

**IMPORTANT: IF YOU ARE IN ANY DOUBT ABOUT THE CONTENTS OF THIS PROSPECTUS YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER.**

City Financial Investment Company 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 contained herein does not contain any untrue or misleading statement or omit any matters required by applicable rules to be included in it. City Financial Investment Company Limited accepts responsibility accordingly.

**PROSPECTUS**  
**OF**  
**CITY FINANCIAL INVESTMENT FUND SERIES III**  
**(An open-ended investment company**  
**incorporated with limited liability and**  
**registered in England and Wales**  
**under registered number IC000584)**

This document constitutes the Prospectus for City Financial Investment Fund Series III which has been prepared in accordance with the requirements of the Financial Conduct Authority.

This Prospectus is dated, and is valid as at 9<sup>th</sup> January 2014

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

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## **Important Information**

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

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

The Shares have not been and will not be registered in the United States of America under any applicable legislation. They may not be offered or sold in the United States of America, any state of the United States of America or in its territories and possessions or offered or sold to US persons. The Company and the ACD have not been and will not be registered in the United States of America under any applicable legislation.

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

The provisions of the Instrument of Incorporation are binding on each of the Shareholders and a copy of the Instrument of Incorporation is available on request from City Financial Investment Company Limited.

This Prospectus has been issued for the purpose of section 21 of the Financial Services and Markets Act 2000 by City Financial Investment Company Limited.

The distribution of this Prospectus in certain jurisdictions may require that this Prospectus is translated into the official language of those countries. Should any inconsistency arise between the translated version and the English version, the English version shall prevail.

This Prospectus is based on information, law and practice at the date hereof. The Company and ACD cannot be bound by an out of date prospectus when a new version has been issued and investors should check with City Financial Investment Company Limited that this is the most recently published prospectus.

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

## 1. DEFINITIONS

<b>"ACD"</b>	City Financial Investment Company Limited, the authorised corporate director of the Company.
<b>"ACD Agreement"</b>	An agreement between the Company and the ACD.
<b>"Administrator"</b>	Capita Financial Administrators Limited or such other entity as is appointed to act as Administrator to the Company from time to time.
<b>"Approved Bank"</b>	<p>(in relation to a bank account opened by the Company):</p> <ul style="list-style-type: none"><li>(a) if the account is opened at a branch in the United Kingdom:<ul style="list-style-type: none"><li>(i) the Bank of England; or</li><li>(ii) the central bank of a member state of the OECD; or</li><li>(iii) a bank; or</li><li>(iv) a building society; or</li><li>(v) a bank which is supervised by the central bank or other banking regulator of a member state of the OECD; or</li></ul></li><li>(b) if the account is opened elsewhere:<ul style="list-style-type: none"><li>(i) a bank in (a); or</li><li>(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</li><li>(iii) a bank which is regulated in the Isle of Man or the Channel</li></ul></li></ul>

Islands; or

- (iv) a bank supervised by the South African Reserve Bank.

**"Auditor"**

Grant Thornton UK LLP, or such other entity as is appointed to act as auditor to the Company from time to time.

**"Business Day"**

a day on which the London Stock Exchange is open. If the London Stock Exchange is closed as a result of a holiday or for any other reason, or there is a holiday elsewhere or other reason which impedes the calculation of the fair market value of the Sub-fund's portfolio of securities or a significant portion thereof, the ACD may decide that any business day shall not be construed as such.

**"Class" or "Classes"**

in relation to Shares, means (according to the context) all of the Shares related to a single Sub-fund or a particular class or classes of Share related to a single Sub-fund.

**"Company"**

City Financial Investment Fund Series III.

**"Custodian"**

The Bank of New York Mellon SA/NV

**"Dealing Day"**

Monday to Friday where these days are Business Days.

**"Depository"**

BNY Mellon Trust & Depository (UK) Limited, or such other entity as is appointed to act as Depository.

**"Director" or "Directors"**

the directors of the Company from time to time (including the ACD).

<b>“EEA State”</b>	a member state of the European Union and any other state which is within the European Economic Area.
<b>“Efficient Portfolio Management” or “EPM”</b>	the use of derivative techniques and instruments (relating to transferable securities and approved money-market instrument) used for one or more of the following purposes: reduction of risk, reduction of costs or generation of additional capital or income consistent with the risk profile of a Fund, as more fully described in Appendix III.
<b>“Eligible Institution”</b>	one of certain eligible institutions as defined in the glossary of definitions to the FCA Handbook.
<b>“the FCA”</b>	the Financial Conduct Authority or any other regulatory body which may assume its regulatory responsibilities from time to time.
<b>“the FCA Handbook”</b>	the FCA Handbook of Rules and Guidance, as amended from time to time.
<b>“the FCA Register”</b>	<p>the public record, as required by section 347 of the Financial Services and Markets Act 2000 (the public record) of every:</p> <ul style="list-style-type: none"> <li>(a) authorised person;</li> <li>(b) AUT;</li> <li>(c) ICVC;</li> <li>(d) recognised scheme;</li> <li>(e) recognised investment exchange;</li> <li>(f) recognised clearing house;</li> <li>(g) individual to whom a prohibition order relates;</li> <li>(h) approved person; and</li> <li>(i) person within such other class (if any) as the FCA may determine; except as provided by any transitional provisions.</li> </ul>



**“Home State”**

- (1) (in relation to a credit institution) the EEA State in which the credit institution has been authorised in accordance with the Banking Consolidation Directive.
- (2) (in relation to an investment firm):
  - (a) where the investment firm is a natural person, the EEA State in which his head office is situated;
  - (b) where the investment firm is a legal person, the EEA State in which its registered office is situated or, if under its national law it has no registered office, the EEA State in which its head office is situated.
- (3) (in relation to an insurer with an EEA right) the EEA State in which the registered office of the insurer is situated.
- (4) (in relation to a market) the EEA State in which the registered office of the body which provides trading facilities is situated or, if under its national law it has no registered office, the EEA State in which that body’s head office is situated.
- (5) (in relation to a Treaty firm) the EEA State in which its head office is situated, in accordance with paragraph 1 of Schedule 4 to the Act (Treaty rights).

**“ICVC”**

Investment Company with Variable Capital.

**“Instrument of Incorporation”** the instrument of incorporation of the Company as amended from time to time.

**“Investment Manager”**

City Financial Investment Company Limited, the investment manager to the ACD in respect of the Company.

<b>"Net Asset Value" or "NAV"</b>	the value of the Scheme Property of the Company or of any Sub-fund (as the context may require) less the liabilities of the Company (or of the Sub-fund concerned) as calculated in accordance with the Instrument of Incorporation.
<b>"OEIC Regulations"</b>	the Open-Ended Investment Companies Regulations 2001 as amended or re-enacted from time to time.
<b>"Register"</b>	the register of Shareholders of the Company.
<b>"Registrar"</b>	Capita Financial Administrators Limited or such other entity as is appointed to act as Registrar to the Company from time to time.
<b>"Regulated Activities Order"</b>	the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544).
<b>"Regulations"</b>	the OEIC Regulations and the FCA Handbook (including the Sourcebook).
<b>"Scheme Property"</b>	the scheme property of the Company or a Sub-fund (as appropriate) required under the Sourcebook to be given for safekeeping to the Depositary.
<b>"SDRT"</b>	Stamp Duty Reserve Tax.
<b>"Share" or "Shares"</b>	a share or shares in the Company (including larger denomination shares, and smaller denomination shares equivalent to one thousandth of a larger denomination share).
<b>"Shareholder"</b>	a holder of registered Shares in the Company.
<b>"Sourcebook"</b>	that part of the FCA Handbook which relates to authorised collective investment schemes.
<b>"Sub- fund" or "Sub-funds"</b>	a sub-fund of the Company (being part of the Scheme Property of the Company which is pooled separately) to which specific assets and liabilities of the Company may be allocated and which is invested in

accordance with the investment objective applicable to such sub-fund.

**"Switch"**

the exchange where permissible of Shares of one Class or Sub-fund for Shares of another Class or Sub-fund.

**"UCITS Scheme"**

a scheme constituted in accordance with the UCITS Directive (a European Directive relating to undertakings for collective investment in transferable securities which has been adopted in the UK).

**"Valuation Point"**

the point, on a Dealing Day whether on a periodic basis or for a particular valuation, at which the ACD carries out a valuation of the Scheme Property for 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 current Valuation Point for the Sub-funds is 12:00 midday London time on each Dealing Day with the exception of Christmas Eve and New Year's Eve or a bank holiday in England and Wales, or the last Business Day prior to those days annually where the valuation may be carried out at a time agreed in advance between the ACD and the Depositary.

**"VAT"**

Value Added Tax.

## 2. **DETAILS OF THE COMPANY**

### 2.1 **General Information**

#### 2.1.1 **General**

City Financial Investment Fund Series III (the Company) is an investment company with variable capital incorporated in England and Wales under registered number IC 000584 and authorised by the Financial Conduct Authority with effect from 8 October 2007. The Company has an unlimited duration.

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.

The ACD is also the manager of certain authorised unit trusts and open-ended investment companies details of which are set out in Appendix IV.

#### 2.1.2 **Head Office**

The head office of the Company is at 62 Queen Street, London, EC4R 1EB.

#### 2.1.3 **Address for Service**

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

#### 2.1.4 **Base Currency**

The base currency of the Company and each Sub-fund is Pounds Sterling.

#### 2.1.5 **Share Capital**

Maximum £100,000,000,000

Minimum £1,000,000

Shares have no par value. The share capital of the Company at all times equals the sum of the Net Asset Values of each of the Sub-funds.

Shares in the Company may be marketed in other Member States and in countries outside the European Union and European Economic Area, subject to the Regulations, and any regulatory constraints in those countries, if the ACD so decides.

Each of the Sub-funds of the Company is designed and managed to support longer-term investment and active trading is discouraged. Short-term or excessive trading into and out of a Sub-fund may harm performance by disrupting portfolio management strategies and by increasing expenses. The ACD may at its discretion refuse to accept applications for, or switching of, Shares, especially where transactions are deemed disruptive, particularly from possible market timers or investors who, in its opinion, have a pattern of short-term or excessive trading or whose trading has been or may be disruptive to a Sub-fund. For these purposes, the ACD may consider an investor's trading history in the Sub-funds or other City Financial Investment Company Limited funds and accounts under common ownership or control.

## **2.2 The Structure of the Company**

### **2.2.1 The Sub-funds**

The Company is structured as an umbrella company, in that different Sub-funds may be established from time to time by the ACD with the approval of the FCA. On the introduction of any new Sub-fund or Class, a revised prospectus will be prepared setting out the relevant details of each Sub-fund or Class.

The Company is a UCITS scheme.

The assets of each Sub-fund will be treated as separate from those of every other Sub-fund and will be invested in accordance with the investment objective and investment policy applicable to that Sub-fund. Investment of the assets of each of the Sub-funds must comply with the Sourcebook and the investment objective and policy of the relevant Sub-fund. Details of the Sub-funds, including their investment objectives and policies, are set out in Appendix I.

The eligible securities markets and eligible derivatives markets on which the Sub-funds may invest are set out in Appendix II. A detailed statement of the general investment and borrowing restrictions in respect of each type of Sub-fund is set out in Appendix III.

The Sub-funds are segregated portfolios of assets and, accordingly, the assets of a Sub-fund belong exclusively to that Sub-fund and shall not be used or made available to discharge (directly or indirectly) the liabilities of, or claims against, any other person or body, including the Company and any other Sub-fund and shall not be available for any such purpose.

Subject to the above, each Sub-fund will be charged with the liabilities, expenses, costs and charges of the Company attributable to that Sub-

fund, and within each Sub-fund charges will be allocated between Classes in accordance with the terms of issue of Shares of those Classes. Any assets, liabilities, expenses, costs or charges not attributable to a particular Sub-fund may be allocated by the ACD in a manner which it believes is fair to the Shareholders generally. This will normally be pro rata to the Net Asset Value of the relevant Sub-funds.

Please also see paragraph 5.5 below "Liabilities of the Company and the Sub-funds".

## **2.2.2 Shares**

### **Classes of Share within the Sub-funds**

Shares will be issued in larger and smaller denominations. There are 1,000 smaller denomination Shares to each larger denomination Share. Smaller denomination Shares represent what, in other terms, might be called fractions of a larger Share and have proportionate rights.

Shares have no par value and, within each Class in each Sub-fund subject to their denomination, are entitled to participate equally in the profits arising in respect of, and in the proceeds of, the liquidation of the Company or termination of a relevant Sub-fund. Shares do not carry preferential or pre-emptive rights to acquire further Shares.

Further Classes of Share may be established from time to time by the ACD with the approval of the FCA, the agreement of the Depositary and in accordance with the Instrument of Incorporation. On the introduction of any new Sub-fund or Class, either a revised prospectus or a supplemental prospectus will be prepared, setting out the details of each Sub-fund or Class.

The currency in which each new Class of Shares will be denominated will be determined at the date of creation and set out in the Prospectus issued in respect of the new Class of Shares.

The net proceeds from subscriptions to a Sub-fund will be invested in the specific pool of assets constituting that Sub-fund. The Company will maintain for each current Sub-fund a separate pool of assets, each invested for the exclusive benefit of the relevant Sub-fund.

To the extent that any Scheme Property, or any assets to be received as part of the Scheme Property, or any costs, charges or expenses to be paid out of the Scheme Property, are not attributable to one Sub-fund only, the ACD will allocate such Scheme Property, assets, costs, charges

or expenses between Sub-funds in a manner which is fair to all Shareholders of the Company.

The Company may issue income and accumulation Shares in respect of each Sub-fund. Further details of the Shares presently available for each Sub-fund, including details of their criteria for subscription and fee structure, are set out in Appendix I.

A Regular Savings Plan is available on certain Classes of Share on certain Sub-funds. Details of which Share Classes and Sub-funds are set out in Appendix I.

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

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 relevant Sub-fund on the relevant interim and/or annual accounting dates. This is reflected in the price of an accumulation Share.

The Instrument of Incorporation allows gross income and gross accumulation Shares to be issued, as well as net income and net accumulation Shares, but currently only net income and net accumulation shares are in issue. 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. All references in this Prospectus are to net Shares unless otherwise stated.

Where a Sub-fund has different Classes, each Class may attract different charges and so monies may be deducted from the Scheme Property attributable to such Classes in unequal proportions. In these circumstances, the proportionate interests of the Classes within a Sub-fund will be adjusted accordingly.

Shareholders are entitled (subject to certain restrictions) to Switch all or part of their Shares in a Class or a Sub-fund for Shares of another Class within the same Sub-fund or for Shares of the same or another Class

within a different Sub-fund of the Company. Details of this switching facility and the restrictions are set out in paragraph 3.4 “Switching”.



### 3. **BUYING, REDEEMING AND SWITCHING SHARES**

The dealing office of the ACD is normally open from 8.30 a.m. to 5.30 p.m. (London time) on each Business Day to receive postal requests for the purchase, sale and switching of Shares. The ACD may vary these times at its discretion. Requests to deal in Shares may also be made by telephone on each Business Day (at the ACD's discretion) between 8.30 a.m. and 5.30 p.m. (London time) directly to the office of the ACD (telephone: 0845 300 2107 or such other number as published from time to time). The initial purchase must, at the discretion of the ACD, be accompanied by an application form.

The ACD will accept instructions to transfer or renunciation of title to shares on the basis of an authority communicated by electronic means and sent by the shareholder or delivered on their behalf by a person that is authorised by the FCA or regulated in another jurisdiction by an equivalent supervisory authority, subject to:

- a) prior agreement between the ACD and the person making the communication as to:
  - a. the electronic media by which such communications may be delivered; and
  - b. how such communications will be identified as conveying the necessary authority; and
- b) assurance from any person who may give such authority on behalf of the investor that they will have obtained the required appointment in writing from the shareholder.

Telephone calls will be recorded. The ACD may also, at its discretion, introduce further methods of dealing in Shares in the future.

In its dealings in Shares of the Sub-funds the ACD is dealing as principal. The ACD does not actively seek to make a profit from dealing in Shares as principal but does so in order to facilitate the efficient management of the Company. The ACD is not accountable to Shareholders for any profit it makes from dealing in Shares as principal.

#### 3.1 **Money Laundering**

As a result of legislation in force in the UK to prevent money laundering, the ACD is responsible for compliance with anti money laundering regulations. In order to implement these regulations, in certain circumstances investors may be asked to provide proof of identity when buying or redeeming Shares. Until satisfactory proof of identity is provided, the ACD reserves the right to refuse to issue Shares, pay the proceeds of redemption of Shares, or pay income on Shares to the

investor. In the case of a purchase of Shares where the applicant is not willing or is unable to provide the information requested within a reasonable period, the ACD also reserves the right to sell the Shares purchased and return the proceeds to the account from which the subscription was made. These proceeds may be less than the original investment.

## **3.2 Buying Shares**

### **3.2.1 Procedure**

Shares may be bought directly from the ACD or through a professional adviser or other intermediary. Any intermediary who recommends an investment in the Company to Shareholders may be entitled to receive commission from the ACD. An ongoing commission, based on the value of Shares held may also be paid to qualifying intermediaries. In addition, the ACD may from time to time make arrangements to allow Shares to be bought through other communication media. For details of dealing charges see paragraph 3.5 below. Application forms may be obtained from the ACD.

Valid applications to purchase Shares in a Sub-fund will be processed at the Share price calculated, based on the Net Asset Value per Share, at the next Valuation Point following receipt of the application, except in the case where dealing in a Sub-fund has been suspended as set out in paragraph 3.10.

The ACD, at its discretion, has the right to cancel a purchase deal if settlement is materially overdue and any loss arising on such cancellation shall be the liability of the applicant. For postal applications payment in full must accompany the instruction. At the ACD's discretion, payment for large purchases of Shares may be made by telegraphic transfer.

A purchase of Shares in writing or by telephone or any other communication media made available is a legally binding contract. Applications to purchase, once made are, except in the case where cancellation rights are applied, irrevocable. However, subject to its obligations under the Regulations, 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.

Any subscription monies remaining after a whole number of Shares have been issued will not be returned to the applicant. Instead, smaller

denomination Shares will be issued. A smaller denomination Share is equivalent to one thousandth of a larger denomination Share.

