

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

Close Asset Management (UK) Limited, the manager of the Scheme, is the person responsible for the information contained in this Prospectus. To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained herein does not contain any untrue or misleading statement or omit any matters required by the Collective Investment Schemes Sourcebook to be included in it. Close Asset Management (UK) Limited accepts responsibility accordingly.

**Prospectus**

**of**

**Close FTSE techMARK Fund**

**(A UK UCITS scheme with product reference number 190356)**

**This Prospectus is dated, and is valid as at, 7 August 2024**

This document constitutes the Prospectus for Close FTSE techMARK Fund which has been prepared in accordance with the Collective Investment Schemes Sourcebook (COLL).

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

## **Contact Details**

### **WHAT ARE CLOSE ASSET MANAGEMENT (UK) LIMITED'S CONTACT DETAILS?**

**Close Asset Management (UK) Limited (The Manager)**  
**PO Box 367**  
**Darlington**  
**DL1 9RG**

**Telephone: 0370 606 6452**

Telephone calls may be recorded by the Manager, its delegates, their duly appointed agents and any of their respective related, associated or affiliated companies for records keeping, security and/or training purposes, please see paragraph 11.8 below for further information.

### **HOW DO I CONTACT THE FINANCIAL CONDUCT AUTHORITY?**

**Close Asset Management (UK) Limited is authorised and regulated by the Financial Conduct Authority in the United Kingdom.**

**The FCA can be contacted at:**

**12 Endeavour Square,  
London  
E20 1JN**

**From UK: 0300 500 8082 (local call rates) or 0800 111 6768 (freephone)**

**From abroad: +44 207 066 1000**

**Website: [www.fca.org.uk](http://www.fca.org.uk)**

**Email: [consumer.queries@fca.org.uk](mailto:consumer.queries@fca.org.uk)**

## **Important Information**

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

This Prospectus has been prepared solely for, and is being made available to investors for the purposes of evaluating an investment in Units in the Scheme. Investors should only consider investing in the Scheme if they understand the risks involved including the risk of losing all capital invested.

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

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

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

The provisions of the Trust Deed are binding on each of the Unitholders and a copy of the Trust Deed is available on request from Close Asset Management (UK) Limited. This Prospectus has been issued for the purpose of section 21 of the Financial Services and Markets Act 2000 by Close Asset Management (UK) Limited.

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

This Prospectus is based on information, law and practice at the date hereof. The Manager cannot be bound by an out of date Prospectus when a new version has been issued and investors should check with Close Asset Management (UK) Limited that this is the most recently published prospectus.

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

## Contents

1 THE TRUST .....	3
1.1 Establishment and Authorisation .....	3
1.2 Base Currency .....	3
1.3 Typical Investor .....	3
2 MANAGEMENT OF THE SCHEME .....	4
2.1 Regulatory Status .....	4
2.1 The Manager .....	4
2.3 The Trustee .....	5
2.4 Investment Adviser .....	8
2.5 The Administrator .....	8
2.6 The Auditor .....	8
2.7 Conflicts of interest .....	8
3 RISK FACTORS .....	10
3.1 Delivery Versus Payment Transactions .....	10
3.2 Market Risk .....	10
3.3 Effect of Preliminary Charge or Redemption Charge .....	10
3.4 Long term investment .....	11
3.5 Segment and Index Exposure Risk .....	11
3.6 Anticipated Tracking Error .....	11
3.7 Derivative Risk .....	11
3.8 Counterparty and Credit risk .....	12
3.9 Efficient portfolio management (EPM) techniques .....	12
3.10 Currency Fluctuations .....	13
3.11 Interest Rate Risk .....	13
3.12 Valuation Risk .....	13
3.13 Liquidity Risk .....	14
3.14 Technology Risk (including healthcare and telecommunications) .....	14
3.15 Dilution .....	14
3.16 Rights to cancel .....	14
3.17 Tax position .....	14
3.18 Miscellaneous .....	15
4 UNITS	16
4.1 Types of Units .....	16
4.2 Interests of Unitholders .....	16
4.3 The Register .....	16
4.4 Statements .....	17
5 DEALINGS IN UNITS .....	18
5.1 Issue and redemption of Units .....	18
5.2 Unit prices .....	18
5.3 Minimum holdings .....	18
5.4 Application to buy Units .....	19

5.5 Request to redeem Units.....	19
5.6 Delivery Versus Payment ('DvP') Exemption .....	19
5.7 Exchanging Units.....	20
5.8 Anti-money laundering procedures.....	20
5.9 Cancellation .....	21
5.10 In specie issue and cancellation of Units.....	21
5.11 Deferred redemptions of Units .....	21
5.12 Suspension of dealings in Units .....	22
5.13 Compulsory redemptions of Units .....	22
5.14 Market Timing .....	23
5.15 Dealing Charges .....	24
6 VALUATION AND PRICING .....	25
6.1 Valuation.....	25
6.2 Fair value pricing .....	26
6.3 Price of a Unit .....	26
6.4 Dilution Adjustment .....	27
7 FEES AND EXPENSES .....	29
7.1 General .....	29
7.2 Fund Management Fee .....	29
7.3 Calculation and operation of the Fund Management Fee .....	30
7.4 Changes to the Fund Management Fee.....	31
7.5 Other payments from Scheme Property .....	31
7.6 Allocation of payments to income or capital .....	32
7.7 The Ongoing Charges Figure ( .....	32
8 UNITHOLDER MEETINGS AND INFORMATION FOR UNITHOLDERS.....	33
8.1 Unitholder meetings.....	33
8.2 Reports .....	34
8.3 Trust Deed and Prospectus.....	34
9 TAXATION.....	35
9.1 Taxation of the Scheme.....	35
9.2 Taxation of Unitholders.....	36
10 WINDING UP OF THE SCHEME.....	38
11 GENERAL INFORMATION.....	39
11.1 Strategy for the exercise of voting rights.....	39
11.2 Best Execution.....	39
11.3 Transfer of Assets .....	39
11.4 Notices.....	39
11.5 Complaints .....	39
11.6 Collateral Management policy .....	40
11.7 Inducements and commission.....	40
11.8 Telephone recording .....	41
APPENDIX 1 .....	42
Details of the Scheme .....	42
APPENDIX 2 .....	45
Investment Powers and Restrictions.....	45
APPENDIX 3 .....	71

Past performance .....	71
APPENDIX 4 .....	72
Dilution Adjustment.....	72
APPENDIX 5 .....	73
Eligible Markets .....	73
APPENDIX 6 .....	74
BNYM-SA/NV Sub-Custodian Network – 29 April 2024 .....	74

## TERMS USED IN THIS DOCUMENT

<b>"Act"</b>	the Financial Services and Markets Act 2000 (as amended)
<b>"Administrator"</b>	The Bank of New York Mellon (International) Limited
<b>"Anticipated Tracking Error"</b>	a measure of estimated volatility of fund performance against the benchmark. Also known as active risk or relative risk. In technical terms, it is defined as the forecast standard deviation of annual returns versus the benchmark. Anticipated tracking error is usually quoted ex-ante, the ex-post measure of volatility of actual returns more usually being referred to as realised tracking error
<b>"Approved Bank"</b>	one of the approved banks as defined in the Glossary to the FCA Rules
<b>"AUT"</b>	a UK authorised unit trust scheme
<b>"Authorised Investment Fund"</b>	an AUT or an ICVC
<b>"Business Day"</b>	any day which is not a Saturday or Sunday and on which banks are open for business in England and Wales, i.e. excluding public holidays
<b>"COLL"</b>	refers to the appropriate chapter or rule in the COLL Sourcebook
<b>"COLL Sourcebook"</b>	the Collective Investment Schemes Sourcebook issued by the FCA as amended or re-enacted from time to time (references in this Prospectus to "COLL" refer to the appropriate chapter or rule in the COLL Sourcebook)
<b>"Dealing Day"</b>	each Business Day, but not 24 or 31 December or any other day at the Manager's discretion, as agreed with the Trustee and notified to Unitholders
<b>"Eligible Institution"</b>	one of the eligible institutions as defined in the Glossary to the FCA Rules
<b>"FCA"</b>	the Financial Conduct Authority or any other regulatory body which may assume its regulatory responsibilities from time to time
<b>"EUWA"</b>	the European Union (Withdrawal) Act 2018
<b>"FCA Rules"</b>	the FCA's Handbook of Rules and Guidance which includes the COLL Sourcebook
<b>"ICVC"</b>	a UK authorised open ended investment company, an investment company with variable capital incorporated under the Open-Ended Investment Companies Regulations 2001
<b>"Investment Adviser"</b>	Close Asset Management Limited
<b>"Manager"</b>	Close Asset Management (UK) Limited

<b>"Ongoing Charges Figure (OCF)"</b>	the ongoing charges figure is based on the last year's expenses and may vary from year to year. It excludes the cost of buying or selling assets for the Trust (unless these assets are shares of another fund).
<b>"Prospectus"</b>	this document, the prospectus for the Scheme as amended from time to time
<b>"Registrar"</b>	The Bank of New York Mellon (International) Limited
<b>"Scheme"</b>	Close FTSE techMARK Fund
<b>"Scheme Property"</b>	the property of the Scheme
<b>"Trust Deed"</b>	the trust deed by which the Scheme is constituted
<b>"Trustee"</b>	The Bank of New York Mellon (International) Limited
<b>"UK UCITS Scheme"</b>	an undertaking for collective investment in transferable securities scheme constituted in accordance with the FCA Rules, in respect of this Trust, being an authorised investment fund which is an umbrella and is classified under the COLL Sourcebook as a UK UCITS scheme, and each of whose sub-funds would be classified as a UK UCITS scheme if separately authorised <b>"Unit"</b> a unit in the Scheme, being a unit which relates to a particular class (including fractions of 1/10000 of a unit) where appropriate
<b>"Unitholder"</b>	a holder of Units
<b>"Valuation Point"</b>	a valuation point fixed by the Manager for the purposes of valuation of the property of the Scheme
<b>"VAT"</b>	value added tax



## **1. The Trust**

### **1.1 Establishment and Authorisation**

The Scheme is an authorised unit trust scheme under the Financial Services and Markets Act 2000 (the "**Act**"). It was authorised on 26 October 1999. The Scheme is classified as a UK UCITS scheme.

### **1.2 Base Currency**

The base currency of the Scheme is pounds sterling of the United Kingdom.

### **1.3 Typical Investor**

The Scheme is designed to be promoted via IFAs, private client fund managers and institutions to a wide variety of types of investors, including retail investors but may be suitable for any investor, including a retail investor, who is prepared to risk loss of their capital to potentially get higher returns and who plans to stay invested in the Scheme for at least 5 years.

The target market of the Scheme is any investor, including a retail investor, who has read the Key Investor Information Document, wishes to have the investment exposure as set out in the Scheme's investment objective and policy, and is comfortable taking on the general and specific risks as set out in section 3.

The Scheme is appropriate for an investor with basic knowledge, or an informed investor or an experienced investor. The Scheme may be purchased with or without professional financial advice. The Scheme has been classified as a non-complex investment product so there is no requirement to have prior knowledge or experience of this type of investment before investing.

The Scheme is designed to be used as a standalone solution or form part of a portfolio of investments. The product is not guaranteed and the value of the product can go up or down.

## **2. Management of the Scheme**

### **2.1 Regulatory Status**

The Manager, the Trustee and the Investment Adviser are authorised and regulated by the Financial Conduct Authority of 12 Endeavour Square, London E20 1JN.

### **2.2 The Manager**

The Manager of the Scheme is Close Asset Management (UK) Limited. The Manager is a private limited company incorporated in England and Wales on 6 December 1994 with registered number 2998803. The ultimate holding company of the Manager is Close Brothers Group plc, a company incorporated in England and Wales on 3 June 1953 with registered number 520241. The registered office (and head office) of the Manager is at 10 Crown Place, London EC2A 4FT and its business address is 10 Crown Place, London EC2A 4FT. The issued share capital of the Manager is £500,000 all of which is fully paid up.

The Manager is the authorised fund manager of the Scheme and also the manager or authorised corporate director of the following UK authorised investment funds:

- Close Discretionary Funds
- Winchester Fund
- Close Select Global Equity Fund

The Directors of the Manager are as follows:

- S Forrest (independent non-executive director)
- C Parry
- E Reynolds
- R Smith
- A Sippetts (independent non-executive director)

Certain of the directors of the Manager also act as directors of companies other than the Manager (including companies that are within the same group of companies as the Manager) and engage in business activities that are not connected with the Scheme. The Manager is responsible for managing and administering the Scheme's affairs in compliance with the FCA Rules.

Subject to the restrictions in the FCA Rules, the Manager may delegate or employ agents to assist it in performance of its functions for the Scheme. It has made appointments for investment management (see paragraph 2.4) and for administration (see paragraph 2.5).

