

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

T. Bailey Fund Services 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 the Collective Investment Schemes Sourcebook to be included in it. T. Bailey Fund Services Limited accepts responsibility accordingly.

**PROSPECTUS**  
**OF**  
**TB AMATI INVESTMENT FUNDS**  
**(An open-ended investment company**  
**incorporated with limited liability and**  
**registered in England and Wales**  
**under registered number IC000618 and product reference number 476939)**

This document constitutes the Prospectus for TB Amati Investment Funds which has been prepared in accordance with the Collective Investment Schemes Sourcebook.

This Prospectus is dated, and is valid as at 1 October 2018.

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

**VCN:1197**

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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.

**Shares are not available for distribution to or investment by US Persons. 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 Shareholders 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 T. Bailey Fund Services Limited.

This Prospectus has been issued for the purpose of section 21 of the Financial Services and Markets Act 2000 by T. Bailey Fund Services 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 the ACD cannot be bound by an out of date Prospectus when a new version has been issued and Shareholders should check with T. Bailey Fund Services 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**

**"ACD"** T. Bailey Fund Services Limited, the authorised corporate director of the Company

**"ACD Agreement"** An agreement between the Company and the ACD

**"Approved Bank"** (in relation to a bank account opened by the Company):

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

**"Associate"** any other person whose business or domestic relationship with the ACD or the ACD's associate might reasonably be expected to give rise to a community of interest between them which may involve a conflict of interest in dealings with third parties

<b>"Auditor"</b>	Deloitte LLP or such other entity as is appointed to act as auditor to the Company from time to time
<b>"business day"</b>	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
<b>"Class" or "Classes"</b>	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
<b>"the COLL Sourcebook"</b>	that part of the FCA Handbook which deals with regulated collective investment schemes as amended from time to time
<b>"Company"</b>	TB Amati Investment Funds
<b>"Conversion"</b>	the conversion of Shares in one Class in a Sub-fund to Shares of another Class in the same Sub-fund and " <b>convert</b> " shall be construed accordingly;
<b>"Dealing Day"</b>	Monday to Friday where these days are business days. In the event that a Monday or Friday is not a business day, such other day as may be agreed between the ACD and Depositary
<b>"Depositary"</b>	NatWest Trustee & Depositary Services Limited, or such other entity as is appointed to act as Depositary
<b>"Director" or "Directors"</b>	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>	for the purposes of this Prospectus, means an investment technique where derivatives are used for one or more of the following purposes: reduction of risk, reduction of costs or the generation of additional capital or income for the Fund with a risk level which is consistent with the risk profile of the Fund and the risk diversification rules laid

	down in COLL
<b>"Eligible Institution"</b>	one of certain eligible institutions as defined in the glossary of definitions to the FCA Handbook
<b>"FATCA"</b>	the Foreign Account Tax Compliance Act
<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, supplemented or replaced from time to time
<b>"the Financial Services 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;</li> </ul> <p>except as provided by any transitional provisions</p>
<b>"Government and Public Securities"</b>	<p>a transferable security or an approved money market instrument that is issued by:</p> <ul style="list-style-type: none"> <li>(a) an EEA State;</li> <li>(b) a local authority of an EEA State;</li> <li>(c) a non-EEA State;</li> <li>(d) a public international body to which one or more</li> </ul>



EEA States belong

**"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"**

Amati Global Investors Limited, the investment manager to the ACD in respect of the Company

**"IOSCO"**

The International Organisation of Securities Commissions

**"Net Asset Value" or "NAV"**

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>"OECD"</b>	Organisation for Economic Co-operation and Development
<b>"OEIC Regulations"</b>	the Open-Ended Investment Companies Regulations 2001 as amended or re-enacted from time to time
<b>"OTC"</b>	Over-the-counter derivative: a derivative transaction which is not traded on an investment exchange
<b>"Register"</b>	the register of Shareholders of the Company
<b>"Registrar"</b>	T. Bailey Fund Services 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) (as amended from time to time)
<b>"Regulations"</b>	the OEIC Regulations and the FCA Handbook (including the COLL Sourcebook)
<b>"Scheme Property"</b>	the scheme property of the Company or a Sub-fund (as appropriate) required under the COLL 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>"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
<b>"Switch"</b>	the exchange where permissible of Shares of one Class or Sub-fund for Shares of another Class or Sub-fund
<b>"UCITS scheme"</b>	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)

<b>"US Person"</b>	a person who falls within the definition of "US Person" as defined in rule 902 in regulation S of the United States Securities Act 1933 and/or a person falling within the definition of a "Specified US Person" for the purposes of FATCA as the context requires
<b>"Valuation Point"</b>	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 is 12 Noon 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
<b>"VAT"</b>	value added tax

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

### 2.1 **General information**

#### 2.1.1 **General**

TB Amati Investment Funds (the Company) is an investment company with variable capital incorporated in England and Wales under registered number IC000618 and authorised by the Financial Conduct Authority with effect from 26 March 2008. 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 64 St. James's Street, Nottingham, NG1 6FJ.

#### 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
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Minimum	£1
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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(s). For these purposes, the ACD may consider a Shareholder's trading history in the Sub-fund(s) or other T. Bailey Fund Services 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.

Each Sub-fund represents a segregated portfolio 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.

So far as the Shareholders are concerned, each Sub-fund is treated as a separate entity.

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.

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 COLL 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.

## **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.

More than one Class of Share may be issued in respect of each Sub-fund. Appendix I contains a description of the Classes currently available.

Further Classes of Share may be established from time to time by the ACD with the agreement of the Depositary and in accordance with the Instrument of Incorporation and the Regulations. On the introduction of any new Sub-fund or Class, a revised 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.

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.

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 following Classes of Share may be issued in respect of each Sub-fund: Class A and Class B. Each of these Shares may technically be available as both income and accumulation Shares. 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 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, but currently no gross Shares are in issue, as well as net income and net accumulation Shares. Net Shares are Shares in respect of which income allocated to them is distributed periodically to the relevant Shareholders (in the case of income Shares) or credited periodically to capital (in the case of accumulation Shares), in either case in accordance with relevant tax law, net of any tax deducted or accounted for by the Company. Gross Shares are income or accumulation Shares where, in accordance with relevant tax law, distribution or allocation of income is made without any tax being deducted or accounted for by the Company. All references in this Prospectus are to net Shares unless otherwise stated.

Shareholders are entitled (subject to certain restrictions) to Convert all or part of their Shares of one Class for Shares of another Class in respect of the same Sub-fund or Switch all or part of their Shares in relation to one Sub-fund for Shares in a different Sub-fund. Details of this Conversion and Switching facility and the restrictions are set out in paragraph 3.4 "Conversion and Switching".

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

The dealing office of the ACD is normally open from 9.00 a.m. to 5.00 p.m. (London time) on each business day to receive postal requests for the purchase, sale, converting 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 9.00 a.m. and 5.00 p.m. (London time) directly to the office of the ACD (telephone: 0115 988 8275 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.

In addition, the ACD may from time to time make arrangements to allow shares to be bought or sold on-line or through other communication media.

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 Shareholders 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 a redemption of Shares, or pay income on Shares to the Shareholder. 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. 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 or can be downloaded from [www.tbaileyfs.co.uk](http://www.tbaileyfs.co.uk).

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.

Settlement is due within 4 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.

Settlement can be made by electronic bank transfer to the bank account detailed on the application form. Otherwise, a cheque should be sent for the net amount, made payable to "T. Bailey Fund Services Limited", at: 64 St. James's Street, Nottingham, NG1 6FJ.

The ACD, at its discretion, has the right to cancel a purchase deal if settlement is materially overdue (being more than five Business Days of receipt of an application form or other instruction) and any loss arising on such cancellation shall be the liability of the applicant. In the event of such a sale or realisation, the ACD shall be entitled to transfer such investments to such persons as it shall specify and, recover any shortfall from that investor. The ACD is not obliged to issue Shares unless it has received cleared funds from an investor.

The ACD reserves the right to charge interest at 4% above the prevailing Bank of England base rate, on the value of any settlement received later than the 4th business day following the Valuation Point. No interest will be paid on funds held prior to investment. Shares that have not been paid for cannot be redeemed.

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. 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.

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 Shareholders 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. Shareholders 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 Shareholders 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.

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.

The ACD is not obliged to issue Shares unless it has received cleared funds from an investor. The ACD may, in its discretion, choose to deal before receipt of cleared funds from an investor. In such cases, if cleared funds are not received from an investor within five business days of receipt of an investor's application form or other instruction, the ACD may sell or realise the relevant investment without further notice to an investor in order to meet any liabilities which the ACD may have incurred on an investor's behalf. In the event of such a sale or realisation, the

ACD shall be entitled to transfer such investments to such persons as the ACD shall specify and recover any shortfall from the investor.

Settlement can be made by electronic bank transfer to the bank account detailed on the application form (found at the back of the simplified prospectus). Otherwise, please forward a cheque for the net amount, made payable to T. Bailey Fund Services Limited, to our administration address (see directory).

The ACD reserves the right to charge interest at 4% above the prevailing Bank of England base rate, on the value of any settlement received later than the 4th business day following the valuation point. No interest will be paid on funds held prior to investment or held whilst the ACD awaits receipt of all relevant documentation necessary to complete a redemption. Shares that have not been paid for cannot be redeemed.

### **3.2.3 Regular Savings Plan**

The ACD may make available certain Classes of Shares through the Regular Savings Plan (details of 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, Conversion, 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.

No interest will be paid on funds held whilst the ACD awaits receipt of all relevant documentation necessary to complete a redemption. Shares that have not been paid for cannot be redeemed.

### 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 redemption does not meet the investment minima terms set out in Appendix I.

## 3.4 Conversion and Switching

Subject to any restrictions on the eligibility of investors for a particular Share Class, a Shareholder may at any time Convert some or all of his Shares for Shares in another Class within the same Sub-fund.

Conversion will be effected by the ACD recording the change of class on the Register.

Conversion requests must be made to the ACD by telephone on 0115 988 8275 or in writing sent to the ACD at 64 St James's Street, Nottingham, NG1 6FJ. Conversion will be effected at the next valuation point following receipt of instructions. For UK Shareholders, Conversions will not be treated as a disposal for capital gains tax purposes. There is currently no fee on Conversions but the ACD, subject to the COLL Sourcebook, may at its discretion introduce such a fee.

Subject to any restrictions on the eligibility of Shareholders 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.

