

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

MGTS ST. JOHNS PROPERTY ICVC

**(an open-ended investment company with variable capital incorporated with limited liability
and registered in England and Wales under registered number
IC000954**

PROSPECTUS

26 November 2012

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**PROSPECTUS
OF
MGTS ST. JOHNS PROPERTY ICVC**

This document constitutes the Prospectus for MGTS St. Johns Property ICVC (the "Company") which has been prepared in accordance with the terms of the rules contained in the Collective Investment Schemes Sourcebook (the "FSA Regulations") published by the FSA 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 at 26 November 2012.

A copy of this prospectus can be obtained from Margetts Fund Management Limited at the address listed under Section 5.1.2 during normal business hours at no cost.

Copies of this Prospectus have been sent to the FSA and the Depositary.

The Prospectus is based on information, law and practice at the date hereof. The Company is not bound by any out of date prospectus when it has issued a new prospectus and potential investors should check that they have the most recently published prospectus.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 ACD of the Company, is the person responsible for the information contained in this Prospectus. To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained herein does not contain any untrue or misleading statement or omit any matters required by the FSA Regulations to be included in it.

No person has been authorised by the Company to give any information or to make any representations in connection with the offering of shares 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 Company. The delivery of this Prospectus (whether or not accompanied by any reports) or the issue of shares shall not, under any circumstances, create any implication that the affairs of the Company have not changed since the date hereof.

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

The shares 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 shares 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 shares.

The provisions of the Instrument of Incorporation are binding on each of the shareholders and a copy of the Instrument of Incorporation is available on request.

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

"ACD"	Margetts Fund Management Limited, the Authorised Corporate Director of the Company;
"Act"	Financial Services and Markets Act 2000;
"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;
"Company"	MGTS St. Johns Property ICVC;
"Corporate Investor"	means any body corporate as defined in the PAIF Regulations, including, without limitation, a body corporate constituted under the law of a country or territory outside the United Kingdom or, an entity which is treated as a body corporate for tax purposes (i) in accordance with the law of a territory outside the UK with which relevant arrangements have been entered into, or (ii) in accordance with an international agreement containing relevant arrangements;
"Dealing Day"	Monday to Fridays excluding UK public and bank holidays;
"Depositary"	The BNY Mellon Trust & Depositary (UK) Limited, the depositary of the Company;
"Eligible Markets"	means eligible markets as defined in the FSA Regulations and as set out in Appendices 3 and 4;
"FSA"	the Financial Services Authority;
"FSA Regulations"	the rules contained in the Collective Investment Schemes Sourcebook of the FSA Rules;
"FSA Rules"	the FSA handbook of rules made under the Act;
"Hedging"	the use of derivative transactions (which the ACD reasonably believes to be economically appropriate and to be fully covered) to reduce risk and cost to the Company and to generate additional capital or income with no, or with an acceptably low level of risk;
"Investment Manager"	the investment manager to the ACD;
"Net Accumulation Share"	net paying shares, denominated in base currency, in the Company as may be in issue from time to time in respect of which income allocated thereto is credited periodically to capital pursuant to the FSA Rules net of any tax deducted or accounted for by the Company;

"Net Asset Value" or "NAV"	the value of the Scheme Property of the Company (or of any Sub-fund as the context requires) less the liabilities of the Company or the Sub-fund concerned as calculated in accordance with the Company's Instrument of Incorporation;
"Net Income Share"	net paying shares, denominated in base currency, in the Company 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 FSA Rules net of any tax deducted or accounted for by the Company;
"OEIC Regulations"	the Open-Ended Investment Companies Regulations 2001;
"PAIF"	means a property authorised investment fund which complies with the PAIF Regulations;
"PAIF Regulations"	Part 4A of the Authorised Investment Fund (Tax) Regulations 2006 (as amended);
"REIT" or "Real Estate Investment Trust"	means a real estate investment trust which invests in commercial and residential property;
"Regulated Activities Order"	the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001;
"Scheme Property"	the property of the Company to be given to the Depositary for safe-keeping, as required by the FSA Regulations;
"Share Class"	a particular class of shares as described in Section 4;
"Standing Independent Valuer"	Lambert Smith Hampton Group Limited or such other standing independent valuer appointed by the Company from time to time;
"Sub-fund" or Sub-funds"	a sub-fund of the company (being part of the Scheme Property of the Company which is pooled separately) and to which specific assets and liabilities of the Company may be allocated and which is invested in accordance with the investment objective applicable to that sub-fund;
"UK"	means England, Scotland, Wales, Northern Ireland, the Channel Islands and the Isle of Man;
"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 ACD carries out a valuation of the Scheme Property for the Company for the purpose of determining the price at which Shares of a Share Class may be issued, cancelled or redeemed. The current Valuation Point is 12.00 p.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 ACD and the Depositary.

The Company

- 1.1 MGTS St Johns Property ICVC is an investment company with variable capital, incorporated in England and Wales on 14 September 2012 under registered number IC000954 and authorised by the FSA with effect from 14 September 2012.
- 1.2 Sub-funds of the Company may be established as property authorised investment funds (“**PAIFs**”) which means that the investment objective of such a Sub-fund is to carry on property investment business and to manage cash from investors for investment in property investment business. Sub-funds may elect to be treated as PAIFs for tax purposes.
- 1.3 The Head Office of the Company is at 1 Sovereign Court, Graham Street, Birmingham B1 3JR and is also the address of the place in the United Kingdom for service on the Company of notices or other documents required or authorised to be served on it.
- 1.4 The base currency of the Company is pounds (£) sterling. Investors should note that if the United Kingdom participates in the third stage of European Monetary Union and sterling ceases to exist, the ACD may convert the base currency of the Company from sterling to Euros. The ACD in consultation with the Depositary shall determine the best means to effect this conversion.
- 1.5 The maximum share capital of the Company is currently £10,000,000,000 and the minimum is £1,000. Shares in the Company have no par value and therefore the share capital of the Company at all times equals the Company’s current net asset value.
- 1.6 Shareholders in the Company are not liable for the debts of the Company.
- 1.7 The Company has been established as an "umbrella company" (under the OEIC Regulations) and therefore different Sub-funds may be formed by the ACD, subject to approval from the FSA. On the establishment of a new Sub-fund or Share Class an updated prospectus will be prepared setting out the relevant information concerning the new Sub-fund. The Company is a Non-UCITS Retail Scheme meaning that it is authorised by the FSA and therefore meets the standards set by the FSA to enable the scheme to be marketed to the public within the UK, but which does not comply with the conditions necessary for it to benefit from certain passporting rights under the UCITS Directive.

Nature of a PAIF

- 2.1 A PAIF is a type of authorised investment fund which is compliant with, and subject to, the PAIF Regulations. The PAIF Regulations determine the type of investors that the Company may attract, the types of assets it may invest in, the investment objectives and policies the Company may follow, and the Company’s approach to income distribution.

- 2.2 In order to qualify as a PAIF, the PAIF Regulations require that the investment objective must be to carry on property investment business and to manage cash form investors for investment in property investment business. The investment objective and policy of the Sub-funds are set out in Appendix 1.
- 2.3 One condition of the PAIF Regulations is that no body corporate may seek to obtain or intentionally maintain a holding of more than 10% of the net asset value of the Company. Should this situation arise, the ACD is entitled to delay redemption or cancellation of shares in accordance with Section 19.2 if the ACD reasonably considers such action to be:
 - 2.3.1 necessary in order to enable an orderly reduction of the holding to below 10%; and
 - 2.3.2 in the interests of shareholders as a whole.
- 2.4 Notice has been given to HMRC for the Company to be treated as a PAIF. The benefit of such treatment is that the Company itself is exempt from corporation tax on property income and gains meaning that shareholders will be subject to the same level of tax as if they were direct investors in the underlying immovable property.

3 **Company Structure**

As explained above the Company is a "Non-UCITS Retail scheme" and an "umbrella company" for the purposes of the OEIC Regulations. The assets of each Sub-fund within the Company are treated as separate from those of every other Sub-fund and will be invested in accordance with that Sub-fund's own investment objective and policy.

- 3.1 Details of the Company, including its investment objective and policy are set out in Appendix 1. The Company may invest in derivatives for Efficient Portfolio Management.
- 3.2 Details of the Sub-funds, including their investment objectives and policies are set out in Appendix 1.
- 3.3 Each Sub-fund has a specific portfolio of assets and investments, and its own liabilities, and investors should view each Sub-fund as a separate investment entity.
- 3.4 Each Sub-fund will be charged with the liabilities, expenses, costs and charges of the Company attributable to that Sub-fund.
- 3.5 Any assets, liabilities, expenses, costs or charges not attributable to a particular Sub-fund may be allocated by the ACD in a manner which is fair to shareholders as a whole but they will normally be allocated to all Sub-funds pro rata to the value of the net assets of the relevant Sub-funds.

4 **Shares**

- 4.1 The Share Classes presently available for each Sub-fund are set out in Appendix 1. Further Share Classes may be made available in due course, as the ACD may decide.
- 4.2 The minimum initial investment for each Share Class is set out in Appendix 1. These limits may be waived at the discretion of the ACD.
- 4.3 The Company issues Net Income Shares and Net Accumulation Shares. Net Income Shares are entitled to receive distributions of income periodically. Such distributions will be made by cheque unless the ACD and shareholder(s) agree otherwise. Net Accumulation Shares credit any income allocated to them to capital.
- 4.4 When available, shareholders are entitled (subject to certain restrictions) to switch all or part of their shares in one Sub-fund for shares in a different Sub-fund. Details of this switching facility and the restrictions are set out in Sections 13 and 14.3.

5 **Management and Administration**

5.1 **Authorised Corporate Director**

- 5.1.1 The Authorised Corporate Director of the Company is Margetts Fund Management Limited which is a private company limited by shares incorporated in England and Wales under the Companies Act 1985. The ACD was incorporated on 12 February 2001.

5.1.2 Registered Office and Head Office:

1 Sovereign Court
Graham Street
Birmingham
B1 3JR

Share Capital:	Authorised	260,000 Ordinary £1 shares
	Issued and paid up	260,000 Ordinary £1 shares

- 5.1.3 The ACD is responsible for managing and administering the Company's affairs in compliance with the FSA Regulations.

- 5.1.4 As at the date of this Prospectus, the ACD acts as such for the following additional open ended investment companies:

Margetts Greystone ICVC
Margetts Greystone Cautious Managed Fund
MGTS Greystone Conservative Fund
MGTS Frontier ICVC
MGTS Future Money ICVC
MGT St. Johns Realistic Core Fund
MGTS Ardevora ICVC

and as manager for the following authorised unit trusts:

Margetts International Strategy Fund
Margetts Providence Strategy Fund
Margetts Select Strategy Fund
Margetts Venture Strategy Fund
Margetts Opes Growth Fund
Margetts Opes Income Fund

5.2 **Terms of Appointment**

- 5.2.1 The ACD was appointed by an agreement dated 1 December 2012 between the Company and the ACD (the "ACD Agreement"). The ACD Agreement provides that the appointment of the ACD is for an initial period of three years and thereafter may be terminated upon one years' written notice by either the ACD or the Company, although in certain circumstances the ACD Agreement may be terminated forthwith by notice in writing by the ACD to the Company or the Depositary, or by the Depositary or the Company to the ACD. Termination cannot take effect until the FSA has approved the appointment of another authorised corporate director in place of the retiring ACD.
- 5.2.2 The ACD is entitled to its pro rata fees and expenses to the date of termination and any additional expenses necessarily realised in settling or realising any outstanding obligations. No compensation for loss of office is provided for in the ACD Agreement. The ACD Agreement provides indemnities to the ACD other than for matters arising by reason of its negligence, default, breach of duty or breach of trust in the performance of its duties and obligations.
- 5.2.3 The ACD is under no obligation to account to the Depositary or the Shareholders for any profit it makes on the issue or re-issue of shares or cancellation of shares which it has redeemed. The fees to which the ACD is entitled are set out in Sections 31 and 32.
- 5.2.4 The main business activities of the ACD are the provision of discretionary investment management services to retail clients and professional clients and acting as a manager to authorised unit trusts.
- 5.2.5 The directors of the ACD are listed in Appendix 7.
- 5.2.6 No executive director is engaged in any significant business activity not connected with the business of the ACD or other Margetts Holdings Limited subsidiaries.
- 5.2.7 A copy of the contract of service between the ICVC and the ACD is available to shareholders on request by contacting the ACD at their registered office.

6 **The Depositary**

- 6.1 The BNY Mellon Trust & Depositary (UK) Limited is the Depositary of the Company. The Depositary is a limited company. Subject to the FSA Regulations and the OEIC Regulations, the Depositary is responsible for the safekeeping of the property of the Company entrusted to it and has a duty to take reasonable care to ensure that the Company is managed in accordance with the provisions of the FSA Regulations relating to the pricing of, and dealing in, shares of the Company and the income of the Company. The

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

6.1.1 Registered Office/Head Office

The Bank of New York Mellon Centre
160 Queen Victoria Street
London
EC4V 4LA

6.2 Principal Business Activity

The principal business of the Depositary is the provision of trustee and depositary services.

6.3 Terms of Appointment

6.3.1 Subject to the FSA Regulations, the Depositary has full power under the Depositary Agreement to delegate (and authorise its delegate to sub-delegate) all or any part of its duties as depositary. The Depositary has appointed its parent company, BNY Mellon, to act as custodian of the Scheme Property.