Applicants who have received advice may have the right to cancel their application to buy Shares at any time during the 14 days after the date on which they receive a cancellation notice from the ACD. If an applicant (except for those investors who subscribe through the Regular Savings Plan) decides to cancel the contract, and the value of the investment has fallen at the time the ACD receives the completed cancellation notice, they will not receive a full refund as an amount equal to any fall in value will be deducted from the sum originally invested. Investors who invest through the Regular Savings Plan will be entitled to cancel their first subscription only; if a Regular Saver decides to cancel their contract within 14 days after the date on which they receive the cancellation notice then they will receive back the full amount of their initial subscription. The ACD may extend cancellation rights to other investors but is under no obligation to do so.

### **3.2.2 Documents the buyer will receive**

A confirmation giving details of the number and price of Shares bought will be issued no later than the end of the Business Day following the Valuation Point by reference to which the price is determined, together with, where appropriate, a notice of the applicant's right to cancel.

Registration of Shares can only be completed by the ACD upon receipt of any required registration details. These details may be supplied in writing to the ACD or by returning to the ACD the properly completed registration form and copy of the confirmation.

Settlement is due within four Business Days of the Valuation Point. An order for the purchase of Shares will only be deemed to have been accepted by the ACD once it is in receipt of cleared funds for the application. If settlement is not made within a reasonable period, then the ACD has the right to cancel any Shares issued in respect of the application.

Share certificates will not be issued in respect of Shares. Ownership of Shares will be evidenced by an entry on the Register. Tax vouchers in respect of periodic distributions on Shares will show the number of Shares held by the recipient.

### **3.2.3 Regular Savings Plan**

The ACD may make available certain Classes of Shares of any Sub-fund through the Regular Savings Plan (details of current Classes of Shares

and Sub-funds which are available are shown in Appendix I). Further information on how to invest through the Regular Savings Plan is available from the ACD.

#### **3.2.4 Minimum Subscriptions and Holdings**

The minimum initial subscriptions, subsequent subscriptions and holdings levels for each Class of Share in a Sub-fund are set out in Appendix I.

The ACD may at its sole discretion accept subscriptions and/or holdings lower than the minimum amount(s).

If following a redemption, Switch or transfer, a holding in any Class of Share should fall below the minimum holding for that Class, the ACD has the discretion to effect a redemption of that Shareholder's entire holding in that Class of Share. The ACD may use this discretion at any time. Failure not to do so immediately after such redemption, Switch or transfer does not remove this right.

### **3.3 Redeeming Shares**

#### **3.3.1 Procedure**

Every Shareholder is entitled on any Dealing Day to redeem its Shares, which shall be purchased by the ACD dealing as principal.

Valid instructions to the ACD to redeem Shares in a Sub-fund will be processed at the Share price calculated, based on the Net Asset Value per Share, at the next Valuation Point following receipt of the instruction, except in the case where dealing in a Sub-fund has been suspended as set out in paragraph 3.10.

A redemption instruction in respect of Shares in writing or by telephone or any other communication media made available is a legally binding contract. However, an instruction to the ACD to redeem Shares, although irrevocable, may not be settled by either the Company or the ACD if the redemption represents Shares where the money due on the earlier purchase of those Shares has not yet been received or if insufficient documentation or anti-money laundering information has been received by the ACD.

For details of dealing charges see paragraph 3.5 below.

### **3.3.2 Documents a redeeming Shareholder will receive**

A confirmation giving details of the number and price of Shares redeemed will be sent to the redeeming Shareholder (or the first named Shareholder, in the case of joint Shareholders) together with (if sufficient written instructions have not already been given) a form of renunciation for completion and execution by the Shareholder (or, in the case of a joint holding, by all the joint Shareholders) no later than the end of the Business Day following the later of the request to redeem Shares or the Valuation Point by reference to which the price is determined.

Payment of redemption proceeds will normally be made by cheque to the first named Shareholder (at their risk), or, at the ACD's discretion, via telegraphic transfer in accordance with any instruction received (the ACD may recover any bank charge levied on such transfers). Instructions to make payments to third parties (other than intermediaries associated with the redemption) will not normally be accepted.

Such payment will be made within four Business Days of the later of (a) receipt by the ACD of the form of renunciation (or other sufficient written instructions) duly signed and completed by all the relevant Shareholders together with any other documentation and appropriate evidence of title, any required anti-money laundering related documentation, and (b) the Valuation Point following receipt by the ACD of the request to redeem.

Currently the ACD will not accept instructions to transfer or renounce title to Shares on the basis of an authority communicated by electronic means.

### **3.3.3 Minimum Redemption**

Part of a Shareholder's holding may be redeemed but the ACD reserves the right to refuse a redemption request if the value of the Shares of any Sub-fund to be redeemed is less than the minimum stated in respect of the appropriate Class in the Sub-fund in question (see Appendix I).

## **3.4 Switching**

Subject to any restrictions on the eligibility of investors for a particular Share Class, a Shareholder in a Sub-fund may at any time Switch all or some of his Shares of one Class or Sub-fund ("the Original Shares") for Shares of another Class or Sub-fund ("the New Shares") in the Company. The number of New

Shares issued will be determined by reference to the respective prices of New Shares and Original Shares at the Valuation Point applicable at the time the Original Shares are redeemed and the New Shares are issued.

Telephone switching instructions may be given but Shareholders are required to provide written instructions to the ACD (which, in the case of joint Shareholders, must be signed by all the joint Shareholders) before switching is effected.

The ACD may at its discretion make a charge on the switching of Shares between Sub-funds or Classes. Any such charge on switching does not constitute a separate charge payable by a Shareholder, but is rather the application of any redemption charge on the Original Shares and any initial charge on the New Shares, subject to certain waivers. For details of the charges on switching currently payable, please see paragraph 3.5.3 "Charges on Switching".

If a partial Switch would result in the Shareholder holding a number of Original Shares or New Shares of a value which is less than the minimum holding in the Class concerned, the ACD may, if it thinks fit, convert the whole of the applicant's holding of Original Shares to New Shares (and make a charge on switching on such conversion) or refuse to effect any Switch of the Original Shares. Save as otherwise specifically set out, the general provisions on procedures relating to redemption will apply equally to a Switch. Written instructions must be received by the ACD before the Valuation Point on a Dealing Day in the Sub-fund or Sub-funds concerned to be dealt with at the prices at the Valuation Point on that Dealing Day or at such other Valuation Point as the ACD at the request of the Shareholder giving the relevant instruction may agree. Switching requests received after a Valuation Point will be held over until the next day which is a Dealing Day in each of the relevant Sub-fund or Sub-funds.

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 Sourcebook.

**Please note that under UK tax law a Switch of Shares in one Sub-fund for Shares in any other Sub-fund is treated as a redemption of the Original Shares and a purchase of New Shares and will, for persons subject to taxation, be a realisation of the Original Shares for the purposes of capital gains taxation, which may give rise to a liability to tax, depending upon the Shareholder's circumstances.**

**A Shareholder who Switches Shares in one Sub-fund for Shares in any other Sub-fund (or who Switches between Classes of Shares) will not be given a right by law to withdraw from or cancel the transaction.**

### 3.5 **Dealing Charges**

The price per Share at which Shares are bought, redeemed or switched is the Net Asset Value per Share. Any initial charge or redemption charge, (or dilution levy or SDRT on a specific deal, if applicable) is payable in addition to the price or deducted from the proceeds and is taken from the gross subscription or redemption monies.

#### 3.5.1 **Initial Charge**

The ACD may impose a charge on the purchase of Shares in each Class. The current initial charge is calculated as a percentage of the amount invested by a potential Shareholder in respect of each Sub-fund is set out in Appendix I. The ACD may waive or discount the initial charge at its discretion.

The initial charge (which is deducted from subscription monies) is payable by the Shareholder to the ACD.

The current initial charge of a Class may only be increased in accordance with the Regulations.

From the initial charge received, or out of its other resources, the ACD may pay a commission to relevant intermediaries including the Investment Manager and its Associates.

#### 3.5.2 **Redemption Charge**

The ACD may make a charge on the redemption of Shares in each Class. At present, no redemption charge is levied.

The ACD may only introduce a redemption charge in accordance with the Regulations. Also, if such a charge was introduced, it would not apply to Shares issued before the date of the introduction (i.e. those not previously subject to a redemption charge).

#### 3.5.3 **Charges on Switching**

On the switching of Shares between Sub-funds or Classes in the Company the Instrument of Incorporation authorises the Company to impose a charge on switching. If a redemption charge is payable in respect of the Original Shares, this may become payable instead of, or as well as, the then prevailing initial charge for the New Shares. The charge on switching is payable by the Shareholder to the ACD.

The ACD's current policy is to only levy a charge on switching between Sub-funds that is no more than the initial charge for the New Shares as

specified in Appendix I. There is currently no charge for switching Shares in one Class of a Sub-fund for Shares in another Class of the same Sub-fund.

#### 3.5.4 **Dilution Levy**

The actual cost of purchasing, selling or switching underlying investments in a Sub-fund may deviate from the mid-market value used in calculating its Share price, due to dealing charges, taxes, and any spread between buying and selling prices of the Sub-fund's underlying investments. These dealing costs could have an adverse effect on the value of a Sub-fund, known as "dilution". In order to mitigate the effect of dilution the Regulations allow the ACD to make a dilution levy on the purchase, redemption or Switch of Shares in a Sub-fund. A dilution levy is a separate charge of such amount or at such rate as is determined by the ACD to be made for the purpose of reducing the effect of dilution. This amount is not retained by the ACD, but is paid into the relevant Sub-fund.

The dilution levy is calculated by reference to the costs of dealing in the underlying investments of the relevant Sub-fund, including any dealing spreads, commission and transfer taxes.

The need to charge a dilution levy will depend on the volume of purchases and redemptions. It is not possible to predict accurately whether dilution would occur at any point in time.

The ACD's policy is that it may require a dilution levy on the purchase and redemption of Shares if, in its opinion, the existing Shareholders (for purchases) or remaining Shareholders (for redemptions) might otherwise be adversely affected. For example, the dilution levy may be charged in the following circumstances: where the Scheme Property of a Sub-fund is in continual decline; on a Sub-fund experiencing large levels of net purchases relative to its size; on "large deals" (typically being a purchase or redemption of Shares to a size exceeding 5% of the Net Asset Value of the relevant Sub-fund); in any case where the ACD is of the opinion that the interests of existing or remaining Shareholders require the imposition of a dilution levy.

This policy is intended to mitigate the dilutive effect of Shareholder transactions on the future growth of the Company.

Based on future projections and on its experience of managing the Company the ACD is unlikely to impose a dilution levy unless it considers



that the dealing costs relating to a Shareholder transaction are significant and will have a material impact on the relevant Sub-fund.

If a dilution levy is required then, based on future projections, the estimated rate of such a levy would be up to 0.75%.

The ACD may alter its current dilution policy in accordance with the procedure set out in the Regulations. Should the ACD require implementation of the dilution levy the ACD, in its absolute discretion, may waive or reduce any dilution levy.

#### **3.5.5 Stamp Duty Reserve Tax ("SDRT")**

SDRT is charged on the surrender of Shares to the Company and on certain transfers of Shares. The SDRT due is calculated at the rate of 0.5 per cent. of the market value of the Shares surrendered. This charge is subject to reduction in accordance with reliefs available from time to time.

The current policy is that all SDRT costs will be paid out of the Company's Scheme Property and charged to capital. SDRT will not be recovered from Shareholders. However, the ACD reserves the right to require Shareholders to pay SDRT whenever it considers that the circumstances have arisen which make such imposition fair to all Shareholders or potential Shareholders. The ACD may impose an SDRT provision on large deals when no SDRT provision is imposed on smaller deals or which is larger than that imposed on smaller deals. A "large deal" is a transaction (or a series of transactions in one dealing period) by any person to buy, sell or exchange Shares of £15,000 or more. In the event there is a change in this policy the ACD will give prior notification of such change to Shareholders prior to it taking effect.

Since the authorisation of the Company to the date of this Prospectus it has not been necessary to recover any SDRT from Shareholders on any dealings in the Shares. Although it cannot be guaranteed, it is the opinion of the ACD that SDRT will rarely be recovered from Shareholders on the sale of Shares. This statement is based on the ACD's current policy for SDRT as detailed above. If imposed on a particular deal the maximum provision for SDRT shall always be equivalent to the current rate of SDRT.

### **3.6 Transfers**

Shareholders are entitled to transfer their Shares to another person or body. All transfers must be in writing in the form of an instrument of transfer approved by the ACD for this purpose. Completed instruments of transfer must be returned to

the ACD in order for the transfer to be registered by the ACD. The ACD may refuse to register a transfer unless any provision for SDRT due has been paid.

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

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

If it comes to the notice of the ACD that any Shares ("affected Shares"):

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

the ACD may give notice to the Shareholder(s) of the affected Shares requiring the transfer of such Shares to a person who is qualified or entitled to own them or that a request in writing be given for the redemption of such Shares in accordance with the Sourcebook. If any Shareholder upon whom such a notice is served does not within 30 days after the date of such notice transfer his affected Shares to a person qualified to own them or submit a written request for their redemption to the ACD or establish to the satisfaction of the ACD (whose judgement is final and binding) that he or the beneficial owner is qualified and entitled to own the affected Shares, he shall be deemed upon the expiry 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.

A Shareholder who becomes aware that he is holding or owns affected Shares shall immediately, unless he has already received a notice as set out above, either

transfer all his affected Shares to a person qualified to own them or submit a request in writing to the ACD for the redemption of all his affected Shares.

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

### **3.8 Issue of Shares in exchange for in Specie Assets**

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

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

The ACD will not issue Shares in any Sub-fund in exchange for assets the holding of which would be inconsistent with the investment objective or policy of that Sub-fund.

### **3.9 In Specie Redemptions**

If a Shareholder requests the redemption of Shares the ACD may, where it considers that deal to be substantial in relation to the total size of a Sub-fund or in some way detrimental to a Sub-fund, arrange for scheme property having the appropriate value to be transferred to the Shareholder (an 'in specie transfer'), in place of payment for the Shares in cash. Before the redemption is effected, the ACD must give written notice to the Shareholder of the intention to make an in specie transfer, so that the Shareholder can require the net proceeds from the sale of the relevant scheme property (rather than the scheme property itself) if the Shareholder so desires.

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

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

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 the Company is 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 certain of the obligations in the Sourcebook are disapplied but the ACD will comply with as much of the Sourcebook 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.

### **3.11 Governing Law**

All deals in Shares are governed by the law of England and Wales.

## **4. VALUATION OF THE COMPANY**

### **4.1 General**

The price of a Share is calculated by reference to the Net Asset Value of the Sub-fund to which it relates. The Net Asset Value per Share of the Sub-funds is currently calculated at 12:00 midday (London time) (this being the Valuation Point) on each Dealing Day.

The ACD may at any time during a Business Day carry out an additional valuation if it considers it desirable to do so. The ACD shall inform the Depositary of any decision to carry out any such additional valuation. Valuations may be carried out for effecting a scheme of amalgamation or reconstruction which do not create a Valuation Point for the purposes of dealings. Where permitted and subject to the Regulations, the ACD may, in certain circumstances (for example where a significant event has occurred since the closure of a market) substitute a price with a more appropriate price which in its opinion reflects a fair and reasonable price for that investment.

The ACD will, upon completion of each valuation, notify the Depositary of the price of Shares, of each Class of each Sub-fund and the amount of any dilution levy applicable in respect of any purchase or redemption of Shares.

A request for dealing in Shares must be received by the Valuation Point on a particular Dealing Day in order to be processed on that Dealing Day. A dealing request received after this time will be held over and processed on the next Dealing Day, using the Net Asset Value per Share calculated as at the Valuation Point on that next Dealing Day.

### **4.2 Calculation of the Net Asset Value**

The value of the Scheme Property shall be the value of its assets less the value of its liabilities determined in accordance with the following provisions:

- 4.2.1 All the Scheme Property (including receivables) is to be included, subject to the following provisions.
- 4.2.2 Scheme Property which is not cash (or other assets dealt with in paragraph 4.2.2.4 below) or a contingent liability transaction shall be valued as follows and the prices used shall (subject as follows) be the most recent prices which it is practicable to obtain:
  - 4.2.2.1 Units or shares in a collective investment scheme:
    - (a) if a single price for buying and redeeming units or shares is quoted, at that price; or

- (b) 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
  - (c) if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no recent price exists 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;
- 4.2.2.2 Any other transferable security:
  - (a) if a single price for buying and redeeming the security is quoted, at that price; or
  - (b) if separate buying and redemption prices are quoted, at the average of the two prices; or
  - (c) if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no recent price exists or if the most recent price available does not reflect the ACD's best estimate of the value of the security, at a value which, in the opinion of the ACD, is fair and reasonable;
- 4.2.2.3 Scheme Property other than that described in paragraphs 4.2.2.1 and 4.2.2.2 above, at a value which, in the opinion of the ACD, is fair and reasonable;
- 4.2.2.4 Cash and amounts held in current and deposit accounts and in other time related deposits shall be valued at their nominal values.
- 4.2.3 Scheme Property which is a contingent liability transaction shall be treated as follows:
  - 4.2.3.1 if it is a written option (and the premium for writing the option has become part of the Scheme Property), deduct the amount of the net valuation of premium receivable. If the Scheme Property is an off exchange option the method of valuation shall be agreed between the ACD and the Depositary;

- 4.2.3.2 if it is an off exchange future, include it at the net value of closing out in accordance with a valuation method agreed between the ACD and the Depositary;
  - 4.2.3.3 if it is any other form of contingent liability transaction, include it at the net value of margin on closing out (whether as a positive or negative value). If the Scheme Property is an off exchange derivative, include it at a valuation method agreed between the ACD and the Depositary.
- 4.2.4 In determining the value of the Scheme Property, all instructions given to issue or cancel Shares shall be assumed to have been carried out (and any cash paid or received) whether or not this is the case.
- 4.2.5 Subject to paragraphs 4.2.6 and 4.2.7 below, agreements for the unconditional sale or purchase of Scheme Property which are in existence but uncompleted shall be assumed to have been completed and all consequential action required to have been taken. Such unconditional agreements need not be taken into account if made shortly before the valuation takes place and if, in the opinion of the ACD, their omission will not materially affect the final net asset amount.
- 4.2.6 Futures or contracts for differences which are not yet due to be performed and unexpired and unexercised written or purchased options shall not be included under paragraph 4.2.5.
- 4.2.7 All agreements are to be included under paragraph 4.2.5 which are, or ought reasonably to have been, known to the person valuing the Scheme Property.
- 4.2.8 Deduct an estimated amount for anticipated tax liabilities at that point in time including (as applicable and without limitation) capital gains tax, income tax, corporation tax, VAT, stamp duty, SDRT and any foreign taxes or duties.
- 4.2.9 Deduct an estimated amount for any liabilities payable out of the Scheme Property and any tax or duty thereon, treating periodic items as accruing from day to day.
- 4.2.10 Deduct the principal amount of any outstanding borrowings whenever repayable and any accrued but unpaid interest on borrowings.
- 4.2.11 Add an estimated amount for accrued claims for tax of whatever nature which may be recoverable.

