consist of transferable securities or money-market instruments issued by any single body subject to COLL 5.6.23R (Schemes replicating an index).
- 4.4 The limit of 10% in paragraph 4.3 above is raised to 25% in value of the Scheme Property of a Sub-Fund in respect of covered bonds (none of the Sub-Funds currently invest in covered bonds).
- 4.5 In applying paragraph 4.3, certificates representing certain securities are to be treated as equivalent to the underlying security.
- 4.6 Except for a feeder sub-fund (which is not relevant for the Company) not more than 35% in value of the Scheme Property of a Sub-Fund is to consist of the units or shares of any one collective investment scheme.
- 5. Spread: government and public securities**
- 5.1 The following section applies to government and public securities ("such securities").
- 5.2 Where no more than 35% in value of the Scheme Property is invested in such securities issued by any one body, there is no limit on the amount which may be invested in such securities or in any one issue.
- 6. Investment in collective investment schemes**
- 6.1 Up to 100% of the value of the Scheme Property of a Sub-Fund may be invested in units or shares in other collective investment schemes ("Second Scheme") provided that the Second Scheme satisfies all of the requirements of paragraphs 6.2 to 6.6.
- 6.2 The Second Scheme must:
- 6.2.1 satisfy the conditions necessary for it to enjoy the rights conferred by the UCITS Directive;
- or
- 6.2.2 be authorised as a non-UCITS retail scheme;
- or
- 6.2.3 be recognised under the provisions of s.264, s.270 or s.272 of the Financial Services and Markets Act 2000;
- or
- 6.2.4 be constituted outside the United Kingdom and have investment and borrowing powers which are the same or more restrictive than those of a non-UCITS retail scheme;
- or
- 6.2.5 be a scheme not falling within paragraphs 6.2.1 to 6.2.4 and in respect of which no more than 20% in value of the Scheme Property (including any transferable securities which are not approved securities) is invested.
- 6.3 The Second Scheme is a scheme which operates on the principle of the prudent spread of risk.
- 6.4 The Second Scheme is prohibited from having more than 15% in value of the scheme property consisting of units or shares in collective investment schemes.
- 6.5 The participants in the Second Scheme must be entitled to have their units or shares redeemed in accordance with the scheme at a price related to the net value of the property to which the units or shares relate and determined in accordance with the scheme.
- 6.6 Where the Second Scheme is an umbrella, the provisions in paragraphs 6.3 to 6.5 apply to each sub-fund as if it were a separate scheme.
- 6.7 Investment may only be made in other collective investment schemes managed by the ACD or an Associate of the ACD if the Prospectus of the Company clearly states that the Sub-Funds may enter into such investments and the rules on double charging contained in the FCA Rules are complied with.
- 6.8 The Sub-Funds may, subject to the limit set out in paragraph 6.1 above, invest in collective investment schemes managed or operated by, or whose authorised corporate director is, the ACD of the Sub-Funds or one of its Associates.
- 6.9 Where a Sub-Fund of the Company invests in or disposes of units in another sub-fund of the Company ("Second Umbrella Fund"), the Prospectus of the Company must clearly state that the scheme property of the Sub-Fund may include units in another sub-fund of the Company and the rules on double charging contained in the FCA Rules are complied with.
- 6.10 In addition, a Sub-Fund may invest in or dispose of units in a Second Umbrella Fund if the following conditions are satisfied:
- 6.10.1 the Second Umbrella Fund does not hold units in any other sub-fund of the Company;
- 6.10.2 the conditions in paragraphs 6.7, 6.9 and the rules on double charging contained in the COLL Sourcebook are complied with;
- 6.10.3 not more than 35% in value of the Sub-Fund is to consist of units of the Second Umbrella Fund; and
- 6.10.4 the Sub-Fund must not be a feeder NURS to the Second Umbrella Fund.