Switching requests must be made to the ACD by telephone on 0115 988 8275 (in which case the identification procedures and controls required by the ACD from time to time must be satisfied) or in writing sent to the ACD at 64 St. James's Street, Nottingham NG1 6FJ and must specify (1) the number and Class of the Original Shares to be Switched, (2) the Fund to which the Original Shares relate and (3) the Class of the New Shares and the Fund to which they relate. Switching requests made by telephone must be confirmed in writing (which, in the case of joint Shareholders, must be signed by all the joint Shareholders) sent to the ACD at the address stated in this paragraph.

The ACD may at its discretion make a charge on the switching of Shares between Sub-funds. 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 and Conversions".

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 COLL 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 Converts between Classes of Shares) will not be given a right by law to withdraw from or cancel the transaction.**

**A Conversion of Shares between different Share Classes will not be deemed to be a realisation for the purposes of capital gains taxation.**

### 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 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 where this is permissible in accordance with the FCA Handbook.

### **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 and Conversions**

The Company the Instrument of Incorporation authorises the Company to impose a charge on a Switch. 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 excess of the initial charge applicable to New Shares over the initial charge applicable to the Original Shares. The ACD does not currently make a charge on switching between Sub-funds or Share classes.

There is currently no charge for a Conversion.

### **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.

It is not possible to predict accurately whether dilution would occur at any point in time. Over the 12-month period ended 31 December 2017 a dilution levy was not charged. If a dilution levy is required then, based on future projections, the estimated rate of such a levy could be less than 1.5% for large subscriptions and less than 1% for large redemptions.

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



### 3.5.5 **Stamp duty reserve tax ("SDRT")**

There is no SDRT liability on the value of Shares redeemed. A charge may apply for certain in specie redemptions.

## 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.

## 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, converting 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 COLL 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 COLL 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 the 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.

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.

The assets within the Sub-fund to be transferred (or the proceeds of sale thereof) shall be subject to the retention by the Depositary of Scheme Property including

cash of a value or amount equivalent to any redemption charge or any SDRT provision to be paid in relation to the cancellation of Shares.

### **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 the Company where due to exceptional circumstances it is in the interests of all the Shareholders in the Company.

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 none of the obligations in the COLL Sourcebook relating to Dealing will apply but the ACD will comply with as much of the COLL Sourcebook provisions on Valuation and Pricing during the period of suspension as is practicable in light of the suspension.

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

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

### **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 a Sub-fund is currently calculated at 12 Noon (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.

"Late Trading" is defined as the acceptance of a subscription, redemption or Switch order received after the Fund's applicable valuation point for that Dealing Day. Late Trading is not permitted. 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);
  - 4.2.3.4 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 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 relevant Sub-fund 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 published on the website: [www.fundlistings.com](http://www.fundlistings.com). Prices of shares are also available on the following website: [www.tbaileyfs.co.uk](http://www.tbaileyfs.co.uk). The prices of Shares may also be obtained by calling 0115 988 8275 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 Shareholders 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 Shareholders 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 Shareholders 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.

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. There will be a variation in performance between funds with similar objectives due to the different assets selected.

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

Where an initial charge or redemption charge is imposed, a Shareholder 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**

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 **Currency Exchange Rates**

Currency fluctuations may adversely affect the value of a 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.

## 5.7 **Derivatives**

**The Investment Manager may employ derivatives with the aim of reducing the risk profile of the Fund, 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 (reduction of the risk profile of the Sub-fund), the risk of loss to the Sub-fund may be increased where the value of the derivative instrument and the value of the security or position which it is hedging prove to be insufficiently correlated.**

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

## 5.8 **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.

These are Sub-funds which are typically restricted to a narrow range of stocks and do not enjoy the benefits of diversification.

## 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 will fall in event of the default or reduced credit rating of the issuer. Generally, the higher the 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 (high 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 **Smaller Companies**

Sub-funds investing in smaller companies invest in transferable securities which may be less liquid than the securities of larger companies, as a result of inadequate trading volume or restrictions on trading. Securities in smaller companies may possess greater potential for capital appreciation, but may also involve risks, such as limited product lines, markets and financial or managerial resources and trading in such securities may be subject to more abrupt price movements than trading in the securities of larger companies.

## 5.11 **Counterparty Risk in Over-the-Counter Markets**

A Sub-fund may enter into transactions in over-the-counter markets, which will expose the Sub-fund to the credit of its counterparties and their ability to satisfy the terms of such contracts. For example, the Sub-fund may enter into agreements or use other derivative techniques, each of which expose the Sub-fund 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-fund 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, Shareholders may be unable to cover any losses incurred.

#### 5.12 **Counterparty and Settlement**

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

#### 5.13 **Custody**

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

#### 5.14 **Inflation and Interest Rates**

The real value of any returns that a Shareholder may receive from the Sub-fund could be affected by interest rates and inflation over time.

#### 5.15 **Tax**

Tax laws currently in place may change in the future which could affect the value of your investments. See the section headed 'Taxation' for further details about taxation of the Fund.

#### 5.16 **Liquidity**

Depending on the types of assets a 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.

## 6. MANAGEMENT AND ADMINISTRATION

### 6.1 Regulatory Status

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

### 6.2 Authorised Corporate Director

#### 6.2.1 General

The ACD is T. Bailey Fund Services Limited which is a private company limited by shares incorporated in England and Wales on 25 February 1999.

The directors of the ACD are:-

Helen Stevens  
Richard Taylor  
Gavin Padbury  
Mike Hughes

The significant business activities of the directors not connected with the business of the ACD are listed in Appendix VII.

<b>Registered Office:</b>	64 St. James's Street, Nottingham, NG1 6FJ
<b>Principal Place of Business:</b>	64 St. James's Street, Nottingham, NG1 6FJ
<b>Share Capital:</b>	It has a share capital of £1,250,001 issued and paid up.
<b>Ultimate Holding Company:</b>	The Nottingham Industrial Group Ltd, a company incorporated in England and Wales.

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

It has therefore delegated to the Investment Manager the function of managing and acting as the investment adviser for the investment and reinvestment of the assets of each Sub-fund (as further explained in paragraph 6.4 below).

#### **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 is for an initial period of three years and thereafter may be terminated upon six months' written notice by either ACD or the Company 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, willful 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, willful 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 7.2 "Charges payable to the ACD" below.

Neither the ACD nor any other "affected person" is under obligation to account to another affected person or to the Shareholders for any profit or benefit they make or receive in connection with the dealings in Shares of the Sub-funds, any transaction in the Scheme Property or the supply of services to the Sub-funds.

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.

## **The ACD's Remuneration Policy**

In accordance with the COLL Sourcebook, the ACD is required to establish and apply a remuneration policy for certain categories of staff whose activities have a material impact on the risk profile of the ACD or the UCITS that it manages ("Code Staff"). The ACD has approved and adopted the remuneration policy (the "Remuneration Policy") of the T. Bailey group of companies (the "T. Bailey Group").

The Remuneration Policy documents the remuneration policies, practices and procedures of the T. Bailey Group and is reviewed annually.

The Remuneration Policy:

- (i) Is consistent with and promotes sound and effective risk management;
- (ii) Does not encourage risk taking that exceeds the level of tolerated risk of the T. Bailey Group or the relevant UCITS managed by the ACD;
- (iii) Encourages behaviour that delivers results which are aligned to the interests of the UCITS managed by the ACD;
- (iv) Aligns the interests of Code Staff with the long-term interests of the ACD, the funds it manages and its investors;
- (v) Recognises that remuneration should be competitive and reflect both financial and personal performance. Accordingly, Remuneration for Code Staff is made up of fixed pay (salary and benefits, including pension) and variable (performance-related) pay;
- (vi) Recognises that fixed and variable components should be appropriately balanced and that the variable component should be flexible enough so that in some circumstances no variable component may be paid at all. Variable pay is made up of short-term awards typically based on short-term financial and strategic measures for the area of the business in which the member of Code Staff works;

Up-to-date details of the Remuneration Policy are laid out in the Pillar III disclosure document on the ACD's website ([www.tbaileyfs.co.uk](http://www.tbaileyfs.co.uk)). A paper copy of that information will be made available free of charge from the ACD upon request.

## 6.3 **The Depositary**

### 6.3.1 **General**

The Depositary of the Company is NatWest Trustee & Depositary Services Limited, a private limited company incorporated in England and Wales. Its ultimate holding company is The Royal Bank of Scotland Plc, incorporated in Scotland. Its registered office is at 250 Bishopsgate, London, EC2M 4AA. The address which should be used for correspondence is Drummond House, 1 Redheughs Avenue, Edinburgh EH12 9RH. It is authorised and regulated by the Financial Conduct Authority. The principal business activity of the Depositary is the provision of trustee and depositary services.

### 6.3.2 **Duties of the Depositary**

The Depositary is responsible for the safekeeping of all the Scheme Property (other than tangible moveable property) of the Company, monitoring the cash flows of each Sub-fund and must ensure that certain processes carried out by the ACD are performed in accordance with the Instrument of Incorporation, the Prospectus and the provisions of the COLL 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.

### 6.3.3 **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 COLL 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.

Under the Depositary Agreement, the Depositary is free to render similar services to others and the Depositary, the Company and the ACD are subject to a duty not to disclose confidential information. The powers, duties, rights and obligations of the Depositary, the Company and the ACD under the Depositary Agreement shall, to the extent of any conflict, be overridden by the COLL Sourcebook.

Under the Depositary Agreement the Depositary will be liable to the Company for any loss of Financial Instruments held in Custody or for any liabilities incurred by the Company as a result of the Depositary's negligent or intentional failure to fulfil its obligations.

However, the Depositary Agreement excludes the Depositary from any liability except in the case of fraud, wilful default, negligence or failure to exercise due care and diligence in the performance or non-performance of its obligations.

It also provides that the Company will indemnify the Depositary for any loss suffered in the performance or non-performance of its obligations except in the case of fraud, wilful default, negligence or failure to exercise due care and diligence on its part.

The Depositary Agreement may be terminated on 90 days' notice by the Company or the Depositary or earlier on certain breaches or the insolvency of a party. However, termination of the Depositary Agreement will not take effect, nor may the Depositary retire voluntarily, until the appointment of a new Depositary.

Details of the fees payable to the Depositary are given in paragraph 7.3 "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.

#### **6.3.4 Delegation of Safekeeping Functions**

The Depositary is permitted to delegate (and authorise its delegate to sub-delegate) the safekeeping of Scheme Property.

