

CF Chelverton UK Equity Income Fund

Prospectus

Prepared in accordance with the Collective Investment Schemes Sourcebook (COLL)
Dated and valid as at 1 April 2009

THIS PROSPECTUS IS IMPORTANT

IF YOU ARE IN ANY DOUBT AS TO THE MEANING OF ANY INFORMATION CONTAINED IN THIS PROSPECTUS, YOU SHOULD CONSULT THE ACD OR YOUR INDEPENDENT FINANCIAL ADVISER.

This Prospectus is intended for distribution in the United Kingdom. Its distribution may be restricted in other countries. It does not constitute an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is unlawful or in which the person making such offer or solicitation is not qualified so to do, or to anyone to whom it is unlawful to make such an offer or solicitation. Intending investors should inform themselves about and observe the legal requirements within their own countries for the acquisition of shares of the Company and any taxation or exchange control legislation affecting them personally, including the obtaining of any necessary governmental or other consents and the observation of any other formalities.

Authorised Corporate Director

Capita Financial Managers Limited (Authorised and regulated by the Financial Services Authority)

Registered Office:
17 Rochester Row
Westminster
London
SW1P 1QT

Investment Adviser

Chelverton Asset Management Limited (Authorised and regulated by the Financial Services Authority)

Registered Office:
11 George Street
Bath
BA1 2EH

Operating Address:
2 Queen Anne's Gate Buildings
Dartmouth Street
London SW1H 9BP

Registered and Head Office of the Company

Ibex House
42-47 Minories
London
EC3N 1DX

Depositary

HSBC Bank plc
8 Canada Square
London
E14 5HQ

Auditors

Ernst & Young LLP
PO Box 61
Cloth Hall Court
14 King Street
Leeds
LS1 2JN

Administrators and Registrars**Authorised Corporate Director**

Capita Financial Managers Limited (Authorised and regulated by the Financial Services Authority)

Registered Office:
17 Rochester Row
Westminster
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Operating Address:
2 The Boulevard
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Gelderd Road
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Appendix 1

Appendix 1

1 INTERPRETATION

In this Prospectus the words and expressions set out in the first column below shall have the meanings set opposite them unless the context requires otherwise. Words and expressions contained in this Prospectus but not defined herein shall have the same meanings as in the Act or Regulations (as defined below) unless the contrary is stated. The definitions are as follows:

"ACD"	the Authorised Corporate Director holding office from time to time pursuant to FSA Regulations being Capita Financial Managers Limited at the date of this Prospectus;
"AIM"	the Alternative Investment Market;
"Act"	the Financial Services and Markets Act 2000;
"Administrator"	Capita Financial Administrators Limited or such other person appointed from time to time to be the administrator of the Company;
"Business Day"	Monday to Friday excluding UK public and bank holidays or any day on which the London Stock Exchange is not open for the normal full duration of its trading hours;
"Company"	CF Chelverton UK Equity Income Fund;
"Depository"	the person appointed from time to time by the Company or otherwise pursuant to the Regulations to which all of the scheme property of the Company is entrusted for safe keeping pursuant to the Regulations;
"Directors"	the directors of the Company for the time being (including the ACD) or, as the case may be, the directors of the Company for the time being assembled as a board including any committee of such board;
"Eligible Market(s)"	means all securities markets in the UK which are eligible markets as defined under COLL including, for the avoidance of doubt, AIM and the London Stock Exchange;
"FSA"	Financial Services Authority, 25 The North Colonnade, Canary Wharf, London, E14 5HS;
Collective Investment Schemes Sourcebook or "COLL"	Collective Investment Schemes Sourcebook issued by the FSA pursuant to the Act, as amended from time to time
"OEIC Regulations"	Open-Ended Investment Companies Regulations 2001;
"Registrar"	Capita Financial Administrators Limited or such other person appointed from time to time to be the registrar of the Company;
"Regulations"	the OEIC Regulations and the New Collective Investment Schemes Sourcebook;

"UCITS Directive" a Council Directive of 20 December 1985 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (as amended).

2 CONSTITUTION

The Company is an investment company with variable capital incorporated under the OEIC Regulations. It is a UCITS scheme as defined in COLL. The Company is incorporated in England and Wales with registered number IC000431. The head office of the Company is at Ibex House, 42-47 Minories, London EC3N 1DX. This is also the address for the service on the Company of notices or other documents required or authorised to be served on it.

Subject to the terms set out in this Prospectus, holders of shares in the Company are entitled to receive the net income derived from the scheme property of the Company and to redeem their shares at a price linked to the value of the scheme property of the Company. Shareholders do not have any proprietary interest in the underlying assets of the Company. The shareholders of the Company will not be liable for the debts of the Company.

The base currency for the Company is pounds sterling. The maximum size of the Company's capital is £100,000,000,000 and the minimum size is £1.

The Company was authorised by an order made by FSA with effect from 4 April 2006. The operation of the Company is governed by the Regulations, the Company's Instrument of Incorporation and this Prospectus.

3 INVESTMENT OBJECTIVES AND POLICIES

The investment objective of the Company is to provide a progressive income stream and achieve long-term capital growth by investing primarily in a portfolio of fully listed and AIM traded UK equities.

The Company will invest primarily in UK companies which aim to provide a high initial dividend; progressive dividend payments, and long-term capital appreciation.

The asset classes in which the Company is permitted to invest include transferable securities, money market instruments, cash and near cash and deposits as permitted for UCITS schemes under COLL and in accordance with the Company's investment powers as summarised in section 28 of this Prospectus.

4 RISK FACTORS

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

- (a) Past performance is not a guide to the future. The value of shares and the income derived from them can go down as well as up and as a result the investor may not get back the amount originally invested. This can be as a result of market movements and also of variations in the exchange rates between currencies. The ACD's initial charge (as set out on page 16 under the heading "**The Authorised Corporate Director's Charges**") is deducted from an investment at the outset and an equivalent rise in the value of the shares is required before the original investment can be recovered;
- (b) The levels of relief from taxation will depend upon individual circumstances. Please note current tax levels and reliefs may change and their value will depend on the investor's individual circumstances;

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- (c) The levels of income generated by the Company will fluctuate and are not guaranteed.
 - (d) Charges and expenses of the Company may be treated as capital charges and accordingly the imposition of such charges may constrain the capital growth of the property of the Company.
 - (e) In accordance with the Company's investment objective and policy, the Company will invest in companies with small and medium-sized market capitalisation. Shares in smaller companies can be more volatile and are traded less frequently than those of larger companies. This means that there may be difficulty in both buying and selling shares so individual share prices may be subject to short-term price swings.

Typical Investor

The Company may be marketed to all classes of investor. A person who invests in Retail shares will typically be a private investor who will understand and appreciate the risks associated with investing in shares in the Company or will have received advice from an appropriately qualified financial adviser. Institutional investors will typically invest in Institutional shares. The Company is suitable for investors planning to hold their investment for the medium to long term, although this is not a requirement.

5 THE AUTHORISED CORPORATE DIRECTOR

The authorised corporate director ("**ACD**") of the Company is Capita Financial Administrators Limited. The ACD is a private company limited by shares, incorporated in England and Wales on 21 November 1973 under the Companies Act 1985. The registered office of the ACD is at 17 Rochester Row, Westminster, London, SW1P 1QT. The amount of the ACD's issued share capital is £125,000 represented by 125,000 ordinary shares of 100 pence each fully paid. The ACD is a wholly owned subsidiary of Capita Financial Group Plc, a company incorporated in England and Wales and listed on the London Stock Exchange.

The ACD is authorised and regulated by the FSA. The ACD also acts as the ACD and manager to those schemes listed in Appendix 1.

The ACD may provide investment services to other clients and funds and to companies in which the Company may invest in accordance with the Regulations.

When managing investments of the Company, the ACD will not be obliged to make use of information which in doing so would be a breach of duty or confidence to any other person or which comes to the notice of an employee or agent of the ACD but properly does not come to the notice of an individual managing the assets of the Company.

The directors of the ACD are:

- C. Addenbrooke
- L. Everitt
- K.J. Midl
- J. Millan
- C. Hayes

The ACD provides its services to the Company under the terms of a service agreement (the "**ACD Agreement**"). The ACD agreement will terminate with

immediate effect if the ACD ceases to hold office as such. The ACD's appointment may be terminated by the Company in a general meeting at any time. Otherwise, save by reason of certain events of default as specified in the ACD Agreement, the Company may terminate the ACD's appointment on 6 month's notice. No such notice shall take effect until the appointment of a successor ACD. The ACD agreement contains certain limitations upon the liability of the ACD where loss or damage has been caused to the Company, save where loss arises by reason of negligence, default, breach of duty or trust by the ACD. The ACD Agreement contains an indemnity from the Company to the ACD in respect of losses, claims and similar liabilities incurred by the ACD as such, save where such losses, claims and similar liabilities arise from the negligence, default, breach of duty or breach of trust of the ACD.