- 4.2.12 Add any other credits or amounts due to be paid into the Scheme Property.
- 4.2.13 Add a sum representing any interest or any income accrued due or deemed to have accrued but not received.
- 4.2.14 Currencies or values in currencies other than Sterling shall be converted at the relevant Valuation Point at a rate of exchange that is not likely to result in any material prejudice to the interests of Shareholders or potential Shareholders.

#### **4.3 Price per Share in each Sub-fund and each Class**

The price per Share at which Shares are bought or are redeemed is the Net Asset Value per Share. Any initial charge or redemption charge, (or dilution levy or SDRT on a specific deal, if applicable) is payable in addition to the price or deducted from the proceeds and is taken from the gross subscription or redemption monies.

Each allocation of income made in respect of any Sub-fund at a time when more than one Class is in issue in respect of that Sub-fund shall be done by reference to the relevant Shareholder's proportionate interest in the income property of the Sub-fund in question calculated in accordance with the Instrument of Incorporation.

#### **4.4 Pricing Basis**

The ACD deals on a forward pricing basis. A forward price is the price calculated at the next Valuation Point after the purchase or redemption is deemed to be accepted by the ACD. Shares in the Company are single priced.

#### **4.5 Publication of Prices**

The prices of all Shares are currently published on [www.fundlistings.com](http://www.fundlistings.com). Prices of Shares may also be obtained by calling 0845 300 2107 during the ACD's normal business hours. As the ACD deals on a forward pricing basis, the price that appears in these sources will not necessarily be the same as the one at which investors can currently deal. The ACD may also, at its sole discretion, decide to publish certain Share prices in other third party websites or publications but the ACD does not accept responsibility for the accuracy of the prices published in, or for the non-publication of prices by, these sources for reasons beyond the control of the ACD.



## 5. **RISK FACTORS**

Potential investors should consider the following risk factors before investing in the Company (or in the case of specific risks applying to specific Sub-funds, in those Sub-funds).

### 5.1 **General**

The investments of the Company are subject to normal market fluctuations and other risks inherent in investing in securities. There can be no assurance that any appreciation in the value of investments will occur. The value of investments and the income derived from them may fall as well as rise and investors may not recoup the original amount they invest in the Company. There is no certainty that the investment objective of the Sub-funds will actually be achieved and no warranty or representation is given to this effect. The level of any yield for a Sub-fund may be subject to fluctuations and is not guaranteed. There will be a variation in performance between funds with similar objectives due to the different assets selected.

The entire market of a particular asset class or geographical sector may fall, having a more pronounced effect on funds heavily invested in that asset class or region.

### 5.2 **Effect of Initial Charge or Redemption Charge**

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

In particular, where a redemption charge is payable, investors should note that the percentage rate at which the redemption charge is calculated is based on the market value rather than the initial value of the Shares. If the market value of the Shares has increased the redemption charge will show a corresponding increase. Currently there is no redemption charge levied on Shares.

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

### 5.3 **Dilution**

A Sub-fund may suffer a reduction in the value of its Scheme Property due to dealing costs incurred when buying and selling investments. To offset this dilution effect the ACD may require the payment of a dilution levy in addition to the price of Shares when bought or as a deduction when sold.

#### 5.4 **Suspension of Dealings in Shares**

Investors are reminded that in certain circumstances their right to redeem Shares (including a redemption by way of switching) may be suspended.

#### 5.5 **Liabilities of the Company and the Sub-funds**

As explained in paragraph 2.2.1 where, 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.

#### 5.6 **Derivatives**

**The Investment Manager may employ derivatives including forward transactions for investment purposes in the pursuit of the investment objectives as stated in this Prospectus and in accordance with its risk management policy. Should the ACD and the Investment Manager invest in derivatives and forward transactions for investment purposes, the Net Asset Value of the Sub-funds may at times be moderately volatile (in the absence of compensating investment techniques) and the risk profile of the Sub-funds may change. However, it is the Investment Manager's intention that the Company, owing to its portfolio composition, or the portfolio management techniques used, will not have volatility over and above the general market volatility of the markets of their underlying investments. All Sub-funds are able to use derivatives for investment purposes with the exception of the City Financial UK Select Opportunities Fund.**

**The Investment Manager may also employ derivatives for the purposes of hedging with the aim of reducing the risk profile of the Sub-funds, or reducing costs, or generating additional capital or income, in accordance with Efficient Portfolio Management ("EPM").**

**To the extent that derivative instruments are utilised for hedging purposes, the risk of loss to the Sub-funds may be increased where the value of the derivative instrument and the value of the security or position which it is hedging are insufficiently correlated.**

For more information in relation to investment in derivatives, please see paragraphs 16 and 17 in Appendix III.

## **5.7 Smaller Companies**

Investments in smaller companies may be more volatile than investments in larger companies. The Sub-funds may be significantly invested in smaller companies from time to time.

## **5.8 Inflation and Interest Rates**

The real value of any returns that an investor may receive from the Fund could be affected by interest rates and inflation over time.

## **5.9 Credit and Fixed Interest Securities**

Fixed interest securities are particularly affected by trends in interest rates and inflation. If interest rates go up, the value of capital may fall, and vice versa. Inflation will also decrease the real value of capital.

The value of a fixed interest security may fall in the event of the default or reduced credit rating of the issuer. Generally, the higher the rate of yield, the higher the perceived credit risk of the issuer. High yield bonds with lower credit ratings (also known as sub-investment grade bonds) are potentially more risky (higher credit risk) than investment grade bonds. A sub-investment grade bond has a Standard & Poor's credit rating of below BBB or equivalent. BBB is described as having adequate capacity to meet financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the bond issuer to meet its financial commitments.

## **5.10 Counterparty Risk in Over-the-Counter (OTC) Markets**

The Company on behalf of a Sub-fund may enter into transactions in over-the-counter markets, which will expose the Sub-funds to the credit of its counterparties and their ability to satisfy the terms of such contracts. For example, the Company on behalf of the Sub-funds may enter into agreements or use other derivative techniques, each of which expose the Sub-funds to the risk that the counterparty may default on its obligations to perform under the relevant contract. In the event of a bankruptcy or insolvency of a counterparty, the Sub-funds could experience delays in liquidating the position and significant losses, including declines in the value of its investment during the period in which the Company seeks to enforce its rights, inability to realise any gains on its investment during such period and fees and expenses incurred in enforcing its rights. There is also a possibility that the above agreements and derivative techniques are terminated due, for instance, to bankruptcy, supervening illegality or change in the tax or accounting laws relative to those at the time the

agreement was originated. In such circumstances, investors may be unable to cover any losses incurred.

#### **5.11 Alternative Investments**

Alternative investment products, including hedge funds and managed futures, involve a high degree of risk. They often engage in gearing and other speculative investment practices that may increase the risk of investment loss, can be highly illiquid and may not provide periodic pricing or valuation information to investors.

They may involve complex tax structures and delays in distributing important tax information. They are often not subject to the same regulatory requirements as mutual funds, often charge high fees which may offset any trading profits, and in many cases the underlying investments are not transparent and are known only to the Investment Manager.

Alternative investment performance can be volatile with the potential to lose all or a substantial amount of an investment. There is often no secondary market for an investor's interest in alternative investments, with no expectation one will develop. There may be restrictions on transferring interests in any alternative investment.

#### **5.12 Liquidity**

Depending on the types of assets the Sub-fund invests in there may be occasions where there is an increased risk that a position cannot be liquidated in a timely manner at a reasonable price.

#### **5.13 Custody**

There may be a risk of loss where the assets of the Sub-funds are held in custody that could result from the insolvency, negligence or fraudulent action of a custodian or sub-custodian.

#### **5.14 Currency**

Currency fluctuations may adversely affect the value of the Sub-fund's investments and the income thereon and, depending on an investor's currency of reference, currency fluctuations may adversely affect the value of his investment in Shares.

#### **5.15 Counterparty and Settlement**

The Company will be exposed to a credit risk on parties with whom it trades and will also bear the risk of settlement default.

#### 5.16 **Tax**

Tax laws currently in place may change in the future which could affect the value of your investments.

#### 5.17 **Higher Volatility and Concentrated Sub-funds**

Where a Sub-fund holds a limited number of securities, and one or more of those securities declines in value or is otherwise adversely affected, this may have a more pronounced effect on that Sub-fund's NAV than if a larger number of securities were held. The Sub-funds may invest directly in a particular type of asset, industry, or geographical preference, or indirectly via other funds, with such concentration potentially giving rise to a volatile Share price. Accordingly, investment by a Sub-fund may be subject to sudden and large falls in value and the Sub-fund may not get back the full amount originally invested.

## **6. MANAGEMENT AND ADMINISTRATION**

### **6.1 Regulatory Status**

The ACD, the Depositary and the Investment Manager are authorised and regulated by the Financial Conduct Authority of 25 The North Colonnade, Canary Wharf, London E14 5HS.

### **6.2 Authorised Corporate Director**

#### **6.2.1 General**

The ACD is City Financial Investment Company Limited which is a private company limited by shares incorporated in England and Wales on 18 August 1986.

The directors of the ACD are:-

Robert C. Hain  
Andrew N. Williams  
John P. Hollihan  
Michael L. Stein  
David R. Beatty

The ACD is responsible for managing and administering the Company's affairs in compliance with the Sourcebook. The ACD may delegate its management and administration functions, but not responsibility, to third parties, including associates subject to the rules in the Sourcebook.

#### **6.2.2 Terms of Appointment**

The appointment of the ACD has been made under an agreement between the Company and the ACD, as amended from time to time (the "ACD Agreement").

Pursuant to the ACD Agreement, the ACD manages and administers the affairs of the Company in accordance with the Regulations, the Instrument of Incorporation and this Prospectus. The ACD Agreement incorporates detailed provisions relating to the ACD's responsibilities.

The ACD Agreement may be terminated by either party after the expiry of three years from the date of incorporation of the Company on not less than twelve months written notice or earlier upon the happening of certain specified events. The ACD Agreement contains detailed provisions relating to the responsibilities of the ACD and excludes it from any liability to the Company or any Shareholder for any act or omission except in the case of negligence, wilful default, breach of duty or breach of trust in relation to the Company on its part. The ACD Agreement provides indemnities to the ACD to the extent allowed by the Regulations and other than for matters arising by reason of its negligence, wilful default, breach of

duty or breach of trust in the performance of its duties and obligations. Subject to certain limited exceptions set out in the Regulations, the ACD may retain the services of any person to assist it in the performance of its functions.

Details of the fees payable to the ACD are set out in paragraph 7.3 "Charges payable to the ACD" below.

The ACD is also under no obligation to account to the Depositary, the Company or the Shareholders for any profit it makes on the issue or re-issue or cancellation of Shares which it has redeemed.

The Company has no directors other than the ACD. The ACD is the manager of certain authorised unit trusts and open-ended investment companies details of which are set out in Appendix IV.

### **6.3 The Depositary**

#### **6.3.1 General**

The Depositary of the Company is BNY Mellon Trust & Depositary (UK) Limited (registered no. 3588038), a private company limited by shares incorporated in England and Wales on 25 June 1998. Its ultimate holding company is The Bank of New York Mellon Corporation. Its registered office is at The Bank of New York Mellon Centre, 160 Queen Victoria Street, London EC4V 4LA. The principal business activity of the Depositary is acting as a trustee and depositary. It is authorised and regulated by the Financial Conduct Authority.

The Depositary is responsible for the safekeeping of all the Scheme Property (other than tangible moveable property) of the Company and has a duty to take reasonable care to ensure that the Company is managed in accordance with the Instrument of Incorporation and the provisions of the Sourcebook relating to the pricing of, and dealing in, Shares and relating to the income and the investment and borrowing powers of the Sub-funds.

#### **6.3.2 Terms of Appointment**

The appointment of the Depositary has been made under an agreement between the Company, the ACD and the Depositary, (the "Depositary Agreement").

Subject to the Sourcebook, the Depositary has full power under the Depositary Agreement to delegate (and authorise its delegate to sub-delegate) all or any part of its duties as depositary.

The terms of the Depositary Agreement between the Company, the ACD and the Depositary provide that the Depositary be engaged to maintain the safe custody of the Scheme Property and to fulfil other duties required in the Regulations, which include the taking of reasonable care to ensure that the Company is

managed in accordance with those parts of the Regulations that concern pricing and dealing in Shares of the Company, income and compliance of the Company with its investment and borrowing powers. Under the Agreement the Depositary has the power to appoint a custodian and may include in such powers of sub-delegation. The Depositary has appointed The Bank of New York Mellon SA/NV under a custody agreement dated 1 October 2011.

The Depositary will not be held liable for any loss incurred by it, or through any of its agents in carrying out its obligations or functions, unless such loss arises from its negligence, fraud or wilful default.

The Depositary Agreement provides indemnities to the Depositary to the extent allowed by the Regulations and except in respect of its failure to exercise due care and diligence or in the event of its negligence, fraud or wilful default.

The Depositary is entitled to receive remuneration out of the Scheme Property for its services, as explained in paragraph 7.4 "Depositary's fee and expenses" below. The Depositary is under no obligation to account to the ACD, the Company or the Shareholders for any profits or benefits it makes or receives that are made or derived from or in connection with its role as depositary.

#### **6.4 The Investment Manager**

The ACD has appointed its in-house management team to provide investment management services to the Company.

#### **6.5 The Administrator**

The ACD has appointed Capita Financial Administrators Limited (the "Administrator") to provide administration services to the ACD by an agreement dated January 2006 (the "Administration Agreement"). The Administration Agreement may be terminated on 6 months' written notice by the Administrator or the ACD following a period of 3 years. The principal activity of the Administrator is the provision of administration services. The Administrator is regulated by the Financial Conduct Authority.

#### **6.6 The Registrar**

##### **6.6.1 General**

On behalf of the Company the ACD has also appointed Capita Financial Administrators Limited to act as registrar to the Company.

The registered office of the Registrar is 17 Rochester Row, Westminster, London, SW1P 1QT.



The Register is maintained and kept at 2 The Boulevard, City West One Office Park, Gelderd Road, Leeds LS12 6NT.

#### **6.6.2 Register of Shareholders**

The Register of Shareholders will be maintained by the Registrar at the address of its office as noted above, and may be inspected at that address or the principal place of business of the ACD during normal business hours by any Shareholder or any Shareholder's duly authorised agent.

The plan register, where applicable, (being a record of persons who subscribe for Shares through Individual Savings Accounts (ISAs) can be inspected at the office of the Registrar).

#### **6.7 The Auditors**

The auditors of the Company are Grant Thornton UK LLP, whose address is 30 Finsbury Square, London, EC2P 2YU.

#### **6.8 Conflicts of Interest**

The ACD and / or the Investment Manager may , from time to time, act as investment managers or advisers to other funds or sub-funds which follow similar investment objectives to those of the Sub-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 act as the depositary of other open-ended investment companies and as trustee or custodian of other collective investment schemes.

## 7. **FEES AND EXPENSES**

7.1 The expenses of the City Financial UK Select Opportunities Fund are set out in this section 7. Any reference to the Company in Section 7 shall be construed as meaning the City Financial UK Select Opportunities Fund. The expenses of the other Sub-funds are set out in Schedule VI. Any reference to the Company in Schedule VI shall be construed as references to the Sub-funds other than the City Financial UK Select Opportunities Fund.

### 7.2 **Ongoing**

All costs, charges, fees or expenses, other than the charges made in connection with the subscription and redemption of Shares (see paragraph 3.5) payable by a Shareholder or out of Scheme Property are set out in this section.

The Company (as the case may be) may, so far as the Sourcebook allows, also pay out of the Scheme Property all relevant costs, charges, fees and expenses including the following:

- 7.2.1 broker's commission, fiscal charges (including stamp duty and/or stamp duty reserve tax) and other disbursements which are necessary to be incurred in effecting transactions for the Sub-fund and normally shown in contract notes, confirmation notes and difference accounts as appropriate;
- 7.2.2 fees and expenses in respect of establishing and maintaining the register of Shareholders, including any sub-registers kept for the purpose of the administration of (when applicable) Individual Savings Accounts, are payable quarterly out of the property of the Sub-funds;
- 7.2.3 any costs incurred in or about the listing of Shares in the Company on any Stock Exchange, and the creation, conversion and cancellation of Shares;
- 7.2.4 any costs incurred by the Company in publishing the price of the Shares in a national or other newspaper or any other form of media;
- 7.2.5 any costs incurred in producing and dispatching any payments made by the Company, or the yearly and half-yearly reports of the Company;
- 7.2.6 any fees, expenses or disbursements of any legal or other professional adviser of the Company;
- 7.2.7 any costs incurred in taking out and maintaining an insurance policy in relation to the Company;

- 7.2.8 any costs incurred in respect of meetings of Shareholders convened for any purpose;
- 7.2.9 any payment permitted by clause 6.7.15 of the Sourcebook;
- 7.2.10 interest on borrowings and charges incurred in effecting or terminating such borrowings or in negotiating or varying the terms of such borrowings;
- 7.2.11 taxation and duties payable in respect of the Scheme Property or the issue or redemption of Shares;
- 7.2.12 the audit fees of the Auditors (including VAT) and any expenses of the Auditors;
- 7.2.13 the fees of the FCA, in accordance with the FCA's Fee Manual, together with any corresponding periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which Shares in the Company are or may be marketed;
- 7.2.14 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;
- 7.2.15 the total amount of any cost relating to the authorisation and incorporation of the Company and of its initial offer or issue of Shares;
- 7.2.16 any costs incurred which are associated with independent risk monitoring or daily "value at risk" or "VaR" calculations (part of the risk monitoring process);
- 7.2.17 any costs incurred in preparing, translating, producing (including printing), distributing and modifying the instrument of incorporation, the prospectus, the key investor information document (apart from the costs of distributing the key investor information document) or reports, accounts, statements, contract notes and other like documentation or any other relevant document required under the Regulations;
- 7.2.18 the direct establishment costs of a Sub-fund launched subsequent to 29 July 2011, which are payable from the Scheme Property of that Sub-fund;
- 7.2.19 any payments otherwise due by virtue of the Regulations; and
- 7.2.20 any value added or similar tax relating to any charge or expense set out herein.