The Depositary has delegated safekeeping of the Scheme Property to The Northern Trust Company ("the Custodian"). In turn, the Custodian has delegated the custody of assets in certain markets in which the Sub-funds may invest to various sub-delegates ("sub-custodians"). A list of sub-custodians is given in Appendix VIII. Investors should note that the list of sub-custodians is updated only at each Prospectus review. An updated list of sub-custodians is maintained by the ACD at [www.tbaileyfs.co.uk](http://www.tbaileyfs.co.uk).

#### **6.3.5 Conflict of Interest**

The Depositary may act as the depositary of other open-ended investment companies and as trustee or custodian of other collective investment schemes.

It is possible that the Depositary and/or its delegates and sub-delegates may in the course of its or their business be involved in other financial and professional activities which may on occasion have potential conflicts of interest with the UCITS or a particular Sub-fund and/or other funds managed by the ACD or other funds for which the Depositary acts as the



depository, trustee or custodian. The Depository will, however, have regard in such event to its obligations under the Depository Agreement and the Regulations and, in particular, will use reasonable endeavours to ensure that the performance of its duties will not be impaired by any such involvement it may have and that any conflicts which may arise will be resolved fairly and in the best interests of Shareholders collectively so far as practicable, having regard to its obligations to other clients.

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

Up to date information regarding (i) the Depository's name, (ii) the description of its duties and any conflicts of interest that may arise between the Company, the Shareholders or the ACD and the Depository, and (iii) the description of any safekeeping functions delegated by the Depository, the description of any conflicts of interest that may arise from such delegation, and the list showing the identity of each delegate and sub-delegate, will be made available to Shareholders on request.

## **6.4 The Investment Manager**

### **6.4.1 General**

The ACD has appointed the Investment Manager, Amati Global Investors Limited, to provide investment management services to the ACD. The Investment Manager is authorised and regulated by the Financial Conduct Authority.

The Investment Manager's registered office is at 8 Coates Crescent, Edinburgh, Midlothian, EH3 7AL.

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

### **6.4.2 Terms of Appointment:**

The terms of the Investment Management Agreement (dated 1 August 2012) (as amended, supplemented, replaced or restated from time to time) between the ACD and the Investment Manager include the provision of investment management to attain the investment objectives of the Sub-funds, the purchase and sale of investments and on the exercise of voting rights relating to such investments. The Investment Manager has authority to make decisions on behalf of the ACD on a discretionary basis in respect of day to day investment management of

the Scheme Property including authority to place purchase orders and sale orders with regulated dealers and preparation of the Investment Manager's report half yearly for inclusion in the Company's Report for circulation to Shareholders. The Agreement may be terminated by either party after the expiry of thirty months from the date of the Investment Management Agreement on not less than six months' written notice or earlier upon the happening of certain specified events.

The Investment Manager will receive a fee paid by the ACD out of its remuneration received each month from each Sub-fund as explained in paragraph 7.4 below.

The Investment Manager will not be considered as a broker fund adviser under the FCA Handbook in relation to the Company.

## **6.5 The Registrar**

### **6.5.1 General**

On behalf of the Company the ACD acts as registrar and to provide fund accounting and other administration services to the Company.

The Register is kept and maintained at 64 St. James's Street, Nottingham, NG1 6FJ.

### **6.5.2 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 or Individual Savings Accounts (ISAs)) can be inspected at the office of the Registrar.

## **6.6 The Auditors**

The auditors of the Company are Deloitte LLP, whose address is Four Brindleyplace, Birmingham, B1 2HZ.

## **6.7 Conflicts of Interest**

The ACD, the Investment Manager and other companies within the ACD's and/or the Investment Manager's group may, from time to time, act as investment manager 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 or that a conflict exists between the Company and other funds managed by the ACD. 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. Where a conflict of interest cannot be avoided, the ACD and the Investment Manager will ensure that the Company and other collective investment schemes it manages are fairly treated.

The ACD acknowledges that there may be some situations where the organisational or administrative arrangements in place for the management of conflicts of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of the Company or its shareholders will be prevented. Should any such situations arise the ACD will disclose these to shareholders in the report and accounts or otherwise in an appropriate format.

The Depositary may act as the depositary of other open-ended investment companies and as trustee or custodian of other collective investment schemes.

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

## **7. FEES AND EXPENSES**

### **7.1 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 or each Sub-fund (as the case may be) may, so far as the COLL Sourcebook allows, also pay out of the Scheme Property all relevant costs, charges, fees and expenses including the following:

- 7.1.1 broker's commission, fiscal charges and other disbursements (including stamp duty and/or stamp duty reserve tax if any) which are necessary to be incurred in effecting transactions for the Company and normally shown in contract notes, confirmation notes and difference accounts as appropriate;
- 7.1.2 fees and expenses in respect of the establishment and maintaining the register of Shareholders;
- 7.1.3 any costs incurred in publishing the price of the Shares in a national or other newspaper or any other form of media;
- 7.1.4 any cost incurred in producing and dispatching payments made by the Company, or the yearly and half yearly reports of the Company;
- 7.1.5 any fees, expenses or disbursements of any legal or other professional adviser of the Company;
- 7.1.6 any costs incurred in taking out and maintaining an insurance policy in relation to the Company;
- 7.1.7 any costs incurred in respect of meetings of Shareholders convened for any purpose;
- 7.1.8 any payment permitted by clause 6.7.15 of COLL;
- 7.1.9 interest on permitted borrowings and charges incurred in effecting or terminating such borrowings or in negotiating or varying the terms of such borrowings;
- 7.1.10 taxation and duties payable in respect of the Scheme Property or the issue or redemption of Shares;
- 7.1.11 the audit fees of the Auditors (including VAT) and any expenses of the Auditors;

- 7.1.12 the periodic fees of the Financial Conduct Authority, together with any corresponding periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which units in the Sub-funds are or may be marketed;
- 7.1.13 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;
- 7.1.14 the research charge payable to the Investment Manager, or any other investment adviser duly appointed from time to time, in respect of research undertaken for a Sub-fund (the "**Research Charge**"), further details of which are set out in paragraph 7.5 below;
- 7.1.15 any payment otherwise due by virtue of a change to the Regulations; and
- 7.1.16 any value added or similar tax relating to any charge or expense set out herein.

Each Sub-fund formed after this Prospectus may bear its own direct establishment costs.

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.

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.

## 7.2 **Charges payable to the ACD**

### 7.2.1 *Annual Management Charge*

In payment for carrying out its duties and responsibilities the ACD is entitled to take an annual fee out of each Sub-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 each Sub-fund) are set out in Appendix I.

### 7.2.2 *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:

- £10.00 per annum per Shareholder
- £10.00 per manual transaction or £5 per STP transaction

Registration fees are payable monthly in arrears based on the number of transactions in the month and on the total accounts held at month end.

### 7.2.3 *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.

## 7.3 **Depository's fee and expenses**

The Depository 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 Depository'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 Depository in accordance with the COLL Sourcebook. The current rate of the Depository's periodic charge in respect of each Sub-fund is:

0.035% per annum on the first £70 million of the Scheme Property

0.030% per annum on the next £30 million of the Scheme Property

0.020% per annum on the next £50 million of the Scheme Property

0.010% per annum of the balance thereafter, subject to a minimum of £5,000 per annum per Fund and VAT.

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 delegates the function of custody of the Scheme Property to the Northern Trust Company.

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 0.0025% per annum to 1.10% 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 the principal investment market are:

	Transaction charge per trade	Custody charge % per annum
UK	£12.50	0.0025

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;
- (vii) arranging insurance;
- (viii) calling Shareholder meetings and otherwise communicating with Shareholders;
- (ix) dealing with distribution warrants;
- (x) taking professional advice;
- (xi) conducting legal proceedings;
- (xii) 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 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 COLL Sourcebook by the Depositary.

#### **7.4 Investment Manager's fee**

The Investment Manager's fees and expenses (plus VAT thereon) for providing investment management services will be paid by the ACD out of its remuneration under the ACD Agreement.

Further details of this agreement are summarised in paragraph 6.4.2 "Terms of Appointment" above.

#### **7.5 Research Charge**

In accordance with the FCA Handbook, the Investment Manager has set, and has agreed with the ACD, an annual research budget to establish how much it needs to spend on third party research to provide the investment services to the Company. The Research Charge described in paragraph 7.1.14 above will be used



to fund the purchase of third party research that the Investment Manager believes will benefit the Sub-funds by assisting the Investment Manager to make investment decisions in respect of the Sub-funds. The Investment Manager will take into account each Sub-fund's investment objective, policy and investment strategy when considering whether to purchase research for the benefit of that Sub-fund.

Having been provided with a copy of the Investment Manager's policy regarding research, the ACD has satisfied itself that the Investment Manager has established a process whereby it will regularly assess the quality of the research purchased using the Research Charge. This assessment is based on robust quality criteria, including the extent to which in the Investment Manager's opinion that research contributes to its decision making process when making investment decisions on behalf of the Sub-funds.

The current rate of the Research Charge in respect of each Sub-fund is 0.1% per annum. The charge will accrue on a daily basis in arrears by reference to the Net Asset Value of the Sub-fund and will be paid monthly into a Research Payment Account controlled by the Investment Manager and established in accordance with the FCA Handbook. The Investment Manager's budgeted Research Charge is set out at <http://www.tbaileyfs.co.uk/funds/tb-amati-investment-funds>.

If at the end of the year the Research Payment Account is in surplus, any such surplus may be rebated to the Sub-funds proportionately or off-set against the budgeted amount for research and the Research Charge applicable during the following annual reporting period.

The Investment Manager will allocate the costs of purchases of third party research amongst the Sub-funds in accordance with paragraph 7.6 below.

A summary of the following information in respect of the most recent annual reporting period will be included in the annual report of the Company and is available to investors from the ACD on request and from <http://www.tbaileyfs.co.uk/funds/tb-amati-investment-funds>:

- The research providers paid using the Research Charge;
- The total amount each provider was paid;
- The benefits and services received by the Investment Manager in connection with the purchase of the relevant research; and
- How the total amount spent from the account compares to the total budgeted amount for research in respect of that period.

## **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 64 St. James's Street, Nottingham, NG1 6FJ.

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

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

The Company has dispensed with the holding of annual general 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.

### **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 COLL 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 COLL Sourcebook will be passed by a simple majority of the votes validly cast for and against the resolution.