The ACD has, pursuant to the ACD agreement, delegated its administration and registrar functions to Capita Financial Administrators Limited. The ACD's investment management function has been delegated to Chelverton Asset Management Limited.

6 THE INVESTMENT ADVISER

Chelverton Asset Management Limited ("Chelverton") is the investment adviser to the ACD in relation to the Company. Chelverton is authorised and regulated by the FSA. Chelverton's principal activity is the provision of investment management services.

Pursuant to an agreement between Chelverton and the ACD, Chelverton provides general discretionary investment management services in respect of the Company. Chelverton has the authority to make decisions on behalf of the ACD in relation to the Company's investments subject always to the provisions of the Instrument of Incorporation of the Company, this Prospectus, the Regulations and the investment objective and policy of the Company. This arrangement may be terminated by either party giving the other no less than six months' written notice. Additionally, the ACD may terminate this agreement with immediate effect where it is in the interests of the shareholders to do so.

7 THE DEPOSITARY

The Company's depositary is HSBC Bank plc. The Depositary is incorporated in England and Wales as a public limited company. Its registered office and head office is at HSBC Bank plc, 8 Canada Square, London E14 5HQ. The ultimate holding company of the Depositary is HSBC Holdings plc, which is incorporated in England and Wales.

The principal business activity of the Depositary is banking. The Depositary is authorised and regulated by the FSA.

The Depositary provides its services under the terms of an agreement between the Company and the Depositary (the "**Depositary Agreement**") which may be terminated by six months' notice by either the Company or the Depositary. The Depositary may not retire voluntarily except on the appointment of a new Depositary. Subject to COLL, the Depositary has full power under the Depositary Agreement to delegate (and authorise its delegates to sub-delegate) all or any part of its duties as Depositary. The Depositary is entitled to the fees, charges and expenses as set out in more detail below in the section headed "**The Fees, Charges and Expenses of the Depositary**".

8 NO LIABILITY TO ACCOUNT

Neither the ACD, Depository, Administrator, Registrar, investment adviser or any other person involved with the establishment and/or operation of the Company are liable to account to each other or to the shareholders or former shareholders of the Company for any profits or benefits they may make or receive which are made, derived from or in connection with:

- (a) dealings in the shares of the Company;
- (b) any transaction in the underlying property of the Company; or
- (c) the supply of services to the Company.

9 SHARES IN THE COMPANY

Under the Company's Instrument of Incorporation, the Company is permitted to issue both Retail and Institutional shares classes which may be issued as income or accumulation shares.

Each income share is deemed to represent one undivided unit of entitlement in the scheme property of the Company. Where both income and accumulation shares are in existence, the number of undivided units of entitlement in the scheme property of the Company represented by each accumulation share increases as income is accumulated.

Any income (net of tax) arising in respect of an income share shall be determined and distributed as summarised on page 14 under the heading "**Distribution**".

Where both income and accumulation shares are in existence, the income of the Company is allocated as between income shares and accumulation shares according to the respective units of entitlement in the scheme property of the Company represented by the accumulation shares and income shares in existence at the end of the relevant accounting period.

The rights attaching to the shares of all classes may be expressed in two denominations and, in each of these classes, the proportion of a larger denomination share represented by a smaller denomination share shall be one thousandth of the larger denomination.

10 REGISTER

A register of shareholders is maintained at the office of the Registrars at Ibex House, 42-47 Minories, London, EC3N 1DX where it can be inspected by shareholders during normal office hours.

No certificates will be issued in respect of a holding of shares and should any shareholder require evidence of title to shares the ACD will, upon such proof of identity and the payment of such fee (if any) as the ACD may reasonably require, supply the shareholder with a certified copy of the relevant entry in the register relating to the shareholder's holding of shares.

Shareholders should notify the Registrar in writing of any change to their name or address.

No bearer shares are issued.

11 VALUATIONS

Each share of the Company represents a proportional share of the overall property of the Company. Therefore, the value of a share is calculated, in broad outline, by calculating the net value of the property of the Company, and dividing that value (or that part of that value attributed to shares of the class in question) by the number of shares (of the class in question) in issue.

Valuations are normally carried out on each Business Day. The valuation point for the Company is 12 noon on each Business Day.

The ACD may carry out additional valuations if it considers it desirable to do so. Valuations will not be made during a period of suspension of dealings (see "**Suspension of Dealings**" below). The ACD is required to notify the Depositary if it carries out an additional valuation.

The property of the Company is, for all purposes, valued on the following basis (which is set out in full in the Company's Instrument of Incorporation):

- Transferable securities will be valued at their quoted price (if a single buying and selling price is quoted) or if separate buying and selling prices are quoted, at the average of the two prices, or if, in the opinion of the ACD, the price is unreliable or no recent traded price is available or if no price exists, at a value which, in the opinion of the ACD, is fair and reasonable.
- Any other property will be valued at what the ACD considers a fair and reasonable mid-market price.
- Cash and amounts held in current and deposit accounts and other time-related deposits are valued at their nominal value. Contingent liability transactions will be valued using a method agreed between the ACD and the Depositary incorporating the following requirements: written options will be valued after deduction of the premium receivable; off-exchange futures will be valued at the net value of closing out; all other contingent liability transactions will be valued at the net value of margin on closing out.
- In valuing assets, any fiscal charges, commissions, professional fees or other charges paid or payable on the acquisition or disposal of the asset are excluded.
- Deductions are made for anticipated tax liabilities and for an estimated amount of other liabilities payable out of the property of the Company and for outstanding borrowings together with accrued but unpaid interest.
- Amounts are added in respect of estimated, recoverable tax and any other amounts due to be paid to the Company, including interest accrued or deemed to accrue.

For the above purposes, instructions given to issue or cancel shares are assumed to have been carried out (and any cash paid or received) and uncompleted arrangements for the unconditional sale or purchase of property are (with certain exceptions) assumed to have been completed and all consequential action taken.

Where the ACD has reasonable grounds to believe that:

- (a) no reasonable price exists for a security at a valuation point; or

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- (b) the most recent price available does not reflect the ACD's best estimate of the value of a security at a valuation point;

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

The circumstance which may give rise to a fair value price being used includes where there has been no recent trade in the security concerned or where there has been the occurrence of a significant event since the most recent closure of the market where the price of the security is taken.

12 PRICES OF SHARES

Shares in the Company are "single priced". This means that subject to the dilution levy referred to below and the initial charge (explained on page [16]), the price of a share for both buying and selling purposes will be the same and determined by reference to a particular valuation point. The price of a share is calculated at or about the valuation point each Business Day (to at least four significant figures) by:

- taking the value of the property of the Company and therefore all shares (of the relevant class) in issue (on the basis of the units of entitlement in the property of the Company attributable to that class at the most recent valuation of the Company); and
- dividing the result by the number of shares of the relevant class in issue immediately before the valuation concerned.

Publication of Prices

The prices of shares of each class in the Company will be posted on www.fundlistings.com, on the Investment Management Association website (www.investmentuk.org) and www.chelvertonam.com. Prices can also be obtained by telephoning the ACD on 08459 220 044.

Neither the Company nor the ACD are responsible for any errors in publication or for non-publication. The ACD issues and redeems shares on a forward pricing basis, not on the basis of the published prices.

Historical Performance

Performance for the Company for each period of 12 months to the end of December in each year since the commencement of activity is set out in Appendix 2. Please note that past performance is not a reliable indicator of future performance.

13 DILUTION LEVY

Where the Company buys or sells underlying investments in response to a request for the issue or redemption of shares, it will generally incur a cost, made up of dealing costs and any spread between the buying and selling prices of the investments concerned, which will not be reflected in the amount paid by or to the shareholder. This effect is referred to as "dilution". It is not possible to predict accurately whether dilution will occur at any point in time.

With a view to reducing this cost (which, if material, disadvantages continuing shareholders and could adversely affect the future growth of the property of the Company), the ACD is entitled to require payment of a "dilution levy" to be added to the issue price or deducted from the redemption price of shares as appropriate.

This levy is added to the property of the Company and it is intended to reduce the effect of dilution on the future growth of the property of the Company.

The ACD will normally charge a dilution levy of up to 0.5% of the price of the share where:

- the underlying transaction is a "large deal";
- where a series of unrelated or related transactions when added together amount to a "large deal".

For these purposes, a "large deal" is a sale or purchase (or series of sales or purchases) with a gross value equal to or exceeding 3% of the total value of the Company.

On occasions where the dilution levy is not applied, there may be an adverse impact on the future growth of the Company.