- 6.11 For the purposes of paragraph 6.9, the Sub-Funds may invest in a Second Umbrella Fund.
- 6.12 Where a Sub-Fund of the Company invests in or disposes of Shares in a Second Sub-Fund, units or shares in another collective investment scheme which is managed or operated by the ACD or an Associate of the ACD, or a Second Umbrella Fund, the ACD must pay to that Sub-Fund by the close of business on the fourth business day the amount of any preliminary charge in respect of a purchase, and in the case of a sale, any charge made for the disposal.
- 7. Investment in nil and partly paid securities**
- A transferable security or an approved money-market instrument on which any sum is unpaid falls within a power of investment only if it is reasonably foreseeable that the amount of any existing and potential call for any sum unpaid could be paid by a Sub-Fund, at the time when payment is required, without contravening the rules in COLL 5.
- 8. Investment in money-market instruments**
- 8.1 A Sub-Fund may invest up to 100% in money-market instruments which are within the provisions of 2.2 above or 8.2 below and subject to the limit of 20% referred to in 2.2.4 above, which are normally dealt in or on the money-market, are liquid and whose value can be accurately determined at any time.
- 8.2 In addition to instruments admitted to or dealt in on an eligible market, a Sub-Fund may invest in an approved money-market instrument provided it fulfils the following requirements:
- 8.2.1 the issue or the issuer is regulated for the purpose of protecting investors and savings;  
and
- 8.2.2 the instrument is issued or guaranteed in accordance with COLL 5.2.10BR.
- 8.3 The issue or the issuer of a money-market instrument, other than one dealt in on an eligible market, shall be regarded as regulated for the purpose of protecting investors and savings if:
- 8.3.1 the instrument is an approved money-market instrument;  
and
- 8.3.2 appropriate information is available for the instrument (including Information which allows an appropriate assessment of the credit risks related to investment in it), in accordance with COLL 5.2.10CR;  
and
- 8.3.3 the instrument is freely transferable.
- 9. Derivatives: general**
- The Sub-Funds do not currently intend to use the Scheme Property to invest in derivatives and forward transactions under the FCA Rules.
- 10. Risk management**
- The ACD uses a risk management process, enabling it to monitor and measure as frequently as appropriate the risk of a Sub-Fund's positions and their contribution to the overall risk profile of a Sub-Fund.
- 11. Investments in deposits**
- A Sub-Fund may invest in deposits only with an Approved Bank and which are repayable on demand or have the right to be withdrawn, and maturing in no more than 12 months.
- 12. Borrowing**
- Where, for the purposes of this paragraph the Company borrows an amount of currency from an Eligible Institution or an Approved Bank; and keeps an amount in another currency, at least equal to such borrowing for the time on deposit with the lender (or his agent or nominee), then this applies as if the borrowed currency, and not the deposited currency, were part of the Scheme Property, and the normal limits on borrowing under paragraph 16 (General power to borrow) of this Appendix do not apply to that borrowing.
- 13. Cash and near cash**
- 13.1 Cash and near cash must not be retained in the Scheme Property except to the extent that, where this may reasonably be regarded as necessary in order to enable:
- 13.1.1 the pursuit of a Sub-Fund's investment objectives;  
or
- 13.1.2 the redemption of shares;  
or
- 13.1.3 efficient management of a Sub-Fund in accordance with its investment objectives;  
or
- 13.1.4 other purposes which may reasonably be regarded as ancillary to the investment objective of a Sub-Fund.
- 13.2 During the period of the initial offer the Scheme Property may consist of cash and near cash without limitation.
- 14. General**
- A potential breach of any of these limits does not prevent the exercise of rights conferred by investments held by a Sub-Fund but, in the event of a consequent breach, the ACD must then take such steps as are necessary to restore compliance with the investment limits as soon as practicable having regard to the interests of Shareholders.
- 15. Underwriting**
- Underwriting and sub underwriting contracts and placings may also, subject to certain conditions set out in the FCA Rules, be entered into for the account of a Sub-Fund.
- 16. General power to borrow**
- 16.1 The Company may, subject to the FCA Rules, borrow money from an Eligible Institution or an Approved Bank for the use of the Company on terms that the borrowing is to be repayable out of the Scheme Property. This power to borrow is subject to the obligation of the Company to comply with any restriction in the Instrument of Incorporation.
- 16.2 The ACD must ensure that borrowing does not, on any business day, exceed 10% of the value of each Sub-Fund.
- 16.3 These borrowing restrictions do not apply to "back to back" borrowing for currency hedging purposes (i.e. borrowing permitted in order to reduce or eliminate risk arising by reason of fluctuations in exchange rates).
- 17. Restrictions on lending of money**
- 17.1 None of the money in the Scheme Property may be lent and, for the purposes of this paragraph, money is lent by a Sub-Fund if it is paid to a person ("the payee") on the basis that it should be repaid, whether or not by the payee.

- 17.2 Acquiring a debenture is not lending for the purposes of paragraph 17.1 nor is the placing of money on deposit or in a current account.

## **18. Restrictions on lending of property other than money**

- 18.1 Scheme Property other than money must not be lent by way of deposit or otherwise.
- 18.2 Stock lending transactions are not to be regarded as lending for the purposes of paragraph 18.1
- 18.3 The Scheme Property of the Sub-Funds must not be mortgaged.

## **19. General power to accept or underwrite placings**

- 19.1 Any power in COLL 5 to invest in transferable securities may be used for the purpose of entering into transactions to which this section applies, subject to compliance with any restriction in the Instrument of Incorporation. This section applies, to any agreement or understanding: which is an underwriting or sub-underwriting agreement, or which contemplates that securities will or may be issued or subscribed for or acquired for the account of a Sub-Fund.
- 19.2 This ability does not apply to an option, or a purchase of a transferable security which confers a right to subscribe for or acquire a transferable security, or to convert one transferable security into another.
- 19.3 The exposure of a Sub-Fund to agreements and understandings as set out above, on any business day be covered and be such that, if all possible obligations arising under them had immediately to be met in full, there would be no breach of any limit in the FCA Rules.

## **20. Guarantees and indemnities**

- 20.1 The Company or the Depositary for the account of the Company or a Sub-Fund must not provide any guarantee or indemnity in respect of the obligation of any person.
- 20.2 None of the Scheme Property of a Sub-Fund may be used to discharge any obligation arising under a guarantee or indemnity with respect to the obligation of any person.
- 20.3 Paragraphs 20.1 and 20.2 do not apply in respect of:
- 20.3.1 an indemnity falling within the provisions of regulation 62(3) (Exemptions from liability to be void) of the OEIC Regulations;
  - 20.3.2 an indemnity (other than any provision in it which is void under regulation 62 of the OEIC Regulations) given to the Depositary against any liability incurred by it as a consequence of the safekeeping of any of the Scheme Property by it or by anyone retained by it to assist it to perform its function of the safekeeping of the Scheme Property;  
and
  - 20.3.3 an indemnity given to a person winding up a scheme if the indemnity is given for the purposes of arrangements by which the whole or part of the property of that scheme becomes the first property of a Sub-Fund and the holders of units in that scheme become the first shareholders in a Sub-Fund.

## **Investment and Financial Techniques**

The Sub-Fund may engage in SFTs, being repurchase or reverse-repurchase transactions and stock lending in accordance with the FCA Regulations and normal market

practice. Any such use of SFTs will be consistent with the investment objective and policy of the Sub-Fund and, where utilised, any assets of the Sub-Fund may be subject to SFTs.



### Total return swaps

The Sub-Funds do not currently intend to use the Scheme Property to invest in TRS.

### Stock lending agreements

A stock lending agreement is an agreement under which title to the “loaned” securities is transferred by a “lender” to a “borrower” with the borrower contracting to deliver “equivalent securities” to the lender at a later date. Stock lending aims to generate additional income with an acceptable degree of risk.