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

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, all of which are subject to change. It summarises the tax position of the Company and of Shareholders who are United Kingdom resident individuals and hold Shares as investments. The information given under this heading does not constitute legal or tax advice and prospective investors should consult their own professional advisers as to the implications of subscribing for, purchasing, holding, Switching or disposing of Shares under the laws of the jurisdiction in which they are resident for tax purposes.

### 10.2 **The Company**

A Sub-fund will be treated as a separate entity for UK tax purposes.

A Sub-Fund is exempt from UK tax on dividends received from UK companies and overseas companies (subject to certain conditions). A Sub-fund can choose to elect to tax particular overseas dividends it receives and, where it makes such an election, these dividends will be included in the taxable income of the Sub-fund. Most other sources of income (e.g. interest income) will also constitute taxable income of the Sub-fund. A Sub-fund will be subject to corporation tax (at the rate of 19% for the financial year beginning 6 April 2018) on its taxable income after deducting allowable expenses and interest distributions (see below) and subject to relief for some or all of any foreign tax suffered in respect of that taxable income.

Gains and losses on creditor relationships (e.g. loan stocks, corporate bonds, gilts) will not be taxable if they are included in the accounts as 'net gains/losses on investments' or 'other gains/losses'.

Capital gains realised on the disposal of the investments held by a Sub-fund are not subject to UK corporation tax. However, in certain circumstances, income may be deemed to arise for tax purposes in respect of investments (e.g. interests in limited partnerships and material interests in offshore funds) notwithstanding that the income concerned has not been received as such by the Sub-fund.

There is no specific exemption from UK stamp taxes (i.e. stamp duty or stamp duty reserve tax ("SDRT")) for the Company. Broadly speaking, stamp duty is paid on transactions involving stock or marketable securities, and the rate is 0.5% of the amount paid for the stock or securities. There is no SDRT liability on amounts paid for any Shares redeemed. A charge may apply for certain in specie redemptions. The Company may incur similar taxes in another jurisdiction if it carries out transactions involving that jurisdiction.

## 10.3 Shareholders

### 10.3.1 Income

Allocations of income to Shareholders are treated as taxable distributions regardless of whether the income is retained within the Sub-fund or actually paid to Shareholders.

### 10.3.2 Income – dividend distributions

Any dividend distribution made by a Sub-fund to an individual Shareholder will be treated as if it were a dividend from a UK company. No deduction of UK income tax is made from a dividend distribution. The first £2,000 of dividend income paid to UK individuals is currently exempt from income tax. Dividend income in excess of this amount is taxed at a rate of either 7.5% (for basic rate taxpayers), 32.5% (for higher rate taxpayers), or 38.1% for additional rate taxpayers (there are no tax credits attached to dividend distributions).

Corporate Shareholders within the charge to UK corporation tax will receive this income distribution as dividend income to the extent that the distribution relates to underlying dividend income (before deduction of expenses, but net of UK corporation tax) for the period in respect of which the distribution is made. Subject to certain conditions, this dividend income should normally be exempt from UK corporation tax. Any part of the distribution which is not received as dividend income is deemed to be an annual payment subject to UK corporation tax in the hands of the corporate Shareholder.

### 10.3.3 Income – interest distributions

A Sub-fund for which the market value of its "qualifying investments" (broadly interest generating assets) exceeds 60% of the market value of all its investments throughout the distribution period (a "bond" fund for UK tax purposes) may make an interest distribution instead of a dividend distribution. The amount of the interest distribution is deductible in computing the Sub-fund's income for corporation tax purposes.

Interest distributions made by a Sub-fund to UK resident shareholders will not be paid subject to the deduction of UK income tax. Individual UK resident Shareholders will therefore be subject to UK income tax at their normal rate, subject to any exempt income received under an individual's personal savings allowances, as described below. A personal savings allowance (for UK resident individuals) effectively exempts the first £1,000 (for basic rate taxpayers) or £500 (for higher rate tax

payers) of interest income (including from interest distributions) that an individual receives in any given year. No allowances will be available to additional rate taxpayers.

UK companies are subject to UK corporation tax on gross interest distributions, whether paid or allocated to them.

#### 10.3.4 **Capital Gains**

Shareholders who are resident in the UK for tax purposes may be liable to capital gains tax or, where the Shareholder is a company, corporation tax in respect of gains arising from the sale, exchange or other disposal of Shares (including Switches between Sub-funds but not Conversions between Classes in respect of the same Sub-fund provided that no consideration is given or received other than the Shares being converted).

Capital gains made by individual Shareholders on disposals from all chargeable sources of investment will be tax free if the net gain (after deduction of allowable losses) falls within an individual's annual capital gains exemption. For the tax year 2018/2019, this annual exemption is £11,700. An individual's net chargeable gains are taxed at 10% if the individual's total chargeable gains do not exceed the upper limit of the income tax basic rate band and at 20% if the total exceeds that limit.

Shareholders chargeable to UK corporation tax must include all chargeable gains realised on the disposal of Shares in their taxable profits. The amount chargeable will be reduced by an indexation allowance.

Special provisions apply to a UK corporate Shareholder which invests in a bond fund (see above). Where this is the case, the corporate Shareholder's Shares in the Sub-fund are treated for tax purposes as rights under a creditor loan relationship. This means that the increase or decrease in value of the Shares during each accounting period of the corporate Shareholder is treated as a loan relationship credit or debit, as appropriate and constitutes income (as opposed to a capital gain) for tax purposes and, as such, is taxed in the year that it arises.

The first income allocation received by an investor after buying Shares may include an amount of income equalisation. This is effectively a repayment of the income equalisation paid by the investor as part of the purchase price.

The amount representing the income equalisation element of the Share price is a return of capital and is not taxable as income in the hands of



Shareholders. This amount should be deducted from the cost of Shares in computing any capital gain realised on a subsequent disposal.

### **10.3.5 Reporting of tax information**

#### **US Foreign Account Tax Compliance**

Due to US tax legislation (the Foreign Account Tax Compliance Act, "FATCA"), which can affect financial institutions such as the Company, the Company may need to disclose to HMRC\* the name, address and taxpayer identification number relating to certain US investors who fall within the definition of Specified US Person in FATCA that own, directly or indirectly, an interest in certain entities, as well as certain other information relating to such interest. HMRC will in turn exchange this information with the Internal Revenue Service of the United States of America.

\*The UK has entered into an inter-governmental agreement ("IGA") with the US to facilitate FATCA Compliance. Under this IGA, FATCA Compliance will be enforced under UK tax legislation and reporting.

While the Company shall use reasonable endeavours to cause the Company to avoid the imposition of US federal withholding tax under FATCA, the extent to which the Company is able to do so and report to HMRC will depend on each affected Shareholder in the Company providing the Company or its delegate with any information that the Company determines is necessary to satisfy such obligations. The 30% withholding tax regime could apply if there is a failure by Shareholders to provide certain required information.

By signing the application form to subscribe for Shares in the Company, each affected Shareholder is agreeing to provide such information upon request from the Company or its delegate. The Company may exercise its right to completely redeem the holding of an affected Shareholder (at any time upon any or no notice) if he fails to provide the Company with the information the Company requests to satisfy its obligations under FATCA.

#### **Other Reporting to Tax Authorities**

The UK and a number of other jurisdictions have also agreed to enter into multilateral arrangements modelled on the Common Reporting Standard for Automatic Exchange of Financial Account Information ("CRS") published by the Organisation for Economic Co-operation and Development ("OECD"). This allows for the automatic exchange of financial information between tax authorities. These agreements and arrangements, as transposed into UK law, may require the Company, as

a UK Financial Institution, (or the ACD on its behalf) to provide certain information to HMRC about investors from the jurisdictions which are party to such arrangements (which information will in turn be provided to the relevant tax authorities).

In light of the above, Shareholders in the Company and, in some cases their financial intermediaries, may be required to provide certain information (including personal information) to the ACD to enable the Company to comply with the terms of the UK law. Where a Shareholder fails to provide any requested information (regardless of the consequences), the Company reserves the right to take any action and/or pursue all remedies at its disposal to avoid any resulting sanctions including, without limitation, compulsory redemption or withdrawal of the Shareholder concerned.

**The foregoing statements are based on UK law and HMRC practice as known at the date of this Prospectus and are intended to provide general guidance only. These statements relate only to Shareholders that are resident in the UK for tax purposes and beneficially hold their Shares as an investment. The tax position may be different for other Shareholders, and certain types of Shareholder (such as life insurance companies) may be subject to specific rules. Shareholders and applicants for Shares are recommended to consult their professional advisers if they are in any doubt about their tax position.**

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

The Company may only be wound up and a Sub-fund may only be terminated under the COLL Sourcebook or as an unregistered company under Part V of the Insolvency Act 1986.

Where the Company or a Sub-fund is to be wound up under the COLL 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) either that the Company will be able to meet its liabilities within 12 months of the date of the statement or that the Company will be unable to do so. The Company may not be wound up under the COLL Sourcebook if there is a vacancy in the position of ACD at the relevant time.

The Company shall be wound up or a Sub-fund must be terminated under the COLL 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 wound up (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 £3 million, or if a change in the laws or regulations of any country means that, in the ACD's opinion, it is desirable to terminate the 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;
- 11.4 on the effective date of a duly approved scheme of arrangement which is to result in the Company or in a Fund ceasing to hold any scheme property; or
- 11.5 in the case of the Company, on the date on which all of the Sub-funds fall within 11.4 above or have otherwise ceased to hold any scheme property, notwithstanding that the Company may have assets and liabilities which are not attributable to any particular Sub-fund.

On the occurrence of any of the above:

- 11.6 the provisions of the COLL Sourcebook dealing with Dealing, Valuation and Pricing and Investment and borrowing powers will cease to apply to the Company or the relevant Sub-fund;

- 11.7 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;
- 11.8 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;
- 11.9 where the Company is being wound up, the Company shall cease to carry on its business except in so far as it is beneficial for the winding up of the Company;
- 11.10 the corporate status and powers of the Company and subject to 11.6 to 11.9 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 wound up, realise the assets and meet the liabilities of the Company and, after paying out or retaining adequate provision for all liabilities properly payable and retaining provision for the costs of winding up, arrange for the Depositary to make one or more interim distributions out of the proceeds to Shareholders proportionately to their rights to participate in the Scheme Property. 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 has been completed.

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

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.

## **GENERAL INFORMATION**

### **11.11 Accounting Periods**

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

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.

### **11.12 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.

### **11.13 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.

#### **11.14 Annual Reports**

The annual 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 report will be published within two months of each interim accounting period.