It is not possible to predict with any accuracy how frequently the ACD will charge a dilution levy.

14 STAMP DUTY RESERVE TAX

Stamp duty reserve tax ("**SDRT**") is payable on the redemption of a share. Redemptions of shares (redemptions for this purpose includes non-exempt transfers of legal or beneficial ownership of shares) may be liable to SDRT of 0.5% of the market value of the shares redeemed. The SDRT payable in relation to redemptions is calculated weekly based on the total value of shares redeemed during that week. The rate of 0.5% payable will be reduced by the proportion of the assets of the Company, which are not liable to SDRT and by the ratio of shares issued divided by shares redeemed. This liability to SDRT may be met in one of the following three ways:

- The ACD may pay the SDRT;
- The ACD may charge the SDRT to the Company and include it within the calculation of the share price;
- The ACD may charge an SDRT provision when transactions in shares take place. An SDRT provision is a charge of such amount or at such rate as is determined by the Administrator for which the ACD or ICVC may become liable pursuant to Schedule 19 of the Finance Act 1999 (or any statutory modification or re-enactment of such act) in respect of a redemption of shares within the meaning of that schedule.

In respect of the Company, SDRT will be met by the ACD, which will, in turn, charge such sum to the Company, which will therefore be included in the calculation of the share price. The charge that will be made is 0.5% of the cancellation price or redemption price of a share. The rate of 0.5% may be reduced if the ACD redeems more shares than it issues, or if the Company has holdings in stocks that are exempt from SDRT.

Once such charge is made to the property of the Company, the value of the property of the Company will be reduced. However, the effect of this is unlikely to be significant. The ACD does not currently intend to charge an SDRT provision when transactions in shares take place. Should this intention change in the future, the ACD will notify shareholders as appropriate.

15 ISSUE, REDEMPTION AND EXCHANGE OF SHARES

Requests for the purchase, redemption and exchange of shares are normally dealt with by the issue or cancellation of such shares by the Company. However, in certain circumstances, the ACD may deal with such requests by selling shares to and/or repurchasing them from the applicant as appropriate. In other words, the ACD is entitled to hold shares for its own account and to satisfy requests for the sale of shares from its own holding (this is generally referred to as the ACD dealing from its "**box**"). The ACD is required to procure the issue or cancellation of shares by the Company where necessary to meet any obligations to sell or redeem shares. Shares will be issued, redeemed, sold or repurchased at the price calculated by reference to the valuation point following receipt of the request (on a forward basis).

The ACD may not sell a share at a higher price, or redeem a share at a lower price from its "**box**" (in both cases before application of any initial charge or dilution levy, or deduction of SDRT as applicable) than the price notified to the Depository in respect of the valuation point concerned.

The ACD is under no obligation to account to the Company or to shareholders or any of them for any profit it makes on the issue of shares or on the reissue or cancellation of shares, which it has redeemed from its "box" and will not do so.

Issue

Applications

Applications for shares may be made by any person. Dealings are at forward prices i.e. at prices calculated by reference to the next valuation following receipt of the application. Shares to satisfy an application received before the valuation point of the Company (see "Valuations" for details of the valuation points) on a Business Day will be issued at a price based on that day's valuation and shares to satisfy an application received after the valuation point, or on a day which is not a Business Day, will be issued at a price based on the valuation made on the next Business Day.

Applications may be made by completing an application form and this should be sent with the applicant's cheque or bankers draft to the Administrator, Capita Financial Administrators Limited, at 2 The Boulevard, City West One Office Park, Gelderd Road, Leeds, LS12 6NT.

Application forms are available from the ACD. Applications are irrevocable. Subject to its obligations under COLL, the ACD reserves the right to reject any application in whole or in part. In that event, application monies or any balance will be returned to the applicant by post at the applicant's risk.

The Company is subject to the Money Laundering Regulations 2007 and the ACD may in its absolute discretion require verification of identity from any person applying for shares (the "**Applicant**") including, without limitation, any Applicant who:

- (a) tenders payment by way of cheque or banker's draft on an account in the name of a person or persons other than the Applicant; or
- (b) appears to the ACD to be acting on behalf of some other person.

In the former case, verification of the identity of the Applicant may be required. In the latter case, verification of the identity of any person on whose behalf the Applicant appears to be acting may be required.

Applications will not be acknowledged but a contract note will be sent on or before the next Business Day following the relevant day on which the dealing was effected. Certificates will not be issued. Where the total price payable for all shares for which the application is made would include a fraction of one penny it will be rounded up or down to the nearest penny.

If an Applicant defaults in making any payment in money or transfer of property due to the ACD in respect of the sale or issue of shares, the Applicant shall indemnify the ACD and/or the Company (as the case may be) in respect of any loss or cost incurred by either of them as a result of such default and the Company is entitled to make any necessary amendment to the register and the ACD will become entitled to the shares in place of the Applicant (subject, in case of an issue of shares, to the ACD's payment of the purchase price to the Company). The ACD may in its discretion delay arranging for the issue of the shares until payment has been received.

In Specie Application

The ACD may, by special arrangement and at its discretion, agree to arrange for the issue of shares in exchange for assets other than cash but only if the Depository is satisfied that acquisition of the assets in exchange for the shares to be issued is not likely to result in any material prejudice to the interests of shareholders or potential shareholders.

Minimum Purchase

The minimum value of shares which any one person may initially purchase is £1,000 in the case of the Retail share class, and £100,000 in the case of the Institutional share class. The minimum value of shares, which may be the subject of any subsequent purchase, is £500 and £25,000 for Retail and Institutional share classes respectively. However, the ACD may, by special arrangement and at its discretion, agree on an individual basis a lower amount in relation to the minimum transaction sizes.

Redemption

Shares may be redeemed on any Business Day. Dealings are on a forward price basis as explained in the paragraph headed "**Issue**" above. Shares to be redeemed pursuant to a redemption request received before the valuation point of the Company on a Business Day will be redeemed at a price based on that day's valuation and shares to be redeemed pursuant to a redemption request received after that time, or on a day which is not a Business Day, will be redeemed at a price based on the valuation made on the next Business Day. Redemption instructions may be given by delivery to the ACD of written instructions for redemption (by letter at 2 The Boulevard, City West One Office Park, Gelderd Road, Leeds, LS12 6NT, or fax on 0845 922 0044) or by telephoning the ACD on 0113 224 6001 between 9.00 am and 5.00 pm on any Business Day. Redemption instructions given by telephone must be confirmed in writing to the ACD prior to redemption proceeds being remitted. Redemption instructions are irrevocable.

A redemption contract note will be sent on or before the next Business Day following the day on which the redemption was effected. Where the total consideration for the transaction would include a fraction of one penny it will be rounded up or down to the nearest penny. There may also be deducted, if the

consideration is to be remitted abroad, the cost of remitting the proceeds (if any). If a redeeming shareholder wishes to be paid other than by cheque, the ACD will endeavour to arrange this but at the cost of the shareholder. The redemption proceeds will be paid not later than the close of business on the fourth Business Day after the later of the following times:

- (a) the valuation point immediately following the receipt by the ACD of the request to redeem the shares; or
- (b) the time when the ACD has received all duly executed instruments and authorisations, which effect (or enable the ACD to effect) transfer of title to the shares.

But neither the Company nor the ACD is required to make payment in respect of a redemption of shares where the money due on the earlier issue of those shares has not yet been received or where the ACD considers it necessary to carry out or complete identification procedures in relation to the holder or another person pursuant to a statutory, regulatory or European Community obligation (such as the Money Laundering Regulations 2007).

In Specie Redemption

Where a shareholder requests redemption of a number of shares, the ACD at its discretion may, by serving a notice of election on the shareholder not later than the close of business on the second business day following the day of receipt of the request, elect that the shareholder shall not be paid the redemption price of his shares but instead there shall be a transfer to that holder of property of the Company having the appropriate value. Where such a notice is so served on a shareholder, the shareholder may serve a further notice on the ACD not later than the close of business on the fourth Business Day following the day of receipt by the shareholder of the first mentioned notice requiring the ACD, instead of arranging for a transfer of property, to arrange for a sale of that property and the payment to the shareholder of the net proceeds of that sale. The selection of scheme property to be transferred (or sold) is made by the ACD in consultation with the Depositary, with a view to achieving no more advantage or disadvantage to the shareholder requesting redemption of his shares than to continuing shareholders. The Company may retain out of the property to be transferred (or the proceeds of sale) property or cash of value or amount equivalent to any SDRT to be paid in relation to the cancellation of the shares.

