

**IMPORTANT: IF YOU ARE IN ANY DOUBT ABOUT THE CONTENTS OF THIS PROSPECTUS  
YOU SHOULD CONSULT A FINANCIAL ADVISER**

**MARGETTS INTERNATIONAL STRATEGY FUND**

**PROSPECTUS**

**Prepared in accordance with the Collective Investment Schemes Sourcebook**

**Dated and valid as at 01 May 2019**

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**PROSPECTUS  
OF  
MARGETTS INTERNATIONAL STRATEGY FUND**

This document constitutes the Prospectus for the Margetts International Strategy Fund (the "Fund") which has been prepared in accordance with the terms of the rules contained in the Collective Investment Schemes Sourcebook (the "FCA Regulations") published by the FCA as part of their Handbook of rules made under the Financial Services and Markets Act 2000 (the "Act").

The Prospectus is dated and is valid as 01 May 2019.

A copy of this prospectus can be obtained from Margetts Fund Management Limited at the address listed under item 4.1.2 during normal business hours at no cost.

Copies of this Prospectus have been sent to the FCA and the Trustee.

The Prospectus is based on information, law and practice at the date hereof. The Fund is not bound by any out of date prospectus when it has issued a new prospectus and potential investors should check that they have the most recently published prospectus.

Margetts Fund Management Limited, the Manager of the Fund, 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 FCA Regulations to be included in it.

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

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

The units described in this Prospectus have not been and will not be registered under the United States Securities Act of 1933, as amended the United States Investment Company Act of 1940 or the securities laws of any of the states of the United States. The units may not be offered, sold or delivered directly or indirectly in the United States or to the account or benefit of any US Person (as defined below).

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

The provisions of the Trust Deed are binding on each of the unitholders and a copy of the Trust Deed is available on request.

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.

## DEFINITIONS

"Accumulation Units"	paying units, denominated in base currency, in the Fund as may be in issue from time to time in respect of which income allocated thereto is credited periodically to capital pursuant to the FCA Rules or accounted for by the Fund;
"Act"	Financial Services and Markets Act 2000;
"AIF"	an 'Alternative Investment Fund'; a collective investment scheme which is authorised by the Financial Conduct Authority and therefore meets the standards set by the Financial Conduct Authority to enable the scheme to be marketed to the public within the UK and which complies with the Alternative Investment Fund Managers Directive';
"AIFM"	Margetts Fund Management Limited, the alternative investment fund manager of the Fund;
"AIFMD"	Alternative Investment Fund Managers Directive;
"Approved Derivative"	an approved derivative is one which is traded or dealt on an eligible derivatives market and any transaction in such a derivative must be effected on or under the rules of the market;
"COLL"	the Collective Investment Scheme Sourcebook made by the FCA pursuant to the Financial Services and Markets Act 2000, as amended from time to time;
"Conversion"	<p>A conversion is where in units one "class" of an asset are exchanged for units in another "class" of the same asset where the investment strategy employed across those classes is identical.</p> <p>Key rules applied to a Conversion</p> <ul style="list-style-type: none"> <li>• Unit Groupings are unaffected</li> <li>• Not CGT chargeable events for unitholders</li> <li>• Value of the Fund is not impacted</li> </ul>
"Dealing Day"	Monday to Fridays excluding UK public and bank holidays;
"Eligible Markets"	means eligible markets as defined in the FCA Regulations and as set out in Appendices 3 and 4;
"EPM"	means efficient portfolio management as defined in the FCA COLL sourcebook and in accordance with article 11 of the UCITS eligible assets Directive. These techniques and instruments relate to transferable securities and approved money market instruments and are economically appropriate as they are realised in a cost effective way. The purpose must be to reduce risk and / or reduce cost and / or generate additional capital or income with a risk level which is consistent the investment objective and the risk diversification rules laid down in the COLL sourcebook;
"FCA"	the Financial Conduct Authority;

"FCA Regulations"	the rules contained in the Collective Investment Schemes Sourcebook of the FCA Rules;
"FCA Rules"	the FCA handbook of rules made under the Act and are currently referred to as 'COLL Rules';
"Fund"	Margetts International Strategy Fund;
"FUND"	the Investment Funds Sourcebook made by the FCA, pursuant to the Financial Services and Markets Act 2000, as amended from time to time;
"Income Units"	paying units, denominated in base currency, in the Fund as may be in issue from time to time in respect of which income allocated thereto is distributed periodically to the holders thereof pursuant to the FCA Rules or accounted for by the Fund;
"Manager"	Margetts Fund Management Limited, the manager of the Fund;
"MiFID II"	Markets in Financial Instruments Directive (2014/65/EU) and Markets in Financial Instruments Regulations (600/2014/EC);
"Net Asset Value" or "NAV"	the value of the property held by the Fund less the liabilities of the Fund as calculated in accordance with the Trust Deed;
"Regulated Activities Order"	the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001;
"Scheme Property"	the property of the Fund to be given to the Trustee for safe-keeping, as required by the FCA Regulations;
"Trust Deed"	the trust deed dated 3 June 1992 entered into between the Trustee and the Manager (as amended);
"Trustee"	The Bank of New York Mellon (International) Limited;
"Unit Class"	a particular class of units as described in Appendix 1;
"US Persons"	a citizen or resident of the United States of America, its territories and possessions including the State and District of Columbia and all areas subject to its jurisdiction (including the Commonwealth of Puerto Rico), any corporation, trust, partnership or other entity created or organised in or under the laws of the United States of America, any state thereof or any estate or trust the income of which is subject to United States federal income tax, regardless of source. The expression also includes any person who falls within the definition of "US Person" as defined in rule 902 of regulation S of the United States Securities Act 1933; and
"Valuation Point"	the point, on a Dealing Day whether on a periodic basis or for a particular valuation, at which the Manager carries out a valuation of the Scheme Property for the Fund for the purpose of determining the price at which units of a Unit Class may be issued, cancelled or redeemed. The current Valuation Point is 08.30 a.m. 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 Manager and the Trustee.

## **1 The Unit Trust**

The Margetts International Strategy Fund is an Authorised Unit Trust Scheme authorised on 8 June 1992 (Product Reference Number (PRN) 150631) and established on 3 June 1992 and is categorised as a “non-UCITS retail scheme”. The base currency of the Fund is pounds sterling.

The Prospectus and Trust Deed together provide a description of the legal implications of the contractual relationship entered into for the purpose of investment.

## **2 Unit Trust Structure**

- 2.1 As explained above, the Unit Trust is a non-UCITS retail scheme.
- 2.2 Unitholders are not liable for the debts of the Unit Trust. The maximum exposure of any unitholder is the amount invested in the Fund.
- 2.3 The Unit Trust does not intend to have an interest in immovable or tangible moveable property.
- 2.4 Details of the Unit Trust, including its investment objective and policy are set out in Appendix 1. The Unit Trust may invest in derivatives for Efficient Portfolio Management.

## **3 Units**

- 3.1 The Fund may issue income units and accumulation units. In the case of income units, income is distributed to unitholders. In the case of accumulation units, income is retained in the Fund and reflected in the price of units. Currently accumulation units only are in issue. All units are priced in Sterling but have no nominal value. Unitholders are entitled to participate in the property of the Fund and the income arising from it in proportion to the share in the property of the Fund represented by their units. The income of the Fund is calculated twice yearly.
- 3.2 Names and addresses of unitholders will be entered in the Register to evidence title to the units. The nature of the right represented by units is that of a beneficial interest under a trust. Unitholders will not be issued with a certificate.
- 3.3 The Manager imposes no requirements nor will unitholders have any special rights or entitlements with respect to the transfer of their holding or exchange of their units to or for units in any other Fund operated by the Manager.

## **4 Management and Administration**

- 4.1 Manager
  - 4.1.1 Margetts Fund Management Limited
  - 4.1.2 Registered Office: 1 Sovereign Court, Graham Street, Birmingham, West Midlands B1 3JR Telephone: 0121 236 2380 Fax: 0121 236 2330.
  - 4.1.3 A company limited by shares incorporated in England and Wales on 12 February 2001. Share Capital £273,000 ordinary £1 shares issued and fully paid.
  - 4.1.4 The Manager complies with the requirements of providing cover for professional liability risks set out in article 12 of the AIFMD level II regulation by maintaining an amount of own funds as required by article 14 of the AIFMD level II regulation.



- 4.1.5 The Manager is also the Fund's Alternative Investment Fund Manager ("AIFM") as defined in FUND.
- 4.1.6 The Manager is a subsidiary of Margetts Holdings Limited, a company incorporated in England and Wales
- 4.1.7 No executive director is engaged in any significant business activity not connected with the business of the Manager or other Margetts Holdings Limited subsidiaries
- 4.1.8 All notices and documentation will be issued by post to the registered address of the unitholder unless otherwise stated within the prospectus.
- 4.1.9 As at the date of this Prospectus, the Manager acts as such for the following authorised unit trusts:
- Margetts Providence Strategy Fund  
Margetts Select Strategy Fund  
Margetts Venture Strategy Fund  
Margetts Opes Income Fund  
Margetts Opes Growth Fund
- 4.1.10 And as the authorised corporate director for the following open-ended investment companies:
- MGTS Frontier Fund  
MGTS Future Money ICVC  
MGTS AFH Tactical Core Fund  
MGTS AFH Core Fund  
MGTS St. Johns Property ICVC  
MGTS Clarion Portfolio Fund  
The Sentinel Fund  
MGTS IBOSS Fund  
MGTS AFH DA Fund

## **5 Trustee**

- 5.1 The Trustee of the Fund is The Bank of New York Mellon (International) Limited, a private company limited by shares incorporated in England and Wales on 9 August 1996. Its ultimate holding company is The Bank of New York Mellon Corporation, a public company incorporated in the United States.
- 5.2 The registered office and head of the Trustee is at One Canada Square, London E14 5AL.
- 5.3 The principal business activity of the Trustee is the provision of custodial, banking and related financial services. The Depositary is authorised by the Prudential Regulation Authority and is dual-regulated by the FCA and the Prudential Regulation Authority. .
- 5.4 The Trustee is responsible for monitoring cashflows and the safekeeping of all the Scheme Property (other than tangible moveable property) of the Fund and has a duty to take reasonable care to ensure that the Fund is managed in accordance with the Trust Deed and the provisions of the FCA Regulations relating to the pricing of, and dealing in, units and relating to the income and the investment and borrowing powers of the Fund.