6.3.2 The Depositary Agreement may be terminated on three months' written notice by the Depositary, the Company or the ACD provided that the Depositary may not retire voluntarily except upon the appointment of a new depositary.

6.3.3 To the extent allowed by the OEIC Regulations and the FSA Regulations, the Depositary Agreement contains indemnities by the Company in favour of the Depositary against (other than in certain circumstances) any liability incurred by the Depositary as a consequence of its safe keeping of any of the Scheme Property or incurred by it as a consequence of the safe keeping of any of the Scheme Property by anyone retained by it to assist it to perform its function of the safekeeping of the Scheme Property and also (in certain circumstances) exempts the Depositary from liability.

6.3.4 The fees to which the Depositary is entitled are set out in Section 34.

7 The Investment Manager

The ACD has appointed AFH Independent Financial Services Limited to provide discretionary investment management services to the ACD.

AFH is an investment management and investment advisory firm authorised and regulated by the Financial Services Authority.

7.1 Terms of Appointment

7.1.1 The Investment Manager was appointed by an agreement dated 1 December 2012 between the ACD and the Investment Manager (the "Investment Management Agreement").

7.1.2 Investment management functions have been delegated by the ACD to the Investment Manager. Under the Investment Management Agreement the ACD

has appointed the Investment Manager to assist the ACD in the management of the investments of the Company with authority, subject to the objectives and restrictions in Appendices 1 and 2, to make all day to day decisions on behalf of the ACD and otherwise to act as it judges fits with a view to meeting the investment objectives of the Company as set out in Appendix 1.

- 7.1.3 The Investment Management Agreement may be terminated on six months' written notice by the Investment Manager or the ACD or immediately by the ACD if it is the interests of the shareholders.
- 7.1.4 Under the Investment Management Agreement, the ACD provides indemnities to the Investment Manager, (except in the case of any matter arising as a direct result of its fraud, negligence, default or bad faith). The ACD may be entitled under the indemnities in the ACD Agreement to recover from the Company amounts paid by the ACD under the indemnities in the Investment Management Agreement.
- 7.1.5 Under the Investment Management Agreement, the Investment Manager is entitled to delegate functions to appropriately authorised or qualified persons, including to persons or entities within the same group as the Standing Independent Valuer.
- 7.1.6 Its registered office is at St. John's House, 16 Church Street, Bromsgrove, Worcestershire B1 8DN. The principal activity of the Investment Manager is acting as discretionary investment manager.
- 7.1.7 The fees and expenses of the Investment Manager (plus VAT thereon) will be paid by the ACD out of its remuneration under the ACD Agreement.

8 **The Auditor**

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

9 **The Standing Independent Valuer**

9.1 **Registered Office/Head Office**

Lambert Smith Hampton Group Limited
Interchange Place, Edmund St, Birmingham, B3 2TA.

9.2 **Term of Appointment**

The Standing Independent Valuer was appointed by an agreement dated 7 November 2012 and made between the ACD and the Standing Independent Valuer.

Pursuant to that agreement, the Standing Independent Valuer is contracted to provide independent valuations in accordance with this Prospectus and COLL.

The Standing Independent Valuer's appointment may be terminated by either party on giving 30 days' notice, except that the ACD may terminate the

agreement with immediate effect where it is in the interests of shareholders to do so.

The Standing Independent Valuer will be remunerated on the following basis, unless otherwise specifically agreed in the interests of shareholders:

- annual valuation reports 0.075% of Market Value subject to a minimum fee of £1,350 per property plus VAT.
- monthly desktop valuations of £125.00 per property valuation plus VAT.

The Standing Independent Valuer reserves the right to review the above charges annually. Out of pocket expenses and disbursements in respect of the services shall be payable by the Company. Payments are due on issue of the invoice and the final payment date is 30 days' from the date of issue of the invoice.

The Company is required to indemnify the Standing Independent Valuer for any liability, losses, damages, penalties, fines, costs and expenses (including legal costs and expenses) suffered or incurred by the Standing Independent Valuer occurring out of or by virtue of:

- the breach by the Company of any of its obligations the agreement between Company and Standing Independent Valuer;
- the Company's instructions (other than any losses, damages, costs and expenses arising by virtue of the negligence or wilful default of the Standing Independent Valuer or its employees or agents.

The Standing Independent Valuer (or an associate) will have the following ongoing involvement with the Company:

- Standard Independent Valuer is to be engaged to provide acquisition advice on behalf of St John's High Yield Property Fund; and
- In the event that Standard Independent Valuer has provided other property related advice in respect of the properties within the portfolio; this will be confirmed within each report to the Company.

In performing its obligation as Standing Independent Valuer conflicts of interest between these roles have been considered and dealt with in accordance with RICS Red Book rules and shall not compromise independence and objectivity.

The Standard Independent Valuer is obliged to act independently from the ACD and the Depository.

10

Administrator and Register of Shareholders

The ACD has delegated the role of administrator for the Company to The Bank of New York Mellon (International) Ltd, Bank of New York Mellon Centre, 160 Queen Victoria Street, London EC4V 4LA.

The Register of Shareholders is maintained at 1 Sovereign Court, Graham Street, Birmingham, B1 3JR and may be inspected at that address during normal business hours by any Shareholder or any Shareholder's duly authorised agent.

11 **Conflicts of Interest**

The ACD, the Depositary and the Investment 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 Company. In addition, the Company may enter into transactions at arm's length with companies in the same group as the ACD.

The Depositary may, from time to time, act as depositary of other companies or funds.

The Standing Independent Valuer, or persons or companies within the same Group, may be retained by the Investment Manager to perform activities in relation to property management and property investment strategy. Conflict of interest procedures apply to the Standing Independent Valuer under RICS rules.

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

12 **Buying, Selling and Switching Shares**

The dealing office of the ACD is open from 9.00 am until 5.00 pm on each Dealing Day to receive requests for the issue, redemption and switching of shares, which will be effected at prices determined at the next Valuation Point following receipt of such request.

13 **Buying Shares**

13.1 **Procedure**

13.1.1 Shares can be bought by sending a completed application form to the ACD. Applications forms are available from the ACD.

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

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

13.2 **Documentation**

13.2.1 A contract note giving details of the shares 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.

13.2.2 Settlement is due on within four working days of the transaction date.

- 13.2.3 Share certificates will not be issued in respect of shares. Ownership of shares will be evidenced by an entry on the Company's Register of Shareholders. Statements in respect of periodic distributions of income in each Sub-fund will show the number of shares held by the recipient in Sub-fund in respect of which the distribution is made. Individual statements of a shareholder's (or, when shares are jointly held, the first named holder's) shares will also be issued at any time on request by the registered holder.

13.3 **Minimum subscriptions and holdings**

- 13.3.1 The minimum initial and subsequent subscription levels, and minimum holdings, for the Company are set out in Appendix 1. The ACD may at its discretion accept subscriptions lower than the minimum amount.

- 13.3.2 If a holding is below the minimum holding the ACD has discretion to require redemption of the entire holding.

14 **Selling Shares**

14.1 **Procedure**

- 14.1.1 Every shareholder has the right to require that the Company redeem his shares on any Dealing Day unless the value of shares which a shareholder wishes to redeem will mean that the shareholder will hold shares with a value less than the required minimum holding for Sub-fund concerned, in which case the shareholder may be required to redeem his entire holding.

- 14.1.2 Requests to redeem shares may be made to the ACD by telephone on 0845 607 6808 (followed up in writing) or in writing to the ACD at PO Box 23705, Edinburgh EH7 5NJ.

14.2 **Documents the Seller will receive:**

- 14.2.1 A contract note giving details of the number and price of shares sold will be sent to the selling shareholder (the first named, in the case of joint shareholders) 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 shareholder (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. Cheques in satisfaction of the redemption monies will be issued within four Dealing Days or the later of:

- 14.2.2 receipt by the ACD of the form of renunciation (or other sufficient written instructions) duly signed by all the relevant shareholders and completed as to the appropriate number of shares, together with any other appropriate evidence of title; and

- 14.2.3 the Valuation Point following receipt by the ACD of the request to redeem.

- 12.2.4 Payments made by cheque will be sent by post to the last address notified by the shareholder to the ACD. It will be deemed to be received on the second day after posting. The ACD will not be responsible if the mailing is delayed except where as a result of the ACD's negligence. If the mailing goes astray or is intercepted

the ACD reserves the right to fully investigate what has happened and will have no obligation to remit a second payment to the shareholder until satisfied with the results of the investigation.

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

14.3 Minimum redemption

Part of a shareholder's holding may be sold but the ACD reserves the right to refuse a redemption request if the value of the shares of any Sub-fund to be redeemed is less than any minimum redemption amount set out in Appendix 1 or would result in a shareholder holding less than the minimum holding for a Sub-fund, as detailed in Appendix 1.

14.4 In Specie Redemption

If a shareholder requests the redemption or cancellation of shares, the ACD may, if it considers the deal substantial in relation to the total size of the Sub-fund concerned, arrange for the Company to cancel the shares and transfer Scheme Property to the shareholder instead of paying the price of the shares in cash, or, if required by the shareholder, pay the net proceeds of sale of the relevant Scheme Property to the shareholder. A deal involving shares representing 5% or more in value of a Sub-fund will normally be considered substantial, although the ACD may in its discretion agree an in specie redemption with a shareholder whose shares represent less than 5% in value of the Sub-fund concerned.

Before the proceeds of cancellation of the shares become payable, the ACD will give written notice to the shareholder that scheme Property (or the proceeds of sale of that Scheme Property) will be transferred to that shareholder.

The ACD will select the property to be transferred (or sold) in consultation with the Depositary. They must ensure that the selection is made with a view to achieving no greater advantage or disadvantage to the redeeming shareholder than to continuing shareholders, and any such redemption as set out above, shall be subject to a retention by the Company from that property (or proceeds) the value (or amount) of any stamp duty reserve tax to be paid on the cancellation of Shares.

In the opinion of the ACD it is unlikely that immovable property forming part of the Scheme Property will be capable of in specie redemption.

14.5 Direct Issue or Cancellation of shares by an ICVC through the ACD

Shares are issued or cancelled by the ACD making a record of the issue or cancellation and of the number of shares of each class concerned.

14.6 Transfer of Title Through Electronic Communication

Not applicable. The ACD does not accept transfer of title authority by electronic communication.

15 **Switching**

- 15.1 If applicable, a holder of shares may at any time switch all or some of his shares ("Old Shares") for shares of another Sub-fund ("New Shares"). The number of New Shares issued will be determined by reference to the respective prices of New Shares and Old Shares at the Valuation Point applicable at the time the Old Shares are repurchased and the New Shares are issued
- 15.2 Switching may be effected either by telephone on 0845 607 6808 or in writing to the ACD (at the address referred to in Section 14.1.2) and the shareholder may be required to complete a switching form (which, in the case of joint shareholders must be signed by all the joint holders). A switching shareholder must be eligible to hold the shares into which the switch is to be made.
- 15.3 The ACD may at its discretion charge a fee on the switching of shares between Classes. These fees are set out in Section 16.3.
- 15.4 If the switch would result in the shareholder holding a number of Old Shares or New Shares of a value which is less than the minimum holding in the Sub-fund concerned, the ACD may, if it thinks fit, convert the whole of the applicant's holding of Old Shares to New Shares or refuse to effect any switch of the Old Shares. No switch will be made during any period when the right of shareholders to require the redemption of their shares is suspended (as to which see Section 20 below). The general provisions on selling shares shall apply equally to a switch.
- 15.5 The ACD may adjust the number of New Shares to be issued to reflect the imposition of any switching fee together with any other charges or levies in respect of the issue or sale of the New Shares or repurchase or cancellation of the Old Shares as may be permitted pursuant to the FSA Regulations.
- 15.6 Please note that, under current tax law, a switch of shares in one Sub-fund for shares in any other Sub-fund is treated as a redemption and sale and will, for persons subject to United Kingdom taxation, be a realisation for the purposes of capital gains taxation although a switch of shares between different share classes in the same Sub-fund will not be deemed to be a realisation for the purposes of capital gains taxation.
- 15.7 A shareholder who switches shares in one Sub-fund for shares in any other Sub-fund will not be given a right by law to withdraw from or cancel the transaction.

16 **Dealing Charges**

16.1 **Preliminary Charge**

The ACD may impose a charge on the sale of shares to investors which is based on the amount invested by the prospective investor. The preliminary charge is payable to the ACD. Full details of the current preliminary charge for each class of share in each Sub-fund are set out in Appendix 1.

16.2 Redemption Charge

- 16.2.1 The ACD may make a charge on the redemption of shares. At present no redemption charge is levied.
- 16.2.2 The ACD may not introduce a redemption charge on shares unless, not less than 60 days before the introduction, it has given notice in writing to the then current Shareholders of that introduction and has revised and made available the Prospectus to reflect the introduction and the date of its commencement. If charged, the redemption charge will be deducted from the price of the shares being redeemed and will be paid by the Company to the ACD.
- 16.2.3 In the event of a change to the rate or method of calculation of a redemption charge, details of the previous rate or method of calculation will be available from the ACD.

16.3 Switching Fee

On the switching of shares of a Sub-fund for shares of another Sub-fund the Instrument of Incorporation authorises the Company to impose a switching fee. Full details of the current switching fee are set out in Appendix 1. The switching fee is payable to the ACD.