Minimum Redemption and Holding

In respect of each class of share, and subject to the minimum holding requirements, if the redemption request is in respect of only some of the shares held, the minimum value of shares which may be the subject of one act of redemption is £1,000 (calculated by reference to their current price net of any initial charge and before any dilution levy). Where the value of an individual holding of shares would, in consequence of a request for redemption/cancellation, fall below £500 in respect of Retail Shares and £25,000 in respect of Institutional Shares, such request may be treated as a request for redemption/ cancellation of all the shares of such class held by such shareholder. The value of shares for this purpose is calculated by reference to the current price, net of any initial charge and before any application of a dilution levy. However, the ACD may, by special arrangement and at its discretion, agree on an individual basis a lower amount in relation to the minimum redemption size.

16 SWITCHING BETWEEN CLASSES

At present, two classes of share are in issue. Subject to the qualifications mentioned below, a shareholder is entitled to exchange shares of one class for the appropriate number of shares of another class. The appropriate number of shares is determined by the following formula:

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

where N is the number of new shares to be issued, rounded down to the nearest whole number of shares; O is the number of shares of the old class to be exchanged, RP is the price at which one share of the old class can be redeemed and SP is the price at which one share of the new class can be purchased (net of any initial charge), in both cases at the application valuation point (see below). The ACD may adjust the number of new shares to be sold to reflect the effect of the dilution levy (if applicable) and any SDRT or other charges payable on the redemption or sale (as applicable) of the shares concerned.

The right to exchange is subject to the following:

- the ACD and the Depositary are not obliged to give effect to a request for exchange of shares if the value of the shares to be exchanged is less than the minimum permitted transaction (see above) or if it would result in the shareholder holding shares of any class of less than the minimum holding for that class of share (see above);
- the ACD may decline to permit an exchange in any case in which they would be entitled under COLL to refuse to give effect to a request by the shareholder for the redemption of shares of the old class or the issue of shares of the new class.

In no circumstances will a shareholder who exchanges shares in one class of shares for shares in any other class be given a right by law to withdraw from or cancel the transaction.

Application

A shareholder wishing to exchange shares should apply in the same way as for a redemption (see above). An exchange to be made pursuant to a request received before the valuation point of the Company on a day which is a Business Day will be effected at prices based on that day's valuation; where a request is received after that time, or on a day which is not a Business Day, the exchange will be effected at a price based on the valuation made on the next Business Day.

A contract note giving details of the exchange will be sent on or before the Business Day next following the day on which the exchange was effected.

17 SUSPENSION OF DEALINGS

The ACD may with the prior agreement of the Depositary, and will if the Depositary so requires, at any time for a period not exceeding 28 days suspend the issue, cancellation, sale, redemption and exchange of any class of shares ("**dealing**") if it, or the Depositary in the case of any requirement by the Depositary, is of the opinion that due to exceptional circumstances there is a good and sufficient reason to do so having regard to the interests of shareholders or potential shareholders of that class of shares. The ACD may, however, during the period in which dealing is suspended, agree to deal at prices calculated by reference to the first valuation

point after resumption of dealing. The recalculation of the share price will commence at or about the valuation point on the first Business Day following such period of suspension.

18 MANDATORY REDEMPTION OF SHARES

If the ACD reasonably believes that any shares are owned directly or beneficially in circumstances which:

- (a) constitute a 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
- (b) may (or may if other shares are acquired or held in like circumstances) result in the Company incurring any liability to taxation 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)

it may give notice to the holder of such shares requiring him or her to transfer them, to a person who is qualified or entitled to own them, or to request the redemption of the shares by the Company. If the holder does not either transfer the shares to a qualified person or establish to the ACD's satisfaction that he or she and any person on whose behalf he or she holds the shares are qualified and entitled to hold and own them, he or she will be deemed on the expiry of a thirty-day period to have requested their redemption.

19 DISTRIBUTION

The annual accounting period for the Company ends on 31 December (the "**accounting reference date**"). The half-yearly accounting period ends on 30 June (the "**interim accounting reference date**").

Quarterly allocations and distributions of income will be made on or before the last day in February, 31 May, 31 August and 30 November each year.

The ACD may operate a policy of smoothing income distributions over the annual accounting period such that all distributable income due to be paid will have been paid by the annual distribution date 30 April each year subject to the provisions on the determination of distributable income referred to below.

Distribution statements and tax certificates will be sent to shareholders. A crossed cheque or warrant for the amount of the net distribution will, where applicable, be sent to the registered address and made payable to the order of the shareholder (or, in the case of joint holders, made payable and sent to the registered address of the first named holder on the register) or payments may be made by bank automated credit system at the ACD's discretion.

All distributions unclaimed for a period of six years after having become due for payment shall be forfeited and shall revert to the Company. The payment of any unclaimed distribution, interest or other sum payable by the Company on or in respect of a share into a separate account shall not constitute the Company a trustee thereof.

Determination of Distributable Income

As at the end of each annual and interim accounting period, the ACD must arrange for the Depositary to transfer the income payable for distribution to the distribution account.

In this context, income payable for distribution generally means all sums considered by the ACD, in each case after consultation with the Company's auditors, to be in the nature of income received or receivable for the account of and in respect of the property of the Company, but excluding any amount (if any) for the time being standing to the credit of the distribution account.

The ACD need not comply with the above provisions if the average of the allocations of income to the shareholders would be less than £25 or such other amount agreed between the ACD and the Depositary. In that case, such amounts may be carried forward to the next interim accounting period and will be regarded as received at the start of that period. Otherwise, such sums may be credited to capital as determined by the ACD.

On or before each annual or interim income distribution date, the ACD must calculate the amount available for income distribution for the immediately preceding interim accounting period and must inform the Depositary of such amount.

The amount available for income distribution is calculated by taking the aggregate of the income property received or receivable for the account of the Company in respect of the relevant period, deducting the charges and expenses of the Company paid or payable out of the income property in respect of that period and adding the ACD's best estimate of any relief from tax on those charges and expenses. Further adjustments may be made as the ACD considers appropriate (after consultation with the auditors) in relation to taxation and the proportion of the prices received or paid for shares that relate to income (taking account of any provisions in the Instrument of Incorporation constituting the scheme relating to income equalisation), potential income which is unlikely to be received until twelve months after the relevant allocation date, income which should not be accounted for on an accrual basis because of lack of information about how it accrues, any transfer between the income and the capital account (regarding payments from capital or income) and making any other adjustments which the ACD considers appropriate (after consultation with the auditors).

In relation to income shares, on or before each relevant income distribution date, the ACD will instruct the depositary to enable it to distribute the income allocated to income shares among the holders of such shares and the ACD in proportion to the number of such shares held, or treated as held, by them respectively at the end of the relevant period.

In calculating the amount to be distributed, the ACD must deduct any amounts previously allocated by way of interim allocation of income for that annual accounting period and deduct and carry forward in the income account such amount as is necessary to adjust the allocation of income to the nearest one hundredth of a penny per income share or such lesser fraction as the ACD may determine.

20 INCOME EQUALISATION

An allocation of income (whether annual or interim) to be made in respect of each share issued or sold by the ACD during an accounting period in respect of which that income allocation is made may include a capital sum ("income equalisation") representing the ACD's best estimate of the amount of income included in the price of that share.

The amount of income equalisation in respect of any share may be the actual amount of income included in the issue price of the share in question or it may be an amount arrived at by taking the aggregate of the ACD's best estimate of the amounts of income included in the share price of shares of that class issued or sold in the annual or interim accounting period in question and dividing that aggregate by the number of those shares and applying the resultant average to each of the shares in question.

21 THE AUTHORISED CORPORATE DIRECTOR'S CHARGES

Initial Charge

The ACD may impose a charge payable by the shareholder on the issue of shares (the "**initial charge**"). This charge is calculated by reference to the issue price of the shares purchased. The current initial charges applicable to shares in the Company are set out in the table below.

Share Class	Current Initial Charge
Retail Income Shares	5% (or such lower amount agreed by the ACD)
Institutional Income Shares	0%
Retail Accumulation Shares	5%
Institutional Accumulation Shares	0%

If at any time the current initial charge applicable to shares is increased, the ACD is required to give not less than sixty days prior notice in writing to all shareholders before such increase may take effect. The ACD is also required to revise the Prospectus to reflect the new current rate and the date of its commencement.

Charges and Other Expenses

The Company may reimburse certain expenses incurred by the ACD. These expenses include payment for the provision of registration services and fees for the provision of other administrative services including accounting and tax compliance services.

- The current rate of registration service charge is £9.50 per account holder per annum and £17.50 per shareholder transaction subject to a minimum annual charge of £5,000.

- The current charge for tax compliance services is £1,000 per annum.
- The current rate of accounting service charge for the Company is equal to £32,500 per annum plus 0.20% of net asset value in excess of £12,500,000 as calculated monthly and paid in arrears.