- 5.5 The Manager is required to enter into a written contract with the Trustee to evidence its appointment as depositary of the Fund for purposes of the regulations. BNY Mellon Trust & Depositary (UK) Limited was appointed as depositary of the Fund pursuant to a Supplemental Trust Deed dated 11 July 2014 as amended by a Supplemental Trust Deed being a Deed of Retirement and Appointment of Trustee dated 01 February 2018 whereby BNY Mellon Trust & Depositary (UK) Limited retired as trustee of the Fund in favour of the Trustee and, pursuant to which the Manager and the Trustee agree to carry out various functions in order to comply with, and facilitate compliance with, the requirements of AIFMD.
- 5.6 The Trustee acts as Global Custodian and is permitted to delegate (and authorise its delegate to sub-delegate) the safekeeping of the Scheme Property. The Trustee has delegated safe keeping of the Scheme Property to The Bank of New York Mellon SA/NV and The Bank of New York Mellon (the “Global Sub-Custodian”).
- 5.7 The Trustee is entitled to receive remuneration out of the Scheme Property for its services, as set out in paragraph 20 of this Prospectus. The Trustee (or its associates or any affected person) is under no obligation to account to the Manager, the Fund or the unitholders for any profits or benefits it makes or receives that are made or derived from or in connection with the dealings of units of the Fund, any transaction in Scheme Property or the supply of services to the Fund.

## **6 Auditors**

The Auditors of the Unit Trust are Shipleys LLP, whose address is 10 Orange Street, Haymarket, London WC2H 7DQ.

## **7 Registrar and Dealing**

Margetts Fund Management Ltd  
1 Sovereign Court  
Graham Street  
Birmingham  
B1 3JR

- 7.1 The register of Unitholders is maintained at the above address and may be inspected at that address during and normal business hours by any unitholder or any unitholder's duly authorised agent.

## **8 Conflicts of Interest**

- 8.1 The Trustee and the Manager are or may be involved in other financial, investment and professional activities which may, on occasion, cause conflicts of interest with the management of the Fund. In addition, the Fund may enter into transactions at arm's length with companies in the same group as either of the Trustee or the Manager.

For the purposes of this section, the following definitions shall apply:

“Link” means a situation in which two or more natural or legal persons are either linked by a direct or indirect holding in an undertaking which represents 10% or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of the undertaking in which that holding subsists.

“Group Link” means a situation in which two or more undertakings or entities belong to the same group within the meaning of Article 2(11) of Directive 2013/34/EU or international accounting standards adopted in accordance with Regulation (EC) No. 1606/2002.

The following conflicts of interests may arise between the Trustee, the Fund and the Manager:

A Group Link where the Manager has delegated certain administrative functions to an entity within the same corporate group as the Trustee.

The Trustee shall ensure that policies and procedures are in place to identify all conflicts of interests arising from such Group Links and shall take all reasonable steps to avoid such conflicts of interests. Where such conflicts of interests cannot be avoided, the Trustee and the Manager will ensure that such conflicts of interests are managed, monitored and disclosed in order to prevent adverse effects on the interests of the Fund and its unitholders.

To the extent that a Link exists between the Trustee and any unitholders in the Fund, the Trustee shall take all reasonable steps to avoid conflicts of interests arising from such Link.

### **Delegation**

The following conflicts of interests may arise as a result of the delegation arrangements relating to safekeeping outlined above:

A Group Link exists where the Trustee has delegated the safekeeping of the Scheme Property to an entity within the same corporate group as the Trustee.

The Trustee shall ensure that policies and procedures are in place to identify all conflicts of interests arising from such Group Links and shall take all reasonable steps to avoid such conflicts of interests. Where such conflicts of interests cannot be avoided, the Trustee will ensure that such conflicts of interests are managed, monitored and disclosed in order to prevent adverse effects on the interests of the Fund and its unitholders.

### **Delegation of Safekeeping Functions**

The Trustee acts as Global Custodian and is permitted to delegate (and authorise its delegate to sub-delegate) the safekeeping of Scheme Property.

The Trustee has delegated safekeeping of the Scheme Property to the Global Sub-Custodian. The Global Sub-Custodian may sub-delegate the custody of assets in certain markets in which the Fund may invest to various sub-delegates (“Sub-Custodians”). A list of Sub-Custodians can be found on the website: [www.margetts.com/advisers/about-us/sub-delegates-of-bny-mellon/](http://www.margetts.com/advisers/about-us/sub-delegates-of-bny-mellon/). A paper copy of this is available free of charge upon request by writing to the compliance officer at 1 Sovereign Court, Graham Street, Birmingham B1 3JR.

## Updated Information

Up-to-date information regarding the Trustee, its duties, its conflicts of interest and the delegation of its safekeeping functions will be made available to unitholders on request.

- 8.2 Each of the parties will, to the extent of their ability and in compliance with the FCA Regulations, ensure that the performance of their respective duties will not be impaired by any such involvement.

## 9 Issue and Redemption of Units in the Fund

- 9.1 The Manager will accept orders for the purchase and sale of units on normal business days between 9.00am and 5.00pm. The Manager's normal basis of dealing is at a forward price which means that transactions will be effected at prices determined at the next following Valuation Point ('the Dealing Date'). Instructions to issue or redeem units may be either in writing or by telephone. To confirm the transaction, a contract note will be issued by close of business on the next business day after the Dealing Date.

### Delivery versus Payment (DvP)

When you purchase a unit/share, there is a moment of time at which the investor now owns the unit/share; and a moment of time when the investor's money has passed to Margetts. Similarly when you sell a unit/share, there is a moment of time at which the investor no longer owns the unit/share; and a moment of time when the investor is credited with the value of that unit/share. As purchases and sales are not completed at exactly the same moment in real time (receipt or payment of cheques or bank transfers are not instantaneous), there is a small window of time (generally never more than one business day) when an investor might not own any units/shares, but may also not have the money instead. This is referred to as the 'Delivery versus Payment' (DvP) window. There is a small risk that at that point, the transaction might fail to complete and that an investor might lose the value of the investment.

The Financial Conduct Authority regulates for the protection of client money and requires firms such as Margetts to inform clients that we make use of the DvP exclusion for collective investment schemes. The DvP exclusion permits fund managers such as Margetts to not treat money as client money for a one-day period while carrying out a DvP transaction in the units/shares of a collective investment scheme. If the transaction takes longer than one working day to fully complete, i.e. money for purchases is received early or money for sales remains on account at Margetts awaiting being paid out, then your money will be moved to a segregated client money account until the money is no longer yours (for purchases) or has been paid out by Margetts (for sales). In the unlikely event that Margetts enters into insolvency proceedings before it has segregated such purchase or sales monies as client money, or has applied proceeds for settlement or paid out monies due, then you may neither have any rights to the units/shares nor be protected by the FCA's client money rules.

- 9.2 The unit prices are published on the Margetts website each day at [www.margetts.com](http://www.margetts.com). The prices shown will be those calculated at the previous Valuation Point. Please note these will not include the cancellation price but this will be available on request from the Manager by telephoning the Manager on 0121 236 2380.
- 9.3 The number of the telephone dealing line is 0345 607 6808. Dealing instructions should be faxed to 0121 236 8990. The address for applications is Margetts Fund Management Ltd, 1 Sovereign Court, Graham Street, Birmingham B1 3JR.

- 9.4 The Manager accepts transfer of title authority by electronic communication via TISA Exchange Limited (TeX).
- 9.5 The Manager will only accept electronic dealing instructions through EMX or Calastone who provide services for the transmission of dealing instructions. Details of their services are available on their website at <http://www.emxco.com> and <http://www.calastone.com>.

9.6 **Buying**

The Manager has the right to reject, on reasonable grounds relating to the circumstances of the applicant, any application for units in whole or part, and in this event the Manager will return any money sent, or the balance of such monies, at the risk of the applicant. In addition the Manager may reject any application previously accepted in circumstances where the applicant has paid by cheque and that cheque subsequently fails to be cleared.

Any subscription monies remaining after a whole number of units has been issued will not be returned to the applicant. Instead, smaller denomination units (one-thousandth of a unit) will be issued in such circumstances.

A regular savings plan is available to investors in the retail unit classes. Retail unit classes can be purchased monthly, the minimum value of each unit which may be the subject of any one single transaction is £100.

**Documentation**

A contract note giving details of the units purchased and the price used will be issued by the end of the Dealing Day following the Valuation Point by reference to which the purchase price is determined, together with, where appropriate, a notice of the applicant's right to cancel.

Settlement is due on receipt by the purchaser of the contract note and no later than the fourth day after the transaction.

Unit certificates will not be issued in respect of units. Ownership of units will be evidenced by an entry on the Fund's Register of Unitholders. Statements in respect of periodic distributions of income in the Fund will show the number of units held by the recipient in the Fund in respect of which the distribution is made. Individual statements of a unitholder's (or, when units are jointly held, the first named holder's) units will also be issued at any time on request by the registered holder.

9.7 **Selling**

The Manager will buy back units from registered holders at not less than the cancellation price determined at the next Valuation Point following receipt of redemption instructions. Payment of redemption proceeds will be made no later than four business days after either the dealing date or receipt of the renouncement document if later.

Payments made by cheque will be sent by post to the last address notified by the unitholder to the Manager. It will be deemed to be received on the second day after posting. The Manager will not be responsible if the mailing is delayed except where as a result of the Manager's negligence. If the mailing goes astray or is intercepted the Manager reserves the right to fully investigate what has happened and will have no obligation to remit a second payment to the unitholder until satisfied with the results of the investigation.

Where the redemption proceeds are to be paid by telegraphic transfer, the Manager will make the payment to the bank account details last notified to the Manager. The redemption proceeds will be sent at the risk of the unitholder and the Manager will not be responsible if the telegraphic transfer is delayed, unless this is as a result of the Manager's negligence. The Manager reserves the right to fully investigate what has happened and will have no obligation to remit a second payment to the unitholder until satisfied with the results of the investigation.

### **Documentation**

A contract note giving details of the number and price of units sold will be sent to the selling unitholder (the first named, in the case of joint unitholders) or their duly authorised agents together (if sufficient written instructions have not already been given) with a form of renunciation for completion and execution by the unitholder (and, in the case of a joint holding, by all the joint holders) not later than the end of the Dealing Day following the Valuation Point by reference to which the redemption price is determined. Settlement in satisfaction of the redemption monies will be issued within four Dealing Days or the later of:

receipt by the Manager of the form of renunciation (or other sufficient written instructions) duly signed by all the relevant unitholders and completed as to the appropriate number of units, together with any other appropriate evidence of title; and

the Valuation Point following receipt by the Manager of the request to redeem.

### **9.8 Minimum Redemption**

Part of a unitholder's holding may be sold but the Manager reserves the right to refuse a redemption request if the value of the units of the Fund to be redeemed is less than any minimum redemption amount set out in Appendix 1 or would result in a unitholder holding less than the minimum holding for the Fund, as detailed in Appendix 1

- 9.9 No maximum cancellation/creation spread is specified in the Trust Deed and the Manager has discretion to vary the pricing basis of units, subject to relevant regulations contained in the COLL Sourcebook. At present the Fund is priced on a forward basis. The units are not listed or dealt with on any investment exchange.

## **10 Unit Class Conversion**

- 10.1 If applicable, a unitholder may at any time convert all or some of his units ("Old Units") for units of another class of the Fund ("New Units"). The number of New Units issued will be determined by reference to the respective prices of New Units and Old Units at the Valuation Point applicable at the time the Old Units are repurchased and the New Units are issued.
- 10.2 Conversion may be effected either by telephone on 0345 607 6808 or in writing to the Manager (at the address referred to in Section 9.3) and the unitholder may be required to complete a conversion form (which, in the case of joint unitholders must be signed by all the joint unitholders). A converting unitholder must be eligible to hold the units into which the conversion is to be made.