The ACD is also entitled to be paid by the Company out of the Scheme Property any expenses incurred by the ACD or its delegates of the kinds described above including the costs incurred by the ACD in connection with the formation of the Company and any subsequent sub-funds of the Company.

Expenses are allocated between capital and income in accordance with the Regulations. However, the approach for a given Sub-fund is set out in Appendix I. Where expenses are deducted in the first instance from income if and only if this is insufficient, deductions will be made from capital (save for any charge made in respect of SDRT under paragraph 3.5.5 "Stamp Duty Reserve Tax"). If deductions were made from capital, this would result in capital erosion and constrain growth.

### **7.3 Charges payable to the ACD**

#### **7.3.1 Annual Management Charge**

In payment for carrying out its duties and responsibilities the ACD is entitled to take an annual fee out of the City Financial UK Select Opportunities Fund as set out in Appendix I. The annual management charge will accrue on a daily basis in arrears by reference to the Net Asset Value of the Sub-fund on the immediately preceding Dealing Day and the amount due for each month is payable on the last Dealing Day of each month. The current annual management charges for the Sub-funds (expressed as a percentage per annum of the Net Asset Value of the City Financial UK Select Opportunities Fund) are set out in Appendix I.

#### **7.3.2 Registration Fees**

The ACD is entitled to receive a fee out of the Scheme Property of the Company for providing registration services (including establishing and maintaining sub-registers where applicable), out of which the ACD will pay the fees of the Registrar. The current fees payable to the ACD are as follows: £17.50 per Shareholder per annum and £12.50 per transaction subject to a minimum fee of £3,800 per annum per Sub-fund. A £17.50 charge per annum is also payable per holder on an ISA sub-register.

#### **7.3.3 Expenses**

The ACD is also entitled to all reasonable, properly documented, out of pocket expenses incurred in the performance of its duties as set out above.

VAT is payable on the charges or expenses mentioned above, where appropriate.

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

The current annual fee payable to the ACD for a Class may only be increased or a new type of remuneration introduced in accordance with the Regulations.

#### 7.4 **Depositary's Fee and Expenses**

The Depositary is entitled to receive out of Scheme Property by way of remuneration a periodic charge, which will be calculated and accrue daily and be paid monthly as soon as practicable after the end of each month, and certain additional charges and expenses. The rate of the Depositary's periodic charge in respect of each Sub-fund will be such rate or rates as agreed from time to time between the ACD and the Depositary in accordance with the Sourcebook. The current rate of the Depositary's periodic charge in respect of each Sub-fund is:

<b>Value of Sub-fund:</b>	<b>Fee</b>
First £70 million	0.04%
Next £30 million	0.03%
Next £50 million	0.02%
Balance	0.01%

of the value of the Scheme Property, subject to a minimum of £5,000 plus VAT, plus £2,000 plus VAT per annum for each subsequent investment adviser appointed to the Sub-funds. In addition VAT on the amount of the periodic charge will be paid out of Scheme Property.

In the event of the termination of a Sub-fund, the Depositary shall continue to be entitled to a periodic charge in respect of that Sub-fund for the period up to and including the day on which the final distribution in the termination of the Sub-fund shall be made or, in the case of a termination following the passing of an extraordinary resolution approving a scheme of arrangement, up to and including the final day on which the Depositary is responsible for the safekeeping of the Scheme Property. Such periodic charge will be calculated, be subject to the same terms and accrue and be paid as described above, except that for the purpose of calculating the periodic charge in respect of any day falling after the day on which the termination of the Sub-fund commences, the value of the Scheme Property shall be its Net Asset Value determined at the beginning of each such day.

The Depositary Agreement between the Company and the Depositary provides that in addition to a periodic charge the Depositary may also be paid by way of remuneration custody fees where it acts as Custodian and other transaction and bank charges. At present the Depositary has appointed The Bank of New York

Mellon SA/NV to carry out the function of taking custody of the Scheme Property t.

The remuneration for acting as custodian is calculated at such rate and/or amount as the ACD, the Depositary and the Custodian may agree from time to time.

The current remuneration ranges from between 0.01% per annum to 0.70% per annum of the value of the Scheme Property, plus VAT (if any) calculated at an ad valorem rate determined by the territory or country in which the assets of the Sub-funds are held. The current range of transaction charges is between £10 and £175 per transaction plus VAT (if any). Charges for principal investment markets are:

	Transaction charge per trade	Custody charge % per annum
UK	£10	0.01%
United States	£14	0.02%
Germany	£25	0.03%
Japan	£30	0.03%

Custody and transaction charges will be payable monthly in arrears.

In addition to the remuneration referred to above, the Depositary is entitled to receive reimbursement for expenses properly incurred by it in discharge of its duties or exercising any powers conferred upon it in relation to the Company and each Sub-fund. Such expenses include, but are not restricted to:

- (i) delivery of stock to the Depositary or custodian;
- (ii) custody of assets;
- (iii) collection of income and capital;
- (iv) submission of tax returns;
- (v) handling tax claims;
- (vi) preparation of the Depositary's annual report;
- (vi) arranging insurance;
- (vii) calling Shareholder meetings and otherwise communicating with Shareholders;
- (viii) dealing with distribution warrants;

- (ix) taking professional advice;
- (x) conducting legal proceedings;
- (xi) such other duties as the Depositary is permitted or required by law to perform.

VAT (if any) in connection with any of the above is payable in addition.

Expenses not directly attributable to a particular Sub-fund will be allocated between Sub-funds. In each such case such expenses and disbursements will also be payable if incurred by any person (including the ACD or an associate or nominee of the Depositary or of the ACD) who has had the relevant duty delegated to it pursuant to the Sourcebook by the Depositary.

## 7.5 **Administration Fee**

An administration fee is also payable to the Administrator out of the Scheme Property of the Company in respect of the same periods and accruing in the same way and payable at the same times as the ACD's annual management charge. The fee is calculated as follows:

<b>Value of Sub-fund</b>	<b>Fee</b>
First £10 million	0.325%
Next £10 million	0.3%
Next £10 million	0.225%
Next £10 million	0.2%
Next £10 million	0.15%
Balance	0.125%

## 7.6 **Allocation of Fees and Expenses between Sub-funds**

All the above fees, duties and charges (other than those borne by the ACD) will be charged to the Sub-fund in respect of which they were incurred. This includes any charges and expenses incurred in relation to the Register of Shareholders, except that these will be allocated and charged to each class of Shares on a basis agreed between the ACD and the Depositary.

Where an expense is not considered to be attributable to any one Sub-fund, the expense will normally be allocated to all Sub-funds pro rata to the value of the Net Asset Value of the Sub-funds, although the ACD has discretion to allocate these fees and expenses in a manner which it considers fair to Shareholders generally.

Where income is insufficient to pay charges the residual amount is taken from capital.

8. **INSTRUMENT OF INCORPORATION**

The Instrument of Incorporation is available for inspection at the ACD's offices at 62-64 Queen Street, London, EC4R 1EB.



## **9. SHAREHOLDER MEETINGS AND VOTING RIGHTS**

### **9.1 Class, Company and Sub-fund Meetings**

The provisions below, unless the context otherwise requires, apply to Class meetings and meetings of Sub-funds as they apply to general meetings of the Company, but by reference to Shares of the Class or Sub-fund concerned and the Shareholders and value and prices of such Shares.

Following the expiry of 60 days written notice to Shareholders the Company has dispensed with the holding of annual general meetings, effective 1 August 2010.

### **9.2 Requisitions of Meetings**

The ACD may requisition a general meeting at any time.

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

### **9.3 Notice and Quorum**

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

### **9.4 Voting Rights**

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

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

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

In the case of joint Shareholders, the vote of the most senior Shareholder who votes, whether in person or by proxy, must be accepted to the exclusion of the votes of the other joint Shareholders. For this purpose seniority must be determined by the order in which the names stand in the Register.

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

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

Where all the Shares in a Sub-fund are registered to, or held by, the ACD or its associates and they are therefore prohibited from voting and a resolution (including an extraordinary resolution) is required to conduct business at a meeting, it shall not be necessary to convene such a meeting and a resolution may, with the prior written agreement of the Depositary, 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.

"Shareholders" in this context means Shareholders entered on the register at a time to be determined by the ACD and stated in the notice of the meeting which must not be more than 48 hours before the time fixed for the meeting.

## **9.5 Variation of Class or Sub-fund Rights**

The rights attached to a Class or Sub-fund may not be varied without the sanction of an extraordinary resolution passed at a meeting of Shareholders of that Class or Sub-fund.

## **10. TAXATION**

### **10.1 General**

The information below is a general guide based on current United Kingdom law and HM Revenue & Customs practice, which are subject to change. It summarises the tax position of the Sub-funds and of investors who are United Kingdom resident individuals and hold Shares as investments. The regime for taxation of income and capital gains received by individual investors depends on the tax law applicable to their personal circumstances. Prospective investors who are in any doubt about their tax position, or who may be subject to tax in a jurisdiction other than the United Kingdom, are recommended to take professional advice.

### **10.2 The Sub-funds**

Each Sub-fund will be treated as a separate entity for United Kingdom tax purposes.

The Sub-funds are generally exempt from United Kingdom tax on capital gains realised on the disposal of their investments (including interest-paying securities and derivatives) held within them. However, any gains realised on disposing of holdings in non-reporting offshore funds are charged to tax as income and not capital.

Any dividend received by the Sub-funds (whether directly or through another United Kingdom authorised investment fund) will generally be exempt from corporation tax. Each Sub-fund will be subject to corporation tax on most other types of income but after deducting allowable management expenses and where relevant the gross amount of interest distributions. Where the Sub-funds suffer foreign tax on income received, this will generally be an irrecoverable tax expense.

The Sub-funds will make dividend distributions except where more than 60% of a Sub-fund's property has been invested throughout the distribution period in interest-paying investments, in which case it may make interest distributions.

### **10.3 Shareholders**

#### **10.3.1 Income**

The Sub-funds will pay dividend distributions (which will be automatically retained in the Sub-fund in the case of accumulation Shares) with a tax credit. Individuals liable to income tax at the basic rate will have no further liability to tax. Higher and additional rate taxpayers will have to pay a further amount of income tax on the amount received. The tax credit on dividend distributions cannot be reclaimed.

### 10.3.2 **Interest**

Where the Sub-fund pays an interest distribution (which will be automatically retained in the Sub-fund in the case of accumulation Shares) this will be net of the basic rate of tax. Non-taxpayers may reclaim the tax credits on interest distributions paid, and starting rate (on savings income) taxpayers may reclaim part of them.

### 10.3.3 **Income equalisation**

The first income allocation received by an investor after buying Shares may include an amount of income equalisation, which will be shown on the issued tax voucher. This is effectively a repayment of the income equalisation paid by the investor as part of the purchase price. It is a return of capital, and is not taxable. Rather it should be deducted from the acquisition cost of the Shares for capital gains tax purposes.

### 10.3.4 **Tax Vouchers**

A tax voucher will be issued in line with the income distribution dates set out in Appendix 1. This voucher should be retained for tax purposes as evidence for HM Revenue & Customs.

The ACD reserves the right to charge an administration fee of £10 if a duplicate copy is required. To obtain a duplicate copy you will need to submit your request in writing, along with payment, to City Financial Investment Company Limited, 2 The Boulevard, City West One Office Park, Gelderd Road, Leeds, LS12 6NT.

### 10.3.5 **Capital Gains**

Shareholders may be liable to capital gains tax on gains arising from the redemption, transfer or other disposal of Shares. The rate of tax, and available reliefs, will be as applicable from time to time.

An exchange of Shares in one Sub-fund of the Company for Shares in another Sub-fund will generally be treated as a disposal for this purpose, but exchanges of Shares between classes within a Sub-fund are not.

### 10.3.6 **EU Savings Directive**

Under the EU Council Directive on taxation of savings income member states of the European Union ("Member States") and certain dependant territories are required to provide to the tax authorities of other Member States details of payments of interest and other similar income (which in the case of a collective investment fund may include income arising as a result of the sale and redemption of the fund's shares) paid by a person

who is a "paying agent" for the purposes of the Directive to an individual resident for the purposes of the Directive in another Member State. However, a number of Member States and dependant territories instead impose a system of withholding tax.

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## **11. WINDING UP OF THE COMPANY OR TERMINATION OF A SUB-FUND**

The Company or a Sub-fund will not be wound up or terminated except as an unregistered company under Part V of the Insolvency Act 1986 or under the Sourcebook. A Sub-fund may otherwise only be terminated under the Sourcebook.

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

The Company shall be wound up or a Sub-fund must be terminated under the Sourcebook:

- 11.1 if an extraordinary resolution to that effect is passed by Shareholders; or
- 11.2 when the period (if any) fixed for the duration of the Company or a particular Sub-fund by the Instrument of Incorporation expires, or any event occurs on the occurrence of which the Instrument of Incorporation provides that the Company or a particular Sub-fund is to be terminated (for example, if the Share capital of the Company or (in relation to any Sub-fund) the Net Asset Value of the Sub-fund is below £10,000,000, or if a change in the laws or regulations of any country means that, in the ACD's opinion, it is desirable to terminate the Sub-fund); or
- 11.3 on the date stated in any agreement by the FCA to a request by the ACD for the revocation of the authorisation order in respect of the Company or for the termination of the relevant Sub-fund.

On the occurrence of any of the above:

- 11.4 a number of provisions in the Sourcebook will cease to apply to the Company or the relevant Sub-fund;
- 11.5 the Company will cease to issue and cancel Shares in the Company or the relevant Sub-fund and the ACD shall cease to sell or redeem Shares or arrange for the Company to issue or cancel them for the Company or the relevant Sub-fund;
- 11.6 no transfer of a Share shall be registered and no other change to the Register of Shareholders shall be made without the sanction of the ACD;

- 11.7 where the Company is being wound up or a Sub-fund terminated, the Company or the Sub-fund shall cease to carry on its business except in so far as it is beneficial for the winding up of the Company or for the termination of the Sub-fund;
- 11.8 the corporate status and powers of the Company and subject to 11.4 to 11.7 above, the powers of the Depositary shall continue until the Company is dissolved.

The ACD shall, as soon as practicable after the Company or the Sub-fund falls to be terminated, realise the assets and meet the liabilities of the Company or the Sub-fund and, after paying out or retaining adequate provision for all liabilities properly payable and retaining provision for the costs of winding up or the termination, arrange for the Depositary to make one or more interim distributions out of the proceeds to Shareholders proportionately to their rights to participate in the Scheme Property. If the ACD has not previously notified Shareholders of the proposal to wind up the Company or terminate the Sub-fund, the ACD shall, as soon as practicable after the commencement of winding up of the Company or the termination of the Sub-fund, give written notice of the commencement to Shareholders. When the ACD has caused all of the Scheme Property to be realised and all of the liabilities of the Company or the particular Sub-fund to be realised, the ACD shall arrange for the Depositary to make a final distribution to Shareholders on or prior to the date on which the final account is sent to Shareholders of any balance remaining in proportion to their holdings in the Company or the particular Sub-fund.

As soon as reasonably practicable after completion of the winding up of the Company or the particular Sub-fund, the Depositary shall notify the FCA that the winding up or termination has been completed.

On completion of a winding up of the Company or the termination of a Sub-fund, the Company will be dissolved or the Sub-fund will be terminated and any money (including unclaimed distributions) still standing to the account of the Company or the Sub-fund, will be paid into court by the ACD within one month of the dissolution or the termination.

Following the completion of a winding up of either the Company or a Sub-fund, the ACD must prepare a final account showing how the winding up took place and how the Scheme Property was distributed. The auditors of the Company shall make a report in respect of the final account stating their opinion as to whether the final account has been properly prepared. This final account and the auditors' report must be sent to the FCA and to each Shareholder (or the first named of joint Shareholders) on it within two months of the completion of the winding up or termination.

## **12. GENERAL INFORMATION**

### **12.1 Accounting Periods**

The annual accounting period of the Company ends each year on 30 September (the accounting reference date) with an interim accounting period ending on 31 March.

The ACD may even out the payments of income within an accounting period by carrying forward income otherwise distributable with a view to augmenting amounts to be paid out at a later date. Details of the Sub-funds for which this policy is currently considered are set out in Appendix I.

### **12.2 Notice to Shareholders**

All notices or other documents sent by the ACD to a Shareholder will be sent by normal post to the last address notified in writing to the Company by the Shareholder.

### **12.3 Income Allocations**

Some Sub-funds may have interim and final income allocations and other Sub-funds may have quarterly income allocations and some Sub-funds may only have final income allocation dates (see Appendix I). For each of the Sub-funds income is allocated in respect of the income available at each accounting date.

In relation to income Shares, distributions of income for each Sub-fund in which income Shares are issued are paid by cheque or telegraphic transfer directly into a Shareholder's bank account on or before the relevant income allocation date in each year as set out in Appendix I.

For Sub-funds in which accumulation Shares are issued, income will become part of the capital property of the Sub-fund and will be reflected in the price of each such accumulation Share as at the end of the relevant accounting period.

If a distribution made in relation to any income Shares remains unclaimed for a period of six years after it has become due, it will be forfeited and will revert to the relevant Sub-fund (or, if that no longer exists, to the Company).

The amount available for distribution in any accounting period is calculated by taking the aggregate of the income received or receivable for the account of the relevant Sub-fund in respect of that period, and deducting the charges and expenses of the relevant Sub-fund paid or payable out of income in respect of that accounting period. The ACD then makes such other adjustments as it considers appropriate (and after consulting the Company's auditors as appropriate) in relation to taxation, income equalisation, income unlikely to be received within 12 months following the relevant income allocation date, income which should not be



accounted for on an accrual basis because of lack of information as to how it accrues, transfers between the income and capital account and other matters.