Any increase to these expenses requires prior notice to shareholders of not less than 60 days before the increase may take effect. The Prospectus will also be revised to reflect the new rate and the date of its commencement.

These expenses are subject to value added tax.

Periodic Charge

The annual management charge is payable to the ACD who is responsible for paying the investment advisor of the Company. The investment advisory fee accrues daily and is payable monthly.

This charge is calculated by reference to the net asset value of the Company at the preceding valuation point and is payable monthly in arrears out of the property of the Company. It is paid within seven days. The periodic charge is paid to the ACD by way of remuneration for its duties and responsibilities to the Company as ACD. The current charges are as follows:

Share Class	Current Periodic Charge
Retail Income Shares	1.5%
Institutional Income Shares	0.75%
Retail Accumulation Shares	1.5%
Institutional Accumulation Shares	0.75%

Such charges exclude Value Added Tax to the extent it is payable. Any increase in the above rates requires not less than sixty days prior notice in writing to the shareholders before such increase may take effect. Also, the ACD is required to revise the Prospectus to reflect the new current rate and the date of its commencement.

The periodic charge will cease to be payable on the date of commencement of the winding up of the Company or, if earlier, the date of the termination of the ACD's appointment as such. The amount(s) accruing due on the last relevant valuation date before the event concerned will be adjusted accordingly.

22 THE FEES, CHARGES AND EXPENSES OF THE DEPOSITARY

The Depositary receives for its own account a periodic fee which will be accrued daily and payable monthly in respect of each calendar month and is payable as soon as practicable after the month end (and in any event within seven business days of the month end). The fee is calculated by reference to the value of the Company on the last valuation day of the preceding month and is payable out of the property of the Company. The rate of the periodic fee is agreed between the

ACD and the Depositary from time to time and the current agreed periodic fee is 0.02 per cent of the value of the Company per annum subject to a minimum annual fee of £10,000. Any increase will only be permitted after sixty days notice has been given to all shareholders and the Prospectus has been revised to reflect the new current rate and date of its commencement.

The total remuneration payable to the Depositary out of the property of the Company for its services also includes transaction charges and custody charges. Transaction charges range between £0 and £45 per transaction up to a maximum of £150 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 business day of the month when such charges arose or as otherwise agreed between the Depositary and the ACD. Custody charges range between 0 per cent and 0.02 per cent and accrue and are payable as agreed from time to time by the ACD and the Depositary. Any increase will only be permitted after sixty days notice has been given to all shareholders and the Prospectus has been revised to reflect the new current rate and date of its commencement.

In addition to the fees and charges payable to the Depositary referred to above, the Depositary is entitled to be reimbursed out of the property of the Company for expenses incurred in the proper performance of its duties (or the exercise of powers conferred upon it by the OEIC Regulations or COLL) 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 of dividends, interest and any other income;
- (iv) the maintenance of distribution accounts;
- (v) registration of assets in the name of the Depositary or its nominees or agents;
- (vi) borrowings, stocklending or other permitted transactions;
- (vii) communications with any parties (including, facsimile and SWIFT);
- (viii) taxation matters, and
- (ix) insurance matters.

The Depositary will also be reimbursed by the Company out of the property of the Company, for expenses properly incurred in the performance of, or arranging the performance of, functions conferred on it by the Depositary Agreement, the Regulations or by the general law.

The amount or rate of any of the Depositary's fees and charges referred to above shall (unless otherwise stated) be determined by reference to the scale or tariff or other basis from time to time agreed between the ACD and the Depositary and notified to the ACD by the Depositary.

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.

On a winding up of the Company 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 the commencement of the winding up 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.

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

. In each such case such expenses and disbursements may also be payable if incurred by any person (including the ACD or an associate or nominee of the Depositary or of the ACD) who has had the relevant duty delegated to it pursuant to COLL by the Depositary.

23 OTHER PAYMENTS OF THE COMPANY

The following expenses (being the actual amounts incurred) may also be payable by the Company out of its assets at the discretion of the ACD:

- broker's commissions, fiscal charges and other disbursements which are properly incurred in effecting transactions for the Company;
- interest on and other charges relating to permitted borrowings;
- taxation and other duties payable by the Company;
- any costs incurred in amending the Instrument of Incorporation or this Prospectus, (including for the avoidance of doubt, any costs of preparing the information for inclusion in the Prospectus and Simplified Prospectus), including costs incurred in respect of meetings of shareholders and/or directors convened for these purposes;
- any costs incurred in respect of any other meeting of shareholders convened for any purpose, including by way of clarification meetings convened on a requisition by holders not including the ACD or an associate of the ACD;
- any costs in relation to a unitisation, amalgamation or reconstruction where the property of a body corporate (such as an investment company) or of another collective investment scheme is transferred to the Company in consideration of the issue of shares in the Company to shareholders in that body corporate or to participation in that other scheme, any liability arising after the transfer which, had it arisen before the transfer, could properly have been paid out of that other property provided that the ACD is of the opinion that proper provision was made for meeting such liabilities as were known or could reasonably have been anticipated at the time of the transfer;
- the audit fee and any proper expenses of the auditor;
- the fee and any proper expenses of any professional advisers retained by the Company or by the ACD in relation to the Company;
- the costs of printing and distributing annual, half yearly and quarterly reports and any other information provided for shareholders;
- payments or costs in relation to the preparation of any Simplified Prospectus;

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- the costs of listing the prices of the shares in publication and information services selected by the ACD;
 - any costs of establishing the Company;
 - any costs of authorising new sub-funds of the Company after its initial establishment;
 - any fees and expenses in respect of establishing and maintaining the register of shareholders and any sub-register of shareholders as detailed in the "Expenses" section of this Prospectus;
 - any costs incurred in producing and despatching any payment made by the Company;
 - any costs incurred in taking out and maintaining an insurance policy in relation to the Company;
 - the periodic fees of the FSA 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;
 - 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;
 - any costs associated with the admission of shares to listings on any stock exchange and with the maintenance of that listing (including, for the avoidance of doubt, the fees levied by the exchange in question as a condition of the admission to listing of the shares and the periodic renewal of that listing), any offer of shares, including the preparation and printing of any prospectus and the creation, conversion and cancellation of shares associated with such prospectus;
 - any expense incurred with respect to the publication and circulation of details of the Net Asset Value of the scheme property;
 - any amount payable to the Company under any indemnity provisions provided for in the Instrument of Incorporation or any agreement to which the Company is party; and
 - any other charges/expenses that may be taken out of the Company's property in accordance with the COLL.

VAT on any fees, charges or expenses will be added to such fees, charges or expenses and will be payable by the Company.

Charges to Capital

All costs and expenses (including the investment advisory fee) will be charged 100% to capital. Additionally, transaction charges and SDRT will be charged to capital. Accordingly, the imposition of such charges may constrain the capital growth of the property of the Company.

24 TAXATION

General

The taxation of both the Company and its shareholders is subject to the fiscal law and practice of the UK and of the jurisdictions in which shareholders are resident or otherwise subject to tax. The following summary of the anticipated tax treatment in the UK does not constitute legal or tax advice. Prospective investors should consult their own professional advisers on the tax implications of making an investment in the Company, holding or disposing of shares and the receipts of distributions. The following summary is based on the taxation law and practice in force at the date of this prospectus, but prospective investors should be aware that the relevant fiscal rules or their interpretation are subject to change.

The Company

The UK tax regime applicable to the Company is essentially similar to that applied to authorised unit trusts. The Open-Ended Investment Companies (Tax) Regulations 1997 (the "**Tax Regulations**") modify the existing rules relating to authorised unit trusts in order to bring investment companies with variable capital (referred to as "**OEICs**" in this section of the Prospectus), such as the Company, within the same regime.

The Company will be liable to corporation tax on its taxable income, less its expenses of management. Corporation tax will be payable for a financial year at a special rate applicable to OEICs and authorised unit trusts. The Tax Regulations provide that sums appropriated in accordance with the terms of this Prospectus (as amended from time to time) for the remuneration of the ACD will be treated as management expenses.

Like other UK companies, the Company will not be subject to corporation tax on dividends from United Kingdom resident companies. Dividends from other OEICs and authorised unit trusts will be received subject to the corporate streaming rules. The portion of such dividends deemed to represent unfranked income will constitute taxable income of the Company. Where foreign tax has been deducted from income from overseas sources, that tax may in some instances be offset against corporation tax payable by the Company under double taxation relief arrangements.

As an OEIC, the Company will benefit from the exemption from corporation tax on chargeable gains in respect of disposals of its investments. Furthermore OEICs, like unit trusts, benefit from an exemption from corporation tax under Schedule D Case I on trading income derived from futures and option contracts falling within the definition of section 72 Finance Act 1985.