- 10.3 The Manager will not charge a fee on the conversion of units between Classes, with the exception of a conversion into the 'S' class units from other unit classes. For these movements the stated initial charge will be applied and investor will pay the offer price on the dealing day.
- 10.4 If the conversion would result in the Unitholder holding a number of Old Units or New Units of a value which is less than the minimum holding, the Manager may, if it thinks fit, convert the whole of the applicant's holding of Old Units to New Units or refuse to effect any conversion of the Old Units. No conversion will be made during any period when the right of unitholders to require the redemption of their units is suspended (as to which see Section 11 below). The general provisions on selling units shall apply equally to a conversion.
- 10.5 The Manager may adjust the number of New Units to be issued to reflect the imposition of any conversion fee together with any other charges or levies in respect of the issue or sale of the New Units or repurchase or cancellation of the Old Units as may be permitted pursuant to the FCA Regulations.
- 10.6 A conversion of units between different Unit Classes will not be deemed to be a realisation for the purposes of capital gains taxation.
- 10.7 A unitholder who converts units in one class for units in any other class will not be given a right by law to withdraw from or cancel the transaction.

## **11 Suspension, Restrictions and Compulsory Transfer**

- 11.1 The issue and redemption of units in the Fund will not take place if dealing in the units is temporarily suspended pursuant to the terms of the Trust Deed or by operation of law or any statute for the time being in force. The Manager and the Trustee must ensure that any suspension is only allowed to continue for so long as it is justified having regard to the interests of the unitholders and that the suspension is reviewed at least every 28 days and the FCA informed of the review and any change to the information given to unitholders. The re-calculation of creation and cancellation prices will commence at 8.30am on the day on which the property of the Fund is next valued.
- 11.2 The Manager may from time to time impose such restrictions as it may think necessary for the purpose of ensuring that no units are acquired or held by any person in breach of the law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory. In this connection the Manager may, inter alia, reject in its discretion any application for the purchase, sale or conversion of units.

If it comes to the notice of the Manager that any units ("affected units"):

are owned directly or beneficially in breach of any law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory; or

would result in the Fund incurring any liability to taxation which the Fund 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

are held in any manner by virtue of which the unitholder or unitholders in question is/are not qualified to hold such units or if it reasonably believes this to be the case; or

are owned by a unitholder who is registered in a jurisdiction (where the Fund is not registered or recognised by the relevant competent authority) whereby communication with that unitholder by the Manager, on behalf of the Fund, might constitute a breach of the regulations in that jurisdiction (unless specific action is taken by the Manager to prevent such a communication constituting a breach)

or if the Manager is not satisfied that any units may not give rise to a situation discussed above, the Manager may give notice to the unitholder(s) of the affected units requiring the transfer of such units to a person who is qualified or entitled to own them or that a request in writing be given for the redemption of such units in accordance with the COLL Sourcebook. If any unitholder upon whom such a notice is served does not within 30 days after the date of such notice transfer his affected units to a person qualified to own them or submit a written request for their redemption to the Manager or establish to the satisfaction of the Manager (whose judgement is final and binding) that they or the beneficial owner is qualified and entitled to own the affected units, they 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 Manager) of all the affected units.

This may include a situation which a unitholder has moved to a different jurisdiction which either does or may give rise to a situation described above.

It is not possible for the Manager to be fully informed of current law and regulations in every jurisdiction and accordingly in the interests of unitholders and to be able to ensure no units are held or acquired 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 Fund incurring any liability to taxation which the Fund is not able to recoup itself or suffering any other adverse consequence. The Manager's policy will be to treat units of unitholders moving to jurisdictions other than EEA States as affected units and may refuse to issue units to anyone resident outside of one of the jurisdictions.

A unitholder who becomes aware that they are holding or owns affected units shall immediately, unless they have already received a notice as set out above, either transfer all his affected units to a person qualified to own them or submit a request in writing to the Manager for the redemption of all his affected units.

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

## **12 In specie redemptions and creations**

- 12.1 If a unitholder requests the redemption or cancellation of units the Manager may, where it considers the deal to be substantial in relation to the total size of the Fund, arrange that in place of payment of the price of the units in cash, the Trustee cancels the units and transfers scheme property or, if required by the unitholder, the net proceeds of sale of relevant scheme property, to the unitholder. A substantial deal is considered to be greater than 5% of the net asset value of the Fund. The Manager may aggregate deals placed over a consecutive five day period in determining this limit.



- 12.2 Before the proceeds of the cancellation of units become payable, the Manager must give written notice to the unitholder that the scheme property or the proceeds of sale of scheme property will be transferred to that unitholder.
- 12.3 The Manager will select the scheme property to be transferred in consultation with the Trustee. They must ensure that the selection is made with a view to achieving no more advantage or disadvantage to the unitholder requesting cancellation or redemption than to the continuing unitholders.
- 12.4 In certain circumstances, the Manager may, at its discretion and subject to the FCA Regulations, accept securities in settlement of a purchase of units in the Fund, provided that the aggregate value of those securities exceeds £1,000,000, or lower at the Manager's discretion.

### **13 Restriction on sale and redemption**

- 13.1 The Manager may defer redemptions at a particular valuation point to the next valuation point where the requested redemptions exceed 10% of the Fund's value. The Manager will ensure the consistent treatment of all holders who have sought to redeem units at any valuation point at which redemptions are deferred. The Manager will also ensure that all deals relating to an earlier valuation point are completed before those relating to a later valuation point are considered.
- 13.2 The Manager has procedures to ensure, on a reasonable basis, that sufficient liquidity is available to meet redemptions or other requirements in both normal and exceptional circumstances. The current policy is that each Fund should be capable of realising 25% of investments held within 48 hours and 50% of investments held within 5 working days (with the exception of funds holding physical property) in extreme circumstances.

### **14 Valuation**

- 14.1 The Fund will be valued each business day at 8.30am London time ("the Valuation Point") for the purpose of determining prices at which units in the Fund may be purchased or redeemed. A normal business day is any Monday to Friday excluding UK bank holidays. The basis of calculating the underlying assets of the Fund are set out below. Valuations may be made on other days with the Trustee's approval to avoid excessive periods between valuations that would otherwise occur due to the incidence of non-business days and the regular Valuation Point may be changed on reasonable notice being given to unitholders.
- 14.2 The Fund will be valued on a creation basis to determine the price at which units can be purchased by or offered to the public and on a cancellation basis to determine the price at which units can be redeemed.
- 14.3 The Manager must prepare each valuation of the Fund on two bases, reflecting the differing bid and offer valuations of underlying assets where it is normal for such differences to be quoted.
- 14.4 The value of the property of the Fund must be valued at fair value and shall be the value of its assets less the value of its liabilities determined in accordance with the provisions set out below.
- 14.5 All the property of the Fund (including receivables) is to be included, subject to the following:

14.5.1 Property which is not cash (or other assets dealt with 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:

14.5.2 Units or shares in a collective investment scheme:

- if a single price for buying and selling units or shares is quoted, at that price (plus dealing costs) for valuations on a creation basis and at that price (less dealing costs) on a cancellation basis; or
- if separate buying and selling prices are quoted, at the most recent maximum sale price less any expected discount (plus dealing costs) when valuing on a creation basis and the most recent minimum redemption price (less dealing costs) when valuing on a cancellation basis; or
- if, in the opinion of the Manager, 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 Manager's reasonable estimate of the value of the units or shares, at a value which, in the opinion of the Manager, is fair and reasonable.

14.5.3 Any other transferable security:

- if a single price for buying and selling the security is quoted, at that price (plus dealing costs) for valuations on a creation basis and at that price (less dealing costs) on a cancellation basis; or
- if separate buying and selling prices are quoted, at the best available market dealing offer prices on the most appropriate market in a standard size (plus dealing costs) for valuations on a creation basis and best available market dealing bid price on the most appropriate market in a standard size (less dealing costs) for valuations on a cancellation basis; or
- if, in the opinion of the Manager, the price obtained is unreliable or no recent traded price is available or if no price exists, or if the most recent price available does not reflect the Manager's reasonable estimate of the value of the security, at a value which, in the opinion of the Manager, is a fair and reasonable estimate of a buyer's price (plus dealing costs) for valuations at creation and a fair and reasonable estimate of a seller's price (less dealing costs) for valuations at cancellation.

14.5.4 Property other than units or shares in a collective investment scheme and other transferable securities; at a value which, in the opinion of the Manager, is a fair and reasonable estimate of a buyer's price (plus dealing costs) for valuations at creation and a fair and reasonable estimate of a seller's price (less dealing costs) for valuations at cancellation.

14.5.5. Cash and amounts held in current and deposit accounts and in other time related deposits shall be valued at their nominal values for valuations on both a creation and cancellation basis.

14.6 Property which is a contingent liability transaction shall be treated as follows:

- if 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 on both a creation and cancellation basis. If the Property is an off-exchange derivative the method of valuation shall be agreed between the Manager and Trustee;

- if an off-exchange future, include at the net value of closing out in accordance with a valuation method, on both a creation and cancellation basis, agreed between the Manager and the Trustee;
  - if any other form of contingent liability transaction, include at the net value of margin on closing out (whether as a positive or negative value) on both a creation and cancellation basis. If the property is an off-exchange derivative, include at a valuation method agreed between the Manager and the Trustee.
- 14.7 In determining the value of the property of the Fund, all instructions given to issue or cancel units shall be assumed to have been carried out (and any cash paid or received) whether or not this is the case.
- 14.8 Subject to the next two paragraphs below, agreements for the unconditional sale or purchase of property which are in existence but uncompleted shall be assumed to have been completed and all consequential action required to have been taken. Such unconditional agreements need not be taken into account if made shortly before the valuation takes place and, in the opinion of the Manager, their omission will not materially affect the final net asset amount.
- 14.9 Futures or options contracts which are not yet due to be performed, and written or purchased options which have not expired or been exercised, shall not be included in the above paragraph. All agreements are to be included under the above paragraph which are, or ought reasonably to have been, known to the person valuing the property.
- 14.10 Deduct an estimated amount for anticipated tax liabilities at that point in time including (as applicable and without limitation) capital gains tax (both realised and unrealised gains), income tax, corporation tax, value added tax and any other fiscal charge not covered under this deduction.
- 14.10.1 Deduct an estimated amount for any liabilities payable out of the Fund property and any tax thereon treating periodic items as accruing from day to day.
- 14.10.2 Deduct the principal amount of any outstanding borrowings whenever repayable and any accrued but unpaid interest on borrowings.
- 14.10.3 Deduct the value of any option written (if the premium for writing the option has become part of the scheme property).
- 14.10.4 Deduct, in the case of a margined contract, any amount reasonably anticipated to be paid by way of variation margin (that is the difference in price between the last settlement price, whether or not variation margin was then payable, and the price of the contract at the valuation point).
- 14.10.5 Add an estimated amount for accrued claims for tax of whatever nature which may be recoverable.
- 14.10.6 Add any other credits or amounts due to be paid into the property of the Fund.
- 14.10.7 Add, in the case of a margined contract, any amount reasonably anticipated to be received by way of variation margin (that is the difference in price between the last settlement price, whether or not variation margin was then receivable, and the price of the contract at the valuation point).
- 14.10.8 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 unitholders or potential unitholders.