The Manager is required to have a Remuneration Code ("the Code") that is in accordance with the requirements of SYSC 19E of the FCA Rules relating to the way in which it remunerates staff.

The Code is designed to ensure that the Manager's remuneration practices, for those staff caught by the applicable rules:

- are consistent with and promote sound and effective risk management;
- do not encourage risk taking and are consistent with the risk profiles, or the constitutional documents of the UK UCITS funds it manages;
- do not impair the Manager's compliance with its duty to act in the best interests of those funds; and
- include fixed and variable components of remuneration including salaries and discretionary pension benefits.

When applying the Code, the Manager will comply with the applicable rules in a way, and to the extent, that is appropriate to the size, internal organisation and the nature, scope and complexity of the Manager's activities.

The Code must include measures to avoid conflicts of interest and be in line with the business strategy, objectives, values and interests of:

- the Manager;
- the UK UCITS funds it manages; and
- the unitholders.

Full and up-to-date details of the Code are available on the website of the Manager: [www.closebrothersam.com/funds](http://www.closebrothersam.com/funds). This sets out a description of how remuneration and benefits are calculated and the identities of persons responsible for awarding the remuneration and benefits. A paper copy of that website information will be made available free of charge on request to the Manager.

### 2.3 **The Trustee**

The Bank of New York Mellon (International) Limited is the Trustee of the Scheme and for the avoidance of doubt, acts as the global custodian to the Scheme. The Manager has appointed the Trustee to act as depositary for purposes of Directive 2009/65/EC of the European Parliament and European Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities, as amended by Directive 2014/91/EU of the European Parliament and of the Council of 23 July 2014 (the "UCITS V Directive" (or the statutory equivalent thereof which forms part of UK law by virtue of the EUWA, as applicable)), as supplemented by the Level 2 Regulations adopted as delegated acts by the European Commission pursuant to Article 112a of the UCITS V Directive, following their entry into full legal force and effect in the European Union (and for the avoidance of doubt, following the expiration of any implementation period applicable to such regulations) (the "UCITS V Regulations"), and as

incorporated into English law by any Statutory Instrument as may be issued from time to time to implement the UCITS V Directive in the UK (the "UK Implementing Legislation"). References hereinafter to the "Directive" shall include the UCITS V Directive as supplemented by the UCITS V Regulations and as incorporated into English law by the UK Implementing Legislation, and any other implementing legislation on an EU or UK level.

The Trustee is a private company limited by shares incorporated in England and Wales on 9 August 1996. Its ultimate holding company is The Bank of New York Mellon Corporation, a public company incorporated in the United States.

. The registered and head office of the Trustee is at 160 Queen Victoria Street, London EC4V 4LA.

The principal business activity of the Trustee is the provision of custodial, banking and related financial services. The Trustee is authorised by the Prudential Regulation Authority and is dual-regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

#### *Duties of the Trustee*

The Trustee is responsible for the safekeeping of the Scheme Property, monitoring the cash flows of the Trust, and must ensure that certain processes carried out by the Manager are performed in accordance with the applicable rules and the constitutional documents of the Trust.

#### *Conflicts of interest*

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

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

"Group Link" means a situation in which two or more undertakings or entities belong to the same group within the meaning of Article 2(11) of Directive 2013/34/EU (or the statutory equivalent thereof which forms part of UK law by virtue of the EUWA, as applicable) or international accounting standards adopted in accordance with Regulation (EC) No. 1606/2002.

#### *The Trust, the Manager, the Trustee and unitholders*

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

A Group Link where the Manager has delegated certain administrative functions to The Bank of New York Mellon (International) Limited or another entity within the same corporate group as the Trustee.

The Trustee shall ensure that policies and procedures are in place to identify all conflicts of interests arising from such Group Links and shall take all reasonable steps to avoid such conflicts of interests. Where such conflicts of interests cannot be avoided, the Trustee and

the Manager will ensure that such conflicts of interests are managed, monitored and disclosed in order to prevent adverse effects on the interests of the Trust and its unitholders.

To the extent that a Link exists between the Trustee and any unitholders in the Trust, the Trustee shall take all reasonable steps to avoid conflicts of interests arising from such Link, and ensure that its functions comply with Article 23 of the UCITS V Regulations as applicable.

#### *Delegation*

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

A Group Link where the Trustee has delegated, or where any Global Sub-Custodian has sub-delegated the safekeeping of the Scheme Property to an entity within the same corporate group as the Trustee.

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

#### *Delegation of Safekeeping Functions*

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

The Trustee has delegated safekeeping of the Trust Property to The Bank of New York Mellon SA/NV and The Bank of New York Mellon as applicable (the "Global Sub-Custodian"). In turn, the Custodian has sub-delegated the custody of assets in certain markets in which the Trust may invest to various sub-delegates ("Sub-Custodians"). A list of Sub-Custodians is given in Appendix 6. Investors should note that, except in the event of material changes requiring a prompt update of this Prospectus, the list of Sub-Custodians is updated only at each Prospectus review. An updated list of Sub-Custodians is maintained by the Manager at [www.closebrothersam.com/funds](http://www.closebrothersam.com/funds).

#### *Updated Information*

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

#### *Terms of Appointment*

The Manager is required to enter into a written contract with the Trustee to evidence its appointment as depositary of the Trust for purposes of the Directive. The Trustee was appointed as depositary under an agreement entered into between the Manager and BNY Mellon Trust & Depositary (UK) Limited dated 23 March 2016 and novated in favour of the Trustee with effect from 01 November 2017 (the "Depositary Agreement").

Pursuant to the Depositary Agreement the Manager and the Trustee agree to carry out various functions in order to comply with, and facilitate compliance with, the requirements of the Directive.

The Trustee is remunerated from the Fund Management Fee, details of which are set out in paragraph 7.2 of this Prospectus.

#### **2.4 Investment Adviser**

The Manager has appointed Close Asset Management Limited of 10 Crown Place, London EC2A 4FT as Investment Adviser. The Investment Adviser is part of the same group of companies as the Manager. The Investment Adviser also acts as a discretionary investment manager for private clients, authorised and unregulated collective investment schemes.

Under the investment advisory agreement entered into between the Manager and the Investment Adviser, the Manager delegates to the Investment Adviser its discretionary investment management powers to invest the Scheme Property with power to buy, sell or otherwise deal with the Scheme Property in its complete discretion, subject to the investment objective and policy of the Scheme, the terms of the Trust Deed, this Prospectus, the FCA Rules and any other guidelines given to the Investment Adviser by the Manager from time to time.

The agreement may be terminated by six months' notice in writing by either party and forthwith in certain circumstances (for example where a party to the agreement becomes insolvent or ceases to be authorised under the Act) by either party. In addition the Manager can terminate the agreement with immediate effect when this is in the best interests of Unitholders.

#### **2.5 The Administrator**

The Manager has appointed The Bank of New York Mellon (International) Limited (the "Administrator") to act as administrator and registrar to the Scheme. The Administrator's address is Capital House, Festival Square, Edinburgh EH3 9SU at which address the register of Unitholders and any plan sub-registers may be inspected.

Under the terms of the Agreement between the Manager and the Administrator, the Manager is responsible for the remuneration of the Administrator, but the Scheme will bear the out of pocket expenses which the Administrator may incur in the discharge of its duties. The Agreement between the Manager and the Administrator may be terminated by either party on not less than twelve months' notice to the other party, and forthwith in certain circumstances.

#### **2.6 The Auditor**

The auditor of the Scheme is Deloitte LLP, of 2 New Street Square, London EC4A 3BZ.

#### **2.7 Conflicts of interest**

The Manager, the Investment Adviser and other companies within the Close Brothers group may, from time to time, act as investment managers or advisers to other trusts, funds or sub-funds that follow similar investment objectives to those of the Scheme. It is therefore

possible that the Manager and/or the Investment Adviser may in the course of their business have potential conflicts of interest with the Scheme or between the Scheme and other funds managed by the Manager. Each of the Manager and the Investment Adviser will, however, have regard in such event to its obligations under the Trust Deed and the Investment Management Agreement respectively and, in particular, to its obligation to act in the best interests of the Scheme so far as practicable, having regard to its obligations to other clients, when undertaking any investment business where potential conflicts of interest may arise. Where a conflict of interest cannot be avoided, the Manager and the Investment Adviser will ensure that the Scheme and other collective investment schemes it manages are fairly treated.

The Manager maintains a written conflict of interest policy. The Manager acknowledges that there may be some situations where the organisational or administrative arrangements in place for the management of conflicts of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of the Scheme or its Unitholders will be prevented. Should any such situations arise the Manager will, as a last resort, if the conflict cannot be avoided, disclose these to Unitholders in an appropriate format.

The Trustee may, from time to time, act as the trustee of other authorised unit trusts or depositary of open-ended investment companies with variable capital or custodian of other collective investment schemes.

### **3. Risk Factors**

Potential investors should consider the following risk factors which may apply to the Scheme before investing in Units in the Scheme.

The Manager will, at the request of a Unitholder, provide supplementary information to that set out in this Prospectus relating to the quantitative limits applying in the risk management of the Scheme, the methods used in this connection, and any recent development of the risk yields of the main categories of investment of the Scheme.

#### **3.1 Delivery Versus Payment Transactions**

The Manager may apply the Delivery versus Payment (“DvP”) exemption, as set out in the FCA Rules governing the protection of client assets (“Client Asset Rules”). Usually, when the Manager receives investors’ money in the course of settling transactions, the Manager is obliged to handle money received or held for the purposes of buying or selling securities and investments (“Client Money”) in accordance with the Client Asset Rules, which amongst other provisions require the Manager to segregate Client Money from the assets of the Scheme and the Manager. The DvP exemption provides for a one day window during which money held for the purposes of settling a transaction in Units is not treated as Client Money. In the event that the Manager becomes insolvent or otherwise fails there is a risk of loss or delay in the return of any money held by the Manager which is not treated as Client Money. Money which is not treated as Client Money is not protected on the insolvency of the Manager.

The Trustee has a duty to ensure that it safeguards and administers the Scheme Property in compliance with the Client Asset Rules. The Trustee is not under a duty to comply with the FCA Rules on handling Client Money. Moreover, with respect to handling Scheme Property in the course of DvP transactions through a commercial settlement system (“CSS”), the Scheme Property may not be protected under the Client Asset Rules. In the event that the Trustee becomes insolvent or otherwise fails, there is a risk of loss or delay in return of any Scheme Property which consists of Client Money, client assets held in a CSS or any other client assets which the Trustee or any of its delegates is not required or has failed to hold in accordance with the Client Asset Rules.

#### **3.2 Market Risk**

Investors are reminded that the price of Units, and the income from them, may go down as well as up and is not guaranteed. Investment in the Scheme should be regarded as a medium to long term investment and investors should be willing to accept some risk to their capital and not invest money in Units that they may require in the short term.

#### **3.3 Effect of Preliminary Charge or Redemption Charge**

Where a preliminary charge or a redemption charge is imposed, a Unitholder who realises his Units after a short period of time may not (even if the value of the relevant investments has not fallen) realise the amount originally invested.



### 3.4 **Long term investment**

The Scheme is intended as a long term investment. Investors must be willing to accept some risk to their capital. No return is guaranteed. Investors should not invest money in the Scheme that they may require in the short term.

### 3.5 **Segment and Index Exposure Risk**

The Scheme will invest in the companies comprising the FTSE techMARK Focus Index (the "Index"). These companies are representative only of a number of sectors within the main markets of the London Stock Exchange (LSE), therefore, they are subject to a less diversified range of economic or market risks, meaning that the movements in the values of their securities may be similarly affected by the same economic or market factors. Since the Scheme has a more focused approach, it may be more risky than a fully diversified portfolio. However, the range of stocks within the Index reduces the impact that any single stock can have on the entire portfolio.

The techMARK market is a segment of the LSE's main market designed for companies at the forefront of innovative research and product development. The FTSE techMARK Focus Index represents the top companies of the FTSE techMARK All-Share that fulfil all the relevant eligibility criteria, including the requirement to be under £4bn by full market capitalisation when first included. Therefore, it excludes stock of very large companies and also the performance of such companies.

### 3.6 **Anticipated Tracking Error**

The Scheme is structured as index tracking fund which has the objective of performing in line with an index. There is a risk of performance deviation from the index. Factors which can lead to deviation in performance from the index include, but are not limited to, the costs of operating the Scheme, transaction costs (e.g. from index-rebalancing transactions), differences in the weights held in individual securities to that of the index, subscriptions and redemptions, small amounts of cash not being invested in securities and efficient portfolio management techniques.

### 3.7 **Derivative Risk**

Derivatives are investments which derive their value from the value of an underlying asset, reference rate or index, but the nature of the derivative may alter the nature of that exposure to the relevant underlying asset, reference rate or index. Therefore, derivatives involve risks different from, and in some cases greater than, more traditional investments. Derivative risk arises from uncertainty about future market movements. Transactions in over-the-counter contracts may involve additional risk as there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of a position or to assess the exposure to risk. Trading options entails the risk of the option's value changing over time. However, unlike traditional securities, the return from a derivative may vary non-linearly with the value of the underlying asset, reference rate or index.