17 Other Dealing Information

17.1 Dilution Adjustment

- 17.1.1 The basis on which the Company's investments are valued for the purpose of calculating the issue and redemption price of shares as stipulated in the FSA Regulations and the Company's Instrument of Incorporation is summarised in Section 23. The actual cost of purchasing or selling a Sub-fund's investments may be higher or lower than the mid market value used in calculating the share price - for example, due to dealing charges, or through dealing at prices other than the mid-market price. Under certain circumstances (for example, large volumes of deals) this may have an adverse effect on the shareholders' interest in a Sub-fund. In order to mitigate this effect, called "dilution", the ACD has the power to apply a "dilution adjustment", as defined in the FSA Rules on the issue and/or redemption of shares in a Sub-fund. A dilution adjustment is an adjustment to the share price. The ACD shall comply with the FSA Regulations in its application of any such dilution adjustment.
- 17.1.2 The dilution adjustment for each Sub-fund will be calculated by reference to the estimated costs of dealing in the underlying investments of that Sub-fund, including any dealing spreads, commission and transfer taxes.
- 17.1.3 The need to apply a dilution adjustment will depend on the volume of sales (where they are issued) or redemptions (where they are cancelled) of shares. The ACD may apply a dilution adjustment on the issue and redemption of such shares if, in its opinion, the existing shareholders (for sales) or remaining shareholders (for redemptions) might otherwise be adversely affected, and if applying a dilution adjustment, so far as practicable, it is fair to all shareholders and potential shareholders.

- 17.1.4 Since dilution is directly related to the inflows and outflows of monies to and from a Sub-fund, it is not possible to accurately predict whether dilution will occur or what dilution adjustment might be made. However, the ACD expects that a dilution adjustment may be required if there are strong inflows in which case the dilution adjustment will increase the price of the shares. If there are net outflows the dilutions adjustment will reduce the price of the shares. If it does occur, it is therefore not possible to predict the amount of dilution adjustment required. If a dilution adjustment is not charged then this may restrict the future growth of the Sub-fund.

The ACD reserves the right not to impose a dilution adjustment in exceptional circumstances where it would, in its opinion, not be in the interests of Shareholders to do so. The ACD's decision on whether or not to make this adjustment, and at what level this adjustment might be made in a particular case or generally, will not prevent it from making a different decision on future similar transactions.

18 **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 shares. The ACD reserves the right to reverse the transaction or to refuse to sell shares if it is not satisfied as to the identity of the applicant.

19 **Restrictions Compulsory Transfer and Deferred Redemption**

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

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

- (a) are owned directly or beneficially in breach of any law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory; or
- (b) would result in the Company incurring any liability to taxation which the Company would not be able to recoup itself or suffering any other adverse consequence (including a requirement to register under any securities or investment or similar laws or governmental regulation of any country or territory); or

- (c) are held in any manner by virtue of which the Shareholder or shareholders in question is/are not qualified to hold such shares or if it reasonably believes this to be the case; or
- (d) are owned by a shareholder who is registered in a jurisdiction (where a Sub-fund is not registered or recognised by the relevant competent authority) whereby communication with that Shareholder by the ACD, on behalf of the Sub-fund, might constitute a breach of the regulations in that jurisdiction (unless specific action is taken by the ACD to prevent such a communication constituting a breach)

or if the ACD is not satisfied that any shares may not give rise to a situation discussed in (a), (b), (c) or (d), the ACD may give notice to the shareholder(s) of the affected shares requiring the transfer of such shares to a person who is qualified or entitled to own them or that a request in writing be given for the redemption of such shares in accordance with the COLL Sourcebook. If any Shareholder upon whom such a notice is served does not within 30 days after the date of such notice transfer his affected shares to a person qualified to own them or submit a written request for their redemption to the ACD or establish to the satisfaction of the ACD (whose judgement is final and binding) that he or the beneficial owner is qualified and entitled to own the affected Shares, he shall be deemed upon the expiry of that 30 day period to have given a request in writing for the redemption or cancellation (at the discretion of the ACD) of all the affected shares.

This may include a situation which a shareholder has moved to a different jurisdiction which either does or may give rise to a situation described in (a), (b), (c) or (d) above.

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

A shareholder who becomes aware that he is holding or owns affected shares shall immediately, unless he has already received a notice as set out above, either transfer all his affected shares to a person qualified to own them or submit a request in writing to the ACD for the redemption of all his affected shares.

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

19.2 **Deferred Redemption**

The ACD may defer redemptions at a particular Valuation Point to the next Valuation Point where the requested redemptions exceed 10% of a Sub-fund's

value. The ACD will ensure the consistent treatment of all holders who have sought to redeem shares at any Valuation Point at which redemptions are deferred. The ACD will pro-rata all such redemption requests to the stated level (ie. 10% of the Sub-fund's value) and will defer the remainder until the next Valuation Point. The ACD will also ensure that all deals relating to an earlier Valuation Point are completed before those relating to a later Valuation Point are considered.

20 **Suspension of Dealings in the Company**

- 20.1 The ACD may, with the prior agreement of the Depositary or shall, if the Depositary so requires, temporarily suspend the issue, cancellation, purchase and redemption of Shares in any or all of the Sub-funds where due to exceptional circumstances it is in the interest of all of the Shareholders.
- 20.2 On suspension, the ACD, or the Depositary if it has required the ACD to suspend dealings in Shares, must immediately inform the FSA, stating the reason for its action and as soon as practicable give written confirmation to the FSA of the suspension and the reasons for it.
- 20.3 The ACD must ensure that a notification of the suspension is made to Shareholders as soon as practicable after suspension commences. The ACD must ensure that it:
- (a) draws Shareholders' particular attention to the exceptional circumstance which resulted in the suspension;
 - (b) is clear, fair and not misleading; and
 - (c) informs Shareholders how to obtain sufficient details (either through the Company's website or by other general means) about the suspension including, if known, its likely duration.
- 20.4 The ACD and the Depositary must formally review the suspension at least every 28 days and inform the FSA of the result of this review with a view to ending the suspension as soon as practicable after the exceptional circumstances have ceased.
- 20.5 Re-calculation of the share price for the purpose of sales and purchases will commence on the next relevant valuation point following the ending of the suspension.

21 **Governing Law**

All deals in shares are governed by English law.

22 **Valuation of the Company**

- 22.1 The price of a share in the Company is calculated by reference to the Net Asset Value of the Sub-fund to which it relates. There is only a single price for any share as determined from time to time by reference to a particular Valuation Point. The Net Asset Value per share of a Sub-fund is currently calculated at 12.00 pm on each Dealing Day.

- 22.2 The ACD may at any time during a Dealing Day carry out an additional valuation if the ACD considers it desirable to do so.

23 **Calculation of the Net Asset Value**

- 23.1 The value of the Scheme Property of the Company or of a Sub-fund (as the case may be) shall be the value of its assets less the value of its liabilities determined in accordance with the following provisions.
- 23.2 All the Scheme Property (including receivables) of the Company (or the Sub-fund) is to be included, subject to the following provisions.
- 23.3 Scheme Property which is not cash (or other assets dealt with in Clause 23.4) or a contingent liability transaction shall be valued as follows:
- 23.3.1 immovable property:
- 23.3.1.1 by the standing independent valuer in accordance with fair value; and
 - 23.3.1.2 the RICS valuation standards (The Red Book); or
 - 23.3.1.3 in the case of overseas immovables on an appropriate basis but always subject to a fair value assessment

The Standing Independent Valuer shall be required to value all immovable property held within the Scheme Property, on the basis of a full valuation with physical inspection (including, where the immovable is or includes a building, internal inspection), at least once a year. For these purposes, any inspection in relation to adjacent properties of a similar nature may be limited to that of only one such representative property.

The Standing Independent Valuer shall be required to value all immovable property, on the basis of a review of the last full valuation, at least once a month.

Valuation by the standing independent valuer must be undertaken on the basis prescribed as “open market value” in accordance with UKPS 2.3 of the RICS Valuation Standards (The Red Book) (8th edition published 2012), or in the case of overseas immovables on an appropriate basis, but subject to COLL 6.3 (Valuation and pricing). “Open Market Value” is defined as “the estimated amount for which a property would exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

All such valuations under COLL 6.3 (Valuation and Pricing) have effect until the next valuation under that rule, for the purposes of the value of immovable property. An agreement to transfer immovable property or an interest in immovable property is to be disregarded for the purpose of the valuation of the scheme property unless it reasonably appears to the ACD to be legally enforceable.

- 23.3.2 units or shares in a collective investment scheme:
 - 23.3.2.1 if a single price for buying and selling units is quoted, at the most recent such price; or
 - 23.3.2.2 if separate buying or selling prices are quoted, at the average of the two prices provided the buying price has been reduced by any preliminary charge included therein and the selling price has been increased by any exit or redemption charge attributable thereto; or
 - 23.3.2.3 if no price or no recent price exists, at a price which in the opinion of the ACD is fair and reasonable;
- 23.3.3 any other transferable security:
 - 23.3.3.1 if a single price for buying and selling the security is quoted, at that price; or
 - 23.3.3.2 if separate buying and selling prices are quoted, the average of those two prices; or
 - 23.3.3.3 if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no price exists, at a value which in the opinion of the ACD reflects a fair and reasonable price for that investment;
- 23.3.4 property other than that described in 23.3.1, 23.3.2 and 23.3.3 above:
 - 23.3.4.1 at a value which, in the opinion of the ACD, represents a fair and reasonable mid-market price.
- 23.4 Cash and amounts held in current and deposit accounts and in other time-related deposits shall be valued at their nominal values.
- 23.5 Property which is a contingent liability transaction shall be treated as follows:
 - 23.5.1 if it is a written option (and the premium for writing the option has become part of the Scheme Property), the amount of the net valuation of premium receivable shall be deducted.
 - 23.5.2 if it is an off-exchange future, it will be included at the net value of closing out in accordance with a valuation method agreed between the ACD and the Depositary;
 - 23.5.3 if the property is an off-exchange derivative, it will be included at a valuation method agreed between the ACD and Depositary;
 - 23.5.4 if it is any other form of contingent liability transaction, it will be included at the net value of margin on closing out (whether as a positive or negative value).
- 23.6 In determining the value of the Scheme Property, all instructions given to issue or cancel shares shall be assumed to have been carried out (and any cash paid or received) whether or not this is the case.

- 23.7 Subject to paragraphs 23.8 and 23.9 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 ACD, their omission will not materially affect the final net asset amount.
- 23.8 Futures or contracts for differences which are not yet due to be performed and unexpired and unexercised written or purchased options shall not be included under paragraph 23.7.
- 23.9 All agreements are to be included under paragraph 23.7 which are, or ought reasonably to have been, known to the person valuing the property.
- 23.10 An estimated amount for anticipated tax liabilities at that point in time including (as applicable and without limitation) capital gains tax, income tax, corporation tax and advance corporation tax and value added tax will be deducted.
- 23.11 An estimated amount for any liabilities payable out of the Scheme Property and any tax thereon treating periodic items as accruing from day to day will be deducted.
- 23.12 The principal amount of any outstanding borrowings whenever repayable and any accrued but unpaid interest on borrowings will be deducted.
- 23.13 An estimated amount for accrued claims for tax of whatever nature which may be recoverable will be added.
- 23.14 Any other credits or amounts due to be paid into the Scheme Property will be added.
- 23.15 A sum representing any interest or any income accrued due or deemed to have accrued but not received will be added.
- 23.16 Currency or values in currencies other than the base currency shall be converted at a rate of exchange that is not likely to result in any material prejudice to the interests of shareholder or potential shareholders.
- 23.17 Where the ACD has reasonable grounds to believe that:
- 23.17.1 no reliable price exists for a security (including a unit/share in a collective investment scheme) at a valuation point; or
- 23.17.2 the most recent price available does not reflect the ACD'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:
- 23.17.3 no recent trade in the security concerned; or
- 23.17.4 suspension of dealings in an underlying collective investment scheme;

- 23.17.5 the occurrence of significant movements in the markets in which the underlying collective investment schemes are invested since the last valuation point; or
- 23.17.6 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 ACD 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 ACD's policy on the valuation of Scheme Property as disclosed in this Prospectus.

24 **Price per Share in the Company and each Class**

The price per share at which shares are sold is the sum of the Net Asset Value of a share and any preliminary charge. The price per share at which shares are redeemed is the Net Asset Value per share less any applicable redemption charge. In addition, there may, for both purchases and sales, be a dilution adjustment as described in Section 17 above.

25 **Pricing basis**

The Company deals on a forward pricing basis. A forward price is the price calculated at the next Valuation Point after the sale or redemption is agreed.

26 **Publication of Prices**

The most recent price of shares will appear daily on our website (www.margetts.com).

27 **Risk factors**

- 27.1 Potential investors should consider the following risk factors before investing in the Company:

General

- 27.1.1 An investment in one or more of the Sub-funds will involve exposure to those risks normally associated with investment in fixed interest securities, stocks and shares. As such, the price of shares and the income from them can go down as well as up and an investor may not get back the amount he has invested. There is no assurance that investment objectives of any Sub-fund will actually be achieved.
- 27.1.2 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 shares.
- 27.1.3 Shares in all the Sub-funds should generally be regarded as long-term investments. Details of specific risks that apply to particular Sub-funds are set out in Appendix 1.

27.1.4 Charges in respect of certain Sub-funds may be taken against capital rather than income. This may constrain capital growth of the Sub-fund in question.