14.10.9 Add a sum representing any interest or any income accrued due or deemed to have accrued but not received.

14.11 Where the Manager has reasonable grounds to believe that:

no reliable price exists for a security (including a unit/share in a collective investment scheme) at a valuation point; or

the most recent price available does not reflect the Manager's best estimate of the value of the security (including a unit/share in a collective investment scheme) at the Valuation Point;

it can value an investment at a price which, in its opinion, reflects a fair and reasonable price for that investment (the fair value price).

the circumstances which may give rise to a fair value price being used include:

no recent trade in the security concerned; or

suspension of dealings in an underlying collective investment scheme;

the occurrence of significant movements in the markets in which the underlying collective investment schemes are invested since the last valuation point; or

the occurrence of a significant event since the most recent closure of the market where the price of the security is taken.

In determining whether to use such a fair value price, the Manager will include in their consideration but need not be limited to the type of authorised fund concerned, the securities involved; whether the underlying collective investment schemes may already have applied fair value pricing; the basis and reliability of the alternative price used; and the Manager's policy on the valuation of Fund Property as disclosed in this Prospectus.

## **15 Changes to the Fund**

15.1 Under the FCA Regulations, the Manager is required to determine which one of the following three categories the changes to Fund's operation fall within:

15.2 Fundamental events which change the nature of the Fund or the basis on which the investor invested. For example changes to an investment objective, its risk profile or something that would cause material prejudice to the investors would require investor approval.

15.3 Significant events which would materially affect an investor's investment, result in increased payments out of the Fund, or could reasonably be expected to cause investors to reconsider their participation in the Fund. Those should be notified pre-event to investors and in sufficient time to enable them to leave the Fund, if they wish, before the change takes effect. 60 days minimum notice is required for these changes.

15.4 Notifiable events for which the Manager would decide when and how the investor should be notified, depending on the type of event. In these cases notification could be after the event.

15.5 All notices and documentation will be issued by post to the registered address of the primary unitholder unless otherwise stated within the prospectus.

- 15.6 Any changes to the maximum level of leverage that a Fund may employ, any introduction of the right of reuse of collateral or any introductions of a guarantee granted under the leveraging arrangements by the Fund will be considered as a significant or fundamental event and notified to investors accordingly.

## **16 Money Laundering**

As a result of legislation in force in the United Kingdom to prevent money laundering, persons conducting investment business are responsible for compliance with money laundering regulations. In order to implement these procedures, in certain circumstances investors may be asked to provide proof of identity when buying units. The Manager reserves the right to reverse the transaction or to refuse to sell units if it is not satisfied as to the identity of the applicant.

## **17 Governing Law**

All deals in units are governed by law in England and Wales.

## **18 Risk Factors**

Potential investors should consider the following risk factors before investing in the Fund.

### **18.1 General**

- (a) An investment in the Fund will involve exposure to those risks normally associated with investment in fixed interest securities, stocks and shares. As such, the price of unit and the income from them can go down as well as up and an investor may not get back the amount they have invested. There is no assurance that investment objectives of the Fund will actually be achieved.
- (b) Where the Fund uses a 'focused portfolio' to achieve its investment objective it may invest in fewer investments and consequently, the risk associated with a focused portfolio may be greater as fluctuations in the value of one investment may have a greater impact on the value of the Fund as a whole.
- (c) In addition, the values, in pounds sterling terms, of investments that are not denominated in pounds sterling may rise and fall purely on account of exchange rate fluctuations, which will have a related effect on the price of units.
- (d) Units in the Fund should generally be regarded as long-term investments. Details of specific risks that apply to the Fund are set out in Appendix 1.
- (e) Charges in respect of the Fund are taken against income rather than capital. This may constrain the income of the Fund.
- (f) Where a preliminary charge or a redemption charge is imposed, a unitholder who realises his units may not (even where there has been no fall in the value of underlying investments) realise the amount originally invested.

- 18.2 Unitholders should bear in mind that all investment carries risk and in particular should be aware of the following:

- (a) Past performance is no indication of future performance. The value of units and the income derived from them can go down as well as up and as a result the unitholder may not get back the amount originally invested. This can be as a

result of market movements and also of variations in the exchange rates between currencies. The Manager's preliminary charge (as set out in section 20 under the heading "Fees, Charges, Costs and Expenses") is deducted from an investment at the outset and various other charges accrue daily, therefore an equivalent rise in the value of the units is required before the original investment can be recovered;

- (b) For efficient portfolio management purposes only, in order to reduce or eliminate risk arising from fluctuations in interest or exchange rates and in the price of investments, the Manager may enter into certain derivatives transactions, including, without limitation, forward transactions, futures and options. The value of these investments may fluctuate significantly. By holding these types of investments there is a risk of capital depreciation in relation to certain assets. There is also the potential for capital appreciation of such assets. The Manager does not anticipate that the use of derivatives will have any significant impact on the risk profile of the Fund;
- (c) The levels of relief from taxation will depend upon individual circumstances. Please note current tax levels and reliefs may change and their value will depend on the unitholder's individual circumstances;
- (d) The levels of income generated by the Fund will fluctuate and are not guaranteed.

### 18.3 **Emerging Markets**

- (a) Where the Fund invests in some overseas markets these investments may carry risks associated with failed or delayed settlement of market transactions and with the registration and custody of securities.
- (b) Investment in emerging markets may involve a higher than average risk.
- (c) Unitholders should consider whether or not investment in the Fund is either suitable for or should constitute a substantial part of a unitholder's portfolio.
- (d) Companies in emerging markets may not be subject:
  - (i) to accounting, auditing and financial reporting standards, practices and disclosure requirements comparable to those applicable to companies in major markets;
  - (ii) to the same level of government supervision and regulation of stock exchanges as countries with more advanced securities markets.
- (e) Accordingly, certain emerging markets may not afford the same level of investor protection as would apply in more developed jurisdictions.
  - (i) Restrictions on foreign investment in certain securities may be imposed on the Fund and as a result, may limit investment opportunities for the Fund. Substantial government involvement in, and influence on, the economy may affect the value of securities in certain emerging markets.
  - (ii) The reliability of trading and settlement systems in some emerging markets may not be equal to that available in more developed markets, which may result in delays in realising investments.

Lack of liquidity and efficiency in certain of the stock markets or foreign exchange markets in certain emerging markets may mean that from time to time the Manager may experience more difficulty in purchasing or selling holdings of securities than it would in a more developed market.

#### **18.4 Currency Exchange Rates**

Currency fluctuations may adversely affect the value of the Fund's investments and the income thereon and, depending on a unitholder's currency of reference, currency fluctuations may adversely affect the value of units in the Fund.

#### **18.5 Derivatives**

Derivative transactions may be used for the purposes of EPM. Where derivatives are used for EPM or in accordance with efficient portfolio management techniques then this will not compromise the risk profile of the Fund. Use of derivatives will not contravene any relevant investment objectives or limits.

There is more detailed information in relation to investment in derivatives in Appendix 2, paragraph 1.8.

#### **18.6 Counterparty and Settlement**

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

#### **18.7 Custody**

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

#### **18.8 Inflation and Interest Rates**

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

#### **18.9 Taxation**

Taxation laws and rates may change over time and could affect the value of investments in the Fund and of the units in the Fund. See the section headed "Taxation" for further details about taxation of the Fund.

#### **18.10 Liquidity**

In certain circumstances the Fund may be invested in assets which cannot be liquidated in a timely manner at a reasonable price. This may impact the value of units in the Fund and the ability to redeem.

#### **18.11 Cancellation Rights**

Where cancellation rights are applicable, if unitholders choose to exercise their cancellation rights and the value of their investment falls before notice of cancellation is received by the Manager in writing, a full refund of the original investment may not be provided but rather the original amount less the fall in value.

#### **18.12 Political Risk**

The value of the Fund may be affected by uncertainties such as international political developments, civil conflicts and war, changes in government policies, changes in taxation, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in the laws and regulations of countries in which investments may be made. For example, assets could be compulsorily re-acquired without adequate compensation.

Events and evolving conditions in certain economies or markets may alter the risks associated with investments in countries or regions that historically were perceived as comparatively stable becoming riskier and more volatile. These risks are magnified in countries in emerging markets.

#### **18.13 Cyber Security**

Cyber security risks may result in financial losses to the Fund and the unitholders; the inability of the Fund to transact business with the unitholders; delays or mistakes in the calculation of the Net Asset Value or other materials provided to unitholders; the inability to process transactions with unitholders or the parties; violations of privacy and other laws; regulatory fines, penalties and reputational damage; and compliance and remediation costs, legal fees and other expenses. The Fund's service providers (including but not limited to the Manager and the Trustee and their agents), financial intermediaries, companies in which the Fund invests and parties with which the Fund engages in portfolio or other transactions also may be adversely impacted by cyber security risks in their own business, which could result in losses to the Fund or the unitholders. While measures have been developed which are designed to reduce the risks associated with cyber security, there is no guarantee that those measures will be effective, particularly since the Fund does not directly control the cyber security defences or plans of its service providers, financial intermediaries and companies in which the Fund invests or with which it does business.

#### **18.14 Cancellation Rights**

Where cancellation rights are applicable, if unitholders choose to exercise their cancellation rights and the value of their investment falls before notice of cancellation is received by the Manager in writing, a full refund of the original investment may not be provided but rather the original amount less the fall in value.

#### **18.15 Regular Savings Plan**

If a unitholder starts making regular monthly investments with a view to saving for a specific objective, they should regularly review whether these investments will be sufficient to achieve their objective. Unitholders may not achieve their objective if they do not continue to invest regularly with a sufficient amount, or the investments do not appreciate sufficiently.

#### **18.16 Investment in Collectives**

- (a) The Fund may make investments in collective investment schemes. Such investments may involve risks not present in direct investments, including, for example, the possibility that an investee collective investment scheme may at any time have economic or business interests or goals which are inconsistent with those of the Fund.
- (b) Unregulated collective investment schemes in which the Fund may invest up to 20% of its scheme property may invest in highly illiquid securities that may be difficult to value. Moreover, many alternative investment strategies give



themselves significant discretion in valuing securities. You should understand a fund's valuation process and know the extent to which a fund's securities are valued by independent sources and liquidity constraints. Subject to COLL, the Fund may invest in unregulated collective investment schemes (including hedge funds). Such investment in unregulated collective investment schemes carries additional risks as these schemes may not be under the regulation of a competent regulatory authority, may use leverage techniques and may carry increased liquidity risk as units/shares in such schemes may not be readily realisable.

- (c) The Fund may bear the expenses and annual management charge of collective investment schemes which are held as part of the scheme property.