As at the date of this Prospectus, whilst the Sub-Fund may use stock lending, the Sub-Fund currently does not intend to do so. However, the ACD reserves the right to permit the use of stock lending in the future.

### Repurchase / reverse repurchase agreements

Repurchase agreements are transactions in which one party sells a security to the other party with a simultaneous agreement to repurchase the security at a fixed future date at a stipulated price reflecting a market rate of interest unrelated to the coupon rate of the securities. A reverse repurchase agreement is a transaction whereby the Sub-Fund purchases securities from a counterparty and simultaneously commits to resell the securities to the counterparty at an agreed upon date and price. A Sub-Fund may enter into repurchase agreements for the purpose of generating additional capital or income, for reducing costs or risk and/or otherwise to more efficiently express a view in a given position.

As at the date of this Prospectus, whilst the Sub-Fund may use repurchase transactions, the Sub-Fund currently does not intend to do so. However, the ACD reserves the right to permit the use of repurchase transactions in the future.

### Securities Financing Transactions

SFTs will only be entered with “approved counterparties” as defined in the FCA Regulations. Any counterparty shall also be subject to an appropriate internal credit assessment carried out by the Company, which shall include amongst other considerations, external credit ratings of the counterparty, the regulatory supervision applied to the relevant counterparty, industry sector risk and concentration risk.

Subject to this, the ACD has discretion as to the appointment of counterparties when entering into SFTs in furtherance of the Sub-Funds’ investment objectives and policies. It is not possible to comprehensively list in this Prospectus all the counterparties as they may change from time to time.

The counterparty does not have discretion over the composition or management of a Sub-Fund’s portfolio or over any underlying of financial derivative instruments used by a Sub-Fund and counterparty approval is not required for any investment decision made by an Investment Manager regarding a Sub-Fund. However, the ACD reserves the right to permit the granting of such discretion with the agreement of the relevant Investment Manager.

With the exception of revenues generated through stock lending, all revenues arising from SFTs, net of any direct and indirect operational costs and fees arising, will be retained by the relevant Sub-Fund. Any revenue generated through stock lending will be split 20% with the agent lender and 80% with the respective sub-fund.

Any entities who receive revenue from stock lending or use of other SFTs shall be outlined in the annual report of the Company, which shall indicate if the entities are related to the ACD or the Depositary.

The maximum percentage of a Sub-Fund’s assets that may be the subject of SFTs and the expected percentage of such usage is set out in the details for the Sub-Fund in Appendix 3 to this Prospectus.

The section above entitled “Risk Factors” provides a description of the risks associated with investments in repurchase and reverse repurchase agreements, stock lending and the management of collateral.

The ACD will disclose in the Company’s annual report certain information regarding its use of SFTs.

With the exception of collateral received as part of a stock lending transaction, the assets of the Sub-Fund that are subject to SFTs are held by the Depositary for safekeeping. For collateral received as part of stock lending, it will be held by a tri-party agent. A tri-party agent generally acts a settlement and collection service for securities and collateral between the lender and the borrower and maintains the value, quality and performance of the collateral.

### Collateral

Collateral obtained under an SFT must meet the criteria set out in the COLL Sourcebook, as further described above in this Appendix 1. The types of assets that may be received as collateral in respect of SFTs will be of high quality and may include (i) cash (with the exception of stock lending transactions where cash is not used as collateral), (ii) sovereign bonds, (iii) supranational debt obligations, (iv) FTSE 100 DBV (Class F10) as defined in the CREST Reference Manual and (v) equity securities.

Collateral received must be issued by an entity that is independent from the counterparty and is not expected to display a high correlation with the performance of the counterparty. Collateral must also be sufficiently diversified in terms of country, markets and issuers.

Any collateral obtained by the Sub-Fund under an SFT will be valued daily at mark-to-market prices. Sometimes the Sub-Fund, or the OTC derivative counterparty, will apply a ‘haircut’ to non-cash collateral. A haircut is a nominal reduction applied to the market value of collateral to provide a buffer against rises and falls in the value or the exposure of that type of collateral. Daily variation margin may be used if the value of collateral, as adjusted for any haircut, falls below the value of the relevant counterparty exposure.

The reuse of collateral is limited by the COLL Sourcebook to certain asset classes. Such reuse should neither result in a change to the Sub-Fund’s investment objectives nor increase substantially its risk profile.

As at the date of this Prospectus, whilst the Sub-Funds may reuse collateral in line with the limitations in the COLL Sourcebook, the Sub-Funds currently do not reuse collateral. However, the ACD reserves the right to permit such reuse of collateral in the future.

# APPENDIX 2

## Service Providers

### ■ Authorised Corporate Director

The ACD is BNY Mellon Fund Managers Limited which is a private company limited by shares incorporated in England and Wales under the Companies Act 1985 on 11 March 1986 and is a wholly owned subsidiary of BNY Mellon Asset Management International Limited (a private company limited by shares, incorporated in England and Wales), the ultimate holding company of which is The Bank of New York Mellon Corporation, a corporation registered in the state of Delaware, USA.

The ACD is authorised and regulated by the Financial Conduct Authority. The ACD is the AIFM for the purposes of the AIFM Directive.

Share Capital:	Authorised	£1,625,000
	Issued	£1,625,000
	Paid up	£1,625,000

The directors of the ACD are:

Greg Brisk  
Gerald Rehn  
Hilary Lopez  
Jonathan Lubran  
Marc Saluzzi  
Anne-Marie Islam

None of the directors of the ACD have any significant business activities which are not connected with the business of the ACD or its affiliates.

The ACD is responsible for managing and administering the Company's affairs including portfolio management and risk management in compliance with the Regulations. The ACD may delegate its portfolio management and administration functions to third parties including Associates subject to the FCA Regulations. The ACD has delegated, or may from time to time delegate, the investment management of the Company to the Investment Manager and part of the administration to the Administrator each Associates of the ACD.