The FCA Rules permit the Manager to use certain techniques when investing in derivatives in order to manage the Scheme's exposure to particular counterparties and in relation to

the use of collateral to reduce overall exposure to over-the-counter (“OTC”) Derivatives; for example the Scheme may take collateral from counterparties with whom it has an OTC derivative position and use that collateral to net off against the exposure it has to the counterparty under that OTC derivative position, for the purposes of complying with counterparty spread limits. The FCA Rules also permit the Scheme to use derivatives to effectively short sell (agree to deliver the relevant asset without holding it in the scheme) under certain conditions.

If the counterparty in relation to an OTC derivative became insolvent or is unable to meet its obligations under the OTC derivative, then the Scheme would be likely to suffer a loss which may have a significant impact on the investment performance of the Scheme.

**The Scheme may use derivatives for investment purposes to meet its investment objective as well as for efficient portfolio management (including hedging). Such investment may increase the risk profile or volatility of the Scheme. However, the Manager has adopted a risk management process which is designed to manage the risk the Scheme may be subject to as a result of holding derivatives.**

### 3.8 **Counterparty and Credit risk**

This is the risk of suffering loss due to another party not meeting its financial obligations. One source of this risk for the Scheme is where counterparties to any trade fail to meet their transaction commitments. The Scheme only buys and sells investments with brokers which have been approved by the Manager as an acceptable counterparty. In addition limits are set on the maximum exposure to any individual broker that may exist at any time, and these limits are reviewed regularly. It is possible for a problem to arise both on exchange traded and over the counter transactions.

In addition, if any of the issuers of the securities held within the Scheme become less financially secure, this could reduce the value of the security and hence the value of Units in the Scheme.

If the Scheme’s cash is deposited with any financial institution which becomes insolvent or suffers other financial difficulties, the full deposit may not be returned. This would mean that Unitholders would not get back the full value of their investment. The Scheme is not currently eligible to claim under the UK’s Financial Services Compensation Scheme for monies on deposit with defaulting deposit takers.

### 3.9 **Efficient portfolio management (EPM) techniques**

The Scheme may make use of EPM techniques (including securities lending and reverse repurchase transactions) to reduce risk and/or costs in the Scheme and to produce additional capital or income in the Scheme in a manner which is economically appropriate and with an acceptable level of risk. Techniques used by the Scheme may include using derivatives for hedging against price or currency fluctuations, engaging in securities lending and reverse repurchase transactions. Further details on efficient portfolio management and securities lending can be found in Appendix 2.

It is not intended that using derivatives for EPM will increase the volatility of the Scheme and indeed EPM is intended to reduce volatility. In adverse situations, however, the use of

EPM techniques may be ineffective and the Scheme may suffer losses as a result. The Scheme's ability to use EPM strategies may be limited by market conditions, regulatory limits and tax considerations.

EPM techniques may involve the Scheme entering into derivative transactions or securities lending transactions with a counterparty where there may be a risk that a counterparty will wholly or partially fail to honour its contractual obligations. To mitigate that risk, the counterparties to these transactions may be required to provide collateral to the Scheme. The counterparty will forfeit its collateral if it defaults on the transaction. However, in the event of counterparty default, if the collateral is in the form of securities, there is a risk that when it is sold it will realise insufficient cash to settle the counterparty's liability to the Scheme. This may result in losses for investors. To manage this risk, the Manager has in place a collateral management policy which details the eligible categories of acceptable collateral and the haircuts which will typically be applied when valuing certain categories of collateral received. Please see Section 11.6 below for further information on the collateral management policy.

There is no guarantee that the Scheme will achieve the objective for which it entered into a transaction in relation to EPM. Securities lending transactions may, in the event of a default by the counterparty, result in the securities lent being recovered late or only in part. This may result in losses for investors.

### 3.10 **Currency Fluctuations**

Where the Scheme invests outside of the United Kingdom, it may have to pay for assets and other expenses and receive income and sales proceeds in currency denominations other than sterling. A movement of exchange rates may have a separate unfavourable or favourable effect on the gain or loss otherwise experienced on the investment. Changes in the rates of exchange between currencies may cause the value of the underlying investment and the net asset value of the Scheme to fluctuate. The possible impact of this exchange rate risk will be assessed, as will the costs associated with managing it. The Manager may decide to hedge their exposure to foreign currencies in its absolute discretion.

### 3.11 **Interest Rate Risk**

The value of investments may change as a result of fluctuations in interest rates. For example, a reduction in interest rates may mean that the Scheme receives less credit interest on cash placed on deposit. Alternatively, an increase in interest rates means that the Scheme may be charged higher debt interest on any overdrawn accounts.

Also, an increase in interest rates may mean that the investments of a fund with exposure to interest rates may decrease in value.

### 3.12 **Valuation Risk**

By investing in the Scheme, Unitholders gain exposure to the return from the underlying investments of the Scheme. With a view to achieving fair Unit pricing, the value of Units is calculated in sterling on a single mid-market pricing basis at 12:00pm London time on each Dealing Day. For certain Scheme Property, the Manager's best estimate of a fair and reasonable market value may prove to be incorrect. For other investments, use of a market

price may prove to be generally appropriate. If there is a risk of divergence of Unit prices from a fair value of the underlying assets, the Manager will monitor this and will seek to take appropriate action to minimise dilution to the Scheme with a view to balancing the interests of incoming, outgoing and remaining investors.

### 3.13 **Liquidity Risk**

This is the risk that the Scheme may not have sufficient cash, or the ability to raise additional cash through the sale of underlying investments, in order to meet redemption requests. The Scheme has limited temporary borrowing powers. The Scheme holds cash and readily realisable securities. The Manager monitors the cash position and the level of redemption requests so as to minimise the liquidity risk which may arise. Furthermore, the underlying investments of the Scheme may be subject to liquidity constraints, therefore affecting the ability of the Scheme to realise the investments. This, in turn, may affect the ability of the Scheme to raise cash to meet requests for the redemption of Units.

### 3.14 **Technology Risk (including healthcare and telecommunications)**

Where the Scheme invests in technology stocks, their potential volatility may increase the risk to the value of these investments in which above average price movements can be expected. Technology and technology-related industries may also be subject to greater government regulation than many other industries. Accordingly, changes in government policies and the need for regulatory approvals may have a materially adverse affect on these industries. Additionally, these companies may be subject to risks of developing technologies, competitive pressures and the risk of obsolescence caused by other scientific advances. Many companies in the technology sector are smaller companies and are therefore also subject to the risks attendant on investing in such companies set out above.

### 3.15 **Dilution**

The Scheme may also experience a reduction in value as a result of the costs incurred in the purchase and sale of its underlying investments and the spread between buying and selling prices of such investments. Accordingly, the Manager may apply a dilution adjustment on the issue and/or redemption of Units (as described in paragraph 6.4 below). Where a dilution adjustment is not applied, the Scheme may incur dilution which may constrain capital growth.

### 3.16 **Rights to cancel**

Investors only have cancellation rights if an investment has been made as a result of the Unitholder having taken advice from an authorised financial adviser.

If a Unitholder has cancellation rights and exercises any right to cancel, the Unitholder may not get back the amount initially invested if the Unit price has fallen since they invested.

### 3.17 **Tax position**

The tax position as stated in this Prospectus is believed to be accurate as at the date of this Prospectus. It may be subject to change in the future.

**Tax treatment will depend upon each Unitholder's individual circumstances, and may change over time.**

3.18 **Miscellaneous**

The Scheme is exposed to finance sector companies, as service provider or as counterparty to financial contracts, including derivatives. In recent times, liquidity in the financial markets has become severely restricted, causing a number of firms to withdraw from the market, or in some extreme cases, become insolvent. Severe market events of this nature could have an adverse effect on the activities of the Scheme. The Manager will only deal with institutions of good standing although events beyond the Manager's control may result in certain institutions not meeting their contractual obligations to return property or money to the Scheme.

## **4. Units**

### **4.1 Types of Units**

Units of a number of Unit Classes may be issued in respect of the Scheme. The terms for the Unit Classes in issue from time to time are as set out in this Prospectus. Different charging structures, minimum investment levels and eligibility provisions apply to each Unit Class.

The classes of Units which may currently be issued are set out in Appendix 1.

The Scheme may issue income and/or accumulation Units in each available class. Currently, only accumulation Units are issued.

Income attributable to income Units is distributed to income Unitholders in respect of each accounting period. Income is paid to investors within two months of the end of each interim accounting period and within four months of the end of each annual accounting period.

Income attributable to accumulation Units is automatically added to (and retained as part of) the capital assets of the Scheme at the end of each accounting period and is reflected in the Unit price of accumulation Units.

Details of the Unit Classes which are currently available are set out in Appendix 1.

In respect of each type of Unit, different Unit Classes may be available in the future from time to time. Different fee rates may apply for different Unit Classes. The Manager may resolve to create further Unit Classes in the future. As and when the further Unit Classes are added, this Prospectus will be updated accordingly.

The Units in the Scheme are not listed or dealt in on any investment exchange.

### **4.2 Interests of Unitholders**

Unitholders have a beneficial interest under a trust, having a beneficial interest in the Scheme in which they hold Units. Unitholders are not liable for the debts of the Scheme. A Unitholder is not liable to make any further payment to the Scheme after he has paid the purchase price of the Units.

Each holder of Units is entitled to participate in the property of the Scheme and its income in accordance with its proportionate share entitlements calculated in accordance with the terms of the Trust Deed.

### **4.3 The Register**

Entitlement to Units is conclusively evidenced by entries on the register of Unitholders. The Trustee and the Manager are not obliged to take notice of any trust or equity or other interest affecting the title to any of the Units. Certificates will not be issued in respect of Units.

The Manager is responsible for maintaining the register of Unitholders and has delegated this responsibility to the Administrator, The Bank of New York Mellon (International)

Limited. The register of Unitholders is available for inspection by any Unitholder or their duly authorised agent free of charge during normal office hours on any Business Day at Capital House, Festival Square, Edinburgh EH3 9SU (subject to the power to close the register for such periods not exceeding 30 days in any one year). Copies of the entries on such registers relating to a Unitholder are available on request by that Unitholder free of charge.

#### 4.4 **Statements**

At least once each year the Manager will send a statement to each person who holds or has held Units (or is or was the first named of joint holders of Units) since the time of issue of the last such statement. That statement shall describe any current holding of Units in the Scheme as at the date the statement is compiled and any transactions in Units in the Scheme carried out by or on behalf of that person, since the date on which the last such statement was compiled.

## **5. Dealings in Units**

### **5.1 Issue and redemption of Units**

Units may be purchased and redeemed between 9 a.m. and 5 p.m. London time on each Dealing Day. Applications to purchase or redeem Units may be made to the Manager's dealing department as follows: Close Asset Management (UK) Limited, PO Box 367, Darlington DL1 9RG telephone: 0370 606 6402, fax: 0370 2750015 or by electronic (electronic does not mean email) means on such terms as the Manager may specify, or by such other means as the Manager may from time to time permit. At present, transfer of title by electronic communication is not accepted.

Telephone calls may be recorded by the Manager, its delegates, their duly appointed agents and any of their respective related, associated or affiliated companies for records keeping, security and/or training purposes, please see paragraph 11.8 below for further information.

### **5.2 Unit prices**

The Units will be priced on a forward basis, hence prices used will be those calculated by reference to the valuation commencing next after the receipt by the Manager of the Unitholder's application unless such an application is received less than 15 minutes before a Valuation Point, in which case such application may be deferred by the Manager to the next following Valuation Point.

Calculation of the Unit prices will take place on each Dealing Day at a time not following the commencement of the valuation of the Scheme Property (see under "Valuation" below). The Unit prices will be available daily on the website of the Manager [www.closebrothersam.com/funds](http://www.closebrothersam.com/funds) or at [www.trustnet.com](http://www.trustnet.com). In addition, prices can be obtained by calling the Manager's help desk on 0370 606 6452. These prices will, unless for reasons beyond the control of the Manager, relate to the valuation on the business day immediately prior to the day of publication. Application forms can be obtained if required from the Manager. Telephone calls may be recorded by the Manager, its delegates, their duly appointed agents and any of their respective related, associated or affiliated companies for records keeping, security and/or training purposes, please see paragraph 11.8 below for further information.

For further details regarding the valuation and pricing of Units, please see section 6 (Valuation and Pricing).

### **5.3 Minimum holdings**

The minimum amounts of any initial or subsequent purchase request (including any preliminary charge) and of any redemption request are set out in Appendix 1 for each Unit Class. Also, a Unitholder will not normally be allowed to redeem Units if this would result in his holding Units in that Class of less than the minimum holding amount set out in Appendix 1 for each Unit Class, unless he is redeeming all the Units held by him.