#### **12.4 Annual Reports**

The annual short report of the Company will be published and sent to Shareholders within four months from the end of each annual accounting period and the half yearly short report will be published within two months of the end of each interim accounting period. Short reports will be issued free of charge.

A long report containing the full accounts is available to any person free of charge on request to the ACD.

#### **12.5 Documents of the Company**

The following documents may be inspected free of charge during normal business hours on any Business Day at the offices of the ACD at 32 Queen Street, London, EC4R 1EB:

- 12.5.1 the Prospectus;
- 12.5.2 the most recent annual and half yearly reports of the Company;
- 12.5.3 the Instrument of Incorporation (and any amending documents); and
- 12.5.4 the material contracts referred to below.

Shareholders may obtain copies of the above documents from the ACD. The ACD may make a charge at its discretion for copies of documents (apart from the most recent version of the Prospectus and annual and half yearly long reports of the Company which are available free of charge to anyone who requests).

#### **12.6 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:

- 12.6.1 the ACD Agreement between the Company and the ACD; and
- 12.6.2 the Depositary Agreement between the Company, the Depositary and the ACD.

Details of the above contracts are given under section 6 "Management and Administration".

#### **12.7 Provision of Investment Advice**

All information concerning the Company and about investing in Shares of the

Company is available from the ACD at 62 Queen Street, London, EC4R 1EB. The ACD is not authorised to give investment advice and persons requiring such advice should consult a professional adviser. All applications for Shares are made solely on the basis of the current prospectus of the Company, and investors should ensure that they have the most up to date version.

#### **12.8 Telephone Recordings**

Please note that the ACD may record telephone calls for training and monitoring purposes and to confirm investors' instructions.

#### **12.9 Complaints**

Complaints may be brought in writing to City Financial Investment Company Limited, 2 The Boulevard, City West One Office Park, Gelderd Road, Leeds LS12 6NT, or by email to [administration@cityfinancial.co.uk](mailto:administration@cityfinancial.co.uk) or by telephone to 0845 300 2107.

In the event that an unsatisfactory response is provided, you can refer your complaint to the Financial Ombudsman Service at: Financial Ombudsman Service, South Quay Plaza, 183 Marsh Wall, London E14 9SR. A copy of the ACD's Guide to making a complaint is available upon request.

#### **12.10 Risk Management**

The ACD will provide upon the request of a Shareholder further information relating to:

- 12.10.1 the quantitative limits applying in the risk management of any Sub-fund;
- 12.10.2 the methods used in relation to 12.10.1; and
- 12.10.3 any recent development of the risk and yields of the main categories of investment.

#### **12.11 Indemnity**

The Instrument of Incorporation contains provisions indemnifying the Directors, other officers and the Company's auditors or the Depositary against liability in certain circumstances otherwise than in respect of their negligence, default, breach of duty or breach of trust, and indemnifying the Depositary against liability in certain circumstances otherwise than in respect of its failure to exercise due care and diligence in the discharge of its functions in respect of the Company.

## APPENDIX I

### SUB-FUND DETAILS

**Name:** City Financial Multi Asset Balanced Fund

**Type of Sub-fund:** UCITS scheme

**Investment Objective and Policy:**

The investment objective is to achieve consistent long term returns from both capital and income by investing across a balanced global portfolio of assets.

The Investment Manager uses a global asset allocation framework to invest across a balanced range of asset classes, geographies, sectors and investment styles. The portfolio invests in a combination of specialist Funds, ETFs, listed investment vehicles, individual securities and cash, and uses derivatives for hedging and investment purposes to both reduce market risk and enhance returns. As a consequence, the portfolio exhibits modest correlation to traditional asset classes. Positions are generally held with a three to five year time horizon. However, the management of the portfolio is active and the investment strategy is liquid and dynamic in order to adapt to changing market conditions.

**Final Accounting Date:** 30 September

**Interim Accounting Date:** 31 March

**Income Distribution Dates:** 30 November (final)

31 May (interim)

**Shares Classes and type of Shares:** A Accumulation A Income

I Accumulation I Income

R Accumulation R Income

**Initial Charge:** 0% for all share classes but can be raised to 5% if

3 months' notice is given

**Redemption Charge:** Nil

**Switching Charge:** Nil

**Annual  
Management  
Charge:**

A Accumulation & A Income 1.50%

R Accumulation & R Income 0.75%

I Accumulation & I Income 0.75%

**OCF:**

Share Class	Current OCF
I (new share class)	1.44%
R (new share class)	1.60%
A (formerly MultiManager Income A)	2.35%

Subject to a minimum fee of GBP £40,000 per annum

Allocation of Charges:	Income	Capital
AMC:	100%	
Expenses	100%	
Portfolio Transactions (SDRT, broker's commission):		100%
Charges taken from Income:	Yes	

Investment Minima:*		A Accumulation Shares	A Income Shares	R Accumulation Shares **	R Income Shares **
Lump Sum:		£10,000	£10,000	£10,000	£10,000
Holding**:		£10,000	£10,000	£10,000	£10,000
Top-up:		£1,000	£1,000	£1,000	£1,000
Regular Savings Plan:		£100 per month	£100 per month	£100 per month	£100 per month
Redemption:		N/A (providing the minimum holding is maintained)	N/A (providing the minimum holding is maintained)	N/A (providing the minimum holding is maintained)	N/A (providing the minimum holding is maintained)
		I Accumulation Shares	I Income Shares		
		£ 1 million	£ 1 million		
		£ 1 million	£ 1 million		
		£ 10,000	£ 10,000		
		£ 100 per month	£ 100 per month		
		N/A (providing the minimum	N/A (providing the minimum		

holding is  
maintained)

holding is  
maintained)

**Past performance:**

Past performance information is set out in  
Appendix V.

\* The ACD may waive the minimum levels at its discretion.

\*\* Investors as at 1 October 2013 in the City Financial Multi Strategy Fund (renamed the City Financial Multi Asset Balanced Fund) will continue to pay the same minimum holding i.e in the case of the A and C (to be amended to I) share classes, the minimum holding will be £1,000.

**Name:** City Financial Multi Asset Diversified Fund

**Type of Sub-fund:** UCITS scheme

**Investment Objective and Policy:**

The investment objective is to achieve consistent long term returns from both capital and income by investing across a diversified global portfolio of assets.

The Investment Manager uses a global asset allocation framework to invest across a diversified range of asset classes, geographies, sectors and investment styles. The portfolio invests in a combination of specialist funds, ETFs, listed investment vehicles, individual securities and cash, and uses derivatives for hedging and investment purposes to both reduce market risk and enhance returns. As a consequence, the portfolio exhibits low correlation to traditional asset classes. Positions are generally held with a three to five year time horizon. However, the management of the portfolio is active and the investment strategy is liquid and dynamic in order to adapt to changing market conditions.

**Final Accounting Date:** 30 September

**Interim Accounting Date:** 31 March

**Income Distribution Dates:** 30 November (final)

31 May (interim)

**Shares Classes and type of Shares:** A Accumulation A Income  
I Accumulation I Income  
R Accumulation R Income

**Initial Charge:** 0% for all share classes but can be raised to 5% if  
3 months' notice is given

**Redemption Charge:** Nil

**Switching Charge:** Nil

**Annual  
Management  
Charge:**

A Accumulation & A Income 1.50%

R Accumulation & R Income 0.75%

I Accumulation & I Income 0.75%

**OCF:**

Share Class	Current OCF
I (new share class)	1.44%
R (new share class)	1.60%
A (formerly MultiManager Income A)	2.35%

Subject to a minimum fee of GBP £40,000 per annum

Allocation of Charges:	Income	Capital
AMC:	100%	
Expenses	100%	
Portfolio Transactions (SDRT, broker's commission):		100%
Charges taken from Income:	Yes	

**Investment  
Minima:\***

	A Accumulation Shares	A Income Shares	R Accumulation Shares **	R Income Shares **
Lump Sum:	£10,000	£10,000	£10,000	£10,000
Holding:	£10,000	£10,000	£10,000	£10,000
Top-up:	£1,000	£1,000	£1,000	£1,000
Regular Savings Plan:	£100 per month	£100 per month	£100 per month	£100 per month
Redemption:	N/A (providing the minimum holding is maintained)	N/A (providing the minimum holding is maintained)	N/A (providing the minimum holding is maintained)	N/A (providing the minimum holding is maintained)
	I Accumulation Shares £ 1 million	I Income Shares £ 1 million		

£ 1 million	£ 1 million
£ 10,000	£ 10,000
£ 100 per month	£ 100 per month
N/A	N/A
(providing the minimum holding is maintained)	(providing the minimum holding is maintained)

**Past performance:**

Past performance information is set out in Appendix V.

\* The ACD may waive the minimum levels at its discretion.



**Name:** City Financial Multi Asset Cautious Fund

**Type of Sub-fund:** UCITS scheme

**Investment Objective and Policy:**

The investment objective is to achieve consistent long term returns from both capital and income by cautiously investing across global portfolio of assets.

The Investment Manager uses a global asset allocation framework to invest across a diversified range of asset classes, geographies, sectors and investment styles. The portfolio invests in a combination of specialist funds, ETFs, listed investment vehicles, individual securities and cash, and uses derivatives for hedging and investment purposes to both reduce market risk and enhance returns. As a consequence, the portfolio exhibits low correlation to traditional asset classes. Positions are generally held with a three to five year time horizon. However, the management of the portfolio is active and the investment strategy is liquid and dynamic in order to adapt to changing market conditions.

**Final Accounting Date:** 30 September

**Interim Accounting Date:** 31 March

**Income Distribution Dates:** 30 November (final)

31 May (interim)

**Shares Classes and type of Shares:** A Accumulation A Income  
I Accumulation I Income  
R Accumulation R Income

**Initial Charge:** 0% for all share classes but can be raised to 5% if  
3 months' notice is given

**Redemption Charge:** Nil

**Switching Charge:** Nil

**Annual  
Management  
Charge:**

A Accumulation & A Income 1.50%

R Accumulation & R Income 0.75%

I Accumulation & I Income 0.75%

**OCF:**

Share Class	Current OCF
I	1.44%
R	1.60%
A	2.35%

Subject to a minimum fee of GBP £40,000 per annum

Allocation of Charges:	Income	Capital
AMC:	100%	
Expenses	100%	
Portfolio Transactions (SDRT, broker's commission):		100%
Charges taken from Income:	Yes	

**Investment  
Minima:\***

	A Accumulation Shares	A Income Shares	R Accumulation Shares **	R Income Shares **
Lump Sum:	£10,000	£10,000	£10,000	£10,000
Holding:	£10,000	£10,000	£10,000	£10,000
Top-up:	£1,000	£1,000	£1,000	£1,000
Regular Savings Plan:	£100 per month	£100 per month	£100 per month	£100 per month
Redemption:	N/A (providing the minimum holding is maintained)	N/A (providing the minimum holding is maintained)	N/A (providing the minimum holding is maintained)	N/A (providing the minimum holding is maintained)
	I Accumulation Shares £ 1 million	I Income Shares £ 1 million		

£ 1 million	£ 1 million
£ 10,000	£ 10,000
£ 100 per month	£ 100 per month
N/A	N/A
(providing the minimum holding is maintained)	(providing the minimum holding is maintained)

**Past performance:**

Past performance information is set out in Appendix V.

\* The ACD may waive the minimum levels at its discretion.

**Name:** City Financial Multi Asset Distribution Fund

**Type of Sub-fund:** UCITS scheme

**Investment Objective and Policy:**

The investment objective is to achieve consistent long term growth of income and capital by investing across a diversified global portfolio of assets.

The Investment Manager uses a global asset allocation framework to invest across a wide range of asset classes, geographies, sectors and investment styles. The portfolio aims to generate sustainable income growth by investing in a combination of specialist Funds, ETFs, listed investment vehicles individual securities and cash, and uses derivatives for hedging and investment purposes to both reduce market risk and enhance returns. As a consequence, the portfolio exhibits modest correlation to traditional asset classes. Positions are generally held with a three to five year time horizon. However, the management of the portfolio is active and the investment strategy is liquid and dynamic in order to adapt to changing market conditions.

**Final Accounting Date:** 30 September

**Interim Accounting Date:** 31 March

**Income Distribution Dates:** 30 November (final)  
31 May (interim)

**Shares Classes and type of Shares:** A Accumulation A Income  
I Accumulation I Income  
R Accumulation R Income

**Initial Charge:** 0% for all share classes but can be raised to 5% if  
3 months' notice is given

**Redemption Charge:** Nil

**Switching Charge:** Nil

**Annual  
Management  
Charge:**

A Accumulation & A Income 1.50%  
R Accumulation & R Income 0.75%  
I Accumulation & I Income 0.75%

**OCF:**

Share Class	Current OCF
I	1.44%
R	1.60%
A	2.35%

Subject to a minimum fee of GBP £40,000 per annum

Allocation of Charges:	Income	Capital
AMC:	100%	
Expenses	100%	
Portfolio Transactions (SDRT, broker's commission):		100%
Charges taken from Income:	Yes	

**Investment  
Minima:\***

	A Accumulation Shares	A Income Shares	R Accumulation Shares **	R Income Shares **
Lump Sum:	£10,000	£10,000	£10,000	£10,000
Holding:	£10,000	£10,000	£10,000	£10,000
Top-up:	£1,000	£1,000	£1,000	£1,000
Regular Savings Plan:	£100 per month	£100 per month	£100 per month	£100 per month
Redemption:	N/A (providing the minimum holding is maintained)	N/A (providing the minimum holding is maintained)	N/A (providing the minimum holding is maintained)	N/A (providing the minimum holding is maintained)
	I Accumulation Shares	I Income Shares		
	£ 1 million	£ 1 million		
	£ 1 million	£ 1 million		

£ 10,000	£ 10,000
£ 100 per	£ 100 per
month	month
N/A	N/A
(providing	(providing
the minimum	the minimum
holding is	holding is
maintained)	maintained)

**Past performance:**

Past performance information is set out in Appendix V.

\* The ACD may waive the minimum levels at its discretion.

**Name:** City Financial Multi Asset Dynamic Fund

**Type of Sub-fund:** UCITS scheme

**Investment Objective and Policy:**

The investment objective is to achieve consistent long term returns from both capital and income by dynamically investing across a global portfolio of assets.

The Investment Manager uses a global asset allocation framework to dynamically invest across a range of asset classes, geographies, sectors and investment styles. The portfolio invests in a combination of specialist funds, ETFs, listed investment vehicles, individual securities and cash, and uses derivatives for hedging and investment purposes to both reduce market risk and enhance returns. As a consequence, the portfolio exhibits moderate correlation to traditional asset classes. Positions are generally held with a three to five year time horizon. However, the management of the portfolio is active and the investment strategy is liquid and dynamic in order to adapt to changing market conditions.

**Final Accounting Date:** 30 September

**Interim Accounting Date:** 31 March

**Income Distribution Dates:** 30 November (final)

31 May (interim)

**Shares Classes and type of Shares:**

- A Accumulation A Income
- I Accumulation I Income
- R Accumulation R Income
- RA Accumulation RA Income

**Initial Charge:** 0% for all share classes but can be raised to 5% if 3 months' notice is given

**Redemption Charge:** Nil

**Switching Charge:** Nil

**Annual  
Management  
Charge:**

I Accumulation & I Income 0.75%  
R Accumulation & R Income 0.75%  
RA Accumulation & RA Income 1.00%  
A Accumulation & A Income 1.5%

**OCF:**

Share Class	Current OCF
I	1.44%
R	1.60%
RA	1.85%
A	2.35%

Subject to a minimum fee of GBP £40,000 per annum

Allocation of Charges:	Income	Capital
AMC:	100%	
Expenses	100%	
Portfolio Transactions (SDRT, broker's commission):		100%
Charges taken from Income:	Yes	

Investment Minima:*	A Accumulation Shares	A Income Shares	R Accumulation Shares	R Income Shares
<b>Lump Sum:</b>	£10,000	£10,000	£10,000	£10,000
<b>Holding:</b>	£10,000	£10,000	£10,000	£10,000
<b>Top-up:</b>	£1,000	£1,000	£1,000	£1,000
<b>Regular Savings Plan:</b>	£100 per month	£100 per month	£100 per month	£100 per month
<b>Redemption:</b>	N/A (providing the minimum holding is maintained)	N/A (providing the minimum holding is maintained)	N/A (providing the minimum holding is maintained)	N/A (providing the minimum holding is maintained)



<b>Investment Minimums:*</b>	<b>RA Accumulation Shares</b>	<b>RA Income Shares</b>	<b>I Accumulation Shares</b>	<b>I Income Shares</b>
<b>Lump Sum:</b>	£10,000	£10,000	£1 million	£1 million
<b>Holding:</b>	£10,000	£10,000	£1 million	£1 million
<b>Top-up:</b>	£1,000	£1,000	£10,000	£10,000
<b>Regular Savings Plan:</b>	£100 per month	£100 per month	N/A	N/A
<b>Redemption:</b>	N/A (providing the minimum holding is maintained)	N/A (providing the minimum holding is maintained)	N/A (providing the minimum holding is maintained)	N/A (providing the minimum holding is maintained)

**Past performance:**

Past performance information is set out in Appendix V.

\* The ACD may waive the minimum levels at its discretion.

**Name:** City Financial Multi Asset Growth Fund

**Type of Sub-fund:** UCITS scheme

**Investment Objective and Policy:**

The investment objective is to achieve consistent long term capital growth by investing across a global portfolio of assets.

The investment manager uses a global asset allocation framework to invest across a wide range of asset classes, geographies, sectors and investment styles. The portfolio aims to generate sustainable capital growth by investing in a combination of specialist funds, ETFS, listed investment vehicles, individual securities and cash, and uses derivatives for hedging and investment purposes to both reduce market risk and enhance returns. As a consequence, the portfolio exhibits moderate correlation to traditional asset classes. Positions are generally held with a three to five year time horizon. However, the management of the portfolio is active and the investment strategy is liquid and dynamic in order to adapt to changing market conditions.