### ACD Agreement

The ACD has been appointed under an agreement dated 28 February 2007 between the Company and the ACD, as novated ("the ACD Agreement"). Pursuant to the ACD Agreement, the ACD shall manage and administer the Company in accordance with the Regulations, the Instrument of Incorporation, the Prospectus, the FCA Rules or any other relevant legislation or regulation applicable to the ACD. The ACD Agreement contains detailed provisions relating to the responsibilities of the ACD, including the management, investment and reinvestment of the property of each Fund in order to achieve the various investment objectives. The ACD may delegate its management and administration functions to third parties including associates subject to the FCA Rules.

The ACD is entitled to receive preliminary and periodic charges as set out in the section of this Prospectus headed "Charges" on page 16.

The ACD Agreement may be terminated without compensation by either party giving to the other not less than two years' written notice. The ACD shall not voluntarily terminate its appointment

unless the termination is coterminous with the commencement of the appointment of a successor authorised corporate director of the Company.

To the extent permitted by the FCA Rules, the Company has agreed to indemnify the ACD and its employees, officers and directors against all costs, losses, claims and expenses incurred (i) as a result of any party claiming to be entitled to any investment, (ii) in consequence of any breach by the Company of any term of the ACD Agreement, (iii) arising out of or in connection with the exercise by the ACD of the powers and discretions conferred upon it under the ACD Agreement, (iv) arising out of the imposition of any liability to taxation, charge or other levy as a result of implementing the investment objective and policy of each Fund, or (v) in consequence of any act or omission of the ACD acting on instructions from the Depositary, other than where there has been negligence, wilful default or fraud on the part of the ACD, any Associate (as defined in the FCA Rules) or its or their employees, officers or directors.

The ACD is the authorised fund manager in respect of the following authorised unit trusts:

1. Osprey Fund
2. Newton SRI Fund for Charities
3. BNY Mellon Charities Fund

In addition to the aforementioned funds, the ACD is also the authorised corporate director of BNY Mellon Investment Funds and BNY Mellon Managed Funds I (investment companies with variable capital).

### ■ The Depositary

The Depositary of the Company is NatWest Trustee and Depositary Services Limited, a private limited company incorporated in England under the Companies Act 1985. Its registered and head office is situated at 250 Bishopsgate, London EC2M 4AA.

The ultimate holding company is The Royal Bank of Scotland Group plc which is incorporated and registered in Scotland.

The Depositary is authorised and regulated by the Financial Conduct Authority. The Depositary is the Company's depositary for the purposes of the AIFM Directive.

### Terms of Appointment

The Depositary provides its services under the terms of a Depositary Agreement between the ACD, the Company and the Depositary, as amended (the "Depositary Agreement")

As a general rule, under the Depositary Agreement the Company will indemnify the Depositary for losses incurred by the Depositary in the proper performance of its obligations and duties under the Depositary Agreement or as a result of its reliance on properly given instructions except in respect of its fraud, negligence or wilful default or its intentional or negligent failure to fulfil its obligations under the Depositary Agreement or applicable law and regulation.

Nothing in the Depositary Agreement shall act to prevent the Depositary from rendering similar services to others.

The fees to which the Depositary is entitled are set out on page 18.

## Termination

The Depositary Agreement may be terminated on at least three months' written notice by the Depositary or the Company or immediately in certain circumstances set out in the Depositary Agreement. Termination cannot take effect, nor may the Depositary retire voluntarily, until a successor depositary has been appointed.

## Duties of the Depositary

The responsibilities of the Depositary include:

- (a) cash monitoring and verifying each Sub-Fund's cash flows;
- (b) safekeeping of the assets of the Sub-Funds;
- (c) ensuring that dealing in Shares and valuation of Shares is carried out in accordance with the Instrument and applicable national law including the Regulations;
- (d) ensuring that in transactions involving the Sub-Funds, any consideration is remitted within the usual time limits;
- (e) ensuring that the Sub-Funds' income is applied in accordance with the Instrument and applicable national law, including the Regulations;
- and
- (f) carrying out instructions from the ACD or the Company unless they conflict with the Instrument and applicable national law, including the Regulations.

The powers, duties, rights and obligations of the Depositary, the Company and the ACD under the Depositary Agreement shall, to the extent of any conflict, be overridden by the FCA Rules and any other applicable laws and regulations.

## Liability of the Depositary

Pursuant to the AIFM Directive and subject to the exceptions set out in summary below, the Depositary is liable to the Sub-Fund for any loss of a financial instrument held in custody by the Depositary or a custodian suffered or incurred by the Sub-Fund ("Loss"). The Depositary is not liable for a Loss (i) which has arisen as a result of an external event beyond the reasonable control of the Depositary, or (ii) subject to certain conditions set out in the Depositary Agreement, if the relevant financial instrument is held by a custodian appointed in accordance with the agreement and applicable laws, and (a) there is a transfer and discharge of liability in accordance with the AIFM Directive, and/or (b) the Depositary had no other option but to delegate the custody to such custodian due to local law requirements. For any other loss under the Depositary Agreement not considered to be a Loss, to the extent permitted by applicable law the Depositary is not liable for any liabilities unless such liabilities are a direct result of the material breach, fraud, negligence, wilful misconduct, negligent or intentional failure on the part of the Depositary. Neither party is responsible to the other for indirect losses or force majeure events.

## Delegation

Under the Depositary Agreement, the Depositary has the power to delegate (and authorise its delegates to sub-delegate) all or any part of its duties as depositary in relation to safekeeping of the Company's assets, upon prior notice to the ACD. The Depositary's liability will not be affected by the fact that it has entrusted to a third party some or all of the assets in its safekeeping.