Where a person is a participator in a monthly savings scheme operated by the Manager, the minimum value of Units which may be purchased each month is set out in Appendix 1.

The Manager may waive the requirements set out in this paragraph at its discretion.



#### 5.4 **Application to buy Units**

Application forms can be obtained if required from the Manager. Applications to purchase Units may be made in writing and by such other means as the Manager may from time to time permit.

In respect of all applications for the issue of Units, a contract note will be sent, normally by the close of the Business Day following the execution of the transaction. This will show the number of Units purchased and the purchase price. As certificates will not be issued in respect of the Scheme, a renunciation form will also be sent with the applicant's contract note. Where appropriate, a notice of the applicant's right to cancel the deal will also be sent, under separate cover, within 8 Business Days of the receipt by the Manager of the application for Units. The application monies are due within 4 Business Days of the Dealing Day on which dealing took place as set out in the confirmation trade. The Manager reserves the right to place deals on receipt of cleared funds only.

#### 5.5 **Request to redeem Units**

Requests to redeem Units may be made in writing or by electronic (electronic does not mean email) means on such terms as the Manager may specify or by such other means as the Manager may from time to time permit. In respect of all applications to redeem Units, a contract note will be issued, normally by close of the Business Day following the execution of the redemption giving details of the Units sold back to the Manager and the redemption price used. Cheques in satisfaction of the redemption request will be issued by the close of the fourth Business Day following either the day of the calculation of the redemption price or receipt by the Manager of a properly completed and signed renunciation form in respect of the appropriate number of Units, whichever is later.

Any request to redeem Units, once given, cannot subsequently be withdrawn.

The Manager from time to time holds Units in its own name to assist in the administration of the Trust. The Manager does not seek to make a profit from doing so.

The Manager is under no obligation to account to the Trustee or to the Unitholders for any profit which it makes on the issue of Units or on the reissue or cancellation of Units it has redeemed.

#### 5.6 **Delivery Versus Payment ("DvP") Exemption**

The Manager may make use of the DvP exemption as set out in the FCA Rules, which provides for a one-day window during which money held for the purposes of settling a transaction in Units is not treated as 'client money'. Specifically, under the DvP exemption, money received by the Manager from an investor, or money due to be paid to an investor by the Manager, need not be treated as client money if: (i) the Manager receives the money from an investor for the subscription of Units and the money is passed to the Trustee for the purpose of creating Units in the Scheme within the timeframes set out in the FCA Rules; or (ii) the Manager holds the money in the course of redeeming Units provided that the proceeds of that redemption are paid to an investor within the timeframes set out in the FCA Rules.

## 5.7 **Exchanging Units**

Subject to minimum investment levels for each Class, a holder of Units may at any time convert all or some of their Units of one Class for Units of another Class.

Conversions will be effected by the Manager recording the change of Unit Class on the Register.

The Manager will carry out instructions to convert Units as soon as possible but this may not be at the next Valuation Point and instructions may be held over and processed with conversion instructions given by other Unitholders and in some cases may not be effected until the end of the relevant accounting period. Unitholders should contact the Manager for further information on when a conversion may be effected.

### **Conversions will not be treated as a disposal for capital gains tax purposes.**

The Manager may at its discretion make a charge on the conversion of Units between Classes but does not currently do so.

The number of Units to be issued in the new Class will be calculated relative to the price of the Units being converted.

If the conversion would result in the Unitholder holding a number of original or new Units of a value which is less than the minimum holding in the Class concerned, the Manager may, if it thinks fit, switch the whole of the applicant's holding of original Units to new Units, or refuse to effect any switch of the original Units

Converting may be effected either by telephone or in writing to the Manager and the Unitholder will be required to complete a conversion form (which, in the case of joint Unitholders must be signed by all the joint holders). Conversion forms may be obtained from the Manager.

### **A Unitholder who converts Units in one Class for Units in another Class in the Scheme will not be given a right by law to withdraw from or cancel the transaction.**

The Manager may compulsorily convert Units where to do so is considered by the Manager to be in the best interests of Unitholders. Unitholders will be given appropriate advance notice by the Manager should the Manager choose to carry out any such compulsory conversion.

## 5.8 **Anti-money laundering procedures**

The Manager is subject to the legislation in force in the United Kingdom to prevent money laundering. The Manager operates detailed internal compliance procedures in relation to each and every application to purchase Units in the Scheme so as to verify the identity of the investor and the source of funds offered in consideration of the prospective purchase. This may include the Manager using the services of a licensed reference agency which will record that an enquiry has been made. The type and degree of information required will vary from case to case, and may depend on whether, for example, the prospective Unitholder has been introduced to the Manager by or through the agency of an associate of

the Manager or an independent financial intermediary in good standing with the Manager. Specific details of the information required of a prospective investor in Units will be provided to the person concerned in response to his or its application for Units. Failure to comply with the Manager's requests to furnish such information may result in the application for Units being rejected.

#### 5.9 **Cancellation**

A Unitholder may be entitled to cancel an application to purchase Units for a period of fourteen days from his receipt of the contract note and to request the return of his money. If the Unitholder has a right to cancel and exercises that right, and if the value of the investment has fallen before the Manager receives notice of the cancellation, then the amount of refund that the investor receives will be reduced to reflect that fall in value.

#### 5.10 **In specie issue and cancellation of Units**

The Trust Deed authorises payment for the issue or cancellation of Units to be made by transfer of assets other than cash but only if the Trustee has taken reasonable care to ensure that the property concerned would not be likely to result in any material prejudice to the interests of Unitholders.

Where a Unitholder requests a redemption of Units representing in value not less than 5% of the value of the Scheme Property, the Unitholder may require the transfer to him of Scheme Property or the Manager may by notice of election served on the Unitholder, choose to transfer Scheme Property to him. Any such notice must be served no later than the second business day following the receipt of the request for redemption. The Unitholder may then serve a further notice on the Manager requiring the sale of the property and the payment to the Unitholder of the net proceeds of sale. This further notice must be served on the Manager not later than the close of business on the fourth business day following the date of receipt of the notice from the Manager.

#### 5.11 **Deferred redemptions of Units**

If requested redemptions of Units on a particular Business Day exceed 10% of the Scheme's value, redemptions of Units may be deferred to the next Valuation Point. Any such deferral would only be undertaken in such manner as to ensure consistent treatment of all Unitholders who had sought to redeem Units at the Valuation Point at which redemptions were deferred. Deferral will be pro-rated based on the value of Units being redeemed (provided that the Manager may determine in its discretion a value threshold below which all redemptions will be effected, and above which the foregoing pro-rata deferral shall apply), and so that all deals relating to an earlier Valuation Point were completed before those relating to a later Valuation Point were considered.

The intention of the deferred redemption provision is to reduce the impact of dilution on the Scheme. In times of high levels of redemption, deferred redemption provisions would enable the Manager to protect the interests of continuing Unitholders allowing it to match the sale of property of the Scheme to the levels of redemptions of Units.

## 5.12 **Suspension of dealings in Units**

The issue or redemption of Units may be suspended by the Manager with the prior agreement of the Trustee, and must be suspended by the Manager if the Trustee so requires, where, due to exceptional circumstances, it is in the interests of all Unitholders. On a suspension the FCA will immediately be informed. Any such suspension will be notified to Unitholders as soon as practicable after the suspension commences and the Manager will ensure that it publishes sufficient details to keep Unitholders appropriately informed about the suspension including, if known, its likely duration. The Manager and the Trustee will formally review the suspension every 28 days and inform the FCA of the results of this review and any change in the information previously provided to the FCA regarding the suspension. A suspension of dealings in Units must cease as soon as practicable after the exceptional circumstances which caused the suspension have ceased. At the end of the period of suspension, the recalculation of the price of Units will recommence by reference to a price calculated at the first Valuation Point after the recommencement of dealings in Units.

## 5.13 **Compulsory redemptions of Units**

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

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

- (a) are owned directly or beneficially in breach of any law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory; or
- (b) would result in the Scheme incurring any liability to taxation which the Scheme would not be able to recoup itself or suffering any other adverse consequence (including a requirement to register under any securities or investment or similar laws or governmental regulation of any country or territory); or
- (c) are held in any manner by virtue of which the Unitholder or Unitholders in question is/are not qualified to hold such Units or if it reasonably believes this to be the case;
- (d) are owned by a Unitholder who is registered in a jurisdiction (where the Scheme is not registered or recognised by the relevant competent authority) whereby communication with that Unitholder by the Manager, on behalf of the Scheme, might constitute a breach of the regulations in that jurisdiction (unless specific action is taken by the Manager to prevent such a communication constituting a breach);

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

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

It is not possible for the Manager to be fully informed of current law and regulations in every jurisdiction and accordingly in the interests of Unitholders and to be able to ensure no Units are held or acquired by any person in breach of the law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory or which would result in the Scheme incurring any liability to taxation which the Scheme is not able to recoup itself or suffering any other adverse consequence. The Manager's policy will be to treat Units of Unitholders moving to jurisdictions other than EEA States as affected Units and may refuse to issue Units to anyone resident outside of one of the jurisdictions.

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

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

If in the Manager's view any Unitholder acts in an abusive manner towards any employee of the Manager or its appointed agents, the Manager and its agents will only deal with that Unitholder in writing. If the Unitholder persists with abusive behaviour, the Manager reserves the right to compulsorily redeem the Unitholder's holding.

#### 5.14 **Market Timing**

The repeated purchasing and selling of Units in response to short-term market fluctuations is known as "market timing" or "late trading". Units in the Scheme are not intended for market timing or late trading and the Manager has a policy to prevent it. Information on the typical investor profile and target market for the Scheme is set out in paragraph 1.3. As part of its policy, the Manager may refuse to accept an application for Units from persons that they reasonably believe are engaged in market timing or late trading.

## 5.15 **Dealing Charges**

### 5.15.1 *Preliminary charge*

The Manager may currently make a preliminary charge calculated as a percentage of the price of a Unit on a sale of Units in the Scheme, which is additional to the price of Units. The current rates of the preliminary charges for each Unit Class are set out in Appendix 1. The charge may be waived in whole or in part at the discretion of the Manager.

### 5.15.2 *Redemption charge*

The Manager may make a charge on cancellation or redemption of Units of a percentage of the redemption or cancellation price of a Unit. The Manager does not currently make such a charge, but may do so in the future.

## **6. Valuation and pricing**

### **6.1 Valuation**

The Scheme Property will be valued for the purpose of determining prices at which Units in the Scheme may be purchased or redeemed by the Manager at 12:00pm London time on every Dealing Day (the "Valuation Point") and may be valued more frequently if the Manager so decides.

As to each Valuation Point, the valuation shall be carried out on a mark to market basis for which purpose:

- (a) investments for which a single price for buying and selling (whether a transferable security or units or shares in a collective investment scheme) shall be valued at that price;
- (b) units or shares in a collective scheme for which different buying and selling prices are quoted shall be valued at the mid-market price provided the buying price has been reduced by any preliminary charge included therein and the selling price has been increased by any exit or redemption charge attributable thereto;
- (c) any other transferable security for which different buying and selling prices are quoted shall be valued at the mid-market price;
- (d) where the Manager has reasonable grounds to believe that no reliable price exists for a security at a Valuation Point, or the most recent price does not reflect the Manager's best estimate of the value of a security at the Valuation Point, it shall be valued at a price which, in the Manager's reasonable opinion, reflects a fair and reasonable price;
- (e) approved money market instruments will be valued on an amortised cost basis provided that the instrument has a residual maturity of less than 3 months and has no specific sensitivity to market parameters, including credit risk;
- (f) over the counter derivatives and forward transactions shall be valued as agreed between the Manager and the Trustee;
- (g) exchange traded derivatives shall be valued at the mid-market price where different buying and selling prices are quoted or shall be valued at the price quoted where the price for buying and selling the exchange traded derivatives is the same;
- (h) cash and amounts held in current and deposit accounts and in other time-related deposits shall be valued at their nominal values;
- (i) other Scheme Property shall be valued at a fair and reasonable mid-market value; and
- (j) adjustments will be made for tax, outstanding borrowings, accrued fees and expenses, and dealing expenses.

The Manager reserves the right to revalue the Scheme at any time at its discretion. This is only likely to take place in cases where there has been a substantial change amounting to 2% or more in the value of the underlying assets of the Scheme since the previous valuation.

## 6.2 Fair value pricing

6.2.1 Where the Manager has reasonable grounds to believe that:

- 6.2.1.1 no reliable price exists for a security (including a unit/share in a collective investment scheme) at a Valuation Point; or
- 6.2.1.2 the most recent price available does not reflect the Manager's best estimate of the value of the security (including a unit/share in a collective investment scheme) at the Valuation Point;
- 6.2.1.3 it can value an investment at a price which, in its opinion, reflects a fair and reasonable price for that investment (the fair value price).