Dependent upon the nature of the income arising in respect of the property of the Company, the total amount shown in the distribution accounts of the Company is available for distribution to shareholders in one of two ways :-

- (a) it may be shown as available for distribution as a dividend; or
- (b) it may be shown as available for distribution as yearly interest.

The Tax Regulations provide that where an OEIC has different share classes in respect of capital property, income property or distributions, there shall be no discrimination between owners of shares in respect of different classes of shares, and accordingly it is not possible to make different types of distributions to different classes of shares.

Shareholders

The following is a general statement of current UK Revenue law and practice. Such law and practice may alter without prior warning. It does not describe the taxation treatment of shareholders, which are subject to specific tax regimes or of persons resident in jurisdictions other than the United Kingdom. Shareholders are advised to consult their professional advisers as to their tax position in all circumstances.

Individuals

An individual shareholder resident in the United Kingdom for tax purposes is liable to income tax on distributions made by the Company.

Dividends paid to individual shareholders resident in the United Kingdom for tax purposes will be treated in the same way as dividends received from a UK resident company and will have attached to them a tax credit equal to 10% of the grossed up dividend. The ability to reclaim a tax credit in relation to dividends has, generally, been withdrawn. The aggregate of the net dividend and the tax credit will be included in the shareholder's total income for tax purposes. Individuals liable to income tax at either the starting rate or the basic rate will have no further tax liability. Higher rate taxpayers will have a tax liability equal to 25% of the net dividend.

On a disposal of shares in the Company individual shareholders may, depending upon their personal circumstances have a liability to capital gains tax. Any net gain giving rise to a liability to capital gains tax will be charged to tax at the individual shareholder's top marginal rate of tax.

If the scheme property of the Company were to consist of more than 60% in "qualifying investments" (see the definition under the heading "Corporate" below), the Company would distribute its income as yearly interest which, would be paid under deduction of income tax at the lower rate, currently 20%.

In such a situation, UK resident individuals and certain other shareholders liable to UK income tax will be taxable on the sum of their gross interest distributions received during the relevant tax year, but they will be entitled to use the income tax withheld as a credit against their UK income tax liability. Such withholding will satisfy the liability of lower and basic rate taxpayers to tax on the income. Higher rate taxpayers will have additional tax to pay. If the total income of the shareholder is less than his or her personal allowance, the tax withheld can be the subject of a repayment claim.

It is not the ACD's intention to manage the assets of the Company such that distributions are regarded as interest and tax is withheld.

Corporate

Corporate shareholders resident in the United Kingdom for tax purposes will be subject to the corporate streaming rules in relation to any dividends received from the Company. Such dividends are "streamed" into unfranked and franked income depending on the relative proportions of franked and unfranked income comprised in the gross income of the Company. Any deemed unfranked income will be liable to corporation tax in the hands of any shareholders within the charge to corporation tax (this includes shareholders who are, themselves, either an OEIC or authorised unit trust).

In order to prevent avoidance of the tax regime relating to corporate debt (contained in the Finance Act 1996) by companies investing in an OEIC which in turn invests in debt, if the OEIC at any point in an accounting period fails to satisfy the non-qualifying investments test described below, the holding is treated as if it

were a holding of rights under a creditor relationship of the Company in respect of which an authorised mark to market basis of accounting must be used. Fluctuations in the value of the investments held by the Company in such circumstances will therefore be taxed or relieved on an annual basis. The non-qualifying investments test requires that less than 60 per cent of the market value of the investments of the OEIC are held in "qualifying investments". "Qualifying investments" for these purposes consist mainly of:

- (i) any money placed at interest;
- (ii) any security –
 - (A) including loan stock or similar security whether of the UK Government or any other government or of any public or local authority in the UK or elsewhere or of any company, and whether secured or unsecured, but
 - (B) excluding shares in the company;
- (iii) any shares in a Building Society; and
- (iv) an entitlement to a share in the investments subject to the trusts of another authorised unit trust or OEIC unless the investments of the authorised unit trust or the OEIC fulfil the 60% qualifying investments requirement stated above.

Any chargeable gains arising to United Kingdom resident corporate shareholders on a disposal of their shares in the Company will be subject to corporation tax.

ISAs

Shares will be eligible for inclusion within a stocks and shares component of an ISA.

25 REPORTS AND ACCOUNTS

The annual accounting period of the Company ends on 31 December. The interim accounting period ends on 30 June.

The annual report of the Company (the "**long report**") will be available on or before the end of 30 April and the half-yearly long report on or before the end of 31 August in each year. Copies of the annual long report and half-yearly long report may be inspected at, and copies obtained free of charge from the ACD at its operating address. These reports may also be inspected at the Depositary's office during normal office hours.

The ACD will also issue a short report in relation to the Company both half yearly and annually. These will be distributed to shareholders before the end of 30 April and 31 August each year.

26 ANNUAL GENERAL MEETING

In accordance with the OEIC Regulations, the ACD has dispensed with the holding of an Annual General Meeting. All resolutions will be voted upon at an Extraordinary General Meeting.

27 VOTING

Entitlement to receive notice of a particular meeting or adjourned meeting and to vote at such a meeting is determined by reference to those persons who are holders of shares in the Company on the date seven days before the notice is sent ("**the cut-off date**"), but excluding any persons who are known not to be holders at the date of the meeting or other relevant date.

At a meeting of shareholders, on a show of hands every holder who (being an individual) is present in person or by proxy or, if a corporation, is present by a properly authorised representative, has one vote. On a poll votes may be given either personally or by proxy and the voting rights attached to a share are such proportion of the total voting rights attached to all shares in issue as the price of the share bears to the aggregate price of shares in issue on the cut-off date. A holder 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. A vote will be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by the chairman, by the Depositary or by two shareholders present or by proxy.

An instrument appointing a proxy may be in any usual or common form or in any other form approved by the ACD. It should be in writing under the hand of the appointor or his attorney or, if the appointor is a corporation, either under the common seal, executed as a Deed or under the hand of a duly authorised officer or attorney. A person appointed to act as a proxy need not be a holder.

The quorum at a meeting of holders is two shareholders present in person or by proxy or (in the case of a corporation) by a duly authorised representative. If a quorum is not present within half an hour of the time appointed the meeting will (if requisitioned by shareholders) be dissolved and in any other case will be adjourned. If at such adjourned meeting a quorum is not present within 15 minutes from the appointed time, one person entitled to count in a quorum will be a quorum.

A corporation, being a holder, may by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of holders and the person so authorised is entitled to exercise the same powers on behalf of the corporation which he represents as the corporation could exercise if it were an individual holder.

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

The ACD is entitled to attend any meeting but, except in relation to third party shares, is not entitled to vote or be counted in the quorum and any shares it holds are treated as not being in issue for the purpose of such meeting. An associate of the ACD is entitled to attend any meeting and may be counted in the quorum, but may not vote except in relation to third party shares. For this purpose third party shares are shares held on behalf of or jointly with a person who, if himself the registered shareholder, would be entitled to vote, and from whom the ACD or the associate (as relevant) has received voting instructions.

Powers of a Shareholders' Meeting

The ACD must, by way of extraordinary resolution, (i.e. a resolution notified and proposed as such and passed by a majority of not less than three-quarters of the votes validly cast), obtain prior approval from the shareholders (or, where

applicable, class of shareholders) for any proposed change to the Company which, in accordance with COLL, is a fundamental change. Such a fundamental change is likely to include:-

- certain changes to the investment objective and policy of the Company;
- the removal of the ACD; and
- any proposal for a scheme of arrangement.

Other provisions of the Company's Instrument of Incorporation and the Prospectus may be changed by the ACD without the sanction of a shareholders' meeting in accordance with the COLL.

Class Rights

The rights attached to a class of shares may only be varied with the sanction of a resolution passed at a class meeting of the holders of the classes concerned. The provisions about notice and conduct of meetings summarised above will apply, with the necessary alterations, to class meetings.

Changes to the Instrument of Incorporation, which relate only to a particular class or classes of shares and do not prejudice shareholders of any other class may, subject to certain exceptions, be made by an extraordinary resolution passed at a class meeting or class meetings of the holders of the class of shares concerned.

28 INVESTMENT AND BORROWING POWERS

The Company may exercise the full authority and powers permitted by COLL applicable to a UCITS scheme. However, this is subject to the applicable investment limits and restrictions set out in COLL, the Company's Instrument of Incorporation, this Prospectus and the Company's investment objective and policy.

The property of the Company may not include any investment to which a liability (whether actual or contingent) is attached unless the maximum amount of such liability is ascertained at the time when such investment is acquired for the account of the Company.