The Depositary has delegated its safe-keeping duties in respect of financial instruments in custody to The Bank of New York Mellon, London Branch. The use of particular sub-delegates will depend on the markets in which the Company invests. An updated list of sub-delegates is maintained by the ACD at [www.bnymellonim.co.uk](http://www.bnymellonim.co.uk)

## Conflicts

The Depositary may act as the depositary, trustee or custodian of other collective investment schemes.

The Depositary and/or its delegates and sub-delegates may in the course of its or their business be involved in other financial and professional activities which may on occasion have potential conflicts of interest with Company or a particular Sub-fund and/or other funds managed by the ACD or other funds for which the Depositary acts as the depositary, trustee or custodian. The Depositary will, however, have regard in such event to its obligations under the Depositary Agreement and the Regulations and, in particular, will use reasonable endeavours to ensure that the performance of its duties will not be impaired by any such involvement it may have and that any conflicts which may arise will be resolved fairly and in the best interests of Shareholders collectively so far as practicable, having regard to its obligations to other clients. The Depositary maintains a conflict of interest policy to address such conflicts.

Nevertheless, as the Depositary operates independently from the Company, Shareholders, the ACD and its associated suppliers and the Custodian, the Depositary does not anticipate any conflicts of interest arising between it and any of the aforementioned parties.

Where a conflict or potential conflict of interest arises, the Depositary will have regard to its obligations to the Company, applicable law and regulation, and its conflicts of interest policy.

## The Investment Manager

The ACD has delegated its portfolio management functions to Insight Investment Management (Global) Limited whose registered office is at 160 Queen Victoria Street, London EC4V 4LA ("the Investment Manager") by an Agreement dated 9 February 2013 ("the Investment Management Agreement").

The principal activity of the Investment Manager is the provision of investment management and advisory services.

Insight Investment Management (Global) Limited is authorised and regulated by the Financial Conduct Authority.

## Investment Management Agreement

The Investment Management Agreement authorises the Investment Manager to manage and to act as Investment Manager for the investment and reinvestment of the assets of the Sub-Funds. In the exercise of the ACD's investment functions it will be allowed complete discretion subject to compliance with the investment objective and policy applicable to each Fund, the Instrument of Incorporation, the Regulations and supervision by the ACD.

Insight Investment Management (Global) Limited has authority to make decisions on behalf of the ACD on a discretionary basis in respect of day to day investment management of that part of the assets of the Company which it manages including authority to place purchase orders and sale orders with brokers.

The Agreement may be terminated by either party on not less than six months' prior written notice or if the ACD ceases to be the authorised corporate director of the Company or if either party commits a material breach of the Agreement.

The ACD has agreed to indemnify the Investment Manager from all actions, proceedings, claims and against all loss, costs, demands and expenses which may be brought against the Investment Manager (other than where there is negligence, fraud, wilful default of the Investment Manager).

## ■ The Administrator

The administrator of the Company is The Bank of New York Mellon (International) Limited. The ACD has delegated the maintenance of the register of Shareholders to the Administrator. The Administrator was appointed to act as administrator pursuant to an administration agreement dated 1 June 2002, as amended.

## ■ The Auditor

The auditor of the Company is Ernst & Young LLP, 1 More London Place, London, SE1 2AF. The Auditor is responsible for auditing the annual accounts of the Company and Sub-Funds and expressing an opinion on certain matters relating to the Sub-Funds in the annual report including whether their accounts have been prepared in accordance with applicable accounting standards, the Regulations and the Instrument of Incorporation.

# APPENDIX 3

## The Sub-Funds and their Principal Terms and Share Classes

### Absolute Insight Fund

The Absolute Insight Fund is a sub-fund of the Company. The Sub-Fund's FCA product reference number is 642228.

The following words shall have the meaning attributed to them as below when referenced in Appendix 3.

"absolute return"	Absolute return is the return that an asset achieves over a certain period of time.
"ancillary liquid assets"	Cash, short-term bank deposits and regularly traded money-market instruments with a residual term not exceeding 12 months.
"collective investment schemes"	An investment structure (fund) in which multiple investors contribute. A manager will invest the pooled money in one or more types of asset (such as company shares, bonds, real estate or cash).
"London Inter-Bank Offered Rate (LIBOR)"	The basic rate of interest used in lending between banks. It is also used as a reference for setting the interest rate on other loans.