**Final Accounting Date:** 30 September

**Interim Accounting Date:** 31 March

**Income Distribution Dates:** 30 November (final)

31 May (interim)

**Shares Classes and type of Shares:**

- A Accumulation A Income
- I Accumulation I Income
- IA Accumulation IA Income
- R Accumulation R Income

**Initial Charge:** 0% for all share classes but can be raised to 5% if 3 months' notice is given

**Redemption Charge:** Nil

**Switching Charge:** Nil

**Annual Management Charge:**

- A Accumulation & A Income 1.5%
- R Accumulation & R Income 0.75%
- I Accumulation & I Income 0.75%
- IA Accumulation & IA Income 0.55%

**Fixed Expenses:**

Share Class	Fixed expenses
I	0.69%
R	0.85%
A	0.85%
IA	0.69%

Subject to a minimum fee of GBP £40,000 per annum

<b>Allocation of Charges:</b>	<b>Income</b>	<b>Capital</b>
AMC:	100%	
Expenses	100%	
Portfolio Transactions (SDRT, broker's commission):		100%
Charges taken from Income:	Yes	

<b>Investment Minima:*</b>	<b>A Accumulation Shares</b>	<b>A Income Shares</b>	<b>R Accumulation Shares</b>	<b>R Income Shares</b>
<b>Lump Sum:</b>	£10,000	£10,000	£10,000	£10,000
<b>Holding:</b>	£10,000	£10,000	£10,000	£10,000
<b>Top-up:</b>	£1,000	£1,000	£1,000	£1,000
<b>Regular Savings Plan:</b>	£100 per month	£100 per month	£100 per month	£100 per month
<b>Redemption:</b>	N/A (providing the minimum holding is maintained)	N/A (providing the minimum holding is maintained)	N/A (providing the minimum holding is maintained)	N/A (providing the minimum holding is maintained)

<b>Investment Minima:*</b>	<b>I Accumulation Shares</b>	<b>I Income Shares</b>	<b>IA Accumulation Shares</b>	<b>IA Income Shares</b>
<b>Lump Sum:</b>	£1 million	£1 million	£25 million	£25 million
<b>Holding:</b>	£1 million	£1 million	£25 million	£25 million
<b>Top-up:</b>	£10,000	£10,000	£1,000	£1,000
<b>Regular Savings Plan:</b>	N/A	N/A	N/A	N/A
<b>Redemption:</b>	N/A (providing the minimum holding is maintained)	N/A (providing the minimum holding is maintained)	N/A (providing the minimum holding is maintained)	N/A (providing the minimum holding is maintained)

**Past performance:**

Past performance information is set out in Appendix V.

\* The ACD may waive the minimum levels at its discretion.

**Name:** **City Financial UK Select Opportunities Fund**

**Type of Sub-fund:** UCITS scheme

**Investment Objective and Policy:**

The objective of the Sub-fund is to provide investors with consistent long term total return predominantly through investment in a concentrated portfolio of UK listed companies. There will be no particular emphasis on any economic or industrial sector. From time to time the Sub-fund may also invest in collective investment schemes, money market instruments and cash.

**Final Accounting Date:** 30 September

**Interim Accounting Date:** 31 March

**Income Distribution Dates:** 30 November (final)  
31 May (interim)

**Shares Classes and type of Shares:** A Accumulation  
A Income  
B Accumulation  
B Income  
C Accumulation

**Initial Charge:** A Accumulation 5%  
A Income 5%  
B Accumulation 5%  
B Income 5%  
C Accumulation 5%

**Redemption Charge:** Nil

**Switching Charge:** Nil

**Annual Management Charge:** A Accumulation 1.5%  
A Income 1.5%  
B Accumulation 1.0%  
B Income 1.0%  
C Accumulation 0.75%

**Allocation of Charges:** **Income** **Capital**

AMC:	100%	
Ongoing Operating Costs:	100%	
Dealing and Registration:	100%	
Depositary:	100%	
Custody:	100%	
Portfolio Transactions (SDRT, broker's commission):		100%

<b>Investment Minima:*</b>	A	A	B	B	C
	Accumulation Shares	Income Shares	Accumulation Shares	Income Shares	Accumulation Shares
Lump Sum:	£1,000	£1,000	£500,000	£500,000	£1,000,000
Holding:	£1,000	£1,000	£500,000	£500,000	£1,000,000
Top-up:	£1,000	£1,000	£50,000	£50,000	£100,000
Regular Savings Plan:	£100 per month	£100 per month	N/A	N/A	N/A
Redemption:	N/A provided minimum holding maintained	N/A provided minimum holding maintained	N/A provided minimum holding maintained	N/A provided minimum holding maintained	N/A provided minimum holding maintained

**Past Performance:** Past performance information is set out in Appendix V.

\* The ACD may waive the minimum levels at its discretion.

## APPENDIX II

### ELIGIBLE SECURITIES MARKETS AND ELIGIBLE DERIVATIVES MARKETS

All the Sub-funds may deal through securities and derivatives markets which are regulated markets (as defined in the glossary to the FCA Handbook) or markets established in an EEA State which are regulated, operate regularly and are open to the public (excluding Cyprus and Slovenia).

Each Sub-fund may also deal through the securities markets and derivatives markets indicated below:

#### Eligible Securities Markets:

United States of America	NYSE Euronext New York
	The NASDAQ Stock Market (NASDAQ)
	NYSE Amex Equities
Australia	Australian Securities Exchange (ASX)
Canada	Toronto Stock Exchange
	TSX Venture Exchange
Hong Kong	Hong Kong Exchange
Japan	Tokyo Stock Exchange
	Nagoya Stock Exchange
	Osaka Securities Exchange
Korea	Korea Exchange (KRX)
Mexico	Bolsa Mexicana de Valores (BMV)
New Zealand	New Zealand Exchange (NZX)
Singapore	Singapore Exchange (SGX)
South Africa	JSE Limited
Switzerland	SIX Swiss Exchange (SWX)
Thailand	The Stock Exchange of Thailand (SET)

United Kingdom

The Alternative Investment Market of the  
London Stock Exchange (AIM)

**Eligible Derivatives Markets:**

United Kingdom

The London International Financial Futures and  
Options Exchange (NYSE LIFFE)



## **APPENDIX III**

### **INVESTMENT AND BORROWING POWERS OF THE COMPANY**

#### **1. General**

The Scheme Property 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 and the limits set out in the Sourcebook and this Prospectus. These limits apply to each Sub-fund as summarised below.

The ACD shall ensure that, taking into account the investment objectives and policy of the Sub-funds, the property of each fund aims to provide a prudent spread of risk.

The Sub-funds are not expected to have high volatility owing to their portfolio composition or the portfolio management techniques used over and above the general market volatility of the markets of the underlying investments.

From time to time and in particular during periods of uncertain or volatile markets, the Investment Manager may choose to hold a substantial proportion of the property of the Fund in money market instruments and/or cash deposits, subject to the rules detailed below.

#### **1.1 Prudent spread of risk**

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

#### **1.2 Cover**

1.2.1 Where the Sourcebook allows 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 the Sourcebook, it must be assumed that the maximum possible liability of the Sub-fund under any other of those rules has also to be provided for.

1.2.2 Where a rule in the Sourcebook 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, the 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. **UCITS schemes - general**

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

2.1.1 transferable securities;

2.1.2 approved money-market instruments;

2.1.3 permitted units in collective investments schemes;

2.1.4 permitted derivatives and forward transactions; and

2.1.5 permitted deposits.

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

2.2 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 six months after the date of effect of the authorisation order in respect of the Sub-fund (or on which the initial offer commenced if later) provided that the requirement to maintain prudent spread of risk in paragraph 1.1 of this Appendix is complied with.

## 3. **Transferable Securities**

3.1 A transferable security is an investment falling within article 76 (Shares etc), article 77 (instruments creating or acknowledging indebtedness), article 78 (government and public securities), article 79 (instruments giving entitlement to investments) and article 80 (certificates representing certain securities) of the Regulated Activities Order.

3.2 An investment is not a transferable security if the title to it cannot be

transferred, or can be transferred only with the consent of a third party.

- 3.3 In applying paragraph 1 of this Appendix to an investment which is issued by a body corporate, and which is an investment falling within articles 76 (shares, etc) or 77 (instruments creating or acknowledging indebtedness) of the Regulated Activities Order, the need for any consent on the part of the body corporate or any members or debenture holders of it may be ignored.
- 3.4 An investment is not a transferable security unless the liability of the holder of it to contribute to the debts of the issuer is limited to any amount for the time being unpaid by the holder of it in respect of the investment.
- 3.5 A Sub-fund may invest in a transferable security only to the extent that the transferable security fulfils the following criteria:
  - 3.5.1 the potential loss which a Sub-fund may incur with respect to holding the transferable security is limited to the amount paid for it;
  - 3.5.2 its liquidity does not compromise the ability of the ACD to comply with its obligation to redeem Shares at the request of any qualifying Shareholder under the FCA Handbook;
  - 3.5.3 reliable valuation is available for it as follows:
    - 3.5.3.1 in the case of a transferable security admitted to or dealt in on an eligible market, where there are accurate, reliable and regular prices which are either market prices or prices made available by valuation systems independent from issuers;
    - 3.5.3.2 in the case of a transferable security not admitted to or dealt in on an eligible market, where there is a valuation on a periodic basis which is derived from information from the issuer of the transferable security or from competent investment research;
  - 3.5.4 appropriate information is available for it as follows:
    - 3.5.4.1 in the case of a transferable security admitted to or dealt in on an eligible market, where there is regular, accurate and comprehensive information available to the market on the transferable security

or, where relevant, on the portfolio of the transferable security;

3.5.4.2 in the case of a transferable security not admitted to or dealt in on an eligible market, where there is regular and accurate information available to the ACD on the transferable security or, where relevant, on the portfolio of the transferable security;

3.5.5 it is negotiable; and

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

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

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

3.6.2 to be negotiable.

3.7 No more than 5% of the Scheme Property of a Sub-fund may be invested in warrants.

#### 4. **Closed end funds constituting transferable securities**

4.1 A unit or a share in a closed end fund shall be taken to be a transferable security for the purposes of investment by a Sub-fund, provided it fulfils the criteria for transferable securities set out in paragraph 3.5 and either:

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

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

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

4.1.2 Where the closed end fund is constituted under the law of contract:

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

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

## **5. Transferable securities linked to other assets**

5.1 A Sub-fund may invest in any other investment which shall be taken to be a transferable security for the purposes of investment by a Sub-fund provided the investment:

5.1.1 fulfils the criteria for transferable securities set out in 3.5 above; and

5.1.2 is backed by or linked to the performance of other assets, which may differ from those in which a Sub-fund can invest.

5.2 Where an investment in 5.1 contains an embedded derivative component, the requirements of this section with respect to derivatives and forwards will apply to that component.

## **6. Approved Money-Market Instruments**

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

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

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

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

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

6.2.4 has a risk profile, including credit and interest rate risks, corresponding to that of an instrument which has a maturity as set out in 6.2.1 or 6.2.2 or is subject to yield adjustments as set out in 6.2.3.

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

- 6.4 A money-market instrument shall be regarded as having a value which can be accurately determined at any time if accurate and reliable valuations systems, which fulfil the following criteria, are available:
  - 6.4.1 enabling the ACD to calculate a net asset value in accordance with the value at which the instrument held in the Scheme Property of a Sub-fund could be exchanged between knowledgeable willing parties in an arm's length transaction; and
  - 6.4.2 based either on market data or on valuation models including systems based on amortised costs.
- 6.5 A money-market instrument that is normally dealt in on the money-market and is admitted to or dealt in on an eligible market shall be presumed to be liquid and have a value which can be accurately determined at any time unless there is information available to the ACD that would lead to a different determination.
7. **Transferable securities and money-market instruments generally to be admitted or dealt in on an Eligible Market**
  - 7.1 Transferable securities and approved money-market instruments held within a Sub-fund must be:
    - 7.1.1 admitted to or dealt in on an eligible market as described in 8.3.1; or
    - 7.1.2 dealt in on an eligible market as described in 8.3.2; or
    - 7.1.3 admitted to or dealt in on an eligible market as described in 8.4; or
    - 7.1.4 for an approved money-market instrument not admitted to or dealt in on an eligible market, within 9.1; or
    - 7.1.5 recently issued transferable securities provided that:
      - 7.1.5.1 the terms of issue include an undertaking that application will be made to be admitted to an eligible market; and
      - 7.1.5.2 such admission is secured within a year of issue.
  - 7.2 However, a Sub-fund may invest no more than 10% of its Scheme Property in transferable securities and approved money-market instruments other than those referred to in 7.1.

## **8. Eligible markets regime**

- 8.1 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.
- 8.2 Where a market ceases to be eligible, investments on that market cease to be approved securities. The 10% restriction on investing in non approved securities applies and exceeding this limit because a market ceases to be eligible will generally be regarded as an inadvertent breach.
- 8.3 A market is eligible for the purposes of the rules if it is:
  - 8.3.1 a regulated market as defined in the FCA Handbook; or
  - 8.3.2 a market in an EEA State which is regulated, operates regularly and is open to the public; or
  - 8.3.3 a market falling in paragraph 8.4 of this Appendix.
- 8.4 A market falling within paragraph 8.3.3 of this Appendix is eligible for the purposes of the Sourcebook if:
  - 8.4.1 the ACD, after consultation and notification with the Depositary, decides that market is appropriate for investment of, or dealing in, the Scheme Property;
  - 8.4.2 the market is included in a list in the Prospectus; and
  - 8.4.3 the Depositary has taken reasonable care to determine that:
    - 8.4.3.1 adequate custody arrangements can be provided for the investment dealt in on that market; and
    - 8.4.3.2 all reasonable steps have been taken by the ACD in deciding whether that market is eligible.
- 8.5 In paragraph 8.4.1 a market must not be considered appropriate unless it is regulated, operates regularly, is recognised, 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.
- 8.6 The Eligible Markets for the Sub-funds are set out in Appendix II.

9. **Money-market instruments with a regulated issuer**

9.1 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:

9.1.1 the issue or the issuer is regulated for the purpose of protecting Shareholders and savings; and

9.1.2 the instrument is issued or guaranteed in accordance with paragraph 10 (Issuers and guarantors of money-market instruments) below.

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

9.2.1 the instrument is an approved money-market instrument;

9.2.2 appropriate information is available for the instrument (including information which allows an appropriate assessment of the credit risks related to investment in it), in accordance with paragraph 11 (Appropriate information for money-market instruments) below; and

9.2.3 the instrument is freely transferable.

10. **Issuers and guarantors of money-market instruments**

10.1 A Sub-fund may invest in an approved money-market instrument if it is:

10.1.1 issued or guaranteed by any one of the following:

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

10.1.1.2 a regional or local authority of an EEA State;

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

10.1.1.4 the European Union or the European Investment Bank;



- 10.1.1.5 a non-EEA State or, in the case of a federal state, one of the members making up the federation;
- 10.1.1.6 a public international body to which one or more EEA States belong; or
- 10.1.2 issued by a body, any securities of which are dealt in on an eligible market; or
- 10.1.3 issued or guaranteed by an establishment which is:
  - 10.1.3.1 subject to prudential supervision in accordance with criteria defined by European Community law; or
  - 10.1.3.2 subject to and complies with prudential rules considered by the FCA to be at least as stringent as those laid down by European Community law.

10.2 An establishment shall be considered to satisfy the requirement in 10.1.3.2 if it is subject to and complies with prudential rules, and fulfils one or more of the following criteria:

- 10.2.1 it is located in the European Economic Area;
- 10.2.2 it is located in an OECD country belonging to the Group of Ten;
- 10.2.3 it has at least investment grade rating;
- 10.2.4 on the basis of an in-depth analysis of the issuer, it can be demonstrated that the prudential rules applicable to that issuer are at least as stringent as those laid down by European Community law.

## 11. **Appropriate information for money-market instruments**

11.1 In the case of an approved money-market instrument within 10.1.2 or issued by a body of the type referred to in the relevant part of the Sourcebook, or which is issued by an authority within 10.1.1.2 or a public international body within 10.1.1.6 but is not guaranteed by a central authority within 10.1.1.1, the following information must be available:

- 11.1.1 information on both the issue or the issuance programme, and the legal and financial situation of the issuer prior to the issue

- of the instrument, verified by appropriately qualified third parties not subject to instructions from the issuer;
- 11.1.2 updates of that information on a regular basis and whenever a significant event occurs; and
- 11.1.3 available and reliable statistics on the issue or the issuance programme.
- 11.2 In the case of an approved money-market instrument issued or guaranteed by an establishment within 10.1.3, the following information must be available:
  - 11.2.1 information on the issue or the issuance programme or on the legal and financial situation of the issuer prior to the issue of the instrument;
  - 11.2.2 updates of that information on a regular basis and whenever a significant event occurs; and
  - 11.2.3 available and reliable statistics on the issue or the issuance programme, or other data enabling an appropriate assessment of the credit risks related to investment in those instruments.
- 11.3 In the case of an approved money-market instrument:
  - 11.3.1 Within 10.1.1.1, 10.1.1.4 or 10.1.1.5; or
  - 11.3.2 which is issued by an authority within 10.1.1.2 or a public international body within 10.1.1.6 and is guaranteed by a central authority within 10.1.1.1;

information must be available on the issue or the issuance programme, or on the legal and financial situation of the issuer prior to the issue of the instrument.
- 12. **Spread: general**
  - 12.1 This rule on spread does not apply to government and public securities.
  - 12.2 For the purposes of this requirement companies included in the same group for the purposes of consolidated accounts as defined in accordance with Directive 83/349/EEC or in the same group in accordance with international accounting standards are regarded as a single body.
  - 12.3 Not more than 20% in value of the Scheme Property is to consist of

deposits with a single body.