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

- 6.2.2.1 no recent trade in the security concerned; or
- 6.2.2.2 suspension of dealings in the security concerned; or
- 6.2.2.3 the occurrence of significant movements in the markets in which any underlying collective investment schemes are invested since the last valuation point; or
- 6.2.2.4 the occurrence of a significant event since the most recent closure of the market where the price of the security is taken.

6.2.3 In determining whether to use such a fair value price, the Manager will include in their consideration but need not be limited to:

- 6.2.3.1 the type of authorised fund concerned;
- 6.2.3.2 the securities involved;
- 6.2.3.3 whether the underlying collective investment schemes may already have applied fair value pricing;
- 6.2.3.4 the basis and reliability of the alternative price used; and
- 6.2.3.5 the Manager's policy on the valuation of Scheme Property as disclosed in this Prospectus.

## 6.3 Price of a Unit

Units are priced on a single mid-market pricing basis in accordance with the COLL Sourcebook and the Trust Deed. The Scheme deals on a forward pricing basis (and not on



the basis of published prices). As mentioned above, a forward price is a price calculated at the next Valuation Point after the deal is accepted by the Manager.

The price of a Unit is the net asset value of the Scheme attributable to the relevant Unit Class divided by the number of Units in that Class in issue.

Special provisions apply in the case of an initial offer of Units, where the Manager sets the initial offer.

#### 6.4 **Dilution Adjustment**

Also known as swing pricing. The basis on which the Scheme's investments are valued for the purpose of calculating the buying and selling price of Units as stipulated in the FCA Rules and the Trust Deed is summarised in the section immediately above. This is subject to the application of the dilution policy.

Dealing costs in, and spreads between, the buying and selling prices of the Scheme's underlying investments mean that the buying and selling prices of Units calculated for the Scheme may differ from the value of the proportionate interests those Units represent in the Scheme and dealing at those prices could lead to a reduction in the value of the Scheme Property and so disadvantage other Unitholders. The effect of this is known as "dilution". The Manager may apply a dilution adjustment as explained below.

In order to mitigate the effect of dilution the COLL Sourcebook allows the Manager to adjust the sale and purchase price of Units in the Scheme to take into account the possible effects of dilution. This price movement is known as making a "dilution adjustment" or operating "single swinging pricing". The power to make a dilution adjustment may only be exercised for the purpose of reducing dilution in the Scheme. The dilution adjustment is not applied for the benefit of the Manager.

The dilution adjustment is calculated using the estimated dealing costs of the Scheme's underlying investments and taking into consideration any dealing spreads, commissions and transfer taxes. The need to make a dilution adjustment will depend on:

- (a) If the Scheme is experiencing large levels of net purchases (i.e. purchases less redemptions) relative to its size;
- (b) If the Scheme is experiencing large levels of redemptions (i.e. redemptions less purchases) relative to its size;
- (c) For these purposes, a large deal is typically defined as a purchase or a redemption in excess of 1% or more of the Scheme's total Net Asset Value, determined by reference to a Scheme's Unit price calculated on the previous Dealing Day, then the Manager will normally make a dilution adjustment;
- (d) In any other case where the Manager is of the opinion that the interest of the existing/continuing Unitholders and potential Unitholders require the imposition of a dilution adjustment.

Where the Scheme is experiencing net acquisitions of its Units the dilution adjustment would increase the price of Units above their mid-market value. Where the Scheme is

experiencing net redemptions of its Units the dilution adjustment would decrease the price of Units to below their mid-market value. In the event that a dilution adjustment is made it will be applied to all transactions in the Scheme on the relevant Dealing Day and all transactions on that day will be dealt at a price inclusive of the dilution adjustment.

The Manager reserves the right however not to impose a dilution adjustment in exceptional circumstances where it would, in its opinion, not be in the interests of Unitholders to do so.

The Manager's decision on whether or not to make this adjustment, and at what level this adjustment might be made in a particular case or generally, will not prevent it from making a different decision on future similar transactions.

On the occasions when a dilution adjustment is not applied if the Scheme is experiencing net purchases or net sales of Units there may be an adverse impact on the assets of the Scheme attributable to each underlying Unit, although the Manager does not consider this to be likely to be material in relation to the potential future growth in value of a Unit.

The dilution adjustment will be applied to the mid price for the Units resulting in a figure calculated to four significant figures. The price of each Class of Unit in the Scheme will be calculated separately but any dilution adjustment will in percentage terms affect the price of Units of each Class identically.

As dilution is directly related to the inflows and outflows of monies from the Scheme it is not possible to accurately predict whether dilution will occur at any future point in time. Consequently, it is also not possible to accurately predict how frequently the Manager will need to make a dilution adjustment. The estimated rate of a dilution adjustment is expected not to exceed 3% of the value of the Scheme Property.

This Prospectus will, in due course, contain further statements, based either on historical data or future projections, of the estimated rate or amount of any dilution adjustment, and the likelihood of that the Manager requiring a dilution adjustment.

## **7. Fees and expenses**

### **7.1 General**

All fees or expenses payable out of the Scheme Property are set out in this section 7.

### **7.2 Fund Management Fee**

The Manager is entitled to be paid a fee from the Scheme Property for its services in managing the Scheme.

This fee is a fixed rate fee, paid to the Manager, and is inclusive of all of the fees and expenses identified below which are incurred in relation to the operation and administration of the Scheme. The fee will be a single charge that is deducted from the Scheme Property of the Scheme, namely the Fund Management Fee (the "FMF").

The FMF of each Unit Class is set out in Appendix I and is comprised of the following:

7.2.1 all fees, expenses and disbursements payable to each of the service providers appointed to the Fund from time to time (for example, the Trustee, the Custodian, the Investment Adviser, the Administrator and the Registrar) and each of the legal or other professional advisers (for example, the Auditor);

all of the costs, charges, fees and expenses payable in relation to the operation and management of the Funds which may be taken from Scheme Property in accordance with the FCA Rules, excluding those set out in section 7.5 below. These permitted costs, charges, fees and expenses are:

7.2.1.1 expenses incurred in the collection and distribution of income including bank charges, professional and accountancy fees and expenses and disbursements bona fide incurred in respect of the computation claiming or reclaiming of all taxation release and payments;

7.2.1.2 all expenses incurred in the submission of tax returns;

7.2.1.3 all costs and expenses of or incidental to preparation of reports and accounts required to be prepared for the Trustee in relation to the Scheme and the costs and expenses of or incidental to the preparation and despatch of any communications from the Trustee to Unitholders; and

7.2.1.4 all such other charges, expenses and disbursements properly incurred by the Trustee in performing its duties in respect of the Scheme.

7.2.1.5 any costs incurred in modifying the Trust Deed including costs incurred in respect of meetings of Unitholders convened for purposes

which include the purpose of modifying the Trust Deed where the modification is:-

- i. necessary to implement or necessary as a direct consequence of any change in the law (including changes in the COLL Sourcebook); or
- ii. expedient having regard to any change in the law made by or under any fiscal enactment and which the Manager and the Trustee agree is in the interest of Unitholders; or
- iii. to remove from the Trust Deed obsolete provisions;

7.2.1.6 any costs incurred in respect of meetings of Unitholders convened by the Trustee or on a requisition by Unitholders not including the Manager or an associate of the Manager;

7.2.1.7 liabilities on unitisation, amalgamation or reconstruction arising in certain circumstances as set out in the COLL Sourcebook;

7.2.1.8 the audit fee properly payable to the auditor and VAT thereon plus any proper expenses of the auditor;

7.2.1.9 the periodic fees of the Financial Conduct Authority under the Act or the corresponding periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which Units in the Trust/Scheme are or may be marketed;

7.2.1.10 the costs of printing and distributing copies of the Prospectus and the costs of preparing the simplified prospectus;

7.2.1.11 costs of establishing and maintaining the register and/or plan sub-register; and

7.2.1.12 such other expenses as may be permitted by the COLL Sourcebook from time to time.

7.2.2 VAT payable on any of the fees, expenses or disbursements listed above in paragraphs 7.2.1 and 7.2.2.

### 7.3 **Calculation and operation of the Fund Management Fee**

The FMF is calculated as a percentage of the Scheme Property and the amount each Unit Class in the Scheme will pay will depend on the costs, fees and expenses attributable to each Unit Class. The FMF accrues on a daily basis by reference to the value of the Scheme Property on the immediately preceding Dealing Day and is payable to the Manager monthly.

The current FMF in relation to each Unit Class is set out in Appendix 1.

The FMF is either taken from the income or capital of the Unit Class as indicated in paragraph 7.6.

#### 7.4 **Changes to the Fund Management Fee**

In deducting the FMF at a fixed rate, the Manager is taking upon itself the risk that the market value of the Scheme will fall to the extent that the FMF will not fully recompense it for the charges and expenses that the Manager would otherwise be entitled to charge to the Scheme. Conversely, the Manager is not accountable to Unitholders should the aggregate fees generated by the FMF in any period exceed the charges and expenses that the Manager would be entitled to charge under the traditional charging method.

However, the Manager will monitor the amount of the FMF on a regular basis. Where the underlying fees and expenses that make up the FMF reduce or increase, the Manager may carry out a review where it reasonably considers this to be appropriate. When carrying out such reviews, the Manager reserves the right to increase or decrease the FMF.

In the event of any changes to the FMF (including an increase or decrease) the Manager will notify you in writing in accordance with the FCA's COLL Sourcebook requirements. For example:

- 7.4.1 before increasing the FMF, the Manager will give Unitholders at least 60 days' prior notice in writing;
- 7.4.2 before introducing a new category of costs, charges, fees or expenses to the FMF and which are not currently charged to the Scheme, the Manager will seek the approval of an extraordinary resolution of Unitholders at an Extraordinary General Meeting; and
- 7.4.3 before decreasing the FMF, the Manager will give a reasonable period of notice utilising an appropriate method of communication as specified in the FCA Rules, such as notice on the Manager's website and in the next Report and Accounts of the Scheme.

#### 7.5 **Other payments from Scheme Property**

In addition to the FMF, and in accordance with the FCA Rules, the following payments will be made out of the property of the Scheme:

- 7.5.1 fees payable to brokers for the execution of trades and any other expenses, including fiscal charges and other disbursements which are necessarily incurred in effecting transactions for the Funds (i.e. acquiring and disposing of investments);
- 7.5.2 interest on borrowings permitted under the COLL Sourcebook and charges incurred in effecting or terminating such borrowings or in negotiating or varying the terms of such borrowings;
- 7.5.3 taxation and duties payable in respect of the property of the Trust, the Trust Deed or the issue of Units;
- 7.5.4 expenses incurred in acquiring and disposing of investments;
- 7.5.5 any value added or similar tax relating to any charge or expense set out above

## 7.6 **Allocation of payments to income or capital**

All remuneration and expenses shall be made from the income property of the Scheme in the first instance but, if there is insufficient income in any annual or income accounting period, such remuneration and expenses shall be charged to the capital account.

## 7.7 **The Ongoing Charges Figure ("OCF")**

The OCF is the European standard method of disclosing the charges of a Unit Class of a Fund based on last year's expenses and it may vary from year to year. It provides investors with a clearer picture of the total annual costs in running a collective investment scheme. It includes charges such as the Fund's annual management charge, custody fees and administration costs but ordinarily excludes the costs of buying or selling assets for the Trust (but includes transaction charges incurred by investing in any other collective investment schemes). Where there is not enough historic data available, or when historic data will not provide a reliable indication of future costs, an estimated OCF will be calculated based on the most reliable information available (OCF (Estimated)).

## **8. Unitholder meetings and information for Unitholders**

### **8.1 Unitholder meetings**

Annual general meetings are not held but extraordinary general meetings may be convened from time to time.

The provisions below apply, unless the context otherwise requires, to meetings of a Class of Units as they do to general meetings of the Scheme but by reference to Units of the Class concerned and the Unitholders and prices of such Class.

The convening and conduct of meetings of Unitholders and the voting rights of Unitholders at those meetings is governed by the provisions of the FCA Rules and the Trust Deed.

A meeting of all Unitholders in the Scheme or a Unit Class may be convened at any time.

The Manager or the Trustee may convene a meeting at any time. Unitholders registered as holding at least 1/10th in value of all the Units then in issue may require that a meeting be convened. A requisition by Unitholders must state the objects of the meeting, and be dated and signed by those Unitholders and deposited at the head office of the Trustee. The Manager must convene a meeting no later than eight weeks after receipt of such requisition.

Unitholders will receive at least 14 days' written notice of a meeting (including the day of service of the notice and the day of the meeting). The notice will specify the day, hour and place of the meeting and the resolutions to be put to the meeting. Unitholders are entitled to be counted in the quorum and vote at a meeting either in person or by proxy. The quorum for a meeting is two Unitholders, present in person or by proxy (a person appointed by the Unitholder to attend and vote in place of the Unitholder). If, at an adjourned meeting, a quorum is not present after a reasonable time from the time appointed for the meeting, one person entitled to be counted in a quorum present at the meeting shall constitute a quorum.