Name of Sub-Fund	<b>Absolute Insight Fund</b>
Investment Manager	Insight Investment Management (Global) Limited
Type of Fund	Non-UCITS scheme
Investment objective and policy	<p><b>Investment Objective</b></p> <p>The Sub-Fund seeks to deliver a positive absolute return in all market conditions on a rolling 12 month basis (meaning a period of 12 months, no matter which day you start on).</p> <p>In addition, the Sub-Fund aims to match or exceed 3 month GBP LIBOR -0.125% on a rolling 12 month basis after fees and to deliver cash (3 month GBP LIBOR -0.125%) +4% p.a. (before fees) on a rolling annualised five year basis (meaning a period of five years, no matter which day you start on). However, a positive return is not guaranteed and a capital loss may occur.</p> <p><b>Investment Policy</b></p> <p>To achieve its investment objective, the Sub-Fund will invest primarily, meaning at least 75%, in shares of the range of sub-funds within Absolute Insight Funds p.l.c. ("AIF"), an Irish umbrella UCITS investment company the assets of which are also managed by the Investment Manager and/or in shares or units of other collective investment schemes operated by the ACD or an associate of the ACD and managed by the Investment Manager. The sub-funds of AIF and these other collective investment schemes will be absolute return funds which follow a number of different strategies.</p> <p>The Investment Manager will typically conduct a monthly review and rebalance of the allocation of capital to each strategy.</p> <p>The Sub-Fund may also invest, to the extent permitted by the Regulations, in ancillary liquid assets (including units in collective investment schemes or another Sub-Fund of the Company), permitted money market instruments and, from time to time, cash or near cash may be held.</p> <p>The Sub-Fund uses 3 month GBP LIBOR -0.125% as a target set for the Sub-Fund's performance to match or exceed on a rolling 12 month basis after fees. The ACD considers 3 month GBP LIBOR -0.125% to be an appropriate target over a 12 month period as it is representative of cash.</p> <p>The Sub-Fund uses cash (3 month GBP LIBOR -0.125%) +4% p.a. as a target set for the Sub-Fund's performance to match on a rolling annualised five year basis before fees. The ACD considers cash (3 month GBP LIBOR -0.125%) +4% to be an appropriate target over a rolling annualised five year basis as it is consistent with the risk taken in the Sub-Fund.</p>
Domicile of underlying funds	To the extent the Sub-Fund invests in other collective investment schemes, these may be domiciled in Ireland and the UK.
Invest in any Regulated Market in an EEA State	Yes
Charges	The ACD and the Depositary have agreed that fees and expenses (including, without limitation, the annual management charge) will generally be charged to income.
Securities Financing Transactions Regulation disclosure	<p>The Sub-Fund does not currently intend to use the Scheme Property to invest in SFTRs or TRS, however, the ACD reserves the right to invest in such instruments in the future.</p> <p>Additional detail on the SFTR and the use of SFTs and TRS is given in the Prospectus at Appendix 1 under the section headed "Investment and Financial Techniques" and in the "Risk Factors".</p>
Annual accounting date	31 December
Interim accounting date(s)	30 June
Annual income allocation date(s)	28 February
Interim income allocation date(s)	31 August
Valuation Point	12 noon (UK time) on each Dealing Day
Frequency of Dealing	Each Business Day
Price Publication	Prices are available on <a href="http://www.bnymellonim.com">www.bnymellonim.com</a>

Share Classes			Investment Minima					Charges		
Class	Currency	Accumulation or Income	Minimum initial investment	Minimum subsequent investment	Minimum holding	Minimum redemption	ISA Qualifying	Preliminary Charge	Annual management charge	Performance Fee
Class A Shares	GBP	Accumulation	£5,000	£500	£5,000	None*	Yes	0%	1.50%	N/A
Class Ap Shares	GBP	Accumulation	£5,000	£500	£5,000	None*	Yes	0%	1.50%	10% of any out-performance of Hurdle Rate subject to exceeding previous High-Water Mark. Benchmark: 3 month LIBOR minus 0.125%
Class Fp Shares	GBP	Accumulation	£5,000	£500	£5,000	None*	Yes	0%	1.00%	10% of any out-performance of Hurdle Rate subject to exceeding previous High-Water Mark. Benchmark: 3 month LIBOR minus 0.125%
Class S Shares	GBP	Accumulation	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Class Sp Shares	GBP	Accumulation	N/A	N/A	N/A	N/A	N/A	N/A	N/A	10% of any out-performance of Hurdle Rate subject to exceeding previous High-Water Mark. Benchmark: 3 month LIBOR minus 0.125%
Class W Shares	GBP	Accumulation	£10,000- ,000	As Agreed	As Agreed	None*	N/A	0%	0.75%	10% of any out-performance of Hurdle Rate subject to exceeding previous High-Water Mark. Benchmark: 3 month LIBOR minus 0.125%

\* Provided that the minimum holding investment is maintained.



# APPENDIX 4

## Examples of How the Performance Fee is Calculated

Examples of how the Performance Fee in respect of the Class Ap Shares, Class Sp Shares, Class Fp Shares and Class W Shares is accrued and calculated are set out below. These examples have been designed to illustrate the effect of both positive and negative performance on the payment of a Performance Fee.

**The figures in this section do not constitute any indication by the ACD of the expected performance of the Company in the future. These examples only show the effect of the payment of the Performance Fee to the ACD but not the effect of any other fees or expenses.**

**You should note that the different fee structures in each Share Class are likely to lead to different NAV calculations and prices over time.**

Within these examples:

- “GAV per share” means the Gross Asset Value per share, which is the NAV per share before the accrual for performance fees
- The 3-month LIBOR Rate minus 0.125% - referred to as the “Hurdle Rate” - is assumed to be 5% per annum for each year under consideration

### ■ Example A – illustrating where a performance fee would be payable

#### Assumptions:

31 December 2010	NAV per share = 100p 10,000 shares in issue (Lot 1) High Water Mark for Lot 1 shares = 100p
31 December 2011	GAV per share = 110p No subscriptions or redemptions during the period

#### What is the target share price?

105p - this is the Hurdle Rate of 5% applied to the NAV per share at 31 December 2010 of 100p.

#### Has the fund beaten the target?

Yes – the final GAV per share is 110p, which is 5p per share higher.

#### Is a performance fee payable?

Yes – because the fund has beaten the target NAV per share.

The performance fee is 10% of the excess over the target NAV per share. That is 10% of 5p or 0.5p per share.

The final NAV per share is 109.5p – this is the final GAV per share of 110p less the performance fee of 0.5p per share.

#### What are the implications for investors?

The fee calculated above is payable to the ACD within one month. In subsequent periods, if the NAV per share falls there is no reversal or rebate of this performance fee.

In order to determine the target share price for the next period, the Hurdle Rate will be applied to the final NAV per share of 109.5p.

The High Water Mark in respect of Lot 1 shares is therefore 109.5p for the next Performance Period, and will remain at this level until it is exceeded at the end of a future Performance Period. See example C for an illustration of the impact of the High Water Mark on future calculations.

### ■ Example B – illustrating where no performance fee would be payable

#### Assumptions:

31 December 2010	NAV per share = 100p 10,000 shares in issue (Lot 1) High Water Mark for Lot 1 shares = 100p
31 December 2011	GAV per share = 103p No subscriptions or redemptions during the period

#### What is the target share price?

105p - this is the Hurdle Rate of 5% applied to the NAV per share at 31 December 2010 of 100p.