27.1.5 Where an initial charge or a redemption charge is imposed, a shareholder who realises his shares may not (even where there has been no fall in the value of underlying investments) realise the amount originally invested.

27.2 **Property Investment**

27.2.1 The Company engages in property investment business, including direct investment which is generally regarded as an illiquid asset class. Consequently, investors may experience delay or difficulty in realising such assets. A high level of redemptions may result in the sale of properties and could result in such properties being sold at prices less than expected. This would result in a reduction in the value of shares in the Company.

27.2.2 Property valuation is a matter subjective judgement and the opinion of the Standing Independent Valuer may differ from the opinion of other property professionals. Consequently it is possible that properties held by the Company may be realised for values different to those recorded as the assets of the Company, including lower values.

27.2.3 The yields from investment in property will, like many other asset classes, fluctuate through time and may reflect the fluctuations in the general economic cycle.

27.2.4 Immovable property held by the Company will be insured and is subject to usual market exclusions and limitations such that full cover may not always be in place. Where full cover is not available or an insurer does not make fully payment any outstanding liability will fall on the Company and this would reduce the value of the Company and its shares.

27.3 **Emerging Markets**

27.3.1 Where Sub-funds invest 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.

27.3.2 Investment in emerging markets may involve a higher than average risk.

27.3.3 Investors should consider whether or not investment in such Sub-funds is either suitable for or should constitute a substantial part of an investor's portfolio.

27.3.4 Companies in emerging markets may not be subject:

27.3.4.1 to accounting, auditing and financial reporting standards, practices and disclosure requirements comparable to those applicable to companies in major markets;

27.3.4.2 to the same level of government supervision and regulation of stock exchanges as countries with more advanced securities markets.

27.3.5 Accordingly, certain emerging markets may not afford the same level of investor protection as would apply in more developed jurisdictions.

27.3.5.1 Restrictions on foreign investment in certain securities may be imposed on certain Sub-funds and as a result, may limit investment opportunities for the Sub-funds. Substantial government involvement in, and influence on, the economy may affect the value of securities in certain emerging markets.

27.3.5.2 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 ACD may experience more difficulty in purchasing or selling holdings of securities than it would in a more developed market.

27.4 **Currency Exchange Rates**

Currency fluctuations may adversely affect the value of a Sub-fund's investments and the income thereon and, depending on a shareholder's currency of reference, currency fluctuations may adversely affect the value of shares in the Sub-fund.

27.5 **Derivatives**

Derivative transactions may be used for the purposes of hedging. Where derivatives are used for hedging or in accordance with efficient portfolio management techniques then this will not compromise the risk profile of the Sub-funds. 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 1.17.

27.6 **Counterparty and Settlement**

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

27.7 **Custody**

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

27.8 **Inflation and Interest Rates**

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

27.9 **Taxation**

Taxation laws, the basis of taxation and the rates of taxation are subject to change and such changes could adversely impact the value of investments held by the Company. If the Company breaches the PAIF Regulations, a tax charge may be incurred and, in certain circumstances, this may result in the Company losing its PAIF status. Please refer to Section 38 for further explanation of the taxation of the PAIF and investors in it.

27.10 **Liquidity**

In certain circumstances a Sub-fund may be invested in assets (other than immovable property) which cannot be liquidated in a timely manner at a reasonable price. This may impact the value of shares in a Sub-fund and the ability to redeem.

27.11 **Cancellation Rights**

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

27.12 **Regular Savings Plan**

If a shareholder 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. Shareholders may not achieve their objective if they do not continue to invest regularly with a sufficient amount, or the investments do not appreciate sufficiently.

27.13 **Investment in Collectives**

- 27.13.1 The Sub-funds 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 Sub-fund concerned.

28 **Liabilities of the Company**

- 28.1 The assets of the Sub-funds belong exclusively to that Sub-fund so that each Sub-fund has segregated liability from other Sub-funds. As such, the assets of one Sub-fund shall not be used to discharge the liabilities of or claims against the umbrella company or any other person or body, or any other Sub-fund, and shall not be available for any such purpose.

- 28.2 While the provisions of the OEIC Regulations provide for the segregated liability between sub-funds, the concept of segregated liability is relatively new. Accordingly, where claims are brought by local creditors in foreign courts or under foreign law contracts, it is not yet known how those foreign courts will treat such segregation of liability between sub-funds.

- 28.3 Shareholders are not, however, liable for the debts of the Company. A shareholder is not liable to make any further payment to the Company after paying the purchase price of shares.
- 29 **Risk Management**
- Upon request to the ACD a shareholder can receive information relating to:
- 29.1 the quantitative limits applying in the risk management of a Sub-fund of the Company;
- 29.2 the methods used in relation to Section 29.1; and
- 29.3 any recent developments of the risk and yields of the main categories of investment in the Sub-fund.
- 30 **Historical Performance Data**
- Historical performance data for the Company is set out at Appendix 6.
- 31 **Fees and Expenses**
- 31.1 **General**
- 31.1.1 The Company may pay out of the property of the Company charges and expenses incurred by the Company, which will include the following expenses:
- 31.1.1.1 the fees and expenses payable to the ACD (which will include the fees and expenses payable to the Investment Manager) and to the Depositary;
- 31.1.1.2 broker's commission, fiscal charges (including stamp duty and/or stamp duty reserve tax) and other disbursements which are necessarily incurred in effecting transactions and the transfer of (or other transaction relating to) immovable property for the Company and normally shown in contract notes, confirmation notes, difference accounts and registers as appropriate;
- 31.1.1.3 fees and expenses of the administrator and in respect of establishing and maintaining the register of shareholders and any sub-register of shareholders;
- 31.1.1.4 any costs incurred in or about the listing of shares in the Company on any Stock Exchange, and the creation, conversion and cancellation of shares;
- 31.1.1.5 any costs incurred by the Company in publishing the price of the shares in a national or other newspaper;
- 31.1.1.6 any costs incurred in producing and dispatching any payments made by the Company, or the yearly and half-yearly reports of the Company;

- 31.1.1.7 any fees, expenses or disbursements of any legal, property valuer, property agent, or other professional adviser of the Company;
- 31.1.1.8 any costs incurred in taking out and maintaining any insurance policy in relation to the Company;
- 31.1.1.9 any costs incurred in respect of meetings of shareholders convened for any purpose including those convened on a requisition by shareholders not including the ACD or an associate of the ACD;
- 31.1.1.10 liabilities on unitisation, amalgamation or reconstruction including certain liabilities arising after transfer of property to the Company in consideration for the issue of shares as more fully detailed in the FSA Regulations;
- 31.1.1.11 interest on borrowings and charges incurred in effecting or terminating such borrowings or in negotiating or varying the terms of such borrowings;
- 31.1.1.12 taxation and duties payable in respect of the property of the Company or the issue or redemption of shares;
- 31.1.1.13 the audit fees of the Auditors (including VAT) and any expenses of the Auditors;
- 31.1.1.14 the fees of the FSA under the FSA Regulations, together with any corresponding periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which shares in the Company are or may be marketed;
- 31.1.1.15 the costs of preparing, updating and printing (and translation where required) this prospectus, the simplified prospectuses or Key Investor Information Document as appropriate, the Instrument of Incorporation, statements and contract notes and the costs of distributing this prospectus and the instrument of incorporation and any other information provided to shareholders and any other administrative expenses related to this paragraph 31.1.1.15 (but not the cost of disseminating the Key Investor Information Document);
- 31.1.1.16 the Depositary's expenses, as detailed in paragraph 34 below;
- 31.1.1.17 any expense incurred in relation to company secretarial duties including the cost of maintenance of minute books and other documentation required to be maintained by the Company;
- 31.1.1.18 any payments otherwise due by virtue of the FSA Regulations;
- 31.1.1.19 any fees, expenses or disbursements in respect of any transfer agency service and are detailed below;

Asset Fees: £1,087.50 per annum

Management Accounts:	£2,446.88 per annum
Distribution Costs: share class	£500 per distribution per
Postal Deals:	£14
Telephone Deals:	£11
Switches:	£28
Stock Transfers:	£22
Electronic Deals:	£8

31.1.1.20 any costs in respect of the preparation and calculation of the net asset value and price of shares in the Sub-funds and the publication and circulation thereof (including the costs of electronic data/information sources) and the costs of obtaining fund ratings and benchmark costs; and

31.1.1.21 any value added or similar tax relating to any charge or expense set out herein.

31.1.2 Value Added Tax is payable on these charges where appropriate.

31.1.3 Expenses are allocated between income and capital in accordance with the FSA Regulations. Currently the ACD and the Depositary have agreed that the ACD's annual management charge is taken from capital. All other charges and expenses for which the Company is responsible are currently deducted from capital. The effect of such deduction from capital is that the amount of income available for distribution to shareholders may increase but capital growth may be constrained. Any change to the approach of deducting any charge or expense from income or capital shall be subject to the consent of the Depositary and either the consent of shareholders or the expiry of 60 calendar days' notice to shareholders.

32 **Charges payable to the ACD**

32.1 In payment for carrying out its duties and responsibilities the ACD is entitled to take out of each Sub-fund an annual management charge.

32.2 The annual management charge is based on the net asset value of each Sub-fund on each business day, accrues daily and is payable monthly in arrears on the last Dealing Day of each month. The current management charges are set out in Appendix 1.

32.3 The ACD is also entitled to reimbursement of all reasonable, properly vouched, out of pocket expenses incurred in the performance of its duties, including stamp duty and stamp duty reserve tax on transactions in shares or immovable property.

32.4 At present the ACD's annual management charge is taken from capital. The effect of such deduction from capital is that the amount of income available for distribution to shareholders may increase but capital growth may be constrained.

32.5 The ACD may not introduce a new category of remuneration for its services unless the introduction has been approved by an extraordinary resolution of shareholders in the Company.

32.6 The ACD may not increase the current rate or amount of its remuneration payable out of the Scheme Property of the Company or the preliminary charge unless, not less than 60 days before the introduction or increase, the ACD gives notice in writing of the introduction or increase and the date of its commencement to all shareholders and has revised and made available the Prospectus to reflect the introduction or new rate and the date of its commencement.

33 **Investment Manager's fees**

The Investment Manager's fees and expenses (plus VAT thereon) are paid by the ACD out of its remuneration under the ACD Agreement.

34 **Depository's Fee**

34.1 The Depository receives for its own account a periodic fee which will accrue daily and is payable within seven days after the last Dealing Day in each month. The fee is calculated by reference to the value of each Sub-fund on the immediately preceding Dealing Day except for the first accrual which is calculated by reference to the first Valuation Point of each Sub-fund. The fee is payable out of the property attributable to each Sub-fund. The rate of the periodic fee is agreed between the ACD and the Depository from time to time.

34.2 The current rate is 0.05% on the first £50 million, 0.04% on the next £50 million, 0.03% on the next £50 million and 0.02% on the balance, plus VAT in each case. Fees are subject to a minimum of £15,000 plus VAT per annum and a maximum of 0.15%.

34.3 The first accrual in relation to any Sub-fund will take place in respect of the period beginning on the day on which the first valuation of that Sub-fund is made and ending on the last Dealing Day of the month in which that day falls.

34.4 The remuneration payable to the Depository out of the property attributable to each Sub-fund for its services also includes transaction charges and custody charges. Transaction charges vary from country to country, dependent on the markets and the value of the stock involved and subject to a current range of £10 to £175 and accrue at the time the transactions are effected and are payable as soon as is reasonably practicable, and in any event not later than the last Dealing Day of the month when such charges arose or as otherwise agreed between the Depository and the ACD. Custody charges again vary from country to country (usually between 0.01% and 0.70% per annum) depending on the markets and the value of the stock involved and accrue and are payable as agreed from time to time by the ACD and the Depository.

34.5 In addition to the fees and charges payable to the Depository referred to above, the amount payable to the Depository out of the property attributable to any Sub-fund by way of remuneration for its services may include charges in connection with its duties (or the exercise of powers conferred upon it by the OEIC Regulations or the FSA Regulations) referable to (but not limited to):

- (i) custody of assets (including overseas custody services);
- (ii) the acquisition holding and disposal of property;
- (iii) the collection and distribution to shareholders of dividends, interest and any other income;
- (iv) the maintenance of distribution accounts;
- (v) the conversion of foreign currency;
- (vi) registration of assets in the name of the Depositary or its nominee or agents;
- (vii) borrowings, stocklending or other permitted transactions;
- (viii) communications with any parties (including telex, facsimile, SWIFT and electronic mail);
- (ix) taxation matters;
- (x) insurance matters;
- (xi) dealings in derivatives;
- (xii) costs and charges relating to banking and banking transactions;
- (xiii) preparation of the Depositary's annual report;
- (xiv) taking professional advice;
- (xv) conducting legal proceedings;
- (xvi) the convening and/or attendance at meetings of shareholders;
- (xvii) out of pocket legal expenses in connection with the buying and selling of immovable property include expert advice specific to property transactions; and
- (xvii) modification of the Instrument of Incorporation, Prospectus, and negotiation and/or modification of the Depositary Agreement and any other agreement entered into between the Depositary and its delegates.

- 34.6 The Depositary will also be paid by the Company out of the property attributable to each Sub-fund, expenses properly incurred in the performance of, or arranging the performance of, functions conferred on it by the Depositary Agreement, the FSA Regulations or by the general law.
- 34.7 The Depositary shall be entitled to recover its fees, charges and expenses when the relevant transaction or other dealing is effected or relevant service is provided or as may otherwise be agreed between the Depositary and the Company or the ACD.