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

#### **11.15 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 64 St. James's Street, Nottingham, NG1 6FJ:

11.15.1 the Prospectus;

11.15.2 the most recent annual and half yearly reports of the Company;

11.15.3 the Instrument of Incorporation (and any amending documents); and

11.15.4 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 versions of the Prospectus and annual and half yearly long reports of the Company which are available free of charge to anyone who requests).

#### **11.16 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:

11.16.1 the ACD Agreement between the Company and the ACD dated 1 August 2012; and

11.16.2 the Investment Adviser Agreement dated 1 August 2012; and

11.16.3 the Depositary Agreement between the Company, the Depositary and the ACD dated 1 August 2012.

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

### **11.17 Provision of Investment Advice**

All information concerning the Company and about investing in Shares of the Company is available from the ACD at 64 St. James's Street, Nottingham, NG1 6FJ. 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.

### **11.18 Telephone Recordings**

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

### **11.19 Complaints**

Complaints concerning the operation or marketing of the Company or any Fund should first of all be referred to:

The Compliance Officer  
T. Bailey Fund Services Limited  
64 St. James's Street  
Nottingham  
NG1 6FJ

The ACD has documented procedures that comply with the FCA Handbook of Rules for the due consideration and proper handling of complaints. Copies of our complaints handling procedures are available on request from the ACD at the above address. The ACD will investigate all complaints in accordance with these internal procedures and, if a complaint is not resolved within 8 weeks after its receipt by the ACD, we will inform the complainant that we have been unable to reach an agreement and, if the complaint is about a matter covered by the Financial Ombudsman Service, details of this service will be provided to the complainant.

The Financial Ombudsman Service will normally only consider a complaint after having given the ACD the opportunity to resolve the complaint to the satisfaction of the customer.

The address for the Financial Ombudsman is:

The Financial Ombudsman Service  
South Quay Plaza  
183 Marsh Wall  
London



E14 9SR  
complaint.info@financial-ombudsman.org.uk

## **11.20 Risk Management**

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

11.20.2 the quantitative limits applying in the risk management of and Sub-fund;

11.20.3 the methods used in relation to 12.10.1; and

11.20.4 any recent development of the risk and yields of the main categories of investment.

## **11.21 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.

## **11.22 Strategy for the exercise of voting rights**

The ACD has a strategy for determining when and how voting rights attached to ownership of the Scheme Property are to be exercised for the benefit of each Sub-fund. A summary of this strategy is available from the ACD on request. Voting records and further details of the actions taken on the basis of this strategy in relation to each Sub-fund are available free of charge from the ACD on request.

## **11.23 Best Execution**

The ACD's order execution policy sets out the factors which the ACD expects the Investment Manager to consider when effecting transactions and placing orders in relation to the Company. This policy has been developed in accordance with the ACD's obligations under the Regulations to obtain the best possible result when executing client orders for the Company.

On request, the ACD will, free from charge, provide a Shareholder with information supplementary to this Prospectus relating to the execution policy.

## **11.24 Inducements and soft commission**

11.24.1 Where Shares in the Company are sold to retail investors who employ the services of a financial adviser, and where this is permissible in accordance

with the FCA Handbook, the ACD may make commission payments to those financial advisers as follows:

11.24.1.1 initial sales commission for each Sub-fund, paid out of the initial charge; and/or

11.24.1.2 ongoing commission payments based on the value of the investor's holding.

11.24.2 The ACD may from time to time accept cash and non-monetary benefits from suppliers to the Company or Funds of fund management services in accordance with the FCA Rules.

11.24.3 The Investment Manager, in addition to the fee paid to the Investment Manager by the ACD out of its remuneration received each month from the Sub-funds, is also entitled to receive commission paid by the ACD in respect of investment in the Sub-funds by its clients.

11.24.4 The provision of benefits described above will not result in any additional cost to the Company or the Funds.

11.24.5 The ACD will make disclosures to the Company in relation to inducements as required under the FCA Rules.

11.24.6 Further details of any such inducements may be obtained on request from the ACD.

## APPENDIX I

### SUB-FUND DETAILS

<b>Name:</b>	<b>TB Amati UK Smaller Companies Fund</b>
<b>FCA Product Reference Number ("PRN"):</b>	<b>644692</b>
<b>Type of Sub-fund:</b>	UCITS scheme
<b>Investment Objective and Policy:</b>	<p>The investment objective of the TB Amati UK Smaller Companies Fund is to achieve long-term capital growth. The Fund invests in UK smaller companies though there may be occasions when the Investment Manager chooses to hold large degrees of cash or money market instruments. The Fund will primarily invest in companies which are either incorporated in the UK or are listed in the UK and have the majority of their economic activity in the UK. The Fund may also invest in companies which are listed in the UK but are not incorporated and do not have the majority of their economic activity in the UK.</p> <p>The Fund may invest up to 10% of its assets in collective investment schemes and over 35% of its assets in certain Government and Public Securities.</p>
<b>Performance Benchmark:</b>	The Numis Smaller Companies plus AIM excluding Investment Trusts Index.
<b>Final accounting date:</b>	31 January
<b>Interim accounting date:</b>	31 July
<b>Income distribution dates:</b>	31 March (final) 30 September (interim)
<b>Shares Classes and type of Shares:</b>	Class A accumulation Class B accumulation
<b>Initial charge:</b>	Class A: Nil Class B: Nil

**Redemption charge:**

Nil

**Switching charge:**

Nil

**Annual Management Charge:**

Class A: 1.50%

Class B: 0.75%

**Allocation of charges**

AMC  
Administration (see section 7.2.2)  
Ongoing operating costs (see section 7.1)  
Dealing and registration (see section 7)  
Depositary (see section 7)  
Custody (see section 7)  
Portfolio transactions (SDRT, broker's commission – see section 7.1)

**Income****Capital**

100%	
100%	
100%	
100%	
100%	
100%	
	100%

**Investment minima:\***

Lump sum  
Holding  
Top-up  
Regular Savings Plan  
Redemption

Class A	Class B
£1,000	£1,000
£1,000	£1,000
£500	£500
£50	£50
£500	£500

**Past performance:**

Past performance information is set out in Appendix V

**Identified Target Market:**

The following section sets out the type of clients for whose needs, characteristics and objectives the Fund is compatible.

**Type of client:** Given the nature of the Fund (a non-complex UCITS fund) the Fund is targeted towards retail clients, professional clients and eligible counterparties.

**Knowledge and experience of client:** The Fund is compatible with those clients who have basic investment knowledge and experience, including knowledge of collective investment schemes and the asset classes in which the Fund may invest.

**Financial situation of client with a focus on the ability to bear losses:** As the value of the Fund can go down as well as up, the Fund is compatible for investors that can bear capital losses of up to the amount invested. However, the nature of the

Fund means that there would be no loss beyond the amount of capital invested.

**Risk tolerance of client and compatibility of the risk/reward profile of the Fund with the target market:** Due to the historic volatility of the Fund, the Fund has a Synthetic Risk and Reward Indicator (SRRI), as calculated in accordance with UCITS methodology, of 4<sup>1</sup> (on a scale of 1-7, with 1 being the lowest risk and 7 being the highest risk), and is therefore compatible with investors with a medium risk tolerance. Investors should be willing to accept price fluctuations in exchange for the opportunity to achieve possible higher returns.

**Objectives and needs of client:** Those clients who seek capital growth over the medium- to long-term.

**Clients who should not invest in the Fund (negative target market):** This product is deemed incompatible for investors who are:

- (i) seeking full or partial capital protection
- (ii) fully risk averse and have no or low tolerance for risk

**Distribution channels:** The Fund is eligible for all distribution channels (e.g. execution only, non-advised sales, advised sales and portfolio management).

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

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<sup>1</sup> This figure may have been updated since the date that this prospectus was published - please see latest published Key Investor Information Document (KIID) published on the T. Bailey Fund Services Limited website ([www.tbaileys.co.uk](http://www.tbaileys.co.uk)).

## **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)
	TSX Venture Exchange
Hong Kong	Hong Kong Stock Exchange
Japan	Japan Exchange Group (JPX)
	Osaka Securities Exchange
	Nagoya Stock Exchange
Korea	Korea Exchange (KRX)
Mexico	Bolsa Mexicana de Valores (BMV)
New Zealand	New Zealand Stock Exchange (NZX)
Singapore	Singapore Exchange (SGX)
South Africa	JSE Limited
Switzerland	SIX Swiss Exchange (SWX)
Thailand	The Stock Exchange of Thailand (SET)

United Kingdom

Alternative Investment Market of the London Stock Exchange (AIM)

**Eligible Derivatives Markets**

UK

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

USA

Chicago Mercantile Exchange

## **APPENDIX III**

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

#### **1. General**

The Scheme Property of a Sub-fund will be invested with the aim of achieving the investment objective of that Sub-fund but subject to the limits set out in a Sub-fund's investment policy and the limits set out in the COLL Sourcebook and this Prospectus. These limits apply to each Sub-fund established at the date of this Prospectus as summarised below.

The Sub-funds will not maintain an interest in immovable property or tangible moveable property.

From time to time and in particular during periods of uncertain or volatile markets, the Investment Managers may choose to hold a substantial proportion of the property of the Sub-funds in money market instruments and/or cash deposits.

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.

#### **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 of each Sub-fund aims to provide a prudent spread of risk.

#### **1.2 Cover**

1.2.1 Where the COLL Sourcebook allows a transaction to be entered into or an investment to be retained only (for example, investment in 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 COLL Sourcebook, it must be assumed that the maximum possible liability of a Sub-fund under any other of those rules has also to be provided for.

1.2.2 Where the COLL 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, a Sub-fund must also simultaneously satisfy any other obligation relating to cover; and



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

## 2. **UCITS Schemes - general**

2.1 Subject to the investment objective and policy of a Sub-fund and the restrictions set out in this Prospectus, the Scheme Property of a Sub-fund must, except where otherwise provided in the COLL 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.

## 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 3.2 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: purpose and requirements**

8.1 To protect Shareholders the markets on which investments of the Sub-funds 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 in 7.2 above 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;

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 within paragraph 8.4 of this Appendix.

8.4 A market not falling within paragraph 8.3.3 of this Appendix is eligible for the purposes of the COLL Sourcebook if:

8.4.1 the ACD, after consultation with and notification to 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 by an overseas regulator, is open to the public, is adequately liquid and has adequate arrangements for unimpeded transmission of income and capital to or for the order of Shareholders.