#### Has the fund beaten the target?

No – the final GAV per share is 103p, which is 2p per share lower.

#### Is a performance fee payable?

No – because the fund has not beaten the target NAV per share.

The final NAV per share is 103p – this is equal to the final GAV per share of 103p.

#### What are the implications for investors?

In order to determine the target share price for the next period, the Hurdle Rate will be applied to the final NAV per share of 103p.

The High Water Mark in respect of Lot 1 shares is therefore 103p for the next Performance Period, and will remain at this level until it is exceeded at the end of a future Performance Period. See example C for an illustration of the impact of the High Water Mark on future calculations.

### ■ Example C – illustrating the impact of the High Water Mark

#### Assumptions:

31 December 2010	NAV per share = 100p 10,000 shares in issue (Lot 1) High Water Mark for Lot 1 shares = 109p (being the highest NAV per share at the end of a previous calculation period for shares within Lot 1)
31 December 2011	GAV per share = 110p No subscriptions or redemptions during the period

#### What is the target share price?

109p - this is the higher of: (a) the Hurdle Rate of 5% applied to the NAV per share at 31 December 2010 of 100p, which is 105p; and (b) the High Water Mark of 109p.

### Has the fund beaten the target?

Yes – the final GAV per share is 110p, which is 1p per share higher.

### Is a performance fee payable?

Yes – because the fund has beaten the target NAV per share.

The performance fee is 10% of the excess over the target NAV per share. That is 10% of 1p or 0.1p per share.

The final NAV per share is 109.9p – this is the final GAV per share of 110p less the performance fee of 0.1p per share.

### What are the implications for investors?

Whilst the rise in the NAV per share of 10% significantly exceeded the Hurdle Rate of 5%, the performance fee is reduced because it is only payable on the excess over the High Water Mark for Lot 1 shares.

In order to determine the target share price for the next period, the Hurdle Rate will be applied to the final NAV per share of 109.9p.

The High Water Mark in respect of Lot 1 shares is therefore 109.9p for the next Performance Period, and will remain at this level until it is exceeded at the end of a future Performance Period.

## ■ Example D – illustrating the impact of subscriptions during the period

### Assumptions:

31 December 2010	NAV per share = 100p 10,000 shares in issue (Lot 1) High Water Mark for Lot 1 shares = 100p
30 June 2011	NAV per share has risen to 120p Further 2,500 shares subscribed for (Lot 2) at 120p per share High Water Mark for Lot 2 shares = 120p
31 December 2011	GAV per share = 110p No redemptions during period

In this example, shares are issued mid-way through the period. The total performance fee payable for the fund at the end of the period is calculated as the sum of the performance fees determined separately for Lot 1 and Lot 2 as illustrated below.

### What is the target share price?

For Lot 1 shares:

105p - this is the Hurdle Rate of 5% applied to the NAV per share at 31 December 2010 of 100p.

For Lot 2 shares:

123p – this is the Hurdle Rate of 2.5% (for the second half of the year) applied to the NAV per share at 30 June 2011 of 120p.

### Has the fund beaten the target?

For Lot 1 shares:

Yes – the final GAV per share is 110p, which is 5p per share higher than the target of 105p.

For Lot 2 shares:

No – the final GAV per share is 13p per share lower than the target of 123p.

### Is a performance fee payable?

For Lot 1 shares:

Yes – because the fund has beaten the target NAV per share for these shares.

The performance fee is 10% of the excess over the target NAV per share. That is 10% of 5p or 0.5p per Lot 1 share.

For Lot 2:

No - because the fund has not beaten the target NAV per share for these shares.

The total performance fee payable for the fund is £50 - 0.5p for each of the 10,000 Lot 1 shares. This represents 0.4p per share for the total 12,500 shares in issue.

The final NAV per share is 109.6p – this is the final GAV per share of 110p less the performance fee of 0.4p per share.

### What are the implications for investors?

A performance fee only accrues in respect of the increase in the NAV per share of the shares within Lot 1. However, the performance fee is charged to the fund as a whole and so is borne by all shareholders on a pro rata basis even though holders of Lot 2 shares have not experienced growth in the NAV per share.

In order to determine the target share price for the next period, the Hurdle Rate will be applied to the final NAV per share of 109.6p.

The High Water Mark for the next Performance Period is 109.6p for Lot 1 shares, and remains at 120p for Lot 2 shares. The difference reflects the fact that the shares within Lot 2 were subscribed for at higher NAV per share than the shares within Lot 1. The High Water Marks will remain at these levels until exceeded at the end of a future Performance Period.

## ■ Example E – a further illustration of the impact of subscriptions during the period

### Assumptions:

31 December 2010	NAV per share = 100p 10,000 shares in issue (Lot 1) High Water Mark for Lot 1 shares = of 110p
30 June 2011	NAV per share has fallen to 100p Further 2,500 shares subscribed for (Lot 2) at 100p per share High Water Mark for Lot 2 shares = of 100p
31 December 2011	GAV per share = 105p No redemptions during period

### What is the target share price?

For Lot 1 shares:

115.5p - this is the Hurdle Rate of 5% applied to the NAV per share at 31 December 2010 of 110p.

For Lot 2 shares:

102.5p – this is the Hurdle Rate of 2.5% (for the second half of the year) applied to the NAV per share at 30 June 2011 of 100p.

### Has the fund beaten the target?

For Lot 1 shares:

No – the final GAV per share is 105p, which is 10.5p per share lower than the target of 115.5p.

For Lot 2 shares:

Yes – the final GAV per share is 2.5p per share higher than the target of 102.5p.

**Is a performance fee payable?**

For Lot 1:

No – because the fund has not beaten the target NAV per share for these shares.

For Lot 2 shares:

Yes – because the fund has beaten the target NAV per share for these shares.