34.8 On a winding up of the Company, the termination of a Sub-fund or the redemption of a class of shares, the Depositary will be entitled to its *pro rata* fees, charges and expenses to the date of winding up, the termination, or the redemption (as appropriate) and any additional expenses necessarily realised in settling or receiving any outstanding obligations. No compensation for loss of office is provided for in the agreement with the Depositary.

34.9 Any value added tax on any fees, charges or expenses payable to the Depositary will be added to such fees, charges or expenses.

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

35 **Allocation of Fees and Expenses between Sub-funds**

All the above fees, duties and charges (other than those borne by the ACD) will be charged to the Sub-fund in respect of which they were incurred but where an expense is not considered to be attributable to any one Sub-fund, the expense will normally be allocated to all Sub-funds pro-rata to the value of the net assets of the Sub-funds, although the ACD has discretion to allocate these fees and expenses in a manner which it considers fair to shareholders generally.

36 **Shareholder Meetings and Voting Rights**

The Company does not hold annual general meetings.

36.1 **Requisitions of Meetings**

36.1.1 The ACD may requisition a general meeting at any time.

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

36.2 **Notice of Quorum**

Shareholders will receive at least 14 days' notice of a Shareholders' meeting and are entitled to be counted in the quorum and vote at such meeting either in person or by proxy. The quorum for an Adjourned Meeting is also two shareholders present in person or by proxy, however if a quorum is not present from a reasonable time from the time appointed for the meeting then one person entitled to be counted in a quorum shall be a quorum. Notices of Meetings and Adjourned Meetings will be sent to shareholders at their registered addresses.

36.3 **Voting Rights**

- 36.3.1 At a meeting of shareholders, on a show of hands every shareholder who (being an individual) is present in person or (being a corporation) is present by its representative properly authorised in that regard, has one vote.
- 36.3.2 On a poll vote, a shareholder may vote either in person or by proxy. The voting rights attaching to each share are such proportion of the voting rights attached to all the shares in issue that the price of the share bears to the aggregate price(s) of all the shares in issue at the date seven days before the notice of meeting is deemed to have been served.
- 36.3.3 A shareholder entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.
- 36.3.4 Except where the FSA Regulations or the Instrument of Incorporation of the Company requires an extraordinary resolution (which needs 75% of the votes cast at the meeting to be in favour if the resolution is to be passed) any resolution will be passed by a simple majority of the votes validly cast for and against the resolution.
- 36.3.5 The ACD may not be counted in the quorum for a meeting and neither the ACD nor any associate (as defined in the FSA Rules) of the ACD is entitled to vote at any meeting of the Company except in respect of shares which the ACD or associate holds on behalf of or jointly with a person who, if the registered shareholder, would be entitled to vote and from whom the ACD or associate has received voting instructions.
- 36.3.6 "Shareholders" in this context means shareholders on the date seven days before the notice of the relevant meeting was deemed to have been served but excludes holders who are known to the ACD not to be shareholders at the time of the meeting.

37 **Class and Sub-fund Meetings**

- 37.1 The above provisions, unless the context otherwise requires, apply to Share Class meetings and meetings of Sub-funds as they apply to general meetings of shareholders. However, an extraordinary resolution will be required to sanction a variation of class rights.
- 37.2 The rights attached to a class or Sub-fund may not be varied without the sanction of a resolution passed at a meeting of shareholders of that Share Class or Sub-fund by a seventy-five per cent majority of those votes validly cast for and against such resolution.

38 **Taxation**

38.1 **Taxation Of The Company**

Taxation of the Company as a PAIF is subject to section 468A of the Income and Corporation Taxes Act 1988, the Authorised Investment Funds (Tax) Regulations 2006 (SI 2006/964) (the "Tax Regulations"), and Part 4A of the Tax Regulations (the PAIF Regulations). The conditions required to be met by the Company to qualify as a PAIF, are summarised in Appendix 8.

Where the Company receives income or realises gains on investments outside the UK withholding taxes or other taxes may apply. Depending on the double taxation treaties and arrangements in place, some or all of that tax may still be offset against UK corporation tax payable by the Company.

38.1.1 Income

Net income from tax exempt property investment business is exempt from corporation tax. Any other net income received by the Company is subject to corporation tax. Losses or allowances generated by the tax exempt property investment business cannot be used against the non-exempt part.

Net income of the non-exempt business is calculated by deducting the following from the total net income received by the Company:

- (a) net income from the tax exempt property investment business;
- (b) amounts allowed pursuant to the corporation tax acts (including UK dividend income); and
- (c) amounts attributable to Interest PAIF distributions under Section 38.2.1.

Remaining net income is subject to corporation tax at the basic rate of income tax for the tax year beginning in that financial year (currently 20%).

Corporation tax will be chargeable in the Company in the event of any breach of the corporate ownership condition. The Corporation tax charge calculated by multiplying the percentage shareholding of the relevant Corporate Investor and the net income of the tax exempt property investment business that is distributable.

The total income in the Company's distribution accounts shall be allocated in the following order:

- (a) the net income of the tax exempt property investment business to a property income distribution (PID);
- (b) to an Interest PAIF distribution (see 38.2.1 below), the total net income less the tax exempt property investment business income and such amount as is allowed as a deduction under the corporation tax acts; and
- (c) the remaining amount to a Dividend PAIF distribution (see 38.2.1 below)

38.1.2 Capital gains

Capital gains accruing to the Company will be exempt from UK tax on chargeable gains.

38.1.3 Stamp duty reserve tax ("SDRT")

Where shares in the Company are redeemed, transferred to the ACD or sold for value to a third party (collectively, a "surrender of shares"), the Company will generally be liable to SDRT at the rate of 0.5% of the market value of the shares or, if higher, their cancellation or redemption price. The amount of SDRT

chargeable on the surrender of a share may, however, be reduced where (broadly) cash surrenders of shares in the chargeable period exceed issues of shares and where the scheme property consists to any extent of "exempt investments" (such as UK bonds which are not equity-related and foreign equities and bonds).

The ACD has the right to charge the SDRT arising on a surrender of shares against the assets of the Company. This would have the effect of increasing the expenses incurred by the Company but would also mean that SDRT did not form part of any entry or exit charge incurred by shareholders on investing in or leaving the Company. Alternatively, the ACD may charge an "SDRT provision" to the incoming and/or outgoing shareholder by way of an entry or exit charge as a provision for the SDRT for which the Company may become liable in respect of the surrender. The ACD will pay any SDRT provision into the scheme property. In the case of a third party transfer of shares, the ACD has the right to refuse to register the transfer unless an amount not exceeding SDRT on the market value of the shares has been paid by the transferor or the transferee into the scheme property.

It is the ACD's current policy to charge SDRT arising on any surrender of shares against the assets of the Company and to treat it as a capital expense. The ACD reserves the right to revise this policy in the future. It will notify shareholders in advance of any such change of policy.

38.2 Taxation Of The Shareholder

38.2.1 Income

Property Income Distributions ("PIDs") – UK resident individuals within the charge to income tax will receive PIDs net of basic rate tax (currently 20%). Basic rate taxpayers will have no further liability to tax on PIDs. Higher rate taxpayers will pay 40% tax (or 50% in respect of income over £150,000 falling to 45% with effect from 6 April 2013) on the gross PID but will receive credit for tax deducted at source.

Interest PAIF distributions - Basic rate income tax will be deducted at source from interest distributions, and basic rate taxpayers will have no further liability to tax. Higher rate taxpayers will pay 40% tax (or 50% in respect of income over £150,000 falling to 45% with effect from 6 April 2013) on the gross PID but will receive credit for tax deducted at source.

Dividend PAIF distributions - Dividend distributions are treated in the same way as dividends received from a UK resident company and carry a tax credit equal to 10% of the grossed up dividend. Basic rate taxpayers will have no further liability to tax in respect of such Dividend PAIF distributions. Higher rate tax payers will have an additional liability such that their total tax payable will be 25% of the net dividend (and, where income is over £150,000, the effective rate will be 36.1% falling to an effective rate of 30.6% with effect from 6 April 2013).

Corporate shareholders within the scope of corporation tax

Property Income Distributions ("PIDs") - PIDs are generally charged to corporation tax as profits of a property investment business but are ring fenced from any other property business. Generally, corporates within the charge to UK corporation tax are entitled to receive PIDs gross.

Interest PAIF distributions - Interest distributions are generally received gross by corporates within the charge to UK corporation tax. The corporate is treated as receiving a gross amount of yearly interest which is subject to corporation tax.

Dividend PAIF distributions - Dividend distributions are treated in the same way as dividends received from a UK resident company meaning that they are generally exempt from UK corporation tax. Corporate streaming rules which apply generally to authorised investment funds do not apply to Dividend PAIF distributions..

Non-UK resident shareholders

Non-UK resident shareholders will not generally be entitled to the tax credit to which UK resident individual shareholders are entitled in respect of PIDs for income shareholders (or a deemed distribution in respect of accumulation shares).

Equalisation

Where income equalisation applies to income (but not accumulation) shares, the part of the issue price of shares which reflects accrued income and is returned to the shareholder with the first allocation of income following the issue is deducted from the shareholder's capital gains tax base cost in the shares. In the case of accumulation shares, 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 shareholders who are individuals or residual entities to HM Revenue & Customs, who will pass such details to the Member State where the shareholder resides.

38.2.2 Capital gains

UK resident individual shareholders

An individual shareholder who is resident or ordinarily resident in the UK (including, in some cases, a shareholder 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 shares in the Company. He may also be entitled to set all or part of his gains against his annual capital gains tax execution and if the Finance (No.4) Bill becomes law the annual capital gains tax exemption shall be £10,600 from 6 April 2012).

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. It is charged at a flat rate of 18% or 28% depending on the relevant individual's taxable income in the relevant year.

Corporate shareholders within the scope of corporation tax

Subject to the possible application of the rules treating a shareholding in the Company as a loan relationship, a corporate shareholder which, whether UK resident or not, is within the charge to corporation tax in respect of its investment in the Company 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 shares in the Company.

38.2.3 Inheritance Tax

A gift by a Shareholder of his Shareholding in a Sub-fund or the death of a Shareholder may give rise to a liability to inheritance tax, even if the Shareholder 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 Shareholding at less than the full market value may be treated as a gift.

38.2.4 Shareholding in the Company treated as a loan relationship

Special rules apply to corporate shareholders within the charge to corporation tax which in certain circumstances could result in their shares being treated for the purposes of the UK's corporate debt rules as rights under a creditor relationship of the corporate shareholder. 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 Company and solely resident for tax purposes in the UK. 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 Company should consult his UK professional adviser.

39 Income equalisation

- 39.1 Income equalisation, as explained below, may apply in relation to certain Sub-funds of the Company, as detailed in Appendix 1.
- 39.2 Part of the purchase price of a share reflects the relevant share of accrued income received or to be received by the Company. This capital sum is returned to a shareholder with the first allocation of income in respect of a share issued during an accounting period.
- 39.3 The amount of income equalisation is either the actual amount of income included in the issue price of that share or is calculated by dividing the aggregate of the amounts of income included in the price of shares issued or sold to shareholders in an annual or interim accounting period by the number of those shares and applying the resultant average to each of the shares in question.

40 **Winding up of the Company**

- 40.1.1 The Company shall not be wound up except as an unregistered company under Part V of the Insolvency Act 1986 or under the FSA Regulations. A Sub-fund may only be wound up under the FSA Regulations.
- 40.1.2 Where the Company or a Sub-fund is to be wound up under the FSA Regulations, such winding up may only be commenced following approval by the FSA. The FSA may only give such approval if the ACD provides a statement (following an investigation into the affairs of the Company) either that the Company will be able to meet its liabilities within 12 months of the date of the statement or that the Company will be unable to do so. The Company may not be wound up under the FSA Regulations if there is a vacancy in the position of ACD at the relevant time.
- 40.1.3 The Company or a Sub-fund may be wound up under the FSA Regulations if:
- 40.1.3.1 an extraordinary resolution to that effect is passed by shareholders; or
- 40.1.3.2 the period (if any) fixed for the duration of the Company or a Sub-fund by the Instrument of Incorporation expires, or an event (if any) occurs on the occurrence of which the Instrument of Incorporation provides that the Company or a particular Sub-fund is to be wound up (for example, if the share capital of the Company is below its prescribed minimum or (in relation to any Sub-fund) the Net Asset Value of the Sub-fund is less than £1,000,000, or if a change in the laws or regulations of any country means that, in the ACD's opinion, it is desirable to terminate the Sub-fund); or
- 40.1.3.3 on the date of effect stated in any agreement by the FSA to a request by the ACD for the revocation of the authorisation order in respect of the Company or the Sub-fund;
- 40.1.4 On the occurrence of any of the above:
- 40.1.4.1 the parts of the FSA Regulations and the Instrument of Incorporation relating to Pricing and Dealing and Investment and Borrowing will cease to apply to the Company or the Sub-fund;
- 40.1.4.2 the Company will cease to issue and cancel shares in the Company or the Sub-fund and the ACD shall cease to sell or redeem shares or arrange for the Company to issue or cancel them for the Company or the Sub-fund;
- 40.1.4.3 no transfer of a share shall be registered and no other change to the register shall be made without the sanction of the ACD;
- 40.1.4.4 where the Company is being wound up, the Company shall cease to carry on its business except in so far as it is beneficial for the winding up of the Company;