#### **18.17 Unitholder's rights against service providers**

The Fund relies on the performance of third party service providers, including the Trustee and the Auditor. Further information in relation to the roles of the service providers is set out in this prospectus.

No unitholder shall have any direct contractual claim against any service provider with respect to such service provider's default. Any unitholder who believes they may have a claim against any service provider in connection with their investment in the Fund, should consult their legal adviser.

#### **18.18 Risk Management**

Upon request to the Manager a unitholder can receive information relating to:

- the quantitative limits applying in the risk management of the Fund;
- the methods used in relation to the above; and
- any recent developments of the risk and yields of the main categories of investment in the Fund.

#### **19 Meetings and Voting Rights**

- 19.1 Unitholders will be informed of any meetings in writing to the first registered unitholder on their account.
- 19.2 A meeting of unitholders duly convened and held shall be competent by extraordinary resolution to require, authorise or approve any act, matter or document in respect of which any such resolution is required or expressly contemplated by the Regulations. Separate extraordinary resolutions are required for fundamental changes. Apart from the foregoing, unitholders have no other powers exercisable at a meeting of unitholders.
- 19.3 At a meeting of unitholders the quorum for transaction of business is two unitholders present in person or by proxy. At an adjourned meeting if a quorum is not present after a reasonable time from the time for the meeting, one person entitled to be counted in a quorum present at the meeting shall constitute a quorum. On a show of hands every unitholder who (being an individual) is present in person or (being a corporation) is present by one of its officers as its proxy shall have one vote. On a poll every unitholder who is present in person or by proxy will have one vote for every complete undivided unit in the property of the Fund and a further part of one vote proportionate to any fraction of such an undivided unit of which they are the holder. In the case of joint holders the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other holders and for this purpose seniority is determined by

the order in which the names stand in the Register of Holders. On a poll, votes may be given either personally or by proxy. The Manager is entitled to vote on units registered in its name held on behalf of unitholders.

- 19.4 Ordinary resolutions require a majority vote in order to be passed whilst extraordinary resolutions require in excess of 75% approval.

## **20 Fees, Charges, Costs and Expenses**

- 20.1 The purchase price for non 'R' Class units currently includes a preliminary charge of 5%. Out of this charge the Manager may pay commission to qualifying intermediaries, including its associates.
- 20.2 The Trust Deed contains a provision entitling the Manager to deduct a charge on redemption of units out of the proceeds of redemption. Currently the Manager makes no such deduction on redemption of units and has no intention to introduce such a charge.
- 20.3 The Manager receives a periodic charge for managing the Fund at the rate set out in Appendix 1 as a percentage of the value of the property of the Fund on a per annum basis. The annual management charge is based on the average of the cancellation and creation price on each business day, accrues daily and is payable monthly in arrears on the last dealing day of each month. The charge is currently levied against the income of Fund.
- 20.4 An increase in charges can be effected only following 60 days' notice to the Trustee and to Unitholders, and after the issue of a Prospectus revised to reflect the new charge and its effective date.
- 20.5 The remuneration of the Trustee is also payable out of the property of the Fund in respect of the same periods and accruing in the same way and payable at the same times as the Manager's periodic charge. The current rate of charge is 0.04% per annum on the first £50m, 0.03% per annum on the next £50m, 0.02% on the next £50m and 0.01% on the excess of the value of the property of the Fund, plus VAT in each case. Fees are subject to a minimum of £5,000, plus transaction charges and custody fees. Transaction and custody charges range usually between £10 - £30 per trade and 0.01% - 0.03% per annum respectively.
- 20.6 The following other expenses are payable out of the property of the Fund:
- 20.6.1. broker's commission, fiscal charges and other disbursements which are necessary to be incurred in effecting transactions for the Fund and normally shown in contract notes, confirmation notes and difference accounts as appropriate;
  - 20.6.2. any costs incurred in modifying the Trust Deed including costs incurred in respect of meetings of unitholders convened for purposes which include modifying the Trust Deed, where the modification is necessary to implement changes in the law or as a direct consequence of any change in the law, or is expedient having regard to any change in the law made by or under any fiscal enactment and which the Manager and the Trustee agree is in the interest of unitholders, or to remove obsolete provisions from the Trust Deed;
  - 20.6.3 any costs incurred in respect of meetings of unitholders convened on a requisition by unitholders not including the Manager or an associate of the Manager;
  - 20.6.4. liabilities on unitisation, amalgamation or reconstruction;

- 20.6.5 interest on permitted borrowings and charges incurred in effecting or terminating such borrowings or in negotiating or varying the terms of such borrowings;
- 20.6.6 taxation and duties payable in respect of the property of the Fund, the Trust Deed or the issue of units;
- 20.6.7 the audit fees of the Auditors (including VAT) and any expenses of the Auditors;
- 20.6.8 the periodic fees of the FCA, together with any corresponding periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which units in the Fund are or may be marketed;
- 20.6.9 Fees in respect of the maintenance of the Register accruing and payable monthly out of the property of the Fund are charged at the rate of £17.91 per annum per unitholder with minimum payment of £1,500 per annum. A £17.91 charge per annum will also be payable per holder held on an ISA sub-register. These fees are subject to annual inflationary increases capped at 3% per annum.
- 20.6.10 The Trustee will also be reimbursed out of the property of the scheme expenses incurred in performing the following duties:
- Delivery of stock to the Trustee or custodian;
  - Custody of assets;
  - Collection of Income and Capital;
  - Submission of tax returns;
  - Handling tax claims;
  - Preparation of the Trustee's annual report;
  - Such other duties as the trustee is required by law to perform.
- 20.6.11 any value added or similar tax relating to any charge or expense set out herein.

## **21 Winding up**

- 21.1 The Fund may be wound up if an order declaring the Fund to be an Authorised Unit Trust Scheme is revoked, or the FCA accedes to a request of the Trustee or the Manager to revoke the order on the conclusion of the winding up of the scheme.
- 21.2 In the case of an amalgamation or reconstruction of the Fund with another body or trust, on the passing of an extraordinary resolution of the holders of units approving the amalgamation, the Trustee shall wind up the Fund in accordance with that resolution.
- 21.3 Upon the winding up of the Fund in any other case, the Trustee shall sell all the investments and out of the proceeds of the sale shall settle the Fund's liabilities and pay the costs and expenses of the winding up before distributing the proceeds of the realisation to the unitholders and the Manager (upon production of the relevant evidence as to their entitlement to units) proportionally to their respective interests in the Fund.
- 21.4 Any unclaimed net proceeds or other cash held by the Trustee after the expiry of 12 months from the date upon which the same became payable will be paid by the Trustee

into court subject to the Trustee having the right to receive out of it any expenses incurred by it in making that payment into court.

## **22 Taxation of the Fund**

### **22.1 Income**

The Fund will be liable to corporation tax on its taxable income, less management and other allowable expenses, at the same rate as the lower rate of income tax (currently 20%). Dividends from UK resident companies and other UK authorised investment funds are not generally chargeable to corporation tax.

### **22.2 Capital Gains**

Capital gains accruing to the Fund will be exempt from UK tax on chargeable gains. The Fund will also generally be exempt from tax in capital gains arising on debt securities.

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

Generally, there will be no Stamp duty reserve tax (SDRT) charge when Unitholders surrender or redeem their Units. However, where the redemption is satisfied by a non-pro rata in specie redemption, then a charge to SDRT may apply.

## **23 Taxation of the Unitholder**

### **23.1 Income**

Dividend distributions

It is anticipated that all distributions by the Fund will be in the form of dividend distributions and that, accordingly, the Fund will not pay any interest distributions.

UK resident individual unitholders

When the Fund makes a dividend distribution in respect of income units (or is deemed to make such a distribution in respect of accumulation units) a UK resident individual unitholder will be treated for UK income tax purposes as having taxable income equal to the gross amount of the dividend distribution. For these purposes dividend income is treated as the top slice of an individual's income.

Corporate unitholders within the scope of corporation tax

A dividend distribution made by the Fund in respect of income units (or deemed to be made in respect of accumulation units) to a corporate unitholder which, whether UK resident or not, is within the charge to corporation tax in respect of its investment in the Fund will, if the income of the Fund is not wholly derived from UK dividends, be split into franked and unfranked parts. Very broadly, the unfranked part corresponds to such part of the Fund's gross income as does not derive from franked investment income. The franked part will be treated in the same way as a dividend from a UK resident company. The unfranked part will be treated as an annual payment received after deduction of income tax at the lower rate from a corresponding gross amount and the corporate unitholder will be liable to corporation tax on it accordingly, but with the benefit of credit for, or repayment of, the income tax deemed deducted at source. If the corporate unitholder is not resident in the UK, the limit in Section 152(a) of the Finance Act 2003 on the extent to which its income is chargeable to corporation tax may be applicable.

Details of the proportions of distributions comprising franked investment income and annual payments will be shown on the tax voucher of the Fund.

#### Non-UK resident unitholders

Generally non-UK resident unitholders are not subject to UK tax on dividend income pursuant to the provisions of any double tax treaty between the UK and the country in which they are resident or by the provisions of section 811 of the Income Tax Act 2007 or, in the case of non-resident companies, section 815 of the Income Tax Act 2007.

#### Equalisation

Where income equalisation applies to income (but not accumulation) units, the part of the issue price of units which reflects accrued income and is returned to the unitholder with the first allocation of income following the issue is deducted from the unitholder's capital gains tax base cost in the units. In the case of accumulation units, the capital is not distributed but remains invested throughout.

#### EU Directive on Taxation of Savings Income

Any person regarded as a "paying agent" for the purposes of the Taxation of Savings Income Directive (EC Directive 2003/48/EC) may be required to disclose details of payments of interest and other income (which may include distributions or redemption payments by collective investment funds) to unitholders who are individuals or residual entities to HM Revenue & Customs, who will pass such details to the Member State where the unitholder resides.

### 23.2 **Capital gains**

#### UK resident individual unitholders

An individual unitholder who is resident or ordinarily resident in the UK (including, in some cases, a unitholder who is only temporarily non-UK resident) will be liable to capital gains tax on any chargeable gain accruing to him on the disposal or deemed disposal (including conversion or redemption) of his units in the Fund. They may also be entitled to set all or part of his gains against his annual capital gains tax execution.

UK resident or ordinarily resident individuals are subject to capital gains tax at rates which depend on the extent to which they have income falling within certain income tax bands.

#### Corporate unitholders within the scope of corporation tax

Subject to the possible application of the rules treating a unitholding in the Fund as a loan relationship, a corporate unitholder which, whether UK resident or not, is within the charge to corporation tax in respect of its investment in the Fund will be liable to corporation tax on any chargeable gain accruing to it on the disposal or deemed disposal (including conversion or redemption) of its units in the Fund.

#### Non-UK resident unitholders

A unitholder who is neither resident nor ordinarily resident in the UK will not normally be liable to UK tax on capital gains accruing to him on the disposal or deemed disposal of his units in the Fund, except where the holding is connected with a trade, profession or vocation carried on by him in the UK through a branch, agency or permanent establishment or they fall within certain anti-avoidance provisions relating to temporary non-UK residence.