- 12.4 Not more than 5% in value of the Scheme Property of a Sub-fund is to consist of transferable securities or approved money-market instruments issued by any single body, except that the limit of 5% is raised to 10% in respect of up to 40% in value of the Scheme Property (covered bonds need not be taken into account for the purposes of applying the limit of 40%). For these purposes certificates representing certain securities are treated as equivalent to the underlying security.
- 12.5 The limit of 5% is raised to 25% in value of the Scheme Property in respect of covered bonds provided that when a Sub-fund invests more than 5% in covered bonds issued by a single body, the total value of covered bonds held must not exceed 80% in value of the Scheme Property.
- 12.6 The exposure to any one counterparty in an OTC derivative transaction must not exceed 5% in value of the Scheme Property of a Sub-fund. This limit is raised to 10% where the counterparty is an Approved Bank.
- 12.7 Not more than 20% in value of the Scheme Property of a Sub-fund is to consist of transferable securities and approved money-market instruments issued by the same group.
- 12.8 Not more than 20% in value of the Scheme Property of a Sub-fund is to consist of the units of any one collective investment scheme.
- 12.9 The Sourcebook provides that in applying the limits in 12.3, 12.4 and 12.6, subject to 12.5, not more than 20% in value of the Scheme Property of a Sub-fund is to consist of any combination of two or more of the following:
  - 12.9.1 transferable securities (including covered bonds) or approved money-market instruments issued by; or
  - 12.9.2 deposits made with; or
  - 12.9.3 exposures from OTC derivatives transactions made with;a single body.
- 12.10 For the purpose of calculating the limits in 12.6 and 12.9 of this paragraph, the exposure in respect of an OTC derivative may be reduced to the extent that collateral is held in respect of it if the collateral meets each of the following conditions:

- 12.10.1 it is marked-to-market on a daily basis and exceeds the value of the amount at risk;
  - 12.10.2 it is exposed only to negligible risks (e.g. government bonds of first credit rating or cash) and is liquid;
  - 12.10.3 it is held by a third party custodian not related to the provider or is legally secured from the consequences of a failure of a related party; and
  - 12.10.4 can be fully enforced by a Sub-fund at any time.
- 12.11 For the purposes of calculating the limits in 12.6 and 12.9 of this paragraph (Spread: general), OTC derivative positions with the same counterparty may be netted provided that the netting procedures:
- 12.11.1 comply with the conditions set out in Section 3 (Contractual netting (Contracts for novation and other netting agreements)) of Annex III to the Banking Consolidation Directive; and
  - 12.11.2 are based on legally binding agreements.
- 12.12 In applying this paragraph, all derivatives transactions are deemed to be free of counterparty risk if they are performed on an exchange where the clearing house meets each of the following conditions:
- 12.12.1 it is backed by an appropriate performance guarantee; and
  - 12.12.2 it is characterised by a daily mark-to-market valuation of the derivative positions and at least daily margining.

**13. Spread: government and public securities**

- 13.1 The following section applies to government and public securities ("such securities").
- 13.2 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.
- 13.3 The Company or any Sub-fund may invest more than 35% in value of the Scheme Property in such securities issued by any one body provided that:**
- 13.3.1 the ACD has before any such investment is made consulted with the Depositary and as a result considers that the issuer of such securities is one which is appropriate in accordance with the investment**

**objectives of the authorised fund;**

**13.3.2 no more than 30% in value of the Scheme Property consists of such securities of any one issue;**

**13.3.3 the Scheme Property includes such securities issued by that or another issuer, of at least six different issues;**

**13.3.4 the disclosures required by the FCA have been made.**

**In giving effect to the foregoing object more than 35% of the Scheme Property may be invested in Government and other public securities issued or guaranteed by the Government of the United Kingdom, the Scottish Administration, the Executive Committee of the Northern Ireland Assembly or the National Assembly of Wales, the Governments of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain and Sweden and the Governments of Australia, Canada, Japan, New Zealand, Switzerland or the United States of America, or securities issued by the European Investment Bank.**

13.4 Notwithstanding 12.1 and subject to 13.2 and 13.3 above, in applying the 20% limit in paragraph 12.9 with respect to a single body, government and public securities issued by that body shall be taken into account.

**14. Investment in collective investment schemes**

14.1 Up to 100% of the value of the Scheme Property (or, in the case of the City Financial UK Select Opportunities Fund, no more than 10%) may be invested in units or shares in other collective investment schemes ("Second Scheme"), provided that Second Scheme satisfies all of the following conditions.

14.1.1 The Second Scheme must:

14.1.1.1 satisfy the conditions necessary for it to enjoy the rights conferred by the UCITS Directive; or

14.1.1.2 be recognised under the provisions of s.270 of the Financial Services and Markets Act 2000; or

14.1.1.3 be authorised as a non-UCITS retail scheme (provided the requirements of Article 19(1)(e) of the UCITS Directive are met); or

- 14.1.1.4 be authorised in another EEA State provided the requirements of Article 19(1)(e) of the UCITS Directive are met.
- 14.1.1.5 be authorised by the competent authority of an OECD member country (other than another EEA State) which has:
  - (a) signed the IOSCO Multilateral Memorandum of Understanding; and
  - (b) approved the Second Scheme's management company, rules and depositary/custody arrangements;

(provided the requirements of article 19(1)(e) of the UCITS Directive are met).

No more than 30% of the property of a Sub-fund may be invested in schemes falling within 14.1.1.2 to 14.1.1.5.

14.1.2 The Second Scheme has terms which prohibit more than 10% in value of the scheme property consisting of units in collective investment schemes. Where the Second Scheme is an umbrella, the provisions in this paragraph 14.1.2, paragraph 1.1 and 12 (Spread: general) apply to each Sub-fund as if it were a separate scheme.

- 14.2 The Scheme Property attributable to a Sub-fund may include Shares in another Sub-fund of the Company (the "Second Sub-fund") subject to the requirements of paragraph 14.3 below.
- 14.3 A Sub-fund may invest in or dispose of Shares of a Second Sub-fund provided that:
  - 14.3.1 the Second Sub-fund does not hold Shares in any other Sub-fund of the Company;
  - 14.3.2 the requirements set out at paragraphs 14.6 and 14.7 below are complied with; and
  - 14.3.3 not more than 30% in value of the Scheme Property of the investing or disposing Sub-fund is to consist of Shares in the Second Sub-fund.

- 14.4 The Sub-funds may, subject to the limit set out in paragraph 14.1 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.
- 14.5 If a substantial proportion of a Sub-fund's assets are invested in other collective investment schemes, the maximum level of management fees that may be charged by an investee collective investment scheme to the Sub-fund concerned will be 6%.
- 14.6 Investment may only be made in a Second Sub-fund or other collective investment schemes managed by the ACD or an associate of the ACD if the Sub-fund's Prospectus clearly states that it may enter into such investments and the rules on double charging contained in the Sourcebook are complied with.
- 14.7 Where a Sub-fund of the Company invests in or disposes of Shares in a Second Sub-fund or units or shares in another collective investment scheme which is managed or operated by the ACD or an Associate of the ACD, 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.

15. **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 the Sourcebook.

16. **Derivatives: general**

**Where it is consistent with a Sub-fund's investment objectives and policy, transactions in derivatives may be used for the purposes of hedging in accordance with Efficient Portfolio Management and/or meeting the investment objectives of the Sub-funds. In pursuing the Sub-fund's investment objectives the Investment Manager may make use of a variety of instruments in accordance with the Sourcebook and in accordance with its risk management policy. the Sub-funds are able to use derivatives for investment purposes with the exception of the City Financial UK Select Opportunities Fund. All Sub-funds can use derivatives for EPM purposes.**

**It is not intended that the use of derivatives by the Sub-funds will cause the Net Asset Value of the Sub-Funds to have high volatility or otherwise cause their existing risk profile to change.**

- 16.1 A transaction in derivatives or a forward transaction must not be effected for a Sub-fund unless the transaction is of a kind specified in paragraph 18 (Permitted transactions (derivatives and forwards)) below, and the transaction is covered, as required by paragraph 27 (Cover for transactions in derivatives and forward transactions) of this Appendix.
- 16.2 Where a Sub-fund invests in derivatives, the exposure to the underlying assets must not exceed the spread limits set out in the Sourcebook except for index based derivatives where the rules below apply.
- 16.3 Where a transferable security or approved money-market instrument embeds a derivative, this must be taken into account for the purposes of complying with this section.
- 16.4 A transferable security or an approved money-market instrument will embed a derivative if it contains a component which fulfils the following criteria:
  - 16.4.1 by virtue of that component some or all of the cash flows that otherwise would be required by the transferable security or approved money-market instrument which functions as host contract can be modified according to a specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, and therefore vary in a way similar to a stand-alone derivative;
  - 16.4.2 its economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract; and
  - 16.4.3 it has a significant impact on the risk profile and pricing of the transferable security or approved money-market instrument.
- 16.5 A transferable security or an approved money-market instrument does not embed a derivative where it contains a component which is contractually transferable independently of the transferable security or the approved money-market instrument. That component shall be deemed to be a separate instrument.

Where a Sub-fund invests in an index based derivative, provided the relevant index falls within paragraph 19 (Financial Indices underlying derivatives), the underlying constituents of the index do not have to be taken into account for the purposes of compliance with the requirements of the Sourcebook.



## 17. **Efficient Portfolio Management**

The Company may utilise the Scheme Property to enter into transactions for the purposes of Efficient Portfolio Management ("EPM"). Permitted EPM transactions (excluding stock lending arrangements) are transactions in derivatives e.g. to hedge against price or currency fluctuations, dealt with or traded on an eligible derivatives market; off-exchange options or contracts for differences; or synthetic futures in certain circumstances. The ACD must take reasonable care to ensure that the transaction is economically appropriate to the reduction of the relevant risks (whether in the price of investments, interest rates or exchange rates) or to the reduction of the relevant costs and/or to the generation of additional capital or income for the Fund with a risk level which is consistent with the risk profile of the Company and the risk diversification rules laid down in the Sourcebook. The exposure must be fully "covered" by cash and/or other property sufficient to meet any obligation to pay or deliver that could arise.

### 17.1 Permitted transactions are those that the Company reasonably regards as economically appropriate to EPM, that is:

17.1.1 Transactions undertaken to reduce risk or cost in terms of fluctuations in prices, interest rates or exchange rates where the ACD reasonably believes that the transaction will diminish a risk or cost of a kind or level which it is sensible to reduce; or

17.1.2 Transactions for the generation of additional capital growth or income for the Sub-fund by taking advantage of gains which the ACD reasonably believes are certain to be made (or certain, barring events which are not reasonably foreseeable) as a result of:

17.1.2.1 pricing imperfections in the market as regards the property which the Sub-fund holds or may hold; or

17.1.2.2 receiving a premium for the writing of a covered call option or a cash covered put option on property of the Sub-fund which the Company is willing to buy or sell at the exercise price, or

17.1.2.3 stock lending arrangements.

A permitted arrangement in this context may at any time be closed out.

- 17.2 Transactions may take the form of “derivatives transactions” (that is, transactions in options, futures or contracts for differences) or forward currency transactions. A derivatives transaction must either be in a derivative which is traded or dealt in on an eligible derivatives market (and effected in accordance with the rules of that market), or be an off-exchange derivative which complies with the relevant conditions set out in the Sourcebook, or be a “synthetic future” (i.e. a composite derivative created out of two separate options). Forward currency transactions must be entered into with counterparties who satisfy the Sourcebook. A permitted transaction may at any time be closed out.
- 17.3 The eligible derivatives markets for the Sub-funds are set out in Appendix II.
18. **Permitted transactions (derivatives and forwards)**
- 18.1 A transaction in a derivative must be in an approved derivative; or be one which complies with paragraph 22 (OTC transactions in derivatives) of this Appendix.
- 18.2 A transaction in a derivative must have the underlying consisting of any one or more of the following to which the scheme is dedicated: transferable securities, money market instruments, deposits, permitted derivatives under this paragraph, collective investment scheme units permitted under paragraph 6 (Investment in collective investment schemes), financial indices, interest rates, foreign exchange rates, and currencies.
- 18.3 A transaction in an approved derivative must be effected on or under the rules of an eligible derivatives market.
- 18.4 A transaction in a derivative must not cause a fund to diverge from its investment objectives.
- 18.5 A transaction in a derivative must not be entered into if the intended effect is to create the potential for an uncovered sale of one or more, transferable securities, money market instruments, units in collective investment schemes, or derivatives, provided that a sale is not to be considered as uncovered if the conditions in paragraph 11.2 are satisfied.
- 18.6 Any forward transaction must be with an Eligible Institution or an Approved Bank.
- 18.7 A derivative includes an investment which fulfils the following criteria:

- 18.7.1 it allows transfer of the credit risk of the underlying independently from the other risks associated with that underlying;
  - 18.7.2 it does not result in the delivery or the transfer of assets other than those permitted by the Sourcebook, including cash;
  - 18.7.3 in the case of an OTC derivative, it complies with the requirements in paragraph 22; and
  - 18.7.4 its risks are adequately captured by the risk management process of the ACD and by its internal control mechanisms in the case of risk asymmetry of information between the ACD and the counterparty to the derivative resulting from the potential access of the counterparty to non-public information on persons whose assets are used as the underlying by that derivative.
- 18.8 A Sub-fund may not undertake transactions in derivatives on commodities.
- 19. Financial Indices underlying derivatives**
- 19.1 The financial indices referred to in 18.2 are those which satisfy the following criteria:
- 19.1.1 the index is sufficiently diversified;
  - 19.1.2 the index represents an adequate benchmark for the market to which it refers; and
  - 19.1.3 the index is published in an appropriate manner.
- 19.2 A financial index is sufficiently diversified if:
- 19.2.1 it is composed in such a way that price movements or trading activities regarding one component do not unduly influence the performance of the whole index;
  - 19.2.2 where it is composed of assets in which a Sub-fund is permitted to invest, its composition is at least diversified in accordance with the requirements with respect to spread and concentration set out in this section; and
  - 19.2.3 where it is composed of assets in which a Sub-fund cannot invest, it is diversified in a way which is equivalent to the diversification achieved by the requirements with respect to spread and concentration set out in this section.

- 19.3 A financial index represents an adequate benchmark for the market to which it refers if:
  - 19.3.1 it measures the performance of a representative group of underlyings in a relevant and appropriate way;
  - 19.3.2 it is revised or rebalanced periodically to ensure that it continues to reflect the markets to which it refers, following criteria which are publicly available; and
  - 19.3.3 the underlyings are sufficiently liquid, allowing users to replicate it if necessary.
- 19.4 A financial index is published in an appropriate manner if:
  - 19.4.1 its publication process relies on sound procedures to collect prices, and calculate and subsequently publish the index value, including pricing procedures for components where a market price is not available; and
  - 19.4.2 material information on matters such as index calculation, rebalancing methodologies, index changes or any operational difficulties in providing timely or accurate information is provided on a wide and timely basis.
- 19.5 Where the composition of underlyings of a transaction in a derivative does not satisfy the requirements for a financial index, the underlyings for that transaction shall where they satisfy the requirements with respect to other underlyings pursuant to 18.2, be regarded as a combination of those underlyings.
20. **Transactions for the purchase of property**
- 20.1 A derivative or forward transaction which will or could lead to the delivery of property for the account of the Company may be entered into only if that property can be held for the account of the Company, and the ACD having taken reasonable care determines that delivery of the property under the transaction will not occur or will not lead to a breach of the rules in the Sourcebook.
21. **Requirement to cover sales**
- 21.1 No agreement by or on behalf of the Company to dispose of property or rights may be made unless the obligation to make the disposal and any other similar obligation could immediately be honoured by the Company by delivery of property or the assignment (or, in Scotland, assignation) of rights, and the property and rights above are owned by

the Company at the time of the agreement. This requirement does not apply to a deposit.

21.2 The above does not apply where:

21.2.1 the risks of the underlying financial instrument of a derivative can be appropriately represented by another financial instrument and the underlying financial instrument is highly liquid; or

21.2.2 the ACD or the Depositary has the right to settle the derivative in cash and cover exists within the Scheme Property which falls within one of the following asset classes:

21.2.2.1 cash;

21.2.2.2 liquid debt instruments (e.g. government bonds of first credit rating) with appropriate safeguards (in particular, haircuts); or

21.2.2.3 other highly liquid assets having regard to their correlation with the underlying of the financial derivative instruments, subject to appropriate safeguards (e.g. haircuts where relevant).

21.3 In the asset classes referred to in paragraphs 21.2.2, an asset may be considered as liquid where the instrument can be converted into cash in no more than seven Business Days at a price closely corresponding to the current valuation of the financial instrument on its own market.

22. **OTC transactions in derivatives**

22.1 Any transaction in an OTC derivative under paragraph 9 must be:

22.1.1 in a future or an option or a contract for differences;

22.1.2 with an approved counterparty; a counterparty to a transaction in derivatives is approved only if the counterparty is an Eligible Institution or an Approved Bank; or a person whose permission (including any requirements or limitations), as published in the FCA Register or whose Home State authorisation, permits it to enter into the transaction as principal off-exchange;

22.1.3 on approved terms; the terms of the transaction in derivatives are approved only if, the ACD: carries out, at least daily, a reliable and verifiable valuation in respect of that

transaction corresponding to its fair value and which does not rely only on market quotations by the counterparty and can enter into one or more further transaction to sell, liquidate or close out that transaction at any time, at a fair value; and

22.1.4 capable of valuation; a transaction in derivatives is capable of valuation only if the ACD having taken reasonable care determines that, throughout the life of the derivative (if the transaction is entered into), it will be able to value the investment concerned with reasonable accuracy:

22.1.4.1 on the basis of an up-to-date market value which the ACD and the Depositary have agreed is reliable; or

22.1.4.2 if the value referred to in 22.1.4.1 is not available, on the basis of a pricing model which the ACD and the Depositary have agreed uses an adequate recognised methodology; and

22.1.5 subject to verifiable valuation: a transaction in derivatives is subject to verifiable valuation only if, throughout the life of the derivative (if the transaction is entered into) verification of the valuation is carried out by:

22.1.5.1 an appropriate third party which is independent from the counterparty of the derivative at an adequate frequency and in such a way that the ACD is able to check it; or

22.1.5.2 a department within the ACD which is independent from the department in charge of managing a Sub-fund and which is adequately equipped for such a purpose.

22.2 For the purposes of paragraph 22.1.3, "fair value" is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

## 23. **Risk management**

23.1 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. Before using the process, the ACD will notify the FCA of the details of the risk management process.

24. **Significant influence**

24.1 The Company must not acquire transferable securities issued by a body corporate and carrying rights to vote (whether or not on substantially all matters) at a general meeting of that body corporate if:

24.1.1 immediately before the acquisition, the aggregate of any such securities held by the Company gives the Company power significantly to influence the conduct of business of that body corporate; or

24.1.2 the acquisition gives the Company that power.

24.2 For the purposes of paragraph 24.1 of this Appendix, the Company is to be taken to have power significantly to influence the conduct of business of a body corporate if it can, because of the transferable securities held by it, exercise or control the exercise of 20% or more of the voting rights in that body corporate (disregarding for this purpose any temporary suspension of voting rights in respect of the transferable securities of that body corporate).