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 COLL 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 the value of the Scheme Property of a Sub-fund 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 COLL Sourcebook provides that in applying the limits in 12.3, 12.4 and 12.6 and 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.
13. **Counterparty risk and issuer concentration**
- 13.1 The ACD must ensure that counterparty risk arising from an OTC derivative is subject to the limits set out in paragraphs 12.6 and 12.9 above.
- 13.2 When calculating the exposure of a Sub-fund to a counterparty in accordance with the limits in paragraph 12.6 the ACD must use the positive mark-to-market value of the OTC derivative contract with that counterparty.
- 13.3 An ACD may net the OTC derivative positions of a Sub-fund with the same counterparty, provided they are able legally to enforce netting agreements with the counterparty on behalf of the Sub-fund.
- 13.4 The netting agreements in paragraph 13.3 above are permissible only with respect to OTC derivatives with the same counterparty and not in relation to any other exposures the Sub-fund may have with that same counterparty.
- 13.5 The ACD may reduce the exposure of Scheme Property to a counterparty of an OTC derivative through the receipt of collateral. Collateral received must be sufficiently liquid so that it can be sold quickly at a price that is close to its pre-sale valuation.
- 13.6 The ACD must take collateral into account in calculating exposure to counterparty risk in accordance with the limits in paragraph 12.6 when it passes collateral to an OTC counterparty on behalf of a Sub-fund.
- 13.7 Collateral passed in accordance with paragraph 13.6 may be taken into account on a net basis only if the ACD is able legally to enforce netting arrangements with this counterparty on behalf of that Sub-fund.
- 13.8 The ACD must calculate the issuer concentration limits referred to in paragraph 12.6 on the basis of the underlying exposure created through the use of OTC derivatives pursuant to the commitment approach.

- 13.9 In relation to the exposure arising from OTC derivatives as referred to in paragraph 12.6 the ACD must include any exposure to OTC derivative counterparty risk in the calculation.
14. **Spread: Government and Public Securities**
- 14.1 The following section applies to Government and Public Securities ("such securities").
- 14.2 Where no more than 35% in value of the Scheme Property of a Sub-fund 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.
- 14.3 The Company or a Sub-fund may invest more than 35% in value of the Scheme Property in such securities issued by any one body provided that:
- 14.3.1 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 relevant Sub-fund;
  - 14.3.2 no more than 30% in value of the Scheme Property consists of such securities of any one issue;
  - 14.3.3 the Scheme Property includes such securities issued by that or another issuer, of at least six different issues;
  - 14.3.4 the disclosures required by the FCA have been made.
- 14.4 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 UK (including the Scottish Administration, the Executive Committee of the Northern Ireland Assembly, the National Assembly of Wales), the Governments of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, Australia, Canada, Japan, New Zealand, Switzerland or the United States of America, or issued by the European Investment Bank.
- 14.5 Notwithstanding 12.1 and subject to 14.2 and 14.3 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.

**15. Investment in collective investment schemes**

15.1 Up to 10% of the value of the Scheme Property of a Sub-fund may be invested in units or shares in other collective investment schemes ("Second Scheme") provided the Second Scheme satisfies all of the following conditions.

15.1.1 The Second Scheme must:

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

15.1.1.2 be a recognised scheme under the provisions of s.272 of the Financial Services and Markets Act 2000 that is authorised by the supervisory authorities of Guernsey, Jersey or the Isle of Man (provided that the requirements of Article 50(1)(e) of the UCITS Directive are met); or

15.1.1.3 be authorised as a non-UCITS retail scheme (provided the requirements of Article 50(1)(e) of the UCITS Directive are met);

15.1.1.4 be authorised in another EEA State provided the requirements of Article 50(1)(e) of the UCITS Directive are met; or

15.1.1.5 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 50(1)(e) of the UCITS Directive are met).

15.1.2 The Second Scheme has terms that 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 15.1.2, paragraph 15.1.3 and paragraph 12 (Spread: General) apply to each sub fund as if it were a separate scheme.

15.1.3 Investment may only be made in other collective investment schemes managed by the ACD or an associate of the ACD if a Sub-fund's Prospectus clearly states that it may enter into such investments and the rules on double charging contained in the COLL Sourcebook are complied with.

15.2 The Sub-funds may, subject to the limit set out in 15.1 above, invest in collective investment schemes managed or operated by, or whose authorised corporate director is, the ACD of a Sub-fund or one of its associates.

15.3 Sub-funds in the Company are not permitted to invest in other Sub-funds of the Company.

16. **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 COLL Sourcebook.

17. **Derivatives: general**

**The Investment Manager may employ derivatives for the purposes of Efficient Portfolio Management, further information on EPM is provided in paragraph 18. To the extent that derivative instruments are utilised for hedging purposes, the risk of loss to the Sub-fund may be increased where the value of the derivative instrument and the value of the security or position which it is hedging prove to be insufficiently correlated.**

17.1 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 19 (Permitted transactions (derivatives and forwards)) below, and the transaction is covered, as required by paragraph 30 (Cover for investment in derivatives and forward transactions) of this Appendix.

17.2 Where a Sub-fund invests in derivatives, the exposure to the underlying assets must not exceed the limits set out in the COLL Sourcebook in relation to Spread: general and Spread: Government and Public Securities except for index based derivatives where the rules below apply.

17.3 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.

17.4 A transferable security or an approved money-market instrument will embed a derivative if it contains a component which fulfils the following criteria:

17.4.1 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;

17.4.2 its economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract; and

17.4.3 it has a significant impact on the risk profile and pricing of the transferable security or approved money-market instrument.

17.5 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.

17.6 Where a Sub-fund invests in an index based derivative, provided the relevant index falls within paragraph 20 (Financial Indices underlying derivatives), the underlying constituents of the index do not have to be taken into account.

## 18. **Efficient Portfolio Management**

18.1 The Company may enter into derivative and forward transactions for the purposes of Efficient Portfolio Management. EPM permits techniques and instruments which relate to transferable securities and approved money-market instruments and satisfy the following criteria:

18.1.1 the transaction must be economically appropriate;

18.1.2 the exposure on the transaction must be fully covered; and,

18.1.3 the transaction must be entered into for one of the following specific aims:

(a) the reduction of risk;

(b) the reduction of costs; or

(c) the generation of additional capital or income for the Fund with a risk level which is consistent with the risk profile of the Fund and the risk diversification rules laid down in COLL.

18.2 A transaction which is regarded as speculative will not be permitted. A list of the current eligible derivatives markets is set out in Appendix II. Further derivatives markets may be added following consultation with the Depositary in accordance with COLL.

18.3 A derivatives or forward transaction which would or could lead to delivery of property to the Depositary may be entered into only if such property can be held by the Company and the ACD has taken reasonable care to determine that delivery of

the property pursuant to the transaction will not lead to a breach of the relevant provisions in COLL.

- 18.4 Where a transaction is entered into for hedging purposes and relates to the actual or potential acquisition of transferable securities, the ACD must intend that the Company should invest in such transferable securities within a reasonable time and the ACD must ensure that, unless the position has itself been closed out, that intention is realised within such time.
- 18.5 Transactions may be effected in which the ACD has, either directly or indirectly, an interest that may potentially involve a conflict of its obligation to the Company. Where a conflict cannot be avoided, the ACD will have regard to its fiduciary responsibility to act in the best interests of the Company and its investors. The ACD will ensure that investors are treated fairly and that such transactions are effected on terms which are not less favourable to the Company than if the potential conflict had not existed.
- 18.6 Operational costs and fees arising from EPM techniques are paid for by the relevant Sub-fund. The identity of the entities to which operational costs and fees are paid will be disclosed in the annual report.

**19. Permitted transactions (derivatives and forwards)**

- 19.1 A transaction in a derivative must be in an approved derivative; or be one which complies with paragraph 23 (OTC transactions in derivatives).
- 19.2 A transaction in a derivative must have the underlying consisting of any one or more of the following to which a Sub-fund is dedicated:
- 19.2.1 transferable securities;
  - 19.2.2 approved money-market instruments permitted under paragraphs 7.1.1 to 7.1.4;
  - 19.2.3 deposits and permitted derivatives under this paragraph;
  - 19.2.4 collective investment scheme units permitted under paragraph 15 (Investment in collective investment schemes);
  - 19.2.5 financial indices which satisfy the criteria set out in paragraph 20 (Financial indices underlying derivatives);
  - 19.2.6 interest rates;
  - 19.2.7 foreign exchange rates; and
  - 19.2.8 currencies.
- 19.3 A transaction in an approved derivative must be effected on or under the rules of an

eligible derivatives market.

- 19.4 A transaction in a derivative must not cause a Sub-fund to diverge from its investment objectives as stated in the Instrument constituting a Sub-fund and the most recently published version of this Prospectus.
- 19.5 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, approved money-market instruments, units in collective investment schemes, or derivatives.
- 19.6 Any forward transaction must be with an Eligible Institution or an Approved Bank.
- 19.7 A derivative includes an investment which fulfils the following criteria:
  - 19.7.1 it allows transfer of the credit risk of the underlying independently from the other risks associated with that underlying;
  - 19.7.2 it does not result in the delivery or the transfer of assets other than those referred to in the COLL Sourcebook, including cash;
  - 19.7.3 in the case of an OTC derivative, it complies with the requirements in paragraph 23; and
  - 19.7.4 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.
- 19.8 A Sub-fund may not undertake transactions in derivatives on commodities.

## 20. **Financial Indices underlying derivatives**

- 20.1 The financial indices referred to in 19.2 are those which satisfy the following criteria:
  - 20.1.1 the index is sufficiently diversified;
  - 20.1.2 the index represents an adequate benchmark for the market to which it refers; and
  - 20.1.3 the index is published in an appropriate manner.
- 20.2 A financial index is sufficiently diversified if:
  - 20.2.1 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;

- 20.2.2 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
  - 20.2.3 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.
- 20.3 A financial index represents an adequate benchmark for the market to which it refers if:
- 20.3.1 it measures the performance of a representative group of underlyings in a relevant and appropriate way;
  - 20.3.2 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
  - 20.3.3 the underlyings are sufficiently liquid, allowing users to replicate it if necessary.
- 20.4 A financial index is published in an appropriate manner if:
- 20.4.1 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
  - 20.4.2 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.
- 20.5 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 19.2, be regarded as a combination of those underlyings.
- 21. Transactions for the purchase of property**
- 21.1 A derivative or forward transaction which will or could lead to the delivery of property for the account of a Sub-fund may be entered into only if that property can be held for the account of that Sub-fund, 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 COLL Sourcebook.
- 22. Requirement to cover sales**
- 22.1 No agreement by or on behalf of a Sub-fund 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 that Sub-fund by delivery of property or the assignment (or, in Scotland, assignation) of rights, and the property and rights above are owned by a Sub-fund at the time of the agreement. This requirement does not apply to a deposit.