- 40.1.4.5 the corporate status and powers of the Company and, subject to the provisions of paragraphs 40.1.4.1 and 40.1.4.4 above, the powers of the ACD shall remain until the Company is dissolved.
- 40.1.5 The ACD shall, as soon as practicable after the Sub-fund falls to be wound up, realise the assets and meet the liabilities of the Sub-fund and, after paying out or retaining adequate provision for all liabilities properly payable and retaining provision for the costs of winding up, arrange for the Depositary to make one or more interim distributions out of the proceeds remaining (if any) to shareholders proportionately to their rights to participate in the Scheme Property of the Sub-fund. When the ACD has caused all of the Scheme Property to be realised and all of the liabilities of the Sub-fund to be realised, the ACD shall arrange for the Depositary to also make a final distribution to shareholders (if any Scheme Property remains to be distributed) on or prior to the date on which the final account is sent to shareholders of any balance remaining in proportion to their holdings in the Sub-fund. This section 40.1.5 shall apply to the Company in the event that the Company falls to be wound up as if references herein to the Sub-fund are to the Company as a whole.
- 40.1.6 As soon as reasonably practicable after completion of the winding up of the Company or the Sub-fund, the ACD shall notify the FSA.
- 40.1.7 On completion of a winding up of the Company, the Company will be dissolved and any money (including unclaimed distributions) standing to the account of the Company, will be paid into court within one month of dissolution.
- 40.1.8 Following the completion of the winding up of the Company or the Sub-fund, the ACD shall notify the Registrar of Companies and shall notify the FSA that it has done so.
- 40.1.9 Following the completion of a winding up of either the Company or a Sub-fund, the ACD must prepare a final account showing how the winding up took place and how the Scheme Property was distributed. The auditors of the Company shall make a report in respect of the final account stating their opinion as to whether the final account has been properly prepared. This final account and the auditors' report must be sent to the FSA, to each shareholder and, in the case of the winding up of the Company, to the Registrar of Companies within two months of the termination of the winding up.

41 **General Information**

41.1 **Accounting Periods**

- 41.1.1 The annual accounting period of the Company ends each year on 28 February (the accounting reference date). The interim accounting period of the Company ends each year on 31 August.

41.2 **Income Allocations**

- 41.2.1 Allocations of income are made in respect of the income available for allocation in each accounting period.
- 41.2.2 Distributions of income in respect of Net Income Shares for each Sub-fund are paid on or before the annual income allocation date of the last day of February

and on or before the interim allocation date of 31 August in each year. No income allocation shall occur on 28 February 2013, the first year of the Company's existence.

41.2.3 If a distribution remains unclaimed for a period of six years after it has become due, it will be forfeited and will revert to the Company.

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

41.2.5 In relation to income shares, distributions of income for each Sub-fund in which income shares are issued are paid by cheque or BACS directly into a shareholder's bank account on or before the relevant income allocation date in each year. Where any income is to be paid out to a shareholder by cheque, a cheque will be sent at the shareholder's risk by first class post to the last address notified by the shareholder to the ACD. It will be deemed to be received on the second day after posting and the ACD will not be responsible for any delay except as a result of the ACD's negligence. If the mailing goes astray or is intercepted the ACD reserves the right to fully investigate what has happened and will have no obligation to remit a second payment to the shareholder until satisfied with the results of the investigation. Where any income is to be paid by direct credit, payment will be made into the bank or building society account last notified by the shareholder to the ACD. It will be deemed to be received on the income allocation date. The ACD will not be responsible if the payment is delayed except where as a result of the ACD's negligence. The ACD will have no obligation to remit a second payment to the shareholder until satisfied with the results of the investigation.

41.3 **Annual Reports**

Annual reports (both long and short form) of the Company will be published within four months of each annual accounting period and half-yearly reports (both long and short form) will be published within two months of each interim accounting period, however no half-yearly report will be published in the Company's first accounting period. Shareholders will be sent the short report for their Sub-fund, although the long report (for their Sub-fund or the Company) will be available upon request.

41.4 **Documents of the Company**

41.4.1 The following documents may be inspected free of charge between 9.00 a.m. and 5.00 p.m. every Dealing Day at the offices of the ACD at 1 Sovereign Court, Graham Street, Birmingham B1 3JR:

- 41.4.1.1 the most recent annual and half-yearly reports of the Company;
 - 41.4.1.2 the Instrument of Incorporation and Prospectus (and any amending instrument of incorporation or Prospectus); and
 - 41.4.1.3 the ACD Agreement between the Company and the ACD.
- 41.4.2 The ACD may make a charge at its discretion for copies of documents.

41.5 **Service of Notices on Shareholders**

Notices or other documents will be sent to Shareholders at their registered addresses.

41.6 **Complaints**

Complaints concerning the operation or marketing of the Company should be referred to the compliance officer of the ACD at 1 Sovereign Court, Graham Street, Birmingham B1 3JR in the first instance. If the complaint is not dealt with satisfactorily then it can be made direct to The Financial Ombudsman Service at South Quay Plaza, 183 Marsh Wall, London E14 9SR.

APPENDIX 1

Investment objectives and policy and other details of the Company

Investment of the assets of each of the Sub-funds must comply with the FSA Regulations and its own investment objective and policy. Details of each Sub-fund's investment objective and policy are set out overleaf together with other information including available Share Classes, charges, minimum investment levels and distribution dates. A detailed statement of the investment and borrowing restrictions applicable to the Company is contained in Appendix 2. Lists of the eligible securities and derivatives markets in which the Sub-funds may invest are contained in Appendices 3 and 4.

MGTS ST JOHNS HIGH INCOME PROPERTY FUND

Investment Objective

The Investment objective of the Sub-fund is to carry on a property investment business and manage cash raised from investors for investment in the property investment business with the aim of providing high income and long term capital appreciation with a bias towards income.

"Property investment business" is defined in the PAIF Regulations and broadly means carrying on property rental business, owning shares in UK REITs and owning shares in overseas equivalents of UK REITs.

Investment Policy

To achieve this, the Sub-fund will primarily invest in a portfolio of UK commercial properties, securities (typically comprising shares in property companies and REITs) and:

- units and/or shares in collective investment schemes consisting of property or property related assets (for example, REITs or other property companies);
- freehold and leasehold immovable property including (but not limited to) commercial property, light industrial, heavy industrial, chemical industry, manufacturing, office, service sector and such other immovable property as the Investment Manager sees fit in pursuit of the investment objective generating high income;
- transferable securities;
- units and/or shares in collective investment schemes;
- money market instruments;
- derivatives (for efficient portfolio management purposes only);
- cash and near cash; and
- deposits.

The Sub-fund will seek to generate a high income based on a focus on income generating assets and having regard to generating income at 110% of the IMA Property Index. The IMA Property Index consists of funds which invest predominantly in property meaning either investing:

- at least 60% of their assets directly in property; or
- at least 80% of their assets in property securities; or
- when their direct property holdings fall below the 60% threshold for a period of more than 6 months, invest sufficient of the balance of their assets in property securities to ensure that at least 80% of the fund is invested in property.

The Sub-fund will only use derivatives for the purpose of efficient portfolio management (for example, overseas currency hedging exposure). The Sub-fund will not normally borrow but may, in the Investment Manager's discretion, borrow up to 10% of the value of the Sub-fund (through secured and/or unsecured lending subject to COLL) in order to provide temporary liquidity with any borrowing to be repaid within six months or as soon as market conditions allow.

In accordance with the PAIF Regulations:

- in the first accounting period at least 40% of the total value of assets of the Sub-fund must consist of assets involved in the property investment business; and
- in all subsequent accounting periods at least 60% of the total value of the assets of the Sub-fund must consist of such assets.

The Sub-fund's liquidity will be managed with the aim of ensuring that, by value, between 15% and 45% of the assets of the Sub-fund will be held in assets determined in the Investment Manager's discretion to be liquid.

The Company's investment and borrowing powers are set out in Appendix 2 and lists of the eligible securities markets and eligible derivatives markets are set out in Appendix 3 and 4 respectively.

Other details of the Sub-fund

Classes of shares available	Net Income Shares Net Accumulation Shares
Currency of denomination	Sterling
Registration charge per shareholder	£17.00 per annum
Minimum initial investment	£1,000
Minimum initial and subsequent investment for regular investors	£100
Minimum subsequent investment	£1,000
Minimum withdrawal	£100
Minimum holding	£1,000
ACD's preliminary charge	0%
Switching fee	Not applicable
Annual management charge	1%
Annual accounting date	28 February
Interim accounting date	31 August
Annual income allocation date	30 April
Interim income allocation date	31 October
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	Yes
Invest in Eligible Markets	As listed in Appendices 3 and 4

Income Equalisation	Yes
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Profile of a typical investor

The Sub-fund's suitability for investors will depend on the investor's own requirements and attitude to risk, but the Sub-fund is intended for both retail investors and institutional investors. Investors should be aware of and understand the risks associated with the Sub-fund before investing. The risks associated with the Sub-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.

Initial Offer Period

The initial offer of shares in the Sub-fund commences on 26 November 2012 and shall continue until close of dealing (5.00 pm) on 30 November 2012, or earlier if the value of the underlying investments moves by more than + or – 2% at any time. Initial subscriptions may be invested during the initial offer period, at the absolute discretion of the ACD. Shares will be sold in sterling only. The price per share in the initial offer period will be £1.

APPENDIX 2

1 **Investment and borrowing powers of the Company**

1.1 These restrictions apply to the Company, along with the applicable investments limits, authority and powers set out in COLL, the PAIF Regulations, the Instrument of Incorporation and the Prospectus.

1.2 To comply with the PAIF Regulations at least 40% of the total value of assets of the Company in its first accounting period must consist of assets involved in the property investment business, and at least 60% of the total value of the assets of the Company must consist of such assets in subsequent accounting periods.

1.3 The property of each Sub-fund of the Company will be invested with the aim of achieving the investment objective of the Sub-fund but subject to the limits on investment set out in the FSA Regulations and the Sub-fund's investment policy. The ACD must ensure that, taking into account the investment objective and policy of the Company, the scheme property of the Company aim to provide a prudent spread of risk.

1.4 The rules in this Appendix 2 dealing with the spread of investments (including immovable property), do not apply until 12 months after 26 November 2012.

1.5 Generally, the Company will invest as a property investment business and will invest in other property and investments described in this Appendix 2 including:

1.5.1 In those Eligible markets established in an EEA State which are regulated, operate regularly and are open to the public; and markets which the ACD, after consultation with the Depositary, has decided are appropriate for the purpose of investment of or dealing in the property of the Company having regard to the relevant criteria in the FSA Regulations and guidance from the FSA. 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 Company are set out in Appendices 3 and 4.

1.5.2 New eligible securities markets which may be added to the existing list only by the passing of a resolution of shareholders at a shareholders' meeting. If not, then the ACD and the Depositary will need to assess whether such an addition would be a significant event requiring shareholders 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 Company such that Shareholders will just be notified of the change, whether by immediate notification or in the next report for the Company.

1.6 **Immovable property**

1.6.1 Up to 100% of the value of the property of the Company may consist of immovable property.

1.6.2 The Company may only invest in immovable property which:

- 1.6.2.1 is situated in the United Kingdom and if such property is situated in:
- England and Wales or Northern Ireland, constitutes a freehold or leasehold interest; or
 - Scotland, be any interest or estate in or over land or heritable right including a long lease; or
 - the Channel Islands or the Isle of Man, such property must be equivalent to any of the interests in 1.6.2.1 above, or if no such equivalent interest is available, be an interest that grants beneficial ownership of the immovable to the Company and provides as good a title as any of the interests in 1.6.2.1 above.
- 1.6.3 The ACD shall take reasonable care to determine that title to the property is good marketable title and the ACD must have received a report from an appropriate valuer (the Standing Independent Valuer) containing:
- 1.6.3.1 a valuation of the property (with and without any relevant subsisting mortgage); and
- 1.6.3.2 which states that in the valuer's opinion, the property would, if acquired by the Company, be capable of being disposed of reasonably quickly at such valuation; or
- 1.6.3.3 the valuer must state that the property is adjacent to or in the vicinity of another property owned by the Company or constitutes another legal interest (for example, a leasehold interest) which is already included as part of the property of the Company, and in the opinion of the valuer, the total value of both properties (and interests therein) would at least equal the sum of the price payable for the additional property or interest and the existing value of the other property already owned by the Company.
- 1.6.4 Save in certain circumstances specified in COLL, a property must:
- 1.6.4.1 be bought or be agreed to be bought within six months after receipt of the report of the valuer;
- 1.6.4.2 not be bought, if it is apparent to the ACD that the valuer's report could no longer reasonably be relied upon; and
- 1.6.4.3 not be bought at more than 105% of the valuation for the relevant property in the report.
- 1.6.5 Furniture, fittings or other contents of any building purchased by the Company may be regarded as part of the relevant property.
- 1.7 **Investment and borrowing limits for immovable property**
- 1.7.1 The following limits apply in respect of immovable property:

- 1.7.1.1 Not more than 15% in value of all the property of the Company may consist of any one property. This may be increased to 25% in certain circumstances as specified in COLL.
- 1.7.1.2 The income receivable from any group of properties in any accounting period must not be attributable to property comprising either more than 25% of the value of the property of the Company or, in the case of government or public body, more than 35%.
- 1.7.1.3 Not more than 20% in value of the property of the Company may consist of mortgaged property and any mortgage must not secure more than 100% of the value of such property as specified in the relevant valuer's report (on the assumption the property is not mortgaged).
- 1.7.1.4 The aggregate value of mortgages secured on immovable property (as set out above), the borrowing of the Company as permitted under COLL, and any transferable securities that are not approved securities, must not at any time exceed 20% of the value of the scheme property.
- 1.7.1.5 Not more than 50% in value of the property of the Company may consist of property which is unoccupied and non-income producing or which is in the course of substantial development, redevelopment or refurbishment.
- 1.7.1.6 No option may be granted to a third party to buy any immovable property comprised in the property of the Company unless the value of the relevant immovable property does not exceed 20% of the value of all the property of the Company together with, where appropriate, the value of investments in:
 - unregulated collective investment schemes; and
 - any transferable securities which are not approved securities within the meaning of COLL

The limits in this section do not apply until 24 months after 26 November 2012, with the exception of the limit in paragraph 1.7.1.5 above in respect of immovable property which is unoccupied and non-income producing or are in the course of substantial development or re-development or refurbishment, which applies from 26 November 2012.