In accordance with the investment policy of the Company, the Company shall primarily invest in UK equities. The capital property of the Company is required to consist of such investments although investment in other asset classes is permitted as set out in COLL as it applies to UCITS schemes and as set out below. Therefore, the capital property of the Company may at any time consist of all transferable securities or a mixture of such assets as well as investments of other asset classes as set out below.

Transferable securities

Up to 100% of the scheme property may consist of transferable securities (as defined in COLL) which are admitted to or dealt in on an Eligible Market. Not more than 10% in value of the scheme property may consist of transferable securities, which are not admitted to or dealt in an Eligible Market.

Not more than 5% in value of the scheme property may consist of transferable securities or money market instrument (referred to below) issued by any single body. This limit may be raised to 10% in respect of up to 40% in value of the scheme property.

Not more than 20% in value of the scheme property is to consist of transferable securities issued by the same group.

Not more than 5% in value of the scheme property may consist of warrants. Warrants may only be held if it is reasonably foreseeable that the exercise of the rights conferred by the Warrants will not contravene COLL. Securities on which any sum is unpaid may be held provided that it is reasonably foreseeable that the amount of any existing and potential call for any sum unpaid could be paid by the Company at any time when the payment is required without contravening COLL.

Collective investment schemes and fund of funds

The Company will not invest in collective investment schemes and fund of funds.

Cash and near cash

Up to 100% of the scheme property may consist of cash or near cash to enable:

- (a) the pursuit of the Company's investment objectives;
- (b) the redemption of shares; or
- (c) 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.

The ACD does not anticipate the scheme property consisting of more than 10% of cash or near cash at any one time. Liquidity may be at the upper end of, or even exceed this range under certain circumstances such as where 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 shares or realisation of investments.

Cash forming part of the scheme property may be placed in any current or deposit account with the Depositary, 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 those of any comparable arrangements effected on normal commercial terms negotiated at arm's length between two independent parties.

Government and public securities

The Company will not invest in government and public securities.

Money Market Instruments

Up to 100% of the scheme property may consist of money market instruments which are normally dealt in on the money market, are liquid and whose value can be accurately determined at any time, provided such money market instrument is:

- (a) issued or guaranteed by a central, regional or local authority or central bank of an EEA state, the European 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

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- (b) 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
 - (c) issued by a body, any securities of which are dealt in on an eligible market.

Not more than 10% of the value of the scheme property may consist of money market instruments, which do not fall within the above criteria.

Derivatives

The Company will not invest in derivatives or forward transactions.

Deposits

Up to 100% of the scheme property may consist of deposits (as defined in COLL) but only if it:

- is with an approved bank;
- is repayable on demand or has the right to be withdrawn; and
- matures in no more than 12 months.

Immovable and movable property

It is not intended that the Company should have any interest in any immovable property or tangible movable property.

Spread – general

In applying any of the restrictions referred to above, not more than 20% in the value of the scheme property is to consist of any combination of the following:

- (a) transferable securities or money market instruments issued by; or
- (b) deposits made with;
a single body.

In applying any limit to transferable securities or money market instruments, any certificates representing certain securities are to be treated as equivalent to the underlying security.

Not more than 20% in value of the scheme property is to consist of deposits with a single body.

Concentration

The Company must not at any time hold:

- (a) more than 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;
- (b) more than 10% of the debt securities issued by one issuer;

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- (c) more than 10% of the money market instrument issued by a single body.

Significant Influence

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.

Upon request the ACD will provide information to shareholders relating to:

- (a) the quantitative limits applying in the risk management of that scheme;
- (b) the methods used in relation to (a); and
- (c) any recent development of the risk and yields of the main categories of investment.

Borrowing

Subject to the Company's Instrument of Incorporation and COLL (as it relates to UCITS schemes), the Company may borrow money for the purposes of achieving its objectives on terms that such borrowings are to be repaid out of the scheme property. 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) and must be on a temporary basis only. No period of borrowing may exceed 90 days without the prior consent of the Depositary (which may give such consent only on conditions as appear to the Depositary appropriate to ensure that the borrowing does not cease to be on a temporary basis). Such borrowing must not, on any business day, exceed 10 per cent of the value of the scheme property. As well as applying to borrowing in a conventional manner, the 10 per cent limit applies to any other arrangement designed to achieve a temporary injection of money into the scheme property in the expectation that such will be repaid. For example, by way of a combination of derivatives which produces an effect similar to borrowings.

The above provisions on borrowing do not apply to "back to back" borrowing for efficient portfolio management 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).

Borrowings may be made from the Depositary, the ACD, the Directors or any Investment Adviser 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 Company concerned as would be those of any comparable arrangements effected on normal commercial terms negotiated at arm's length between two independent parties.

Stock lending

The Company will not enter into stock lending arrangements.

29 TRANSFER OF SHARES

A shareholder is entitled (subject to as mentioned below) to transfer shares by an instrument of transfer in any usual or common form or in any other form approved by the ACD. The ACD is not obliged to accept a transfer if it would result in the holder, or the transferee, holding less than the minimum holding of shares of the class in question. The instrument of transfer, duly stamped if it is required to be stamped, must be lodged with the Registrar for registration. The transferor remains the holder until the name of the transferee has been entered in the register.

The Company or the Registrar may require the payment of such reasonable fee as the ACD and the company may agree for the registration of any grant of probate, letters of administration or any other documents relating to or affecting the title to any share.

30 WINDING UP OF THE COMPANY

The Company may be wound up under chapter 7.3 of COLL or as an unregistered company under Part V of the Insolvency Act 1986. Winding up of the Company under COLL is only permitted with the approval of the FSA and if a statement has been lodged with the FSA by the ACD confirming that the Company will be able to meet all its liabilities within twelve months of the date of the statement (a "**solvency statement**").

Subject to the foregoing, the Company will be wound up or terminated (as appropriate) under COLL:

- if an extraordinary resolution of shareholders of the Company to that effect is passed; or
- on the date stated in any agreement by the FSA in response to a request from the ACD for the winding up of the Company.

The winding up of the Company under COLL is carried out by the ACD which will, as soon as practicable, cause the property of the Company to be realised and the liabilities to be met out of the proceeds. Provided that there are sufficient liquid funds available after making provision for the expenses of winding up and the discharge of the liabilities of the Company the ACD may arrange for interim distribution(s) to be made to shareholders. When all liabilities have been met, the balance (net of a provision for any further expenses) will be distributed to shareholders. The distribution will be made to the holders of shares, in proportion to the units of entitlement in the property of the Company which their shares represent.

Shareholders will be notified of any proposal to wind up the Company. On commencement of such winding up or termination the Company will cease to issue and cancel shares and transfers of such shares shall cease to be registered.

On completion of the winding up, 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.

31 OTHER INFORMATION

Delegation

The ACD and the Depositary, subject to exceptions specified in the COLL, may retain (or arrange for the Company to retain) the services of other persons to assist them in the performance of their respective functions and, in relation to certain functions, the ACD or the Depositary (as applicable) will not be liable for the actions of the persons so appointed provided certain provisions of the COLL apply.

Conflicts of Interest

The Depositary or any associate of the Depositary, or of any Investment Adviser may (subject to COLL) hold money on deposit from, lend money to the Company, so long as the services concerned are provided on arm's length terms.

The Depositary, the ACD, or any Investment Adviser or any associate of any of them may sell or deal in the sale of property to the Company or purchase property from the Company provided the applicable provisions of the COLL apply and are observed.

Subject to compliance with COLL the ACD may be party to or interested in any contract, arrangement or transaction to which the Company is a party or in which it is interested. The ACD is entitled in its own discretion to determine the terms of its appointment as such, and consequently to amend the terms of the Service Agreement referred to under "The Authorised Corporate Director" above.

The Depositary, the ACD, or any Investment Adviser or any associate of any of them will not be liable to account to the Company or any other person, including the holders of shares or any of them, for any profit or benefit made or derived from or in connection with:

- (a) their acting as agent for the Company in the sale or purchase of property to or from the Company; or
- (b) their part in any transaction or the supply of services permitted by the COLL; or
- (c) their dealing in property equivalent to any owned by (or dealt in for the account of) the Company.

Liability and Indemnity

With the exception mentioned below:

- The ACD, the Depositary and the Auditors are each entitled under the Instrument of Incorporation of the Company to be indemnified against any loss, damage or liability incurred by them in or about the execution of their respective powers and duties in relation to the Company; and
- the ACD and the Depositary are, under the terms of their respective agreements with the Company, exempted from any liability for any loss or damage suffered by the Company.

The above provisions will not, however, apply in the case of:

- any liability which would otherwise attach to the ACD or the Auditors in respect of any negligence, default, breach of duty or breach of trust in relation to the Company;
- any liability on the part of the Depositary for any failure to exercise due care and diligence in the discharge of its functions.