25. **Concentration**

The Company:

25.1 must not acquire transferable securities other than debt securities which:

25.1.1 do not carry a right to vote on any matter at a general meeting of the body corporate that issued them; and

25.1.2 represent more than 10% of these securities issued by that body corporate;

25.2 must not acquire more than 10% of the debt securities issued by any single issuing body;

25.3 must not acquire more than 25% of the units in a collective investment scheme;

25.4 must not acquire more than 10% of the approved money-market instruments issued by any single body; and

25.5 need not comply with the limits in paragraphs 25.2, 25.3 and 25.4 of this Appendix if, at the time of the acquisition, the net amount in issue of the relevant investment cannot be calculated.

26. **Derivative exposure**

- 26.1 The Sub-funds may invest in derivatives and forward transactions as long as the exposure to which a Sub-fund is committed by that transaction itself is suitably covered from within its Scheme Property. Exposure will include any initial outlay in respect of that transaction.
- 26.2 Cover ensures that a Sub-fund is not exposed to the risk of loss of property, including money, to an extent greater than the net value of the Scheme Property. Therefore, a Sub-fund must hold Scheme Property sufficient in value or amount to match the exposure arising from a derivative obligation to which that Sub-fund is committed. Paragraph 27 (Cover for transactions in derivatives and forward transactions) below sets out detailed requirements for cover of that Sub-fund.
- 26.3 A future is to be regarded as an obligation to which a Sub-fund is committed (in that, unless closed out, the future will require something to be delivered, or accepted and paid for); a written option as an obligation to which a Sub-fund is committed (in that it gives the right of potential exercise to another thereby creating exposure); and a bought option as a right (in that the purchaser can, but need not, exercise the right to require the writer to deliver and accept and pay for something).
- 26.4 Cover used in respect of one transaction in derivatives or forward transaction must not be used for cover in respect of another transaction in derivatives or a forward transaction.

27. **Cover for transactions in derivatives and forward transactions**

28. Global exposure relating to derivatives and forward transactions held in a Sub-fund must not exceed the net value of the Scheme Property.

**Cover and Borrowing**

- 28.1 Cash obtained from borrowing, and borrowing which the ACD reasonably regards an Eligible Institution or an Approved Bank to be committed to provide, is available for cover under paragraph 27 of this Appendix as long as the normal limits on borrowing (see below) are observed.
- 28.2 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 32 (Borrowing powers) of this Appendix do not apply to that borrowing.

**29. Cash and near cash**

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

29.1.1 the pursuit of a Sub-fund's investment objectives; or

29.1.2 redemption of Shares; or

29.1.3 efficient management of a Sub-fund in accordance with its investment objectives; or

29.1.4 other purposes which may reasonably be regarded as ancillary to the investment objectives of a Sub-fund.

29.2 During the period of the initial offer the Scheme Property of the Sub-funds may consist of cash and near cash without limitation.

**30. General**

30.1 It is envisaged that a Sub-funds will normally be fully invested but there may be times that it is appropriate not to be fully invested when the ACD reasonably regards this as necessary in order to enable the redemption of units, efficient management of a Sub-fund or any one purpose which may reasonably be regarded as ancillary to the investment objectives of a Sub-fund.

30.2 No Sub-fund may invest in the Shares of another Sub-fund within the Company.

30.3 Where the Company invests in or disposes of units or shares in another collective investment scheme which is managed or operated by the ACD or an associate of the ACD, the ACD must pay to the Company 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.

30.4 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.

31. **Underwriting**

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

32. **Borrowing powers**

- 32.1 The ACD may, on the instructions of the Company and subject to the Sourcebook, borrow money from an Eligible Institution or an Approved Bank for the use of the Company on terms that the borrowing is to be repayable out of the Scheme Property.
- 32.2 Borrowing must be on a temporary basis, must not be persistent, and in any event must not exceed three months without the prior consent of the Depositary, which may be given only on such conditions as appear appropriate to the Depositary to ensure that the borrowing does not cease to be on a temporary basis.
- 32.3 The ACD must ensure that borrowing does not, on any Business Day, exceed 10% of the value of each Sub-fund.
- 32.4 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).

33. **Restrictions on lending of money**

- 33.1 None of the money in the Scheme Property of a Sub-fund 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.
- 33.2 Acquiring a debenture is not lending for the purposes of paragraph 33.1, nor is the placing of money on deposit or in a current account.
- 33.3 Nothing in paragraph 33.1 prevents the Company from providing an officer of the Company with funds to meet expenditure to be incurred by him for the purposes of the Company (or for the purposes of enabling him properly to perform his duties as an officer of the Company) or from doing anything to enable an officer to avoid incurring such expenditure.

34. **Restrictions on lending of property other than money**

- 34.1 Scheme Property of the Sub-funds other than money must not be lent by way of deposit or otherwise.

- 34.2 Transactions permitted by paragraph 37 (Stock lending) are not to be regarded as lending for the purposes of paragraph 34.1.
- 34.3 The Scheme Property of the Sub-funds must not be mortgaged.
- 34.4 Where transactions in derivatives or forward transactions are used for the account of the Company in accordance with the Sourcebook, nothing in this paragraph prevents the Company or the Depositary at the request of the Company: from lending, depositing, pledging or charging its Scheme Property for margin requirements; or transferring Scheme Property under the terms of an agreement in relation to margin requirements, provided that the ACD reasonably considers that both the agreement and the margin arrangements made under it (including in relation to the level of margin) provide appropriate protection to Shareholders.
35. **General power to accept or underwrite placings**
- 35.1 Any power in the Sourcebook to invest in transferable securities may be used for the purpose of entering into transactions to which this section applies, subject to compliance with any restriction in the 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.
- 35.2 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.
- 35.3 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 Sourcebook.
36. **Guarantees and indemnities**
- 36.1 The Company or the Depositary for the account of the Company must not provide any guarantee or indemnity in respect of the obligation of any person.
- 36.2 None of the Scheme Property may be used to discharge any obligation arising under a guarantee or indemnity with respect to the obligation of any person.
- 36.3 Paragraphs 36.1 and 36.2 do not apply to in respect of the Company:

- 36.3.1 any indemnity or guarantee given for margin requirements where the derivatives or forward transactions are being used in accordance with the Sourcebook;
- 36.3.2 an indemnity falling within the provisions of regulation 62(3) (Exemptions from liability to be void) of the OEIC Regulations;
- 36.3.3 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
- 36.3.4 an indemnity given to a person winding up a scheme if the indemnity is given for the purposes of arrangements by which the whole or part of the property of that scheme becomes the first property of the Company and the holders of units in that scheme become the first Shareholders in the Company.

## 37. **Stock lending**

- 37.1 The entry into stock lending transactions or repo contracts for the account of a Sub-fund is permitted for the generation of additional income for the benefit of that Sub-fund, and hence for its Shareholders.
- 37.2 The specific method of stock lending permitted in this section is in fact not a transaction which is a loan in the normal sense. Rather it is an arrangement of the kind described in section 263B of the Taxation of Chargeable Gains Act 1992, under which the lender transfers securities to the borrower otherwise than by way of sale and the borrower is to transfer those securities, or securities of the same type and amount, back to the lender at a later date. In accordance with good market practice, a separate transaction by way of transfer of assets is also involved for the purpose of providing collateral to the "lender" to cover him against the risk that the future transfer back of the securities may not be satisfactorily completed.
- 37.3 The stock lending permitted by this section may be exercised by a Sub-fund when it reasonably appears to a Sub-fund to be appropriate to do so with a view to generating additional income with an acceptable degree of risk.
- 37.4 The Company or the Depositary at the request of the Company may enter into a stock lending arrangement or repo contract of the kind described in section 263B of the Taxation of Chargeable Gains Act 1992 (without

extension by section 263C), but only if all the terms of the agreement under which securities are to be reacquired by the Depositary for the account of a Sub-fund, are in a form which is acceptable to the Depositary and are in accordance with good market practice, the counterparty meets the criteria set out in the Sourcebook, and collateral is obtained to secure the obligation of the counterparty. Collateral must be acceptable to the Depositary, adequate and sufficiently immediate.

- 37.5 The Depositary must ensure that the value of the collateral at all times is at least equal to the value of the securities transferred by the Depositary. This duty may be regarded as satisfied in respect of collateral the validity of which is about to expire or has expired where the Depositary takes reasonable care to determine that sufficient collateral will again be transferred at the latest by the close of business on the day of expiry.
- 37.6 Any agreement for transfer at a future date of securities or of collateral (or of the equivalent of either) may be regarded, for the purposes of valuation under the Sourcebook, as an unconditional agreement for the sale or transfer of property, whether or not the property is part of the property of a Sub-fund.
- 37.7 There is no limit on the value of the Scheme Property of a Sub-fund which may be the subject of stock lending transactions or repo contracts.

## **APPENDIX IV**

### **LIST OF OTHER AUTHORISED COLLECTIVE INVESTMENT SCHEMES OPERATED BY THE ACD**

**The ACD acts as Authorised Corporate Director of the following Open-ended Investment Companies:**

City Financial Investment Funds  
City Financial Investment Funds Series II  
City Financial Investment Funds Series IV  
City Financial Investment Funds  
The Pennine Funds

**The ACD acts as Manager of the following Authorised Unit Trusts:**

## **APPENDIX V PAST PERFORMANCE AND INVESTOR PROFILE**

### **Past performance**

Please note that all performance information is at 31 December 2012. For more up-to-date performance information, please contact the ACD.

#### **City Financial Multi Asset Balanced Fund**

Past performance should not be taken as a guide to the future.

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
City Financial Multi Asset Balanced Fund	21.92%	11.83%	-7.90%	9.45

data sourced from Morningstar Direct 05/12/2013

#### **City Financial UK Select Opportunities Fund**

	<b>2012</b>
City Financial UK Select Opportunities Fund	24.76%

data sourced from Morningstar Direct 05/12/2013

#### **CITY FINANCIAL MULTI ASSET CAUTIOUS**

As this Fund was launched on 01 October 2013 there is no information of past performance.

#### **CITY FINANCIAL MULTI ASSET DISTRIBUTION**

As this Fund was launched on 01 October 2013 there is no information of past performance.

#### **CITY FINANCIAL MULTI ASSET DYNAMIC**

As this Fund was launched on 01 October 2013 there is no information of past performance.

#### **CITY FINANCIAL MULTI ASSET GROWTH**

As this Fund was launched on 01 October 2013 there is no information of past performance.

### **INVESTOR PROFILES**

The City Financial UK Select Opportunities Fund may be suitable for those investors wishing to achieve long-term returns by investing in a concentrated portfolio of mainly UK listed companies.

The City Financial Multi-Asset Balanced Fund is suitable for those investors seeking modest volatility of returns with minimal correlation to most asset classes. Investors should have a medium to long term time horizon and an average tolerance for risk. If investors are uncertain as to whether the Fund is suitable for them, they should contact a financial adviser.

City Financial Multi Asset Diversified Fund is suitable for those investors seeking low volatility of returns with minimal correlation to most asset classes. Investors should have a medium time horizon and a moderate tolerance for risk. If investors are uncertain as to whether the Fund is suitable for them, they should contact a financial adviser.

The City Financial Multi Asset Growth Fund is suitable for those investors seeking increased volatility of returns with minimal correlation to most asset classes. Investors should have a longer term time horizon and a higher tolerance for risk. If investors are uncertain as to whether the fund is suitable for them, they should contact a financial adviser.

The City Financial Multi Asset Dynamic Fund is suitable for those investors seeking higher volatility of returns with minimal correlation to most asset classes. Investors should have a longer term time horizon and a higher tolerance for risk. If investors are uncertain as to whether the Fund is suitable for them, they should contact a financial adviser.

The City Financial Multi Asset Cautious Fund is suitable for those investors seeking low volatility of returns with minimal correlation to most asset classes. Investors should have a medium time horizon and a lower tolerance for risk. If investors are uncertain as to whether the Fund is suitable for them, they should contact a financial adviser.

The City Financial Multi Asset Distribution Fund is suitable for those investors seeking moderate volatility of returns with minimal correlation to most asset classes. Investors should have a medium to long term time horizon and an average tolerance for risk. If investors are uncertain as to whether the Fund is suitable for them, they should contact a financial adviser.



## **APPENDIX VI**

### **EXPENSES**

#### **Fixed Expenses**

Ordinary operating expenses incurred by the Company may be paid out of the Scheme Property. However, to protect the Shareholders from fluctuations in these expenses the ACD has agreed to fix the total amount of these expenses to be borne by each Class at the levels given in the table below. Fixed expenses will be calculated and accrued daily and deducted monthly, in arrears, from each Share Class. The ACD believes the level of fixed expenses charged to a Share Class may be more or less than the actual operating costs attributable to such Share Class in any given period. All payments will be made out of the income of the Scheme Property.

Therefore, the ACD will bear any excess of the actual operating expenses of the Company above the levels of fixed expenses charged in accordance with the levels given. Conversely, the ACD will be entitled to retain any amount by which the levels of fixed expenses specified exceed the actual operating expenses incurred by the Company. In some instances, Shareholders may get less of the benefit than others. The levels of fixed expenses to be borne by each Class will be reviewed in exceptional circumstances and, in any event, annually to ensure that they remain fair to Shareholders. These expenses include (but are not limited to) the following:

- (i) Registration fees to the Registrar;
- (ii) The fees of the FCA under the Regulations, or any corresponding periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which Shares are or may be marketed;
- (iii) Any costs incurred in modifying the Instrument of Incorporation or the Prospectus;
- (iv) Any costs incurred in respect of meetings of the Shareholders (including meetings of Shareholders in any particular Fund or Class);
- (v) The fees of the Auditors and the tax, legal and other professional advisers to the Company and to the ACD and the Depositary properly payable and any proper expenses of the Auditors, tax, legal and other professional advisers to the Company and to the ACD and the Depositary;
- (vi) The fees to the Depositary. The Depositary is entitled to a fee payable monthly from the Scheme Property for its services as depositary. In addition, where relevant the Depositary may also charge for all costs and expenses properly incurred by the Depositary in the performance of, or arranging the performance of, functions conferred on it as depositary by the Instrument, the COLL Sourcebook and by the general law. This includes its services in relation to distributions or engaging in derivative transactions in relation to the Funds;
- (vii) The fees of the custodian (The Bank of New York Mellon SA/NV);
- (viii) Fees in respect of the publication and circulation of details of the prices and yields of Shares, and other such information which the ACD is required by law to publish;
- (ix) The costs of printing and distributing reports, accounts, the Prospectus, and any costs incurred as a result of periodic updates of the Prospectus and any other administrative expenses ;
- (x) It is not currently proposed to seek a listing for the Shares on any stock exchange, but if a listing is sought in future, the fees connected with the listing.
- (xi) Insurance which the Company may purchase and/or maintain for the benefit of and against any liability incurred by any directors of the Company in the performance of their duties
- (xii) Collateral management costs incurred in respect of any permitted transactions in derivatives and forwards.

## Other Expenses Payable out of the Scheme Property

Other expenses incurred by the Company may be paid out of the Scheme Property (the expenses which are mitigated through the application and receipt of a dilution levy are practically met through the Scheme Property), including (but not limited to):

- (i) Broker's commission, fiscal charges and any other disbursements which are necessarily incurred in effecting transactions for the Company. This will include expenses incurred in acquiring and disposing of investments including legal fees and expenses, whether or not the acquisition or disposal is carried out.
- (ii) Interest on borrowings permitted under the Instrument of Incorporation or the Prospectus and charges incurred in effecting or terminating such borrowings or in negotiating or varying the terms of such borrowings.
- (iii) The costs associated with stock lending transactions or other permitted transactions.
- (iv) Taxation and duties payable in respect of the Scheme Property, including any stamp duty, stamp duty reserve tax (SDRT) or foreign transfer taxes on the purchase of investments, the Instrument of Incorporation, the Prospectus or the creation, issue, redemption or cancellation of Shares and any SDRT charged in accordance with Schedule 19 of the Finance Act 1999.
- (v) Liabilities under a scheme of arrangement arising where the property of a body corporate or another collective investment scheme is transferred to the Depositary in consideration for the issue of Shares to the Shareholders in that body or to participants in that other scheme, provided that any liability arising after the transfer could have been paid out of that other property had it arisen before the transfer and, in the absence of any express provision in the Instrument of Incorporation forbidding such payment, the ACD is of the opinion that proper provision was made for meeting such liabilities as were known or could reasonably have been anticipated at the time of transfer.
- (vi) Annual Management Charge is a payment for carrying out its duties and responsibilities the ACD is entitled to take an annual fee as set out in Appendix I. The annual management charge will accrue on a daily basis in arrears by reference to the Net Asset Value of the Sub-fund on the immediately preceding Dealing Day and the amount due for each month is payable on the last Dealing Day of each month. The current annual management charges for the Sub-funds (expressed as a percentage per annum of the Net Asset Value) are set out in Appendix I.

These payments will be inclusive of Value Added Tax where applicable.

## Expenses by Share Class

### City Financial Multi Asset Balanced Fund

Share Class	OCF
I (new share class)	1.44%
R (new share class)	1.85%
A (formerly MultiManager Income A)	2.35%

Subject to a minimum fee of GBP £40,000 per annum

Expenses will be reviewed on an annual basis and changes will be treated as 'significant' in accordance with the FCA Handbook.

## **APPENDIX VII**

### **DIRECTORY**

**The Company and Head Office:**

City Financial Investment Fund Series III  
62 Queen Street  
London  
EC4R 1EB

**Authorised Corporate Director:**

City Financial Investment Company Limited  
62 Queen Street  
London  
EC4R 1EB

**Depository:**

BNY Mellon Trust & Depositary (UK) Limited  
The Bank of New York Mellon Centre  
160 Queen Victoria Street  
London  
EC4V 4LA

**Investment Manager:**

City Financial Investment Company Limited  
62 Queen Street  
London  
EC4R 1EB

**Administrator:**

Capita Financial Administrators Limited  
2 The Boulevard  
City West One Office Park  
Gelder Road  
Leeds  
LS12 6NT

**Registrar:**

Capita Financial Administrators Limited  
2 The Boulevard  
City West One Office Park  
Gelder Road  
Leeds  
LS12 6NT

**Auditors:**

Grant Thornton UK LLP  
30 Finsbury Square  
London  
EC2P 2YU