## **23. OTC transactions in derivatives**

23.1 Any transaction in an OTC derivative under paragraph 19.1 must be:

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

23.1.2 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 Financial Services Register or whose Home State authorisation, permits it to enter into the transaction as principal off-exchange;

23.1.3 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

23.1.4 capable of reliable valuation; a transaction in derivatives is capable of reliable 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:

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

23.1.4.2 if the value referred to in 23.1.4.1 is not available, on the basis of a pricing model which the ACD and the Depositary have agreed uses an adequate recognised methodology; and

23.1.5 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:

23.1.5.1 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

- 23.1.5.2 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.
- 23.2 For the purposes of paragraph 23.1.3, "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.
- 24. **Valuation of OTC derivatives**
- 24.1 For the purposes of paragraph 23.1.3 the ACD must:
  - 24.1.1 establish, implement and maintain arrangements and procedures which ensure appropriate, transparent and fair valuation of the exposures of a Sub-fund to OTC derivatives; and
  - 24.1.2 ensure that the fair value of OTC derivatives is subject to adequate, accurate and independent assessment.
- 24.2 Where the arrangements and procedures referred to in paragraph 24.1 above involve the performance of certain activities by third parties, the ACD must comply with the requirements in SYSC 8.1.13 R (Additional requirements for a management company) and the COLL Sourcebook relating to Due diligence requirements of AFMs of UCITS schemes.
- 24.3 The arrangements and procedures referred to in 24.1 must be:
  - 24.3.1 adequate and proportionate to the nature and complexity of the OTC derivative concerned; and
  - 24.3.2 adequately documented.
- 25. **Risk Management**
- 25.1 The ACD uses a risk management process (including a risk management policy) in accordance with the COLL Sourcebook, as reviewed by the Depositary and filed with the FCA, enabling it to monitor and measure at any time the risk of a Sub-fund's positions and their contribution to the overall risk profile of a Sub-fund. The following details of the risk management process must be regularly notified to the FCA and at least on an annual basis:
  - 25.1.1 a true and fair view of the types of derivatives and forward transactions to be used within the Fund together with their underlying risks and any relevant quantitative limits.
  - 25.1.2 the methods for estimating risks in derivative and forward transactions.
- 25.2 The ACD must notify the FCA in advance of any material alteration to the details

above.

**26. Investment in deposits**

- 26.1 A Sub-fund may invest in deposits only with an Approved Bank and which are repayable on demand or have the right to be withdrawn, and maturing in no more than 12 months.

**27. Significant influence**

- 27.1 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:

27.1.1 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

27.1.2 the acquisition gives the Company that power.

- 27.2 For the purposes of paragraph 27.1, 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).

**28. Concentration**

The Company:

- 28.1 must not acquire transferable securities other than debt securities which:

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

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

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

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

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

- 28.5 need not comply with the limits in paragraphs 28.2, 28.3 and 28.4 of this Appendix if, at the time of the acquisition, the net amount in issue of the relevant investment cannot be calculated.

**29. Derivative exposure**

- 29.1 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.
- 29.2 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 30 (Cover for investment in derivatives and forward transactions) below sets out detailed requirements for cover of that Sub-fund.
- 29.3 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).
- 29.4 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.

**30. Cover for investment in derivatives and forward transactions**

- 30.1 A Sub-fund may invest in derivatives and forward transactions as part of its investment policy provided:
- 30.1.1 its global exposure relating to derivatives and forward transactions held in the Sub-fund does not exceed the net value of the Scheme Property; and
- 30.1.2 its global exposure to the underlying assets does not exceed in aggregate the investment limits laid down in paragraph 12 above.

**31. Cover and Borrowing**

- 31.1 Cash obtained from borrowing, and borrowing which the ACD reasonably regards an Eligible Institution or an Approved Bank to be committed to provide, is not available for cover under paragraph 30 (Cover for investment in derivatives and forward transactions) except where 31.2 below applies.
- 31.2 Where, for the purposes of this paragraph a Sub-fund 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 being in 31.1 on deposit with the lender (or his agent or nominee), then this paragraph 31.2 applies

as if the borrowed currency, and not the deposited currency, were part of the Scheme Property.

## **32. Calculation of global exposure**

- 32.1 The ACD must calculate the global exposure of a Sub-fund on at least a daily basis.
- 32.2 The ACD must calculate the global exposure of any Sub-fund it manages either as:
  - 32.2.1 the incremental exposure and leverage generated through the use of derivatives and forward transactions (including embedded derivatives as referred to in paragraph 17 (Derivatives: general), which may not exceed 100% of the net value of the Scheme Property; or
  - 32.2.2 the market risk of the Scheme Property
- 32.3 For the purposes of this section exposure must be calculated taking into account the current value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the positions.
- 32.4 The ACD must calculate the global exposure of a Sub-fund by using:
  - 32.4.1 commitment approach; or
  - 32.4.2 the value at risk approach.
- 32.5 The ACD must ensure that the method selected above is appropriate, taking into account:
  - 32.5.1 the investment strategy pursued by the Sub-fund;
  - 32.5.2 types and complexities of the derivatives and forward transactions used; and
  - 32.5.3 the proportion of the Scheme Property comprising derivatives and forward transactions.
- 32.6 Where a Sub-fund employs techniques and instruments including repo contracts or stock lending transactions in accordance with paragraph 41 (Stock lending) in order to generate additional leverage or exposure to market risk, the authorised fund manager must take those transactions into consideration when calculating global exposure.

## **33. Cash and near cash**

- 33.1 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:

- 33.1.1 the pursuit of a Sub-fund's investment objectives; or
  - 33.1.2 redemption of Shares; or
  - 33.1.3 efficient management of a Sub-fund in accordance with its investment objectives; or
  - 33.1.4 other purposes which may reasonably be regarded as ancillary to the investment objectives of a Sub-fund.
- 33.2 During the period of the initial offer the Scheme Property of the Sub-funds may consist of cash and near cash without limitation.
34. **General**
- 34.1 It is envisaged that a Sub-fund 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 pursuit of the investment objective and policy, redemption of Shares, 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.
- 34.2 Where a Sub-fund 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 a 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.
- 34.3 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.
- 34.4 The COLL Sourcebook permits the ACD to use certain techniques when investing in derivatives in order to manage a Sub-fund's exposure to particular counterparties and in relation to the use of collateral to reduce overall exposure with respect to over-the-counter ("OTC") derivatives; for example a Sub-fund may take collateral from counterparties with whom they have an OTC derivative position and use that collateral to net off against the exposure they have to the counterparty under that OTC derivative position, for the purposes of complying with counterparty spread limits. The COLL Sourcebook also permits a Sub-fund to use derivatives to effectively short sell (agree to deliver the relevant asset without holding it in a Sub-fund) under certain conditions.
- 34.5 No Sub-fund may invest in Shares of another Sub-fund within the Company.

**35. Underwriting**

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

**36. General power to borrow**

- 36.1 The Company or the ACD may, on the instructions of the Company and subject to the COLL Sourcebook, borrow money from an Eligible Institution or an Approved Bank for the use of a Sub-fund on terms that the borrowing is to be repayable out of the Scheme Property.
- 36.2 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.
- 36.3 The ACD must ensure that borrowing does not, on any business day, exceed 10% of the value of a Sub-fund.
- 36.4 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).

**37. Restrictions on lending of money**

- 37.1 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.
- 37.2 Acquiring a debenture is not lending for the purposes of paragraph 37.1, nor is the placing of money on deposit or in a current account.
- 37.3 Nothing in paragraph 37.1 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.

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

- 38.1 Scheme Property of the Sub-funds other than money must not be lent by way of deposit or otherwise.
- 38.2 Transactions permitted by paragraph 41 (Stock lending) are not to be regarded as lending for the purposes of paragraph 38.1.

- 38.3 The Scheme Property of the Sub-funds must not be mortgaged.
- 38.4 Where transactions in derivatives or forward transactions are used for the account of the Company in accordance with the COLL 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.

**39. General power to accept or underwrite placings**

- 39.1 Any power in the COLL Sourcebook to invest in transferable securities may be used for the purpose of entering into transactions to which this section applies, subject to compliance with any restriction in the 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.
- 39.2 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.
- 39.3 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 COLL Sourcebook.

**40. Guarantees and indemnities**

- 40.1 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.
- 40.2 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.
- 40.3 Paragraphs 40.1 and 40.2 do not apply to in respect of the Company:
- 40.3.1 any indemnity or guarantee given for margin requirements where the derivatives or forward transactions are being used in accordance with the COLL Sourcebook; and
  - 40.3.2 an indemnity falling within the provisions of regulation 62(3) (Exemptions from liability to be void) of the OEIC Regulations;
  - 40.3.3 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

40.3.4 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.

#### 41. **Stock lending**

41.1 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 a Sub-fund, and hence for its Shareholders.

41.2 The specific method of stock lending or entering into a repo contract 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.

41.3 The stock lending transactions or repo contracts permitted by this section may be exercised by a Sub-fund when it reasonably appears to the Company to be appropriate to do so with a view to generating additional income for the Sub-fund with an acceptable degree of risk.

41.4 The Company (or the Depositary acting in accordance with the instructions of the ACD) 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 the Company, are in a form which is acceptable to the Depositary and are in accordance with good market practice, the counterparty is an authorised person or a person authorised by a home state regulator, and high quality and liquid collateral is obtained to secure the obligation of the counterparty. Collateral must be acceptable to the Depositary, adequate and sufficiently immediate.

41.5 The Depositary must ensure that the value of the collateral at all times is at least equal to the market value of the securities transferred by the Depositary plus a premium. 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.

- 41.6 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 COLL Sourcebook, as an unconditional agreement for the sale or transfer of property, whether or not the property is part of the property of the Sub-fund.
- 41.7 There is no limit on the value of the Scheme Property which maybe the subject of stock lending or repo contract transactions.