The Manager will not be counted in the quorum for a meeting. The Manager and its associates are not entitled to vote at any meeting, except in respect of Units which the Manager or an associate holds on behalf of or jointly with a person who, if himself the registered Unitholder, would be entitled to vote and from whom the Manager or associate has received voting instructions.

Every Unitholder who (being an individual) is present in person or (being a corporation) is represented by its properly authorised representative shall have one vote on a show of hands. Where there are joint holders of a Unit, the vote of the holder whose name in the register of Unitholders stands above the names of each other such holder who votes shall be counted to the exclusion of each other vote cast in respect of that Unit.

A Unitholder may vote in person or by proxy on a poll vote. A poll may be demanded by the chairman of the meeting (who shall be a person appointed by the Trustee, or in the absence of such a person, a person nominated by the Unitholders), the Trustee or any two Unitholders.

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

Except where the COLL Sourcebook or the Trust Deed require an extraordinary resolution, resolutions will be passed by a simple majority.

Where every Unitholder is prohibited from voting at a meeting of Unitholders by reason of each such Unitholder being either the Manager or an associate of the Manager and a resolution is required to do business at a meeting of Unitholders, a meeting of Unitholders need not be called and a resolution may, with the prior written consent of the Trustee to the process, instead be passed with the written consent of Unitholders representing 50% or more, or for an extraordinary resolution 75% or more, of the Units of the Scheme or of the Class in question.

## 8.2 **Reports**

The Manager will also, on request, provide free of charge to any person copies of the most recent long half-yearly and annual Manager's long reports which may also be inspected at the Manager's offices at 10 Crown Place, London EC2A 4FT. The Manager's long reports will be available within four months of the end of each annual accounting period, and within two months of the end of each interim accounting period.

## 8.3 **Trust Deed and Prospectus**

Copies of the Trust Deed (and any amendments to the Trust Deed) and the current version of this Prospectus are kept at and may be inspected at the Manager's offices. Copies of the Trust Deed and the Prospectus may be obtained free of charge to any person on request from the Manager at 10 Crown Place, London EC2A 4FT.



## 9. Taxation

**The information given below does not constitute legal or tax advice, and prospective investors should consult their own professional advisers as to the implications of their subscribing for, purchasing, holding, switching or disposing of Units under the laws of any jurisdiction in which they may be subject to tax.**

**These statements about the UK taxation of the Scheme and prospective UK resident Unitholders who hold them as investments and are not subject to a special regime. They are based on UK law and HM Revenue & Customs practice as known at the date of this document. Please note that the tax treatment of investors depends on their individual circumstances and may be subject to change in the future. Unitholders are therefore recommended to consult their professional advisers if they are in any doubt about their tax position.**

### 9.1 Taxation of the Scheme

#### 9.1.1 *Capital Gains*

The Scheme is exempt from liability to UK taxation on any capital gains accruing to it (including capital gains realised on interest-bearing securities and derivative contracts, but excluding gains on units in certain non-UK collective investment schemes), whether on the disposal of investments or in any other circumstances.

#### 9.1.2 *Income*

The Scheme is potentially liable to corporation tax on dividends, or other income distributions, received by it from companies in which it invests as shareholder, whether those companies are resident in the United Kingdom for tax purposes or are resident outside the United Kingdom. However, that liability will not arise where the dividend (or other income distribution) falls within one of a number of "exempt classes" set out in the Corporation Tax Act 2009, such as dividends (or other income distributions) received in respect of a "portfolio holding" in a company (being, broadly, a holding of less than 10 per cent. of the issued share capital of a company).

In practice, it is intended that the Scheme should, so far as is consistent with its investment objectives and profile, invest in a manner which should secure that any dividend (or other income distribution) received by it will fall within one of those exempt classes and, thereby, be relieved from tax in the Scheme's hands.

The Scheme will also potentially be liable to corporation tax on other sources of income received by it, such as interest or discount on bonds or other debt instruments from UK or overseas issuers.

In computing the taxable income of the Scheme for corporation tax purposes, certain expenses of management borne by the Scheme may be deducted. In addition, where, as explained further below under "Taxation of Unitholders", a Scheme is eligible to distribute its income by way of "interest distribution" and chooses to do so, the gross amount of those "interest distributions" will normally be deductible in computing the Scheme's taxable income.

The net taxable income (if any) earned by the Scheme for an accounting period will be chargeable to corporation tax in the hands of the Scheme at a rate equal to the basic rate of income tax (currently 20 per cent.).

In practice, the principal case where the Scheme is likely to incur a liability to corporation tax of more than a negligible amount is where the Scheme invests both in equities and, to a material extent, in debt instruments without being entitled to make interest distributions. The income earned by the Scheme from its holding of debt instruments is likely, in general, to remain within the charge to corporation tax in the hands of the Scheme.

## 9.2 **Taxation of Unitholders**

### 9.2.1 *Taxation of income allocations from the Scheme*

For tax purposes, the making of a distribution includes both paying an actual amount in cash in respect of a holding of income Units to the Unitholder concerned, and also accumulating income which is reflected in the value of a holding of accumulation Units for the Unitholder concerned. Currently only accumulation Units are in issue.

The tax treatment of a Unitholder who is an individual or other person not liable to UK corporation tax and who receives a dividend distribution will be the same as if the Unitholder had received a dividend from a UK resident company.

That tax treatment is as follows:

- (a) From April 2024, the first £500 of dividends and dividend distributions received (or deemed to be received) by a UK resident individual in a tax year will not be subject to income tax. Above this level, the income tax rates applying to dividends will be 8.75% for basic rate taxpayers, 33.75% for higher rate taxpayers and 39.35% for additional rate taxpayers.
- (b) The tax treatment of a Unitholder that is a company or other person within the charge to corporation tax (including a Unitholder that is itself an authorised investment fund) is somewhat different. Broadly, a Unitholder subject to UK corporation tax who receives a dividend distribution will generally have to divide that dividend distribution into two parts (the basis of that division being indicated on the tax voucher accompanying the dividend distribution): one part (the “franked part”) representing dividends and other income distributions earned by the relevant Fund on its shareholding investments and the other part (the “unfranked part”) representing other income earned by the Fund. It is expected that the Unitholder will, in general, be exempt from corporation tax on the franked part of the dividend distribution. The unfranked part of the dividend distribution, however, will be treated, in the Unitholder’s hands, as an annual payment received after deduction of tax at the basic rate (currently 20 per cent.) and will potentially be liable to corporation tax in the Unitholder’s hands accordingly.

### 9.2.2 ISAs

Units held in the Scheme are eligible investments for the purposes of a stocks and shares ISA.

### 9.2.3 Capital Gains

Unitholders who are resident or ordinarily resident in the United Kingdom for tax purposes may, unless holding Units as securities to be realised in the course of a trade (when different rules apply), be liable to capital gains tax, or (as the case may be) corporation tax, in respect of any gains arising from the redemption, sale or other disposal of Units.

In the case of a holder of accumulation Units, the Unitholder may generally add to the capital gains tax acquisition cost of those Units the amounts which are periodically invested on the Unitholder's behalf in the capital of the Scheme and which are, as explained above, treated for income tax purposes as distributions made by the Scheme to the Unitholder.

In the case of the first distribution of income received in respect of a Unit purchased during a distribution period, the amount representing the income equalisation is a return of capital and is not taxable in the hands of the Unitholder concerned. That amount should, however, be deducted from the cost of the Unit in computing any capital gain realised on a subsequent disposal of the Unit. In certain circumstances, an investment by a Unitholder within the charge to corporation tax in one of the Funds could be treated as a creditor relationship for the purposes of the loan relationships regime contained in Part 5 of the Corporation Tax Act 2009. The principal consequence of this is that any movements in the capital value of such Unitholder's investment will be recognised and taxed (or, as the case may be, relieved) on income account, rather than on capital gains account. This would depend, essentially, on the precise composition of the relevant Fund's investment portfolio from time to time, particularly as regards the proportion of that portfolio invested in debt rather than equities.

## **10. Winding up of the Scheme**

The Trustee shall proceed to wind-up the Scheme if any of the following occurs:

- (1) the authorisation order of the Scheme is revoked;
- (2) the passing of an extraordinary resolution winding-up the Scheme, provided the FCA's prior consent to the resolution has been obtained by the Manager or the Trustee;
- (3) in response to a request to the FCA by the Manager or the Trustee for the revocation of the authorisation order, the FCA has agreed, subject to there being no material change in any relevant factor that upon the conclusion of the winding-up of the Scheme the FCA will agree to that request; or
- (4) the effective date of a duly approved scheme of arrangement which is to result in the Scheme that is subject to the scheme of arrangement being left with no property.

If any of the events set out above occurs, the provisions of COLL 5 (investment and borrowing powers), 6.2 (dealing) and 6.3 (valuation and pricing) will cease to apply. The Trustee shall cease the issue and cancellation of Units and the Manager will stop redeeming and selling Units.

In the case of a scheme of arrangement referred to above, the Trustee shall wind up the Scheme in accordance with the approved scheme of arrangement.

In any other case, the Trustee shall, as soon as practicable after the Scheme falls to be wound-up, realise the assets of the Scheme and, after paying, or retaining adequate provision for, all liabilities properly payable and retaining provision for the costs of the winding-up, distribute the proceeds to the Unitholders and the Manager proportionately to the size of their holdings (upon production by them of such evidence, if any, as the Trustee may reasonably require as to their entitlement).

Any unclaimed net proceeds or other cash (including unclaimed distribution payments) held by the Trustee after twelve months from the date the proceeds became payable, shall be paid by the Trustee into Court, although the Trustee will have the right to retain any expenses incurred in making that payment. On completion of the winding-up, the Trustee shall notify FCA in writing of that fact and the Trustee or the Manager shall request FCA to revoke the order of authorisation.

## **11. General Information**

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

The Manager has a strategy for determining when and how voting rights attached to ownership of Scheme Property are to be exercised for the benefit of the Scheme. A summary of this strategy is available from the Manager on 0870 606 6452 or [www.closebrothersam.com/funds](http://www.closebrothersam.com/funds) as are the details of the actions taken on the basis of this strategy in relation to the Scheme.

### **11.2 Best Execution**

The Manager must act in the best interests of the Scheme when executing decisions to deal on behalf of the Scheme. The Manager's best execution policy sets out (i) the systems and controls that have been put in place and (ii) the basis upon which the Manager or the Investment Adviser will effect transactions and place orders in relation to the Scheme whilst complying with the obligations upon the Manager under the FCA Rules to obtain the best possible result for the Scheme.

Details of the best execution policy are available upon request from the Manager. If you have any questions regarding the policy, please contact the Manager or your professional adviser.

### **11.3 Transfer of Assets**

If all or part of the Manager's business is transferred to a third party, the Manager may transfer Unitholders' client money to that other third party, subject to the Manager's duties under the FCA Rules.

### **11.4 Notices**

Notices or documents will be sent to Unitholders by first class post, and copies may also be made available by facsimile and/or secure email.

The address of the head office and the place for service on the Scheme of notices or other documents required or authorised to be served on it is 10 Crown Place, London EC2A 4FT.

### **11.5 Complaints**

Complaints about any aspect of the Manager's service should in the first instance be made in writing to the Compliance Officer at the address given above. If the complaint is unresolved the Unitholder may have the right to refer it to the Financial Ombudsman, Exchange Tower, Harbour Exchange Square, London E14 9SR. Unitholders can make a complaint by calling 0800 023 4567 or by visiting their website at [www.financial-ombudsman.org.uk](http://www.financial-ombudsman.org.uk). A copy of the Manager's Internal Complaint Handling Procedure is available on request. In the event of the Manager being unable to pay a valid claim against it, the Unitholder may be entitled to compensation from the Financial Services Compensation Scheme. Making a complaint will not prejudice your rights to commence legal proceedings.

Further information regarding any compensation scheme or any other investor-compensation scheme of which the Manager or the Scheme is a member (including, if relevant, membership through a branch) or any alternative arrangement provided, are also available on request.

#### 11.6 **Collateral Management policy**

The Manager is required to have a collateral management policy and to keep that policy under regular review. The policy defines “eligible” types of collateral which the Scheme may receive to mitigate counterparty exposure (including any applicable haircuts). A haircut is a reduction to the market value of the collateral in order to allow for a cushion in case the market value of that collateral falls. Collateral will generally be of high quality and liquid e.g. cash and government securities. The policy will also include any additional restrictions deemed appropriate by the Manager. The Manager will accept the following permitted types of collateral: cash, government securities, certificates of deposit; bonds or commercial paper issued by “relevant institutions”.

Collateral will be subject to a haircut depending on the class of assets received. The haircut policy depends on the quality of assets received, their price volatility, together with the outcome of any stress tests performed under normal and exceptional liquidity conditions.