### 23.3 **Inheritance Tax**

A gift by a unitholder of his unitholding or the death of a unitholder may give rise to a liability to inheritance tax, even if the unitholder is neither domiciled in the UK, nor deemed to be domiciled there under special rules relating to long residence or previous domicile in the UK. For these purposes, a transfer of a unitholding at less than the full market value may be treated as a gift.

#### **23.4 Unitholding in the Fund treated as a loan relationship**

Special rules apply to corporate unitholders within the charge to corporation tax which in certain circumstances could result in their units being treated for the purposes of the UK's corporate debt rules as rights under a creditor relationship of the corporate unitholder. A fair value basis of accounting would have to be used, for corporation tax purposes, as respects the deemed creditor relationship.

**The above statements are only intended as a general summary of UK tax law and practice as at the date of this Prospectus (which may change in the future) applicable to individual and corporate investors who are the absolute beneficial owners of a holding in the Fund and their applicability will depend upon the particular circumstances of each investor. In particular, the summary may not apply to certain classes of investors (such as financial institutions). It should not be treated as legal or tax advice and, accordingly, any investor who is in any doubt as to his UK tax position in relation to the Fund should consult his UK professional adviser.**

#### **23.5 US Foreign Account Tax Compliance Act 2010 and OECD International Tax Compliance**

Cross-border tax compliance is subject to international standards for the automatic exchange of tax information relating to US taxpayers (under FATCA) and taxpayers in CRS participating jurisdictions respectively.

In the UK, the International Tax Compliance Tax Regulations 2015 adopt the UK's reporting obligations under FATCA and CRS and consequently certain reporting obligations in relation to unitholders apply. Information from unitholders and prospective unitholders in order to ascertain their tax status may be required along with annual reporting to HMRC of information about the units held by unitholders who are, or who are controlled by a person or persons who are, tax resident in or citizens of the US or who are tax resident in a CRS participating country, including details of payments made to the unitholder (which may include payments arising from redemption of units).

Under FATCA, if the unitholder is a specified US person, a US owned non-US entity, non-participating FFI or does not provide the requisite documentation, the information on these unitholders and the units held by them will need to be reported to HMRC. HMRC will in turn report the relevant information to the IRS. Provided that these provisions are followed, the Fund will not be subject to withholding tax under FATCA.

Under CRS, if the unitholder is tax resident in a CRS participating country or does not provide the requisite documentation, information on these unitholders will need to be reported to HMRC. As part of the automatic information exchange between the CRS countries, HMRC will report the relevant information to the responsible tax authorities. Within the EU, CRS has been implemented by Council Directive 2014/107/EU on the mandatory automatic exchange of tax information which was adopted on 9 December 2014 and became effective among most EU member states from 1 January 2016.

#### **23.6 Unitholders and intermediaries should note that it is existing policy of the Manager that units are not being offered or sold for the account of US Persons or unitholders who do not provide the appropriate FATCA information or CRS information. Subsequent transfers of units to US Persons are prohibited. If units are beneficially owned by any US Person or**

a person who has not provided the appropriate FATCA or CRS information, the Manager may in its discretion compulsorily redeem such units.

## **24 Accounting and Record Dates**

The annual Accounting Reference Date and Record Date for the final income allocation is 30 June. The interim Accounting Reference Date is 31 December.

## **25 Income Allocations**

- 25.1 Allocations of income will be made on 31 August (final) and the last day of February (interim). The first allocation with respect to units purchased between the two preceding Record Dates will be made together with equalisation. Equalisation is the deemed amount contained in the purchase price of such units which represents a proportion of the income of the Fund already accrued up to the date of purchase.
- 25.2 Grouping for equalisation is permitted by the Trust Deed, which means that the amount may be ascertained per unit as the aggregate of all equalisation amounts in a grouping period divided by the number of units in issue at the Record Date for the allocation. The grouping periods are the six monthly accounting periods between successive Record Dates.
- 25.3 Holders of Income units should be aware that should an income distribution be unclaimed for a period of six years after it has become due, it will be forfeited and returned to the Fund for the benefit of unitholders.
- 25.4 Income allocations will be paid by electronic bank transfer unless the Manager and unit holder(s) agree otherwise.

## **26 General information**

- 26.1 Annual reports of the Fund will be published within four months of each annual accounting period and half yearly reports within two months of each interim accounting period, however no half yearly reports will be published in the Fund's first accounting period. The half yearly and annual reports can be found on the website: [www.margetts.com](http://www.margetts.com). A paper copy of these are available free of charge upon request by writing to the compliance officer at 1 Sovereign Court, Graham Street, Birmingham B1 3JR.
- 26.2 Information regarding the level of leverage employed by the Fund, the percentage of Fund's assets that are subject to special arrangements arising from their illiquid nature, any new arrangements for managing liquidity, the current risk profile of the Fund and the risk management systems employed to manage those risks will be disclosed in the annual and interim report and accounts.
- 26.3 Copies of the Trust Deed, Prospectus, Simplified Prospectus and the most recent annual and half-yearly reports may be inspected at the Registered Office of the Manager and copies obtained upon application to the Manager.
- 26.4 Holders who have complaints about the operation of the Fund should first contact the Manager or the Trustee. In the event a complaint is not answered to their satisfaction, unitholders may take their complaint directly to the Financial Ombudsman Service at Exchange Tower, London E14 9SR, tel: 02079641000.
- 26.5 Unit Trusts should be regarded as longer-term investments and investors should be aware that the value of their units and the income from them can fall as well as rise and investors may not receive back the full amount invested.

## 26.6 Treating Customers Fairly

The Manager seeks to ensure that its customers are treated fairly at all times. This objective is embedded in the operations and culture of the firm and is considered and delivered at every level and kept under review, which also ensures compliance with certain FCA Principles for Firms (as stated in PRIN 2.1 of the FCA's Principle for Business sourcebook). The Manager has the appropriate policies and procedures in place to ensure it provides fair treatment to investors and details are available on the Manager's website, [www.margetts.com](http://www.margetts.com), and upon request.

## 26.7 Remuneration

The remuneration policy and, where required by the FCA, how benefits are calculated and details of the remuneration committee can be found on the website: [www.margetts.com/advisers/remuneration-policy/](http://www.margetts.com/advisers/remuneration-policy/). A paper copy of this is available free of charge upon request by writing to the compliance officer at 1 Sovereign Court, Graham Street, Birmingham B1 3JR.

## 26.8 This Fund is marketable to all retail investors.

## 27 Data Protection Act

The personal information you provide on an application form and any subsequent contact will be used to provide the service(s) which are applied for, for the operation of the investments in units or shares (including, for example, for registration and distribution). This is to fulfil the contract you are entering into with the Manager in respect of the Fund. The Manager has legal obligations as a regulated financial services company that must be met. The Manager will also use anonymised personal data to produce statistics which monitor its performance.

The personal data is held by the Manager for a minimum of 7 years after the end of your relationship with the Fund. The end of the relationship is defined as the last transaction that leaves a zero balance in your account(s).

In addition to data obtained directly from the investor, the Manager may also receive data from the financial adviser or other intermediary acting on their behalf, or from services designed to detect, reduce or prevent fraud and money laundering. The Manager will disclose the minimum amount of information to these services in order to comply with legal requirements and therefore process the data under its legal obligations.

This information may be transferred to other organisations in order to provide some services or where required by law. The following third parties are currently engaged, however the list may not be comprehensive.

- Bravura Services. Bravura services provide Margetts with a hosted service to manage and store the register of investors
- External Auditors
- Electronic Anti-Money Laundering or Fraud Services
- Printing Services



For electronic verification checks, the Manager works alongside SmartCredit Ltd trading as SmartSearch which acts as a joint data controller with the Manager to help it comply with fraud and anti-money laundering requirements. Their Privacy Policy has further information on how the data is handled: <http://www.smartsearchuk.com/privacy-policy/>

For more information about the how data is processed, retained and deleted or to read more about the rights under the General Data Protection Regulations (GDPR) the Privacy Notice of the Manager can be found at [www.margetts.com/privacy-notice/](http://www.margetts.com/privacy-notice/) or contact [dataprotection@margetts.com](mailto:dataprotection@margetts.com).

If an investor or their agent is not happy with the way the Manager has handled personal data and it is unable to resolve the issue, they can complain to the Information Commissioner's Office ([www.ico.org.uk](http://www.ico.org.uk)).

We use the personal information you provide to communicate with you about questions, issues or other matters you wish to raise with us. Our legal basis is our own legitimate interest of communicating with clients, partners, other organisations and members of the public.

We will not use this information for any form of mass marketing, but will contact you if you have requested information on Margetts or our products or services or made a specific enquiry.

We do not disclose this information to third parties except if required by law. Data will be held for a minimum of 1 year after completion of any action, or until the end of any contract which is defined as 7 years after the last transaction that leaves a zero balance in your account(s).

For more information about the how your data is processed, retained and deleted or to read more about your rights and how to exercise them under the General Data Protection Regulations (GDPR) please read our Privacy Notice or contact [dataprotection@margetts.com](mailto:dataprotection@margetts.com)

If you are not happy with the way we have handled your data, and are unable to resolve the issue with us personally, you can complain to the Information Commissioner's Office ([www.ico.org.uk](http://www.ico.org.uk)).



## APPENDIX 1

### INVESTMENT OBJECTIVES, POLICIES AND OTHER DETAILS OF THE FUND

#### Investment Objective

The objective of the Margetts International Strategy Fund is to provide long term capital growth on a medium risk basis from an actively managed spread of collective investment schemes investing predominantly in equity, equity linked and fixed interest investments in various world markets.

#### Investment Policy

A spread of collective investment schemes investing predominantly in equity and equity linked investments in the UK and worldwide will be maintained. Collective investment schemes dedicated or predominantly dedicated to money markets or fixed interest securities will be included when a defensive stance is considered appropriate. **The use of derivatives and EPM transactions is not envisaged but borrowing will be permitted on a temporary basis under the terms of the COLL Sourcebook.**

Normally, the Fund will be fully invested save for an amount to enable ready settlement of liabilities (including redemption of units) and efficient management of the Fund both generally and in relation to its strategic objective. This amount will vary depending upon prevailing circumstances and although it would normally not exceed 10% of the total value of the Fund, there may be times when the Manager considers stock markets around the world to be overpriced or that a period of instability exists which presents unusual risks. In such cases or during such periods, a higher level of liquidity may be maintained and, if considered prudent, the amount of cash or near cash instruments held would be increased. Unless market conditions were deemed unusually risky, the increased amount and period would not be expected to exceed 30% and six months respectively.

The Fund will not maintain an interest in any immoveable property or tangible moveable property.