1.8 Investment in overseas property through an intermediate holding vehicle

- 1.8.1 Currently the Company only invests in UK immovable property. In the event that the Company's investment policy is amended to permit investment in overseas immovable property the following two paragraphs in this section will apply.
- 1.8.2 An overseas immovable may be held by the Company through an intermediate holding vehicle whose purpose is to enable the holding of immovables by the scheme or a series of such intermediate holding vehicles, provided that the interests of shareholders are adequately protected. Any investment in an

intermediate holding vehicle for the purpose of holding an overseas immovable shall be treated as if it were a direct investment in that immovable.

- 1.8.3 An intermediate holding vehicle must be wholly owned by the Company or another intermediate holding vehicle or series of intermediate holding vehicles wholly owned by the Company unless and to the extent that local legislation or regulation relating to the intermediate holding vehicle holding the immovable requires a proportion of local ownership.

1.9 **Transferable securities**

- 1.9.1 Subject to the limitations in the PAIF Regulations up to 100% of the scheme property attributable to the Company may consist of transferable securities and money market instruments which are:

1.9.1.1 admitted to or dealt in on an eligible market (as set out in COLL 5.2.10R and Appendix 2); or

1.9.1.2 recently issued transferable securities, provided the terms of issue include an undertaking that an application will be made to be admitted to an eligible market, and such admission is secured within a year of issue; or

1.9.1.3 money market instruments, not admitted to or dealt in on an eligible market which are normally dealt in on the money markets, are liquid and whose value can be accurately determined at any time, being an 'approved money market instrument', in accordance with the rules in COLL 5.2.10AR to COLL 5.2.10CR (as explained below under "*Approved money market instruments*").

- 1.9.2 Not more than 20% in value of the property of the Company may consist of transferable securities which do not fall within the above criteria or money market instruments which are liquid and have a value which can be accurately determined at any time.

- 1.9.3 Transferable securities held by the Company must also fulfil the following criteria:

1.9.3.1 the potential loss which the Company may incur with respect to holding the transferable security is limited to the amount paid for it;

1.9.3.2 its liquidity does not compromise the ability of the ACD to comply with its obligation to redeem units at the request of any qualifying shareholder;

1.9.3.3 reliable valuation is available for the transferable securities as follows:

- in the case of a transferable security admitted to or dealt in on an eligible market, where there are accurate, reliable and regular prices which are either market prices or prices made available by valuation systems independent from issuers;

- in the case of a transferable security not admitted to or dealt in on an eligible market, where there is a valuation on a periodic basis which is derived from information from the issuer of the transferable security or from competent investment research;

1.9.3.4 appropriate information is available for the transferable security as follows:

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

1.9.3.5 it is negotiable; and

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

1.9.4 Unless there is information available to the ACD that would lead to a different determination, a transferable security which is admitted to or dealt in on an eligible market shall be presumed: not to compromise the ability of the ACD to comply with its obligation to redeem shares at the request of any qualifying shareholder; and to be negotiable.

1.9.5 *Transferable securities linked to other assets* - The Company may invest in any other investment which shall be taken to be a transferable security provided the investment fulfils the criteria for transferable securities set out in paragraphs 1.9.3.1 to 1.9.3.6 above; and is backed by or linked to the performance of other assets, which may differ from those in which the Company can invest.

1.9.6 Where such investments contain an embedded derivative component (in accordance with COLL 5.2.19 R (3A)), the requirements of COLL with respect to derivatives and forwards will apply to that component.

1.10 **Closed end funds constituting transferable securities**

1.10.1 A unit in a closed end fund shall be taken to be a transferable security for the purposes of investment by the Company, provided it fulfils the criteria for transferable securities set out in paragraphs 1.9.3.1 to 1.9.3.6 above, and either:

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

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

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

1.10.1.2 where the closed end fund is constituted under the law of contract:

- it is subject to corporate governance mechanisms equivalent to those applied to companies; and
- it is managed by a person who is subject to national regulation for the purpose of investor protection.

1.11 **Approved money market instruments**

1.11.1 The Company may invest in an approved money market instrument if it is:

1.11.1.1 issued or guaranteed by a central, regional or local authority or central bank of an EEA state or if the EEA State is a federal state, one of the members making up the federation, the European Central Bank, the European Union or the European Investment Bank, a non-EEA state or, in the case of a federal state, by one of the members making up the federation, or by a public international body to which one or more EEA states belongs; or

1.11.1.2 an establishment subject to prudential supervision in accordance with criteria defined by Community Law or an establishment which is subject to and complies with prudential rules governed by the FSA to be at least as stringent as those laid down by Community Law; or

1.11.1.3 issued by a body, any securities of which are dealt in on an eligible market,

and in respect of which appropriate information is available in accordance with COLL 5.2.10CR.

1.11.2 In addition to instruments admitted to or dealt in on an eligible market, the Company may invest in an approved money-market instrument provided it fulfils the requirements in COLL governing regulated issuers of money-market instruments such that the issue or the issuer is regulated for the purpose of protecting investors and savings and the instrument is issued or guaranteed, in accordance with paragraphs 1.11.1.1 to 1.11.1.3 above.

1.11.3 A money market instrument which is normally dealt in on the money market and is admitted to or dealt in on an eligible market shall be presumed to be liquid and have a value which is accurately determined at any time unless there is information available to the ACD that would lead to a different determination.

1.12 **Collective Investment Schemes**

1.12.1 Subject to the limitations in the PAIF Regulations the Company may invest up to 100% of the scheme property in units in collective investment schemes.

- 1.12.2 Not more than 35% in value of the scheme property of a Sub-fund is to consist of the units of any one collective investment scheme. Investment may be made in another collective investment scheme managed by the ACD or an associate of the ACD, subject to the rules contained in COLL 5.2.15. Investment may only be made in other collective investment schemes whose maximum annual management charge does not exceed 3%.
- 1.12.3 The investee schemes must comply with 1.12.4 and 1.12.5 (although no more than 20% in value of the scheme property of the Sub-fund may be invested in units in collective investment schemes which do not comply with the conditions necessary for them to enjoy the rights conferred by the UCITS Directive (i.e. 1.12.4.2 to 1.12.4.4)).
- 1.12.4 Any schemes in which the Sub-fund invests need to:
- 1.12.4.1 comply with the conditions necessary for them to enjoy the rights conferred by the UCITS Directive; or
 - 1.12.4.2 be recognised under the provision of section 270 of the Financial Services and Market Act 2000; or
 - 1.12.4.3 be authorised as a *non-UCITS retail scheme*; or
 - 1.12.4.4 be authorised in another EEA state.
- Provided that for 1.12.4.3 and 1.12.4.4 the requirements of article 50(1)(e) of the UCITS Directive are also met.
- 1.12.5 Investee schemes must also comply with the rules relating to investment in other group schemes contained in the FSA Regulations and themselves be schemes which have terms which prohibit more than 10% of their assets consisting of units in other collective investment schemes.
- 1.12.6 A Sub-fund may invest in units of collective investment schemes and pay any related charges or expenses for investing in such units unless the schemes are managed, operated or administered by the ACD (or one of its associates) in which case, the Sub-fund will pay no additional management or administrative charges to the ACD or its associate (as the case may be).
- 1.12.7 A Sub-fund may invest in units in other Sub-funds of the Company provided that the Sub-fund will pay no additional management or administrative charges to the ACD or its associate (as the case may be).

1.13 **Warrants and nil and partly paid securities**

Up to 5% in value of the scheme property attributable to the Company may consist of warrants although it is not anticipated that investment in warrants by the Company will affect the level of volatility of the Company. Warrants may only be held if it is reasonably foreseeable that the exercise of the rights conferred by the warrants will not contravene COLL.

1.14 **Money market instruments**

1.14.1 The Company may invest in money market instruments which are normally dealt with on the money market, are liquid and whose value can be accurately determined at any time provided the instrument is:

1.14.1.1 issued or guaranteed by a central, regional or local authority, a central bank of an EEA State, the European Central Bank, the European Union or European Investment Bank, a non-EEA State or in the case of a Federal State, by one of the members making up the Federation, or by a public international body to which one or more EEA States belong; or

1.14.1.2 issued by a body any securities of which are dealt on an eligible market; or

1.14.1.3 issued or guaranteed by an establishment subject to prudential supervision comparable to Community Law and whose prudential rules are considered by the FSA to be at least as stringent as Community Law.

and in respect of which appropriate information is available in accordance with COLL 5.2.16 CR.

1.15 **Deposits**

Up to 20% in value of the scheme property of a Sub-fund can consist of deposits with a single body. A Sub-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.

1.16 **Cash and Near Cash**

1.16.1 The property of the Company may consist of cash or near cash to enable:

1.16.1.1 the pursuit of the Company's investment objective;

1.16.1.2 the redemption of shares; or

1.16.1.3 the efficient management of the Company in accordance with its objectives or any other purposes which may reasonably be regarded as ancillary to the objectives of the Company.

1.16.2 Liquidity may be at the upper end of, or even exceed this range under certain circumstances such as where there are large market movements and/or an exceptional number of redemptions are anticipated or the Company is in receipt of large cash sums upon the creation of units or realisation of investments.

1.16.3 Cash which forms part of the property of the Company may be placed in any current or deposit account with the Depository, the ACD or any investment adviser or any associate of any of them provided it is an eligible institution or approved bank and the arrangements are at least as favourable to the Company as would be the case for any comparable arrangement affected on normal commercial terms negotiated at arm's length between two independent parties.

1.17 **Derivatives and forward transactions**

- 1.17.1 **Derivative transactions may be used for the purposes of hedging. Where derivatives are used for hedging or in accordance with efficient portfolio management¹ techniques then this will not compromise the risk profile of the Sub-funds. Use of derivatives will not contravene any relevant investment objectives or limits.**

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

- 1.17.2 Except as set out in 1.17.4 below there is no upper limit on the use of transactions in derivatives or forward transaction for a Sub-fund but they must fall under 1.17.3 and 1.17.4.

- 1.17.3 A transaction in a derivative or forward transaction must:

1.17.3.1 if an OTC, be in an approved derivative; or 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 FSA Regulations, must be on approved terms as to valuation and close out and must be capable of valuation.

1.17.3.2 have the underlying consisting of any or all of the following to which the Sub-fund is dedicated:

- transferable securities;
- permitted money market instruments;
- permitted deposits;
- permitted derivatives;
- permitted collective investment scheme units;
- financial indices;
- interest rates;
- foreign exchange rates; and
- currencies.

1.17.3.3 be effected on or under the rules of an eligible derivatives market, it must not cause a Sub-fund to diverge from its investment objectives, must not be entered into if the intended

¹ Efficient Portfolio Management ("EPM") refers to the techniques and instruments which relate to transferable securities and approved money market instruments and which fulfil the following criteria:

- (a) they are economically appropriate in that they are realised in a cost effective way;
- (b) they are entered into for one or more of the following specific aims:
 - (i) reduction of risk;
 - (ii) reduction of cost;
 - (iii) the generation of additional capital or income for a Scheme with a risk level which is consistent with the risk profile of the Scheme and the risk diversification rules laid down in COLL.

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 ACD which should take account of the investment objectives and policy of the Sub-fund.

- 1.17.4 The ACD must ensure that there is suitable cover in place from within the Scheme Property and that to the extent the Sub-fund is exposed to risk of loss of property it is no greater than the property of the Sub-fund.
- 1.17.5 The exposure to any one counterparty in an OTC derivative transaction must not exceed 5% in value of the scheme property of a Sub-fund. This limit is raised to 10% where the counterparty is an approved bank.
- 1.17.6 In applying the limits in 1.17, 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:
 - 1.17.6.1 it is marked-to-market on a daily basis and exceeds the value of the amount at risk;
 - 1.17.6.2 it is exposed only to negligible risks (e.g. government bonds of first credit rating or cash) and is liquid;
 - 1.17.6.3 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
 - 1.17.6.4 can be fully enforced by the relevant Sub-fund at any time.
- 1.17.7 Not more than 20% of a Sub-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.
- 1.17.8 In applying the limits in 1.17, OTC derivative positions with the same counterparty may be netted provided that the netting procedures:
 - 1.17.8.1 comply with the conditions set out in Section 3 (Contractual netting Contracts for novation and other netting agreements) of Annex III to the Banking Consolidation Directive; and
 - 1.17.8.2 are based on legally binding agreements.
- 1.17.9 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:
 - 1.17.9.1 it is backed by an appropriate performance guarantee; and
 - 1.17.9.2 it is characterized by a daily mark-to-market valuation of the derivative positions and at least daily margining.