The performance fee is 10% of the excess over the target NAV per share. That is 10% of 2.5p or 0.25p per Lot 2 share.

The total performance fee payable for the fund is £6.25 – 0.25p for each of the 2,500 Lot 2 shares. This represents 0.05p per share for the total 12,500 shares in issue.

The final NAV per share is 104.95p – this is the final GAV per share of 105p less the performance fee of 0.05p per share.

**What are the implications for investors?**

A performance fee only accrues in respect of the increase in the NAV per share of the shares within Lot 2. However, the performance fee is charged to the fund as a whole and so is borne by all shareholders on a pro rata basis even though holders of Lot 1 shares have not experienced growth in the NAV per share.

In order to determine the target share price for the next period, the Hurdle Rate will be applied to the final NAV per share of 104.95p.

The High Water Mark for the next Performance Period remains at 110p for Lot 1 shares, and is 104.95p for Lot 2 shares. The difference reflects the fact that the shares within Lot 2 were subscribed for at a lower NAV per share than the shares within Lot 1. The High Water Marks will remain at these levels until exceeded at the end of a future Performance Period.

**■ Example F – illustrating the impact of redemptions during the period**

**Assumptions:**

31 December 2010	NAV per share = 100p 10,000 shares in issue (Lot 1) High Water Mark for Lot 1 shares = 100p
30 June 2011	GAV per share has risen to 105p 2,500 shares are redeemed
31 December 2011	GAV per share has risen to 110p No subscriptions during period

In this example, shares are redeemed mid-way through the period. A performance fee calculation is carried out on the redemption date for the shares being redeemed, as if this was the end of the performance period as illustrated below.

**As at the redemption date of 30 June 2011:**

**What is the target share price?**

102.5p – this is the Hurdle Rate of 2.5% (for the first half of the year) applied to the NAV per share at 31 December 2010 of 100p.

**Has the fund beaten the target?**

Yes – the final GAV per share is 2.5p per share higher.

**Is a performance fee payable?**

Yes – because the AIF has beaten the target NAV per share.

The performance fee is 10% of the excess over the target NAV per share. That is 10% of 2.5p or 0.25p per share.

The performance fee becomes payable to the ACD for the shares being redeemed. The amount is £6.25 which is 0.25p for each of the 2,500 shares being redeemed.

The NAV per share is 104.75p – this is the GAV per share of 105p less the performance fee of 0.25p per share.

**What are the implications for investors?**

The fee calculated above is payable to the ACD within one month. No further performance fees accrue within the fund in respect of the shares that were redeemed. In subsequent periods, if the NAV per share falls there is no reversal or rebate of this performance fee.

**As at 31 December 2011:**

**What is the target share price?**

105p – this is the Hurdle Rate of 5% applied to the NAV per share at 31 December 2010 of 100p.

**Has the fund beaten the target?**

Yes – the final GAV per share of 110p is 5p per share higher.

**Is a performance fee payable?**

Yes – because the fund has beaten the target NAV per share.

The performance fee is 10% of the excess over the target NAV per share. That is 10% of 5p or 0.5p per share.

The total performance fee payable for the fund is £37.50 – 0.5p for each of the 7,500 remaining Lot 1 shares.

The NAV per share is 109.5p – this is the GAV per share of 110p less the performance fee of 0.5p per share.

**What are the implications for investors?**

A performance fee only accrues on the remaining 7,500 shares in issue at the end of the period.

In order to determine the target share price for the next period, the Hurdle Rate will be applied to the final NAV per share of 109.5p.

The High Water Mark in respect of Lot 1 shares is therefore 109.5p for the next Performance Period, and will remain at this level until it is exceeded at the end of a future Performance Period.

# APPENDIX 5

## Historical Performance

ABSOLUTE INSIGHT FUND				Launch Date	Standardised rolling 12 month performance (% growth).				
					31/12/2013 to 31/12/2014	31/12/2014 to 31/12/2015	31/12/2015 to 31/12/2016	31/12/2016 to 31/12/2017	31/12/2017 to 31/12/2018
Absolute Insight Fund – A Acc				1 July 2008	1.11%	-0.02%	-1.27%	1.59%	-4.87
LIBOR GBP 3 Month - 0.125%					0.42	0.45	0.38	0.23	0.60
LIBOR GBP 3 Month - 0.125% + 4%					4.42	4.45	4.38	4.23	4.60
Absolute Insight Fund – Ap Acc				2 July 2010	0.99%	-0.03%	-1.25%	1.51%	-4.87
LIBOR GBP 3 Month - 0.125%					0.42	0.45	0.38	0.23	0.60
LIBOR GBP 3 Month - 0.125% + 4%					4.42	4.45	4.38	4.23	4.60
Absolute Insight Fund – Fp Acc				28 February 2007	1.48%	0.41%	-0.83%	1.91%	-4.40
LIBOR GBP 3 Month - 0.125%					0.42	0.45	0.38	0.23	0.60
LIBOR GBP 3 Month - 0.125% + 4%					4.42	4.45	4.38	4.23	4.60
Absolute Insight Fund – Sp Acc				28 March 2013	2.30%	1.21%	0.01%	2.83%	-3.36
LIBOR GBP 3 Month - 0.125%					0.42	0.45	0.38	0.23	0.60
LIBOR GBP 3 Month - 0.125% + 4%					4.42	4.45	4.38	4.23	4.60
Absolute Insight Fund – W Acc				11 February 2013	1.69%	0.63%	-0.58%	2.20%	-4.09
LIBOR GBP 3 Month - 0.125%					0.42	0.45	0.38	0.23	0.60
LIBOR GBP 3 Month - 0.125% + 4%					4.42	4.45	4.38	4.23	4.60

NAV to NAV, net income reinvested, unless otherwise stated.

Past performance should not be seen as an indication of future performance. The value of investments can fall as well as rise, and you may not get back the amount you originally invested.

Source: Lipper IM