Where cash collateral, is received, if it is reinvested, it will be diversified in accordance with the requirements of ESMA’s Guidelines on ETFs and other UCITS issues (ESMA/2012/832EN). Where the Scheme re-invests cash collateral in one or more permitted types of investment, there is a risk that the investment will earn less than the interest that is due to the counterparty in respect of that cash and that it will return less than the amount of cash that was invested. The Scheme does not currently use securities financing transactions. In the event that such transactions are used (eg securities lending) the prospectus will be updated accordingly.

#### 11.7 **Inducements and commission**

When executing orders, or placing orders with other entities for execution, that relate to financial instruments for, or on behalf of, the Scheme, an Investment Adviser or the Manager (as relevant) will not accept and retain any fees, commissions or monetary benefits; or accept any non-monetary benefits, where these are paid or provided by any third party or a person acting on behalf of a third party.

The Investment Adviser or Manager will return to the Scheme as soon as reasonably possible after receipt any fees, commissions or any monetary benefits paid or provided by any third party or a person acting on behalf of a third party in relation to the services provided to the Scheme, and disclose in the annual report the fees, commissions or any monetary benefits transferred to them.

However, the Investment Adviser or Manager may accept without disclosure minor non-monetary benefits that are capable of enhancing the quality of service provided to the fund; and of a scale and nature such that they could not be judged to impair their compliance with its duty to act honestly, fairly and professionally in the best interests of the Scheme.

## 11.8 **Telephone Recording**

Please note that the Manager may record telephone calls for training and monitoring purposes and to confirm investors' instructions. Recordings will be provided on request for a period of at least five years from the date of such recording, or, where requested by a competent regulatory authority, for a period of seven years, where we can identify the call. If you ask us to send you a recording of a particular call, we may ask for further information to help us identify the exact call to which your request relates.

## Appendix 1

### Details of the Scheme

#### Close FTSE TechMARK Fund

**FCA product reference number: 190356**

**Investment  
Objective**

The Scheme aims to track the FTSE techMARK Focus Index "the Index".

**Investment  
Policy**

The Scheme will invest at least 80% in shares of companies included in the techMARK™ market, for the purpose of tracking the Index as closely as possible.

To the extent that the Scheme is not fully invested in shares of companies which are included in the Index, the Scheme may be invested in shares of companies which in the Manager's opinion are expected to become part of the Index.

In addition, where shares of companies needed to replicate the Index are not available, the Manager may invest in derivatives for the purpose of replicating the Index.

#### **Information on the FTSE techMARK Focus Index**

The Scheme is constituted for the purpose of tracking the performance of an index calculated by FTSE International Limited ("FTSE International") representing securities admitted to the Official List of the London Stock Exchange plc (the "Exchange") and comprised within the techMARK™ market.

As a tracker fund, the Scheme is constrained by the Index. This means that the investment manager constitutes the portfolio of the Scheme based on the companies included in the Index and generally may not invest in companies which are not included in the Index.

By way of explanation, the techMARK™ is part of an initiative by the Exchange to encourage companies with short trading histories that are dedicated to high technology activities (e.g. telecommunications, the internet etc.) to seek listings in London. The techMARK™ market related indices commenced operations on 3 November 1999.

The Exchange and FTSE International launched two indices on this market:

- The FTSE techMARK All-Share Index, comprising all the stock in techMARK™; and



- The FTSE techMARK Focus Index.

The FTSE techMARK Focus Index is based on the performance of the stocks comprised in the techMARK™ but excludes stocks issued by the very largest companies. Unitholders thus benefit from the continued growth of stocks in the technology sector. The Scheme aims to track the FTSE techMARK Focus Index performance in total return terms.

As at 30 June 2024, the FTSE techMARK Focus Index contained 18 constituent companies.

More details on the Index can be found at:

[https:// www.lseg.com/en/ftse-russell/indices/techmark](https://www.lseg.com/en/ftse-russell/indices/techmark)

### **Information on the Anticipated Tracking Error**

The Scheme will physically replicate the risk exposures of the Index on an optimised basis by investing principally in of the components of the Index, consistent with an Anticipated Tracking Error of 0.5% per annum. The Anticipated Tracking Error is a target and is not guaranteed. To the extent that the Scheme cannot physically replicate the components of the Index, it may use synthetic replication techniques for the purpose of tracking the Index as closely as possible.

Factors which are likely to affect the ability of the Scheme to track the performance of the Index include, but are not limited to, the Scheme's expenses as stated in the Prospectus, transaction costs (from Index component turnover), portfolio weightings not being exactly the same as the Index and small amounts of cash not being invested in stock.

### **Benchmark Risk**

The Manager is a user of the FTSE techMARK Focus Index (the "Index") under the Benchmark Regulation (Regulation (EU) 2016/1011). The administrator of the Index is included in the public register maintained by the European Securities and Markets Authority ("ESMA"), meaning it complies with the requirements of the Benchmark Regulation.

The Benchmark Regulation requires the Manager to produce and maintain robust written plans setting out the steps to be followed if an index should materially change or cease to be produced. Where feasible, these plans should include one or several alternative benchmarks that could be used to substitute an index in the event that it is no longer available. In the case of the FTSE techMARK Focus Index, the Manager is of the view that there are no existing indices which are sufficiently similar as to be a viable substitute. As such, should the FTSE techMARK Focus Index cease to be available, the

Manager would have to consider alternatives such as broader changes to the objective and policy of the Fund.

**Base Currency** Sterling

**ISA Status** Qualifying investment for stocks and shares ISA

**Minimum purchase, redemption and holding levels**

<b>Classes of Units</b>	<b>Minimum Purchase Request</b>	<b>Minimum Redemption Request</b>	<b>Minimum Holding Level</b>	<b>Minimum monthly subscription</b>
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Accumulation Units (X)*	£1000	£1000	£1000	
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The Manager may for each relevant class of Unit waive such minima in its absolute discretion.

**Accounting Dates**

Annual accounting date:	31 March
Interim accounting date:	30 September
Annual income allocation date:	31 July
Interim income allocation date:	30 November

**Fees and Expenses**

**Accumulation Units: X**

Fund Management Fee X Accumulation:	0.67% per annum
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<b>Charge for investment research:</b>	None
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## **Appendix 2**

### **Investment Powers and Restrictions**

#### **1. General**

The investment objective and policy of the Scheme is subject to the limits on investment set out in Chapter 5 of the COLL Sourcebook for UCITS schemes.

#### **2. Prudent spread of risk**

2.1 The ACD must ensure that, taking account of the investment objectives and policies of the Trust, the Scheme Property aims to provide a prudent spread of risk.

2.2 The rules in this section do not apply until the expiry of a period of six months after the date of effect of the authorisation order in respect of the Scheme (or on which the initial offer commenced if later) provided that the requirement to maintain prudent spread of risk is complied with.

#### **3. UCITS schemes - general**

3.1 The property of the Scheme must, subject to its investment objective and policy and except where otherwise provided in the COLL Sourcebook only consist of any or all of:

3.1.1 transferable securities;

3.1.2 approved money market instruments;

3.1.3 permitted derivatives and forward transactions;

3.1.4 permitted deposits; and

3.1.5 permitted units in collective investment schemes.

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

#### **4. Transferable Securities**

4.1 A transferable security is an investment which is any of the following:

4.1.1 a share;

4.1.2 a debenture;

4.1.3 an alternative debenture;

4.1.4 a government and public security;

4.1.5 a warrant; or

- 4.1.6 a certificate representing certain securities.
- 4.2 An investment is not a transferable security if the title to it cannot be transferred, or can be transferred only with the consent of a third party.
- 4.3 In applying paragraph 4.2 to an investment which is issued by a body corporate, and which is a share or a debenture the need for any consent on the part of the body corporate or any members or debenture holders of it may be ignored.
- 4.4 An investment is not a transferable security unless the liability of the holder of it to contribute to the debts of the issuer is limited to any amount for the time being unpaid by the holder of it in respect of the investment.

## **5. Investment in transferable securities**

- 5.1 The Scheme may invest in a transferable security only to the extent that the transferable security fulfils the following criteria:
  - 5.1.1 the potential loss which the Scheme may incur with respect to holding the transferable security is limited to the amount paid for it;
  - 5.1.2 its liquidity does not compromise the ability of the Manager to comply with its obligation to redeem shares at the request of any qualifying shareholder under the COLL Sourcebook;
  - 5.1.3 reliable valuation is available for it as follows:
    - 5.1.3.1 in the case of a transferable security admitted to or dealt in on an eligible market, where there are accurate, reliable and regular prices which are either market prices or prices made available by valuation systems independent from issuers;
    - 5.1.3.2 in the case of a transferable security not admitted to or dealt in on an eligible market, where there is a valuation on a periodic basis which is derived from information from the issuer of the transferable security or from competent investment research;
  - 5.1.4 appropriate information is available for it as follows:
    - 5.1.4.1 in the case of a transferable security admitted to or dealt in on an eligible market, where there is regular, accurate and comprehensive information available to the market on the transferable security or, where relevant, on the portfolio of the transferable security;
    - 5.1.4.2 in the case of a transferable security not admitted to or dealt in on an eligible market, where there is regular and accurate information available to the Manager on the transferable security or, where relevant, on the portfolio of the transferable security;
  - 5.1.5 it is negotiable; and

5.1.6 its risks are adequately captured by the risk management process of the Manager.

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

5.2.1 not to compromise the ability of the Manager to comply with its obligation to redeem units at the request of any qualifying Shareholder; and

5.2.2 to be negotiable.

5.3 No more than 5% of the value of the Scheme Property may be invested in warrants.

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

6.1 A unit in a closed end fund shall be taken to be a transferable security for the purposes of investment by the Trust, provided it fulfils the criteria for transferable securities set out in paragraph 5, and either:

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

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

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

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

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

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

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

7.1 The Scheme may invest in any other investment which shall be taken to be a transferable security for the purposes of investment by the Scheme provided the investment:

7.1.1 fulfils the criteria for transferable securities set out in paragraph 5; and

7.1.2 is backed by or linked to the performance of other assets, which may differ from those in which the Scheme can invest.

7.2 Where an investment in paragraph 7.1 contains an embedded derivative component (see paragraph 19.5), the requirements of this Appendix with respect to derivatives and forwards will apply to that component.

## **8. Approved Money Market Instruments**

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

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

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

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

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

8.2.4 has a risk profile, including credit and interest rate risks, corresponding to that of an instrument which has a maturity as set out in paragraphs 8.2.1 or 8.2.2 or is subject to yield adjustments as set out in paragraph 8.2.3.

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

8.4 A money-market instrument shall be regarded as having a value which can be accurately determined at any time if accurate and reliable valuations systems, which fulfil the following criteria, are available:

8.4.1 enabling the Manager to calculate a net asset value in accordance with the value at which the instrument held in the portfolio could be exchanged between knowledgeable willing parties in an arm's length transaction; and

8.4.2 based either on market data or on valuation models including systems based on amortised costs.

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

**9. Transferable securities and money market instruments generally to be admitted to or dealt in on an eligible market**

9.1 Transferable securities and approved money market instruments held within the Scheme must (subject to paragraphs 9.2 and 2) be:

9.1.1 admitted to or dealt in on an eligible market as described in paragraphs 10.1 and 10.2; or

9.1.2 for an approved money market instrument not admitted to or dealt in on an eligible market, within paragraph 11.1: or

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

9.2 Not more than 10% in value of the Scheme Property is to consist of transferable securities and approved money market instruments (other than those that are referred to in paragraph 9).

**10. Eligible markets requirements**

10.1 A market is eligible for the purposes of the paragraph 9 if it is:

10.1.1 a regulated market;

10.1.2 a market in an EEA State which is regulated, operates regularly and is open to the public.

10.2 If a market does not fall within paragraph 10.1 it may be eligible if the Manager, after consultation and notification with the Trustee, decides that:

10.2.1 the market is appropriate for investment of, or dealing in, the Scheme Property;

10.2.2 the market is included in a list in the Prospectus; and

10.2.3 the Trustee has taken reasonable care to determine that adequate custody arrangements can be provided for the investment dealt in on that market and all reasonable steps have been taken by the Manager in deciding whether that market is eligible.

10.3 In paragraph 10.2 a market must not be considered appropriate unless it is regulated, operates regularly, is recognised as a market or exchange or as a self regulating organisation by an overseas regulator, is open to the public, is adequately liquid and has adequate arrangements for unimpeded transmission of income and capital to or to the order of investors.

10.4 Eligible markets for the Scheme are set out in Appendix 4 below.

## **11. Money-market instruments with a regulated issuer**

- 11.1 In addition to instruments admitted to or dealt in on an eligible market, the Scheme may invest in an approved money-market instrument provided it fulfils the following requirements:
- 11.1.1 the issue or the issuer is regulated for the purpose of protecting investors and savings; and
  - 11.1.2 the instrument is issued or guaranteed in accordance with paragraph 12.
- 11.2 The issue or the issuer of a money-market instrument, other than one dealt in on an eligible market, shall be regarded as regulated for the purpose of protecting investors and savings if:
- 11.2.1 the instrument is an approved money-market instrument;
  - 11.2.2 appropriate information is available for the instrument (including information which allows an appropriate assessment of the credit risks related to investment in it), in accordance with paragraph 13; and
  - 11.2.3 the instrument is freely transferable.