- 1.17.10 No agreement by or on behalf of a Sub-fund to dispose of property or rights may be made unless:
- 1.17.10.1 the obligation to make the disposal and any other similar obligation could immediately be honoured by the Sub-fund by delivery of property or the assignment (or, in Scotland, assignation) of rights; and
 - 1.17.10.2 the property and rights at 1.17.10.1 are owned by the Sub-fund at the time of the agreement.
- 1.17.11 1.17.10.1 and 1.17.10.2 do not apply to a deposit. They also do not apply where:-
- 1.17.11.1 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
 - 1.17.11.2 the ACD or the Depositary has the right to settle the derivative in cash and cover exists within the scheme property which falls within one of the following asset classes:
 - (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).
- 1.17.12 In the asset classes referred to in (1.17.11.1) and (1.17.11.2), 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.
- 1.18 **Government and public securities**
- 1.18.1 Up to 35% of the property of a Sub-fund may be invested in Government and public securities issued by any one issuer. Subject to this restriction, 100% of the scheme property of a Sub-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.
- 1.19 **Concentration**
- 1.19.1 The Company must not hold more than:
- 1.19.1.1 10% of the transferable securities issued by a body corporate which do not carry rights to vote on any matter at a general meeting of that body (subject to COLL 5.6.23R); or
 - 1.19.1.2 10% of the debt securities issued by any single body; or
 - 1.19.1.3 10% of the money market instruments issued by any single body; or

- 1.19.1.4 35% of the value of the Scheme Property is to consist of the unit or shares in any one collective investment scheme; or
- 1.19.1.5 20% on deposit with any single body.
- 1.19.2 The Company may only acquire transferable securities issued by a body corporate carrying rights to vote at a general meeting of that body provided that before the acquisition the aggregate number of such securities held by the Company does not allow it to exercise 20% or more of the votes cast at a general meeting of that body and the acquisition will not give the Company such power.
- 1.20 **General**
 - 1.20.1 Underwriting and sub-underwriting contracts and placings may also, subject to certain conditions set out in the FSA Regulations, be entered into for the account of the Company.
 - 1.20.2 Cash or near cash must not be retained in the scheme property except in order to enable the pursuit of the Sub-fund's investment objective; or for redemption of shares in that Sub-fund; or efficient management of the Sub-fund in accordance with its investment objective or for a purpose which may reasonably be regarded as ancillary to the investment objectives of the Company.
- 2 **Stock lending**
 - 2.1 The Company, or the Depositary at the Company's request, may enter into stock lending transactions (involving a disposal of securities in a Sub-fund and reacquisition of equivalent securities) when it reasonably appears to the Company to be appropriate to do so with a view to generating additional income for the relevant Sub-fund with an acceptable degree of, risk. Such transactions must comply with conditions set out in the FSA Regulations, which require (inter alia) that:
 - 2.1.1 the stock lending transaction must be of a kind described in Section 263B of the Taxation of Chargeable Gains Act 1992;
 - 2.1.2 the terms of the agreement under which the Depositary is to re-acquire the securities for the account of the Company must be acceptable to the Depositary and in accordance with good market practice;
 - 2.1.3 the counterparty must be acceptable in accordance with the FSA Regulations.
 - 2.2 The collateral obtained must be acceptable to the Depositary and must also be adequately and sufficiently immediate as set down in the FSA Regulations.
- 3 **Borrowing powers**
 - 3.1 Subject to COLL (as it relates to Non-UCITS Retail Schemes) and the borrowing limits concerning immovable property (see above under "Investment and borrowing limits for immovable property"), the Company may borrow money for the purposes of achieving the objective of the Company on terms that such borrowings are to be repaid out of the scheme property of the Company. The ACD does not anticipate significant use of this borrowing power. Such borrowing may only be made from an eligible

institution or approved bank (as defined in COLL). The borrowing of the Company must not, on any day, exceed 10% of the value of the property of the Company, however this is subject to the aggregate limit of 20% when combined with mortgages and certain types of transferable securities, as permitted in COLL 5.6.19R(6), as explained under the heading '*Investment and borrowing limits for immovable property*' above.

3.2 The above provisions on borrowing do not apply to "back to back" borrowing for hedging purposes, being an arrangement under which an amount of currency is borrowed from an eligible institution and an amount in another currency at least equal to the amount of currency borrowed is kept on deposit with the lender (or his agent or nominee).

3.3 Borrowings may be made from the Depositary, the ACD or the Investment Manager or any associate of any of them provided that such lender is an eligible institution or approved bank and the arrangements are at least as favourable to the ACD as would be those of any comparable arrangements effected on normal commercial terms negotiated at arm's length between two independent parties.

4 Restrictions on lending of money

4.1 None of the money in the scheme property of the Company may be lent and, for the purposes of this prohibition, money is lent by the Company if it is paid to a person ("the payee") on the basis that it should be repaid, whether or not by the payee.

4.2 Acquiring a debenture is not lending for these purposes, nor is the placing of money on deposit or in a current account.

4.3 This rule does not prevent the Company from providing an officer of the Company with funds to meet expenditure to be incurred by him for the purposes of the Company (or for the purposes of enabling him properly to perform his duties as an officer of the Company) or from doing anything to enable an officer to avoid incurring such expenditure.

4.4 In accordance with the PAIF Regulations, in the case of any loan relationship to which the Company is party as a debtor, throughout the accounting period in which that loan relationship is held, the interest must not depend on the results of all or part of the Company's business or the value of any of the Company's assets (unless the interest reduces where results improve and vice versa); the creditor must not be entitled to interest which exceeds a reasonable commercial return; and the creditor must only be entitled, on repayment, to the amount lent or an amount reasonably comparable with the amount generally repayable on listed securities.

5 Restrictions on lending of property other than money

5.1 The scheme property of the Company other than money must not be lent by way of deposit or otherwise. Transactions permitted by COLL 5.4 (Stock lending) are not to be regarded as lending for these purposes.

5.2 Where transactions in derivatives or forward transactions are used for the account of the Company in accordance with COLL nothing in this rule

prevents the Company, or the Depositary at the request of the Company, from lending, depositing, pledging or charging scheme property for margin requirements, or transferring scheme property under the terms of an agreement in relation to margin requirements, provided that the ACD reasonably considers that both the agreement and the margin arrangements made under it (including in relation to the level of margin) provide appropriate protection to shareholders.

- 5.3 An agreement providing appropriate protection to shareholders for these purposes includes one made in accordance with the 1995 International Swaps and Derivatives Association Credit Support Annex (English Law) to the International Swap as and Derivatives Association Master Agreement.

6 **Guarantees and indemnities**

- 6.1 The Company or the Depositary for the account of the Company must not provide any guarantee or indemnity in respect of the obligation of any person.

- 6.2 None of the scheme property of the Company may be used to discharge any obligation arising under a guarantee or indemnity with respect to the obligation of any person.

- 6.3 The above paragraphs do not apply to:

- 6.3.1 the modification by consent of COLL 5.6.22R(9) in respect of COLL 5.5.9R granted to the Company and the Depositary;

- 6.3.2 any indemnity or guarantee given for margin requirements where the derivatives or forward transactions are being used in accordance with COLL; and

- 6.3.3 for the Company:

- 6.3.3.1 an indemnity falling within the provisions of regulation 62(3) of the OEIC Regulations (Exemptions from liability to be void);

- 6.3.3.2 an indemnity (other than any provision in it which is void under regulation 62 of the OEIC Regulations) given to the Depositary against any liability incurred by it as a consequence of the safekeeping of any of the scheme property by it or by anyone retained by it to assist it to perform its function of the safekeeping of the scheme property; and

- 6.3.3.3 an indemnity given to a person winding up a scheme if the indemnity is given for the purposes of arrangements by which the whole or part of the property of that scheme becomes the first property of the Company and the holders of shares in that scheme become the first shareholders in the Company.

APPENDIX 3

Eligible Securities Markets

All Sub-funds may deal through securities markets established in EEA Member States on which transferable securities admitted to official listing in these states are dealt in or traded. In addition, up to 10% in value of any Sub-fund may be invested in transferable securities which are not approved securities.

Each Sub-fund may also deal in certain of the securities markets listed below and those derivatives markets indicated in Appendix 4.

1	UK and Ireland	Alternative Investment Market
2	Australia	The Australia Stock Exchange Limited
3	Channel Islands	The Channel Islands Stock Exchange
4	Hong Kong	The Hong Kong Stock Exchange
5	Japan	The Tokyo Stock Exchange
6	Singapore	The Singapore Stock Exchange
7	United States	NYSE Amex Equities NYSE Euronext NASDAQ OMX PHLX The United States Bond Market NASDAQ

APPENDIX 4

Eligible Derivatives Markets

- 1 American Stock Exchange
- 2 London International Financial Futures Exchange
- 3 New York Futures Exchange
- 4 New York Mercantile Exchange
- 5 New York Stock Exchange
- 6 Euronext Paris
- 7 Tokyo Stock Exchange
- 8 Tokyo International Financial Futures Exchange (TIFFE)
- 9 Toronto Futures Exchange
- 10 Toronto Stock Exchange

APPENDIX 5

Directory

The Company and Head Office

MGTS St. Johns Property ICVC
1 Sovereign Court
Graham Street
Birmingham
B1 3JR

Authorised Corporate Director

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

Investment Manager

AFH Independent Financial Services Limited
St. Johns House
16 Church Street
Bromsgrove
Worcestershire
B61 8DN

Administrator and Registrar

The Bank of New York Mellon (International) Ltd
PO Box 23705
Edinburgh
EH7 5NJ

Depository

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

Standing Independent Valuer

Lambert Smith Hampton Group Limited
Interchange Place
Edmund St
Birmingham, B3 2TA.

APPENDIX 6

Historical Past Performance

Not applicable – launched 26 November 2012

APPENDIX 7

List of Directors

Directors of Margetts Fund Management Limited:

T.J. Ricketts

T.H. Ricketts

A.J.M Quay

G.M.W Oakley

G.A Harvey

J.E.J Clay

M.D Jealous

A Weston

APPENDIX 8

PAIF Regulations – Conditions

The following summarises the conditions of the PAIF Regulations:

1. The property investment business condition

The Company must carry on property investment business (broadly, one or more of a property rental business, owning shares in UK REITs or shares in overseas equivalents of UK REITs) and its prospectus and instrument of incorporation must include a statement that its investment objectives are to carry on property investment business and to manage cash raised for investment in the property investment business.

2. The genuine diversity of ownership condition

Broadly, the Company must not limit the intended investors to a number of specific persons or specific groups of connected persons. The prospectus and instrument of incorporation must contain a statement that the shares in the Company will be widely available and specify the intended categories of investor.

The terms governing participation in the Company must not deter a reasonable investor within the intended categories of investor from investing in the fund.

The shares must be marketed widely to reach the intended investors and in a manner appropriate to attract those investors (and the instrument of incorporation and prospectus must include a statement to that effect). In addition, those investors within the intended categories must be able to obtain information about the Company and acquire shares in it upon request to the ACD. This requirement is relaxed in certain circumstances where the Company has no capacity to receive additional investments.

3. The corporate ownership condition

Body corporates are not permitted to own 10% or more of the net asset value of the Company and the Company must take reasonable steps to prevent this occurring. If a body corporate does nevertheless acquire 10% or more of the Company, the Company must take steps to reduce that holding.

Shareholders who are body corporates must undertake not to acquire more than 10% of the Company and undertake to reduce their holding below 10% on becoming aware that this percentage holding has been breached.

In addition, body corporates who hold shares in the Company must provide a certificate that they hold the shares as beneficial owner, or if they hold shares otherwise than as beneficial owner they must provide a certificate that they hold less than 10% of the shares on behalf of themselves or any one other corporate beneficial owner and have obtained undertakings from any such corporate beneficial owner in the form spelt out in the paragraph above. The instrument of incorporation and prospectus must include provisions which require body corporates to give such a certificate.

Any body corporate who owns shares otherwise than as beneficial owner must undertake to the ACD to disclose the name and extent of the holding of any other body corporate on whose behalf it owns the shares.

4. The loan creditor condition

In the case of any loan relationship to which the Company is party as a debtor, throughout the accounting period in which that loan relationship is held, the interest must not be results-dependent (unless the interest reduces where results improve and vice versa); the creditor must not be entitled to interest which exceeds a reasonable commercial return; and the creditor must only be entitled, on repayment, to the amount lent or an amount reasonably comparable with the amount generally repayable on listed securities.

5. The balance of business condition

During its first accounting period, at least 40% of the Company's net income must be derived from the property investment business and at least 40% of the total value of the assets held by the Company must be involved in the property investment business. In subsequent accounting periods these percentage levels must increase to 60% in both cases.

6. The notification condition

The ACD must give notice to HMRC for the PAIF Regulations to apply to the Company. This notice must be given at least 42 days before the date of expected incorporation and authorisation of the Company, but this period is reduced if HMRC have given clearance that the genuine diversity of ownership condition is met.