**The use of derivatives and/or hedging transactions are permitted in connection with the efficient portfolio management of the fund, and borrowing will be permitted on a temporary basis under the terms of the Regulations.**

#### Other details of the Fund

<b>Classes of Units available</b>	Accumulation Units "R" Class Accumulation Units "S" Class Accumulation Units
<b>Currency of denomination</b>	Sterling
<b>Registration charge per unitholder (subject to annual inflationary increases capped at 3% per annum)</b>	£17.91 per annum
<b>Minimum initial investment</b>	Accumulation Units - £1,000 "R" Class Accumulation Units - £1,000 "S" Class Accumulation Units - £100,000
<b>Minimum preliminary and subsequent investment for regular investors</b>	£100
<b>Minimum holding</b>	£1,000
<b>Manager's preliminary charge</b>	Accumulation Units – 5% "R" Accumulation Units – 0%

	"S" Class Accumulation Units – 0.5%
<b>Annual management charge</b>	Accumulation Units - 1.475% "R" Accumulation Units - 0.695% "S" Class Accumulation Units – 0.35%
<b>Annual accounting date</b>	30 June
<b>Interim accounting date</b>	31 December
<b>Annual income allocation date</b>	31 August
<b>Interim income allocation date</b>	Last day of February
<b>Invest in any Securities Market of a Member State of the EU or states within the EEA on which securities are admitted to Official Listing</b>	Yes
<b>Invest in Eligible Markets</b>	As listed in Appendix 4
<b>Income Equalisation</b>	Yes

### Profile of a typical investor

The Fund is suitable for investors seeking to invest for the long term and who wish to gain access to an investment managed in accordance with the specific investment objective and policy detailed above. The Fund's suitability for investors will depend on the investor's own requirements and attitude to risk but should align to the volatility of the Fund and the investor should accept that income and capital values will fluctuate and may fall as well as rise over a 5 year rolling term. Investors should be aware of and understand the risks associated with the Fund before investing. The risks associated with the Fund are detailed under "Risk Factors". If you have any doubts as to whether the investment is suitable for you, please contact a financial adviser.

- 1 Target Market for MiFID II:**
- 2 Type of clients:** retail, professional clients and eligible counterparties (subject to the applicable legal and regulatory requirements in the relevant jurisdiction).
- 3 Clients' knowledge and experience:** investors who have read the literature relating to the Fund and who have, as a minimum, a basic knowledge of funds which are to be managed in accordance with a specific investment objective and policy.
- 4 Clients' financial situation with a focus on ability to bear losses:** Investors must be prepared to accept fluctuations in the value of capital including capital loss and accept the risks of investing in equity markets, including having the ability to bear 100% capital loss.
- 5 Clients' risk tolerance and compatibility of risk/reward profile of the product with the target market:** due to the volatility of markets and specific risks of investing in units in the Fund (including those set out in the risk warnings in this Prospectus), investors should have a high risk tolerance. They should be willing to accept price fluctuations in exchange for the opportunity of higher returns in terms of capital growth and income.

**6**      **Clients' objectives and needs:** investors should be seeking to invest for the long term and who wish to gain access to a portfolio that is managed in accordance with the specific investment objective and policy of the Fund.

**7**      **Clients' who should not invest:** units in the Fund are deemed incompatible for investors who:

- are looking for full capital protection or full repayment of the amount invested and clients who want a guaranteed return (whether income or capital);
- are fully risk averse/have no risk tolerance; or
- need a fully guaranteed income of fully predictable return profile

**Distribution channel:** This product is eligible for all distribution channels (e.g. investment advice, portfolio management, non-advised sales and pure execution services).

## **APPENDIX 2**

### **LIMITATIONS ON TYPE OF INVESTMENTS**

#### **1 Investment and borrowing powers of the Fund**

These restrictions apply to the Fund.

#### **1.1 Investment restrictions**

**1.1.1** The property of the Fund will be invested with the aim of achieving its investment objective but subject to the limits on investment set out in the FCA Regulations and the Fund's investment objective and policy. These limits apply to the Fund as summarised below:

**1.1.1.1** Generally the Fund will invest in the investments to which it is dedicated including unregulated and regulated collective investment schemes and up to 100% of the scheme property can be held in deposits and cash, subject to compliance with the individual savings account regulations.

**1.1.1.2** Eligible markets are regulated markets or markets established in an EEA State which are regulated, operate regularly and are open to the public; and markets which the Manager, after consultation with the Trustee, has decided are appropriate for the purpose of investment of or dealing in the property of the Fund having regard to the relevant criteria in the FCA Regulations and guidance from the FCA. Such markets must operate regularly, be regulated, recognised, open to the public, adequately liquid and have arrangements for unimpeded transmission of income and capital to or to the order of the investors. The eligible securities and derivatives markets for the Fund are set out in Appendix 4.

**1.1.1.3** New eligible securities markets may be added to the existing list only by the passing of a resolution of unitholders at a unitholders' meeting. If not, then the Manager and the Trustee will need to assess whether such an addition would be a significant event requiring unitholders to be notified of the change 60 days in advance, and for the Prospectus to reflect the intended change and the date of commencement, or if the addition is of minimal significance to the investment policy of the Fund such that unitholders will just be notified of the change, whether by immediate notification or in the next report for the Fund.

#### **1.2 Transferable securities**

**1.2.1** The Fund may invest in transferable securities which are admitted to or normally dealt on Eligible Markets. Save as set out below and 1.3.1 up to 10% of the Scheme Property may be invested in transferable securities issued by any single body. However, up to 25% in value of the Fund may be invested in scheme property issued by any single body in respect of covered bonds

**1.2.2** A transferable security includes an investment falling within article 76 (Shares etc), article 77 (Instruments creating or acknowledging indebtedness), article 79 (Instruments giving entitlement to investments) and article 80 (Certificates representing certain securities) of the Regulated Activities Order.

- 1.2.3 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.
- 1.2.4 In applying paragraph 1.2.3 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.
- 1.2.5 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.
- 1.3 **Government and public securities**
- 1.3.1 Up to 35% of the property of the Fund may be invested in Government and public securities issued by any one issuer. Subject to this restriction, 100% of the scheme property of the Fund may be invested in Government and other public securities and up to of 35% of the value of the scheme property in any one issue.
- 1.4 **Collective Investment Schemes**
- 1.4.1 Up to 100% in value of the Scheme Property of the Fund may be invested in units in other schemes. Investment may only be made in other collective investment schemes whose maximum annual management charge does not exceed 3%. The Fund may invest in collective investment schemes, established anywhere, provided the investee scheme (1) satisfies the conditions necessary for it to enjoy the rights conferred by the UCITS Directive; or (2) is an authorised non-UCITS retail scheme; or (3) is a recognised scheme; or (4) is constituted outside the United Kingdom and the investment and borrowing powers of which are the same or more restrictive than those of a non-UCITS retail scheme; or (5) is a scheme not falling within (1) to (4) and in respect of which no more than 20% in value of the Scheme Property (including any transferable securities which are not approved securities) is invested.
- 1.4.2 In addition, the investment scheme must operate on the principle of the prudent spread of risk, must be prohibited from having more than 15% in value of its Scheme Property consisting of units in collective investment schemes and its participants must be entitled to have their units redeemed in accordance with the scheme at a price related to the net value of the property to which the units relate and determined in accordance with the scheme.
- 1.4.3 The Fund may be invested in units in other collective investment schemes managed by the Manager or associates or controllers of the Manager provided that the Manager pays into the relevant scheme property the amount or equivalent of any charges on issue or disposal of such units or shares (excluding any form of dilution levy) borne by the Fund in accordance with COLL 5.2.16R.
- 1.5 **Warrants and nil and partly paid securities**
- Not more than 5% in value of the Scheme Property may consist of warrants.
- 1.6 **Money market instruments**
- 1.6.1 Up to 100% in value of the Scheme Property of the Fund can consist of money market instruments which are admitted to or normally dealt on Eligible Markets subject to compliance with the individual savings account regulations. Up to 10% in value of the scheme property of the Fund can be invested in money market

instruments which are not approved securities or money market instruments which are liquid and have a value which can be determined accurately at any time.

- 1.6.2 Notwithstanding the above, up to 10% of the Scheme Property of the Fund may be invested in money market instruments issued by any single body.

1.7 **Deposits**

Up to 20% in value of the Scheme Property of the Fund can consist of deposits with a single body. The Fund may only invest in deposits 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.

1.8 **Derivatives and forward transactions**

- 1.8.1 **Derivative transactions may be used for efficient portfolio management<sup>1</sup> only. This will not compromise the risk profile of the Fund. Use of derivatives will not contravene any relevant investment objectives or limits.**

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<sup>1</sup> Efficient Portfolio Management ("EPM") transactions may involve options, futures or contracts for differences or forward transactions in accordance with the FCA Regulations. There is no limit on the amount of the property of a Scheme which may be used for these purposes, but there are various requirements which must be satisfied. The specific aims of EPM are:

- (a) the reduction of risk - to hedge against either price or currency fluctuation to avoid volatility in the market and limit the down side of the risk;
- (b) the reduction of cost; and
- (c) the generation of additional capital or income for a Scheme with a risk level which is consistent with the risk profile of a Scheme and the risk diversification rules laid down in the Collective Investment Schemes sourcebook.

The transaction must be economically appropriate for the purposes of EPM and any exposure must be fully covered by cash or other property sufficient to meet any obligation to pay or deliver that could arise



In broad terms, the FCA Regulations permit the following techniques:

1.8.2 Except as set out in 1.8.5 and 1.8.7 below there is no upper limit on the use of transactions in derivatives or forward transactions for the Fund but they must fall under 1.8.3 and 1.8.4.

1.8.3 A transaction in a derivative or forward transaction must:

- (1)
  - (a) if an OTC, be in an approved derivative; or
  - (b) be in a future, an option or a contract for differences which must be entered into with a counterparty that is acceptable in accordance with the FCA Regulations, must be on approved terms as to valuation and close out and must be capable of valuation.
- (2) have the underlying consisting of any or all of the following to which the Fund is dedicated:
  - (a) transferable securities;
  - (b) permitted money market instruments;
  - (c) permitted deposits;
  - (d) permitted derivatives;
  - (e) permitted collective investment scheme units;
  - (f) financial indices;
  - (g) interest rates;
  - (h) foreign exchange rates; and
  - (i) currencies.
- (3) be effected on or under the rules of an eligible derivatives market, it must not cause the Fund to diverge from its investment objectives, must not be entered into if the intended effect is to create the potential for an uncovered sale of one or more transferable securities, money market instruments, units in collective investment schemes, or derivatives and must be with an approved counterparty.

Use of derivatives must be supported by a risk management process maintained by the Manager which should take account of the investment objectives and policy of the Fund.

1.8.4 The Manager must ensure that the global exposure relating to derivatives and forward transactions held in the Fund does not exceed the net value of the scheme property. The Fund must calculate the global exposure on a daily basis taking into account the current value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the positions. The Manager must calculate the global exposure of the Fund either as:

- (1) the incremental exposure and leverage generated through the use of derivatives and forward transactions (including embedded derivatives), which may not exceed 100% of the net value of the Scheme Property; or
- (2) the market risk of the Scheme Property.