Rebate of Fees and Commission

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

32 GENERAL

Any complaint should be referred to the ACD at its registered office. If a complaint cannot be resolved satisfactorily with the ACD it may be referred to the Financial Ombudsman Service, South Quay Plaza, 183 Marsh Wall, London E14 9SR. More details about the Financial Ombudsman Service are available from the ACD.

All documents and remittances are sent at the risk of the shareholder. All notices or documents required to be served on shareholders shall be served by post to the address of such shareholder as evidenced on the register.

Cancellation

A notice of an applicant's right to cancel the agreement to purchase shares will be forwarded, where this is required by rules made under the Act.

When the investment is a lump sum investment (or the first payment, being larger than the second payment, in a regular payment savings plan) an applicant who is entitled to cancel and does so will not get a full refund of the money paid by him if the purchase price of the shares falls before the cancellation notice is received by the ACD, because an amount equal to such fall (the "**shortfall**") will be deducted from the refund he would otherwise receive. Where the purchase price has not yet been paid, the applicant will be required to pay the amount of the shortfall to the ACD. The deduction does not apply where the service of the notice of the right to cancel precedes the entering into of the agreement. Cancellation rights must be exercised by posting a cancellation notice to the ACD on or before the 14 day after the date of receipt of the notice of the right to cancel.

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

The Financial Services Compensation Scheme Limited has been established under the rules of the FSA as a "rescue fund" for certain clients of firms authorised and regulated by the FSA, which have gone out of business. The ACD will supply you with further details of the scheme on written request to its operating address. Alternatively, you can visit the scheme's website at www.fscs.org.uk or by writing to the Financial Services Compensation Scheme, 7th Floor, Lloyds Chambers, Portoken Street, London E1 8BN.

Documents and information available

Copies of the following documents are available for all purchasers of shares on request, free of charge from the ACD at Ibox House, 42-47 Minories, London, EC3N 1DX:

- Latest version of the Prospectus and the Simplified Prospectus;
- Latest version of the Instrument of Incorporation, which constitutes the Company ;

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- Latest annual and half-yearly long reports applying to the Company;
 - Supplementary information relating to the quantitative limits which apply to the risk management of the Company , the methods used for the purposes of such risk management and any recent developments which relate to the risk and yields of the main categories of investment which apply to the Company; and
 - the ACD Agreement.

The above documents are also available for inspection on any Business Day during normal business hours at the offices of the ACD.

This Prospectus

This Prospectus describes the constitution and operation of the Company at the date of this Prospectus. In the event of any materially significant change in the matters stated herein or any materially significant new matter arising which ought to be stated herein this Prospectus will be revised. Investors should check with the ACD that this is the latest version and that there have been no revisions or updates.

Appendix 1

The ACD acts as Authorised Corporate Director of the following Open-ended Investment Companies:	
Aristo Investment Funds	Asperior Investment Funds
Capita BPM Investment Fund	Celestial Investment Funds
CF 7IM Investment Funds	CF Absolute Return Portfolio Funds
CF Acuity Real Asset Management Fund	CF Adam Worldwide Fund
CF Analyst UK Fund	CF Arch Cru Investment Funds
CF Asset Value Investors Global Fund	CF Balanced Growth Fund
CF Bentley Capital Investment Funds	CF Benton Investment Fund
CF Charles Stanley Investment Funds	CF CH Special Mandates Fund
CF Cheviot Investment Funds	CF Chelverton UK Equity Fund
CF Church House High Income Fund	CF Church House Active Value Fund
CF Cornelian Investment Funds	CF Church House UK Growth Fund
CF Danske Fund	CF Diversified Investment Funds
CF DSMCP Investment Funds	CF Eclectica Funds
CF Eden Investment Funds	CF Egerton Sterling Investment Fund
CF GHC Multi Manager Investment Funds	CF GHC Investment Funds
CF Heartwood Investment Funds	CF Gresham Defined Funds
CF iimia Open Ended Investment Company	CF iimia Accelerated Fund
CF IM Portfolio Fund	CF IM Investment Funds
CF Income Tracker Funds	CF IMS Investment Funds
CF JOHIM Investment Funds	CF J.M. Finn Investment Funds
CF KB Enterprise Funds	CF KB Endeavour Funds
CF KB Glendean Fund	CF KB Explorer Funds
CF KB Prokit Fund	CF KB Invicta Fund
CF KB Tully	CF KB Robin Fund
CF Macquarie Investment Funds	CF Lindsell Train UK Equity Fund
CF Miton Investment Funds	CF Luna Investment Funds
CF Morant Wright Japan Fund	CF Midas Investment Funds
CF Noble Investment Funds	CF MitonOptimal Multi Strategy ICVC
CF Odey Investment Funds	CF Natural Resources Fund
CF OPM Investments	CF Octopus Opportunities Fund
CF Progressive UK Smaller Companies Fund	CF OPM Investment Funds
CF Ruffer Investment Funds	CF Organised Growth & Income Fund
CF Techinvest Technology Fund	CF Richmond Core Fund
CF TY Investment Funds	CF Techinvest Special Situations Fund
CF Whitefoord Absolute Return Fund	CF Turcan Connell Investment Funds
Deer Investment Funds	CF Williams de Broe Investment Funds
Fenchurch Defined Funds	FEM Investment Fund
Kennox Investment Fund	Global Discretionary Investment Funds
Nereid Investment Funds	Gresham Defined Funds
Orchard Investment Funds	London Bridge Fund
PE Managed Fund	Melchior Investment Funds
Purisima Investment Funds	New Square Investment Funds
Sheldon Equity Growth Fund	Packet Global Fund
The Abbotsford Fund	Pendennis Fund ICVC
The Aurinko Fund	Real Life Fund

The Castleton Growth Fund	Sheldon Investment Funds
The Cranmer Investment Fund	The Arbor Fund
The Esk Fund	The Broden Fund
The Folla Fund	The Circus Fund
The Gulland Fund	The Davids Fund
The Helm Investment Fund	The Heartwood Pedigree Absolute Return Fund
The Holmbush Fund	The Hendom Fund
The Marten Fund	The Mazener Fund
The MN Fund	The Monoux Fund
The Montana Fund	The Mulberry Fund
The Navajo Fund	The New Floco Fund
The New Grande Motte Fund	The New Jaguar Fund
The New Villture Fund	The Norton Fund
The Oenoke Fund	The Palm Fund
The Penrhos Fund	The Prestney Fund
The Primrose Fund	The Rires Fund
The Rising Income Fund	The Steelback Fund
The Successor Investment Funds	The Tasman Fund
The Triple Six Investment Fund	The Vale Fund
The Viaduct Fund	The Wells Cottage Fund
Trojan Investment Funds	Westferry Investment Funds
Windrush Fund	
The ACD acts as Manager of the following Authorised Unit Trusts:	
CF Benton Unit Trust	CF Canlife Unit Trusts
CF Cobra Trust	CF Dream Trust
CF Greenaway Fund	CF Greenmount Fund
CF Heartwood Balanced Growth Fund	CF James Brearley High Income Trust
CF Institutional World Fund	CF KB Albert Trust
CF Jaycap Trust	CF KB Catalyst Trust
CF KB Anfield Trust	CF KB Feelgood Trust
CF KB Capital Portfolio Trust	CF KB Hawthorn Trust
CF KB Gorthleck Trust	CF KB Imperial Trust
CF KB Ilex Trust	CF KB Lancastrian Trust
CF KB Paradise Trust	CF KB Ramogan Trust
CF Lacomp World Fund	CF Mitchell Trust
CF Rowan Portfolio Trust	CF St Andrews Asset Managers Investment Fund
CF Stewart Ivory Investment Markets Fund	CF Thameside Managed Fund
CF Walker Crips Equity Income Fund	CF Walker Crips Corporate Bond Fund
CF Walker Crips Select Income Trust	CF Walker Crips Global Growth Trust
CF Zenith International Managed Fund	CF Walker Crips UK Growth Fund
Lorimer Trust	CF Worldwide Fund
Sackville Growth Portfolio Trust	Junior Oils Trust
The Beaver Trust	Sackville Balanced Portfolio Trust
The Elfynn Trust	The Amadeus Trust
The Holly Fund	The Drygate Trust
The Mermaid Trust	The Heathway Fund
The Oakridge Trust	The Lancaster Trust

The Willow Fund	The Newgate Trust
CF Walker Crips UK High Alpha Fund	The Sycamore Fund

Appendix 2

Historical performance

<i>For the calendar year ending</i>	<i>Percentage growth</i>
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31 December 2007	17.22%
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(Percentage annual/cumulative performance, income shares (total return), based on Lipper data.)

Past performance is not a reliable indicator of future performance.