## **APPENDIX IV**

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

**The ACD acts as Authorised Corporate Director/Authorised Fund Manager\* of the following regulated collective investment schemes**

Aptus Investment Fund  
Heriot Investment Funds  
T. Bailey Dynamic Fund\*  
T. Bailey Growth Fund\*  
TB Doherty Funds  
TB Elite Investment Funds  
TB Enigma Funds  
TB Evenlode Investment Funds ICVC  
TB Guinness Investment Funds  
TB Saracen Investment Funds ICVC  
TB Wise Investment Funds  
The Chapel Funds ICVC  
The Discovery Fund  
The Sandwood Fund ICVC  
Ocean Investment Funds

\* Authorised unit trusts – all other schemes are Open Ended Investment Companies (OEICs)

## APPENDIX V

### PAST PERFORMANCE AND INVESTOR PROFILE

This performance information is net of tax and charges (subscription and redemption fees) but does not include the effect of any preliminary charge that may be paid on the purchase of an investment.

Past performance is no indication of future returns.

Please note that all performance information is at 31 December 2017. For more up-to-date performance information, please contact the ACD.

	<b>12 months ended 31 Dec 2017</b>	<b>12 months ended 31 Dec 2016</b>	<b>12 months ended 31 Dec 2015</b>	<b>12 months ended 31 Dec 2014</b>	<b>12 months ended 31 Dec 2013</b>
TB Amati UK Smaller Companies	36.23%	15.61%	23.22%	4.37%	31.07%
Numis Smaller Comp Index (incl AIM, excl Inv Tst)	21.89%	12.01%	8.58%	-4.79%	30.93%

Percentage annual performance, B accumulation shares, (total return), based on FE data.

#### Investor profiles

The Sub-funds are marketable to all eligible investors provided they can meet the minimum age and subscription levels. The Sub-funds may be suitable for investors who see collective investment schemes as a convenient way of participating in investment markets. They may be suitable for investors wishing to seek to achieve defined investment objectives. Such investors must have experience with, or understand, products where the capital is at risk. Investors must be able to accept some risk to their capital, thus the Sub-funds may be suitable for investors who are looking to set aside the capital for at least 5 years. If you are uncertain whether these products are suitable for you, please contact a professional adviser.

TB Amati UK Smaller Companies Fund may be suitable for those investors wanting to achieve long-term capital growth primarily through investment in UK smaller companies which are either listed, incorporated or have the majority of their economic activity in the United Kingdom.

## **APPENDIX VI**

### **DIRECTORY**

**The Company and Head Office:**

TB Amati Investment Funds  
64 St. James's Street  
Nottingham  
NG1 6FJ

**Authorised Corporate Director:**

T. Bailey Fund Services Limited  
64 St. James's Street  
Nottingham  
NG1 6FJ

**Depository:**

NatWest Trustee & Depositary Services Limited  
Drummond House  
3 Redheughs Avenue  
Edinburgh  
EH12 9RH

**Custodian:**

The Northern Trust Company  
50 Bank Street  
Canary Wharf  
London  
E14 5NT

**Investment Manager:**

Amati Global Investors Limited  
8 Coates Crescent  
Edinburgh  
Midlothian  
EH3 7AL

**Registrar:**

T. Bailey Fund Services Limited  
64 St. James's Street  
Nottingham  
NG1 6FJ

**Auditors:**

Deloitte LLP  
Four Brindleyplace  
Birmingham  
B1 2HZ

## APPENDIX VII

### DIRECTORS OF THE ACD AND THEIR BUSINESS ACTIVITIES AS AT THE DATE OF THIS PROSPECTUS:

Name	Activity
Helen Stevens (Chief Executive Officer)	None.
Richard Taylor (Compliance Director)	None.
Gavin Padbury (Director of Operations)	None.
Mike Hughes (Non-Executive Director)	Youth Adventure Trust Dudley Building Society

## APPENDIX VIII

### LIST OF SUB-CUSTODIANS

LIST OF SUB CUSTODIANS USED BY THE NORTHERN TRUST COMPANY	
Country	Sub custodian
<b>Argentina (Market suspended)</b>	Citibank N.A.
<b>Australia</b>	HSBC Bank Australia Limited
<b>Austria</b>	UniCredit Bank Austria AG
<b>Bahrain</b>	HSBC Bank Middle East Limited
<b>Bangladesh</b>	Standard Chartered Bank
<b>Belgium</b>	Deutsche Bank A.G
<b>Benin</b>	Standard Chartered Bank (Mauritius) Limited
<b>Bermuda</b>	HSBC Bank Bermuda Limited
<b>Bosnia and Herzegovina: The Federation of B &amp; H and Republic of Srpska</b>	Raiffeisen Bank International AG
<b>Botswana</b>	Standard Chartered Bank Botswana Limited
<b>Brazil</b>	Citibank N.A.Brazil
<b>Bulgaria</b>	Citibank Europe plc
<b>Burkina Faso</b>	Standard Chartered Bank (Mauritius) Limited
<b>Canada</b>	The Northern Trust Company Canada & Royal Bank of Canada
<b>Chile</b>	Banco de Chile
<b>China</b>	(1) HSBC Bank (China) Company Limited (China- A) (2) HSBC Bank (China) Company Limited (China- B)
<b>Colombia</b>	Cititrust Colombia S.A. Sociedad Fiduciaria
<b>Costa Rica</b>	Banco Nacional de Costa Rica
<b>Croatia</b>	UniCredit Bank Austria AG
<b>Cyprus</b>	Citibank Europe plc
<b>Czech Republic</b>	UniCredit Bank Czech Republic and Slovakia, a.s.
<b>Denmark</b>	Nordea Bank AB (publ)
<b>Egypt</b>	Citibank, N.A.
<b>Estonia</b>	Swedbank AS
<b>Euro Markets</b>	Euroclear Bank S.A/N.V
<b>Finland</b>	Nordea Bank AB (publ)
<b>France</b>	Deutsche Bank AG
<b>Germany</b>	Deutsche Bank AG
<b>Ghana</b>	Standard Chartered Bank Ghana Limited
<b>Greece</b>	Citibank International plc
<b>Guinea Bissau</b>	Standard Chartered Bank (Mauritius) Limited
<b>Hong Kong SAR</b>	The Hongkong & Shanghai Banking Corporation Limited

<b>Hungary</b>	UniCredit Bank Hungary Zrt
<b>Iceland (Market suspended)</b>	Landsbankinn hf
<b>India</b>	Citibank, N.A.
<b>Indonesia</b>	Standard Chartered Bank
<b>Ireland</b>	The Northern Trust Company, London
<b>Israel</b>	Bank Leumi Le-Israel BM
<b>Italy</b>	Deutsche Bank SpA
<b>Ivory Coast</b>	Standard Chartered Bank (Mauritius) Limited
<b>Japan</b>	The Hongkong & Shanghai Banking Corporation Limited
<b>Jordan</b>	Standard Chartered Bank
<b>Kazakhstan</b>	JSC Citibank Kazakhstan
<b>Kenya</b>	Standard Chartered Bank Kenya Limited
<b>Kuwait</b>	HSBC Bank Middle East Limited
<b>Latvia</b>	Swedbank AS
<b>Lithuania</b>	AB SEB Bankas
<b>Luxembourg</b>	Euroclear Bank S.A./N.V
<b>Malaysia</b>	HSBC Bank Malaysia Berhad
<b>Mali</b>	Standard Chartered Bank (Mauritius) Limited
<b>Mauritius</b>	The Hongkong & Shanghai Banking Corporation Limited
<b>Mexico</b>	Banco Nacional de Mexico S.A.
<b>Morocco</b>	Societe Generale Marocaines de Banques
<b>Namibia</b>	Standard Bank Namibia Ltd
<b>Netherlands</b>	Deutsche Bank AG
<b>New Zealand</b>	The Hongkong & Shanghai Banking Corporation Limited
<b>Niger</b>	Standard Chartered Bank (Mauritius) Limited
<b>Nigeria</b>	Stanbic IBTC Bank plc
<b>Norway</b>	Nordea Bank AB (publ)
<b>Oman</b>	HSBC Bank Oman SAOG
<b>Pakistan</b>	Citibank N.A.
<b>Panama</b>	Citibank, N.A., Panama Branch
<b>Peru</b>	Citibank del Peru S.A.
<b>Philippines</b>	The Hongkong & Shanghai Banking Corporation Limited
<b>Poland</b>	Bank Polska Kasa Opieki SA
<b>Portugal</b>	BNP Paribas Securities Services
<b>Qatar</b>	HSBC Bank Middle East Limited
<b>Romania</b>	Citibank Europe plc
<b>Russia</b>	AO Citibank
<b>Saudi Arabia</b>	HSBC Saudi Arabia
<b>Senegal</b>	Standard Chartered Bank (Mauritius) Limited
<b>Serbia</b>	UniCredit Bank Austria A.G



<b>Singapore</b>	DBS Bank Ltd
<b>Slovakia</b>	Citibank Europe plc
<b>Slovenia</b>	UniCredit Banka Slovenija d.d
<b>South Africa</b>	The Standard Bank of South Africa Limited
<b>South Korea</b>	The Hongkong & Shanghai Banking Corporation Limited
<b>Spain</b>	Deutsche Bank SAE
<b>Sri Lanka</b>	Standard Chartered Bank
<b>Swaziland</b>	Standard Bank Swaziland Ltd
<b>Sweden</b>	Svenska Handelsbanken AB (publ)
<b>Switzerland</b>	Credit Suisse (Switzerland) Ltd
<b>Taiwan</b>	Bank of Taiwan
<b>Tanzania</b>	Standard Chartered Bank (Mauritius) Limited
<b>Thailand</b>	Citibank, N.A.
<b>Togo</b>	Standard Chartered Bank (Mauritius) Limited
<b>Tunisia</b>	Banque Internationale Arabe de Tunisie
<b>Turkey</b>	Deutsche Bank A.S.
<b>Uganda</b>	Standard Chartered Bank Uganda Limited
<b>Ukraine</b>	PJSC Citibank
<b>United Arab Emirates- ADX</b>	HSBC Bank Middle East Limited
<b>United Arab Emirates- DFM</b>	HSBC Bank Middle East Limited
<b>United Arab Emirates- NASDAQ Dubai</b>	HSBC Bank Middle East Limited
<b>United Kingdom</b>	The Northern Trust Company, London
<b>United States</b>	The Northern Trust Company
<b>Uruguay</b>	Banco Itau Uruguay S.A.
<b>Venezuela (Market suspended)</b>	Citibank, N.A.
<b>Vietnam</b>	HSBC Bank (Vietnam) Ltd
<b>Zambia</b>	Standard Chartered Bank Zambia plc
<b>Zimbabwe</b>	Standard Chartered Bank (Mauritius) Limited