The Manager must calculate the global exposure of the Fund by using either the commitment approach or the value at risk approach ensuring the selected method is appropriate taking into account the investment strategy, the types and complexities of the derivatives and forward transactions used and the proportion of the Scheme Property comprising derivatives and forward transactions.

Where the Fund employs techniques and instruments including repo contracts or stock lending transactions in order to generate additional leverage or exposure to market risk, the Manager must take those transactions into account when calculating global exposure.

- 1.8.5 The exposure to any one counterparty in an OTC derivative transaction must not exceed 10% in value of the Scheme Property of the Fund.
- 1.8.6 In applying the limits in 1.8, the exposure in respect of an OTC derivative may be reduced to the extent that collateral is held in respect of it provided the collateral meets each of the following conditions:
  - 1.8.6.1 it is marked-to-market on a daily basis and exceeds the value of the amount at risk;
  - 1.8.6.2 it is exposed only to negligible risks (eg. government bonds of first credit rating or cash) and is liquid;
  - 1.8.6.3 it is held by a third party custodian not related to the provider or is legally secured from the consequences of a failure of a related party; and
  - 1.8.6.4 can be fully enforced by the Fund at any time.
- 1.8.7 Not more than 20% of the Fund is to be put at risk in respect of an exposure from an OTC derivative transaction to a single entity or one or more such entities within a group, after taking into account any collateral received from that entity or group, both at individual level or group level.
- 1.8.8 In applying the limits in 1.8, OTC derivative positions with the same counterparty may be netted provided that the netting procedures:
  - 1.8.8.1 comply with the conditions set out in Section 7 (Contractual netting Contracts for novation and other netting agreements) of Annex III to the Banking Consolidation Directive; and
  - 1.8.8.2 are based on legally binding agreements.
- 1.8.9 All derivative transactions are deemed to be free of counterparty risk if they are performed on an exchange where the clearing house meets each of the following conditions:
  - 1.8.9.1 it is backed by an appropriate performance guarantee; and
  - 1.8.9.2 it is characterized by a daily mark-to-market valuation of the derivative positions and at least daily margining.
- 1.8.10 No agreement by or on behalf of the Fund to dispose of property or rights may be made unless:
  - 1.8.10.1 the obligation to make the disposal and any other similar obligation could immediately be honoured by the Fund by delivery of property or the assignment (or, in Scotland, assignation) of rights; and
  - 1.8.10.2 the property and rights at 1.8.10.1 are owned by the Fund at the time of the agreement.
- 1.8.11 1.8.10.1 and 1.8.10.2 do not apply to a deposit. They also do not apply where:-

- 1.8.11.1 the risks of the underlying financial instrument of a derivative can be appropriately represented by another financial instrument and the underlying financial instrument is highly liquid; or
- 1.8.11.2 the Manager or the Trustee has the right to settle the derivative in cash and cover exists within the Scheme Property which falls within one of the following asset classes:
- (i) cash;
  - (ii) liquid debt instruments (e.g. government bonds of first credit rating) with appropriate safeguards (in particular, haircuts); or
  - (iii) other highly liquid assets which are recognised considering their correlation with the underlying of the financial derivative instruments, subject to appropriate safeguards (e.g. haircuts where relevant).
- 1.8.12 In the asset classes referred to in 1.8.11.1 and 1.8.11.2, assets may be considered as liquid where the instruments can be converted into cash in no more than seven Dealing Days at a price closely corresponding to the current valuation of the financial instrument on its own market.
- 1.9 **General**
- 1.9.1 Underwriting and sub-underwriting contracts and placings may not be entered into for the account of the Fund.
- 1.9.2 Cash or near cash must not be retained in the Scheme Property of the Fund except in order to enable the pursuit of its investment objective; or for redemption of units in the Fund; or efficient management of the Fund in accordance with its investment objective or for a purpose which may reasonably be regarded as ancillary to its investment objectives.
- 1.9.3 The aggregate value of investments in deposits and cash may be up to 100% of the value of the Scheme Property (to the extent that this would not affect its ability to be held within the stocks and shares component of a PEP or ISA).
- 1.9.4 The maximum leverage expressed as the ratio of the exposure to net asset value using the commitment method is 1.1:1.0 and using the gross method 3.3:1.0. *Please note that the maximum leverage under the gross method is theoretical and would only occur if market risk and currency risk were hedged across the entire Fund whilst it was using the maximum borrowing facility of 10%. It is not anticipated that both market risk and currency risk would be simultaneously hedged and therefore the likely maximum leverage which would be used in normal circumstances using the commitment method is 1.1:1.0 and using the gross method 2.2:1.0.*
- 1.9.5 Leverage is limited to overdraft use and the gross exposure from EPM techniques. Although the Manager may use derivatives for EPM, no collateral arrangements are currently in place and no asset re-use arrangements are in place.
- 2 **Stock lending**
- 2.1 The Fund will not enter into stock lending transactions.

### 3 **Borrowing powers**

3.1 The Fund may, subject to the FCA Regulations, borrow money from an eligible institution or an approved bank for the use of the Fund on the terms that the borrowing is to be repayable out of the Scheme Property.

3.1.1 The Manager must ensure that borrowing does not, on any Dealing Day, exceed 10% of the value of the Scheme Property of the Fund.

These borrowing restrictions do not apply to “back to back” borrowing.



## **APPENDIX 3 DIRECTORY**

### **The Fund**

Margetts International Strategy Fund  
1 Sovereign Court  
Graham Street  
Birmingham  
B1 3JR

### **The Manager**

Margetts Fund Management Limited  
1 Sovereign Court  
Graham Street  
Birmingham  
B1 3JR

### **Registrar**

Margetts Fund Management Ltd  
1 Sovereign Court  
Graham Street  
Birmingham  
B1 3JR

### **Trustee**

The Bank of New York Mellon (International) Limited  
One Canada Square  
London  
E14 5AL

### **The Auditor**

Shipleys LLP  
10 Orange Street  
Haymarket  
London  
WC2H 7DQ

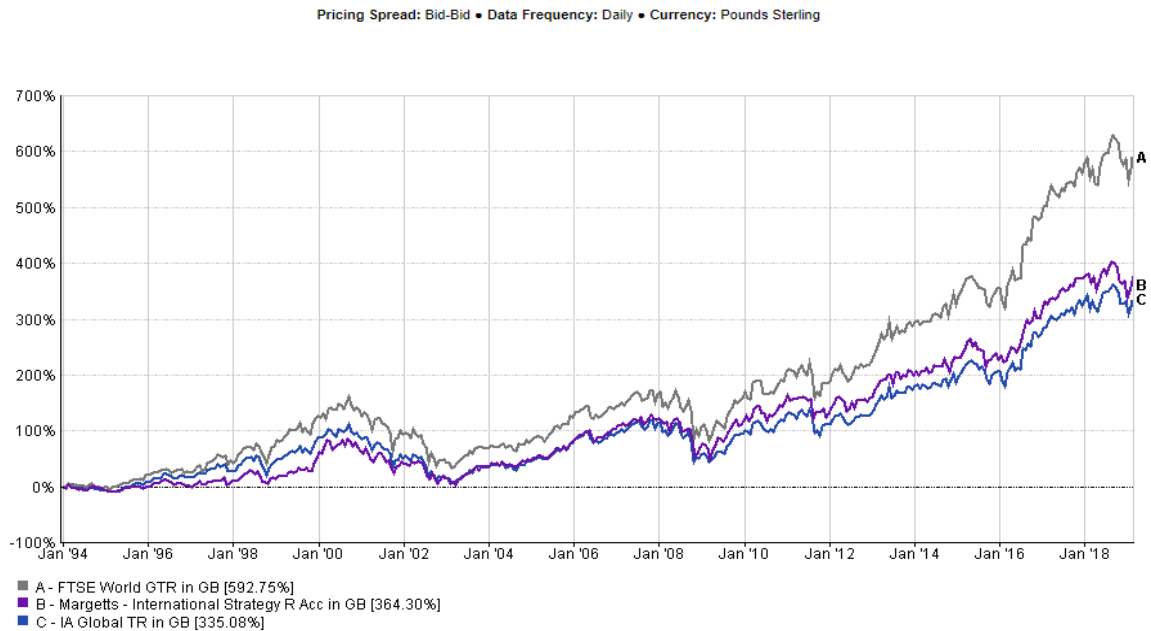
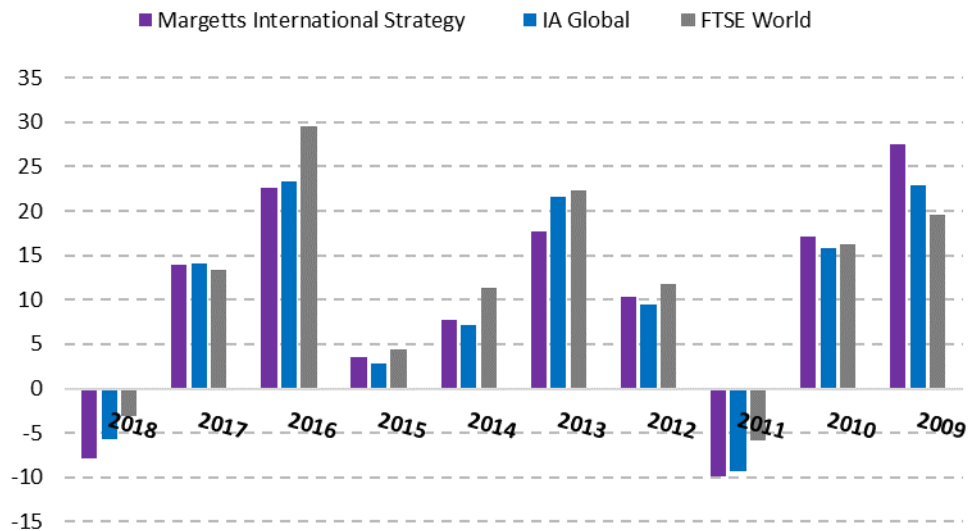
#### **APPENDIX 4**

#### **ELIGIBLE MARKETS**

The Fund only invests in regulated collective investment schemes and as such does not deal or invest directly in any Eligible Markets. If any schemes in which Fund invests are listed on a stock exchange or other public market, the Fund may buy and sell transferable securities in those schemes provided the stock exchange is established in an EEA State and complies with the requirements of COLL.

## APPENDIX 5 PAST PERFORMANCE

The bar chart below shows the performance of the Fund, for each twelve month period, for ten full years, from 02 January 2007 against the IA Global sector and the benchmark for the fund which is the FTSE World Total Return Index. The line graph below shows the cumulative performance of the Fund, since launch to 11<sup>th</sup> February 2019. These are based on net income reinvested.



31/12/1993 - 11/02/2019 Data from FE 2019

**WARNING:** The value of investments can fall as well as rise. Past performance is not a guide to possible future performance.



**APPENDIX 6**  
**LIST OF DIRECTORS OF THE MANAGER**

**Executive:**

T.J. Ricketts  
M.D. Jealous  
A.S. Weston

**Non-Executive:**

T H Ricketts  
A.J.M Quay  
J.M. Vessey