## **12. Issuers and guarantors of money-market instruments**

- 12.1 The Scheme may invest in an approved money-market instrument if it is:
- 12.1.1 issued or guaranteed by any one of the following:
    - 12.1.1.1 a central authority of the United Kingdom or an EEA State or, if the EEA State is a federal state, one of the members making up the federation;
    - 12.1.1.2 a regional or local authority of the United Kingdom or an EEA State;
    - 12.1.1.3 the European Central Bank or a central bank of an EEA State;
    - 12.1.1.4 the Bank of England, the European Union or the European Investment Bank;
    - 12.1.1.5 a non-EEA State or, in the case of a federal state, one of the members making up the federation;
    - 12.1.1.6 a public international body to which the United Kingdom one or more EEA States belong; or
  - 12.1.2 issued by a body, any securities of which are dealt in on an eligible market; or
  - 12.1.3 issued or guaranteed by an establishment which is:



12.1.3.1 subject to prudential supervision in accordance with criteria defined by UK or EU law; or

12.1.3.2 subject to and complies with prudential rules considered by the FCA to be at least as stringent as those laid down by UK or EU law.

12.2 An establishment shall be considered to satisfy the requirement in paragraph 12.1.3.2 if it is subject to and complies with prudential rules, and fulfils one or more of the following criteria:

12.2.1 it is located in the European Economic Area;

12.2.2 it is located in an OECD country belonging to the Group of Ten;

12.2.3 it has at least investment grade rating;

12.2.4 on the basis of an in-depth analysis of the issuer, it can be demonstrated that the prudential rules applicable to that issuer are at least as stringent as those laid down by UK or EU law.

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

13.1 In the case of an approved money-market instrument within paragraph 12.1.2 or which is issued by an authority within paragraph 12.1.1.2 or a public international body within paragraph 12.1.1.6 but is not guaranteed by a central authority within paragraph 12.1.1.1, the following information must be available:

13.1.1 information on both the issue or the issuance programme, and the legal and financial situation of the issuer prior to the issue of the instrument, verified by appropriately qualified third parties not subject to instructions from the issuer;

13.1.2 updates of that information on a regular basis and whenever a significant event occurs; and

13.1.3 available and reliable statistics on the issue or the issuance programme.

13.2 In the case of an approved money-market instrument issued or guaranteed by an establishment within paragraph 12.1.3, the following information must be available

13.2.1 information on the issue or the issuance programme or on the legal and financial situation of the issuer prior to the issue of the instrument updates of that information on a regular basis and whenever a significant event occurs; and

13.2.2 available and reliable statistics on the issue or the issuance programme, or other data enabling an appropriate assessment of the credit risks related to investment in those instruments.

- 13.3 In the case of an approved money-market instrument:
- 13.3.1 within paragraphs 12.1.1.1, 12.1.1.4 or 12.1.1.5; or
  - 13.3.2 which is issued by an authority within paragraph 12.1.1.2 or a public international body within paragraph 12.1.1.6 and is guaranteed by a central authority within paragraph 12.1.1.1;

information must be available on the issue or the issuance programme, or on the legal and financial situation of the issuer prior to the issue of the instrument.

**14. Spread: general**

- 14.1 This paragraph 14 on spread does not apply to government and public securities.
- 14.2 For the purposes of this requirement companies included in the same group for the purposes of consolidated accounts as defined in accordance with section 399 of Companies Act 2006, Directive 2013/34/EU or in the same group in accordance with international accounting standards are regarded as a single body.
- 14.3 Not more than 20% in value of the Scheme Property is to consist of deposits with a single body.
- 14.4 With the exception of those instruments specified in paragraph 16 below, not more than 5% in value of the Scheme Property is to consist of transferable securities or approved money market instruments issued by any single body, except that the limit of 5% is raised to 10% in respect of up to 40% in value of the Scheme Property. For these purposes certificates representing certain securities are treated as equivalent to the underlying security.
- 14.5 The exposure to any one counterparty in an OTC derivative transaction must not exceed 5% in value of the Scheme Property. This limit is raised to 10% where the counterparty is an Approved Bank.
- 14.6 The COLL Sourcebook provides that not more than 20% in value of the Scheme Property is to consist of the units of any one collective investment scheme. However, the Scheme is limited to 10% investment in collective investment schemes.
- 14.7 Not more than 20% in value of the Scheme Property may consist of transferable securities and approved money market instruments issued by the same group.
- 14.8 In applying the limits in paragraphs 14.3 to 14.6 not more than 20% in value of the Scheme Property is to consist of any combination of two or more of the following:
- 14.8.1 transferable securities or approved or money market instruments issued by;  
or
  - 14.8.2 deposits made with; or

14.8.3 exposures from OTC derivatives transactions made with;  
a single body.

## **15. Counterparty risk and issuer concentration**

15.1 The Manager must ensure that counterparty risk arising from an OTC derivative is subject to the limits set out in paragraphs 14.5 and 14.8.

15.2 When calculating the exposure of the Scheme to a counterparty in accordance with the limits in paragraph 14.5 the Manager must use the positive mark-to-market value of the OTC derivative contract with that counterparty.

15.3 The Manager may net the OTC derivative positions of the Scheme with the same counterparty, provided:

15.3.1 they are able legally to enforce netting agreements with the counterparty on behalf of the Trust.

15.3.2 the netting agreements in paragraph 15.3.1 above are permissible only with respect to OTC derivatives with the same counterparty and not in relation to any other exposures the Scheme may have with that same counterparty.

15.4 The Manager may reduce the exposure of Scheme Property to a counterparty of an OTC derivative through the receipt of collateral. Collateral received must be sufficiently liquid so that it can be sold quickly at a price that is close to its pre-sale valuation.

15.5 The Manager must take collateral into account in calculating exposure to counterparty risk in accordance with the limits in paragraph 14.5 when it passes collateral to an OTC counterparty on behalf of the Scheme.

15.6 Collateral passed in accordance with paragraph 15.5 may be taken into account on a net basis only if the Manager is able legally to enforce netting arrangements with this counterparty on behalf of that Fund.

15.7 In relation to the exposure arising from OTC derivatives as referred to in paragraph 14.8 the Manager must include in the calculation any counterparty risk relating to the OTC derivative transaction.

15.8 The Manager must calculate the issuer concentration limits referred to in paragraph 14 on the basis of the underlying exposure created through the use of OTC derivatives pursuant to the commitment approach.

## **16. Spread: government and public securities**

16.1 The following applies in respect of a transferable security or an approved money-market instrument ("such securities") that is issued by:

16.1.1 an EEA State;

16.1.2 a local authority of an EEA State;

16.1.3 a non-EEA State;

16.1.4 a public international body to which one or more EEA States belong.

## **17. Investment in collective investment schemes**

17.1 Up to 10% of the value of the Scheme Property may be invested in other collective investment schemes ("second schemes").

17.2 The Second Scheme must:

17.2.1 be a UCITS scheme or satisfy the conditions necessary for it to enjoy the rights conferred by the UCITS Directive as implemented in the EEA; or

17.2.2 be a recognised scheme that is authorised by the supervisory authorities of Guernsey, Jersey or the Isle of Man (provided the requirements of COLL 5.2.13AR are met); or

17.2.3 be authorised as a non-UCITS retail scheme (provided the requirements of COLL 5.2.13AR(1), (3) and (4) are met); or

17.2.4 be authorised in an EEA State provided the requirements of COLL 5.2.13AR are met.

17.2.5 be authorised by the competent authority of an OECD member country (other than another EEA State) which has:

(a) signed the IOSCO Multilateral Memorandum of Understanding; and

(b) approved the scheme's management company, rules and depositary/custody arrangements.

(provided the requirements of COLL 5.2.13AR are met).

17.3 The Second Scheme has terms which prohibit more than 10% in value of its scheme property consisting of units in collective investment schemes. Where the Second Scheme is an umbrella, the provisions in this paragraph 17.3 and paragraph 17.4 apply to each sub-fund as if it were a separate scheme.

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

17.5 The Scheme may, subject to the limits set out in paragraph 17.1 above, invest in collective investment schemes managed or operated by, or whose authorised corporate director is, the Manager of the scheme or one of its associates.

## **18. Investment in nil and partly paid securities**

18.1 A transferable security or an approved money market instrument on which any sum is unpaid falls within a power of investment only if it is reasonably foreseeable that the amount of any existing and potential call for any sum unpaid could be paid by the Scheme, at the time when payment is required, without contravening the COLL Sourcebook.

## **19. Derivatives: general**

19.1 The Scheme may employ derivatives for investment purposes as well as for the purposes of hedging with the aim of reducing the risk profile of the Scheme, or reducing costs or generating income, in accordance with Efficient Portfolio Management ("EPM"). Such investment may increase the risk profiles or volatility of the Scheme. However, the Manager has adopted a risk management process which is designed to manage the risk the Scheme may be subject to as a result of holding derivatives.

19.2 A transaction in derivatives or a forward transaction must not be effected for the Scheme unless the transaction is of a kind specified in paragraph 20, and the transaction is covered, as required by paragraph 33 (Cover for investment in derivatives) of this Appendix.

19.3 Where the Scheme invests in derivatives, the exposure to the underlying assets must not exceed the limits set out in paragraphs 14 and 16 except for index based derivatives where paragraph 19.7 applies.

19.4 Where a transferable security or approved money market instrument embeds a derivative, this must be taken into account for the purposes of complying with this Appendix.

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

19.5.1 by virtue of that component some or all of the cash flows that otherwise would be required by the transferable security or approved money-market instrument which functions as host contract can be modified according to a specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, and therefore vary in a way similar to a stand-alone derivative;

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

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

19.6 A transferable security or an approved money-market instrument does not embed a derivative where it contains a component which is contractually transferable independently of the transferable security or the approved money-market instrument. That component shall be deemed to be a separate instrument.

19.7 Where the Scheme invests in an index based derivative, provided the relevant index falls within paragraph 21, the underlying constituents of the index do not have to be taken into account for the purposes of the paragraphs 14 and 16. The relaxation is subject to the Manager continuing to ensure that the Scheme Property provides a prudent spread of risk.

## **20. Permitted transactions (derivatives and forwards)**

20.1 A transaction in a derivative must be in an approved derivative; or be one which complies with paragraph 25.

20.2 A transaction in a derivative must have the underlying consisting of any one or more of the following to which the Scheme is dedicated:

20.2.1 transferable securities permitted under paragraphs 9.1.1 and 9.1.3;

20.2.2 approved money market instruments permitted under paragraphs 9.1.1 and 9.1.2;

20.2.3 deposits permitted under paragraph 28;

20.2.4 permitted derivatives under this paragraph;

20.2.5 collective investment scheme units permitted under paragraph 17.1;

20.2.6 financial indices which satisfy the criteria in paragraph 21;

20.2.7 interest rates;

20.2.8 foreign exchange rates; and

20.2.9 currencies.

20.3 A transaction in an approved derivative must be effected on or under the rules of an eligible derivatives market.

20.4 A transaction in a derivative must not cause the Scheme to diverge from its investment objectives as stated in the Trust Deed and the most recently published version of this Prospectus.

20.5 A transaction in a derivative must not be entered into if the intended effect is to create the potential for an uncovered sale of one or more, transferable securities, approved money market instruments, units in collective investment schemes, or derivatives, provided that a sale is not to be considered as uncovered if the conditions in paragraph 24 are satisfied.

20.6 Any forward transaction must be with an Eligible Institution or an Approved Bank.

20.7 A derivative includes an instrument which fulfils the following criteria:

20.7.1 it allows the transfer of the credit risk of the underlying independently from the other risks associated with that underlying;

- 20.7.2 it does not result in the delivery or the transfer of assets other than those referred to in paragraph 3.1 including cash;
  - 20.7.3 in the case of an OTC derivative, it complies with the requirements in paragraph 25.
  - 20.7.4 its risks are adequately captured by the risk management process of the Manager, and by its internal control mechanisms in the case of risks of asymmetry of information between the Manager and the counterparty to the derivative, resulting from potential access of the counterparty to non-public information on persons whose assets are used as the underlying by that derivative.
- 20.8 The Scheme may not undertake transactions in derivatives on commodities.
  - 20.9 The Scheme may enter into a range of swap transactions in pursuit of its investment objective (including total return swaps) or other financial derivatives instruments with similar characteristics. Where relevant, the underlying assets and investment strategies or such swaps, to which exposure will be gained, are described in the investment objective and policy of the Scheme.
  - 20.10 The counterparty to such transaction does not have discretion over the composition or management of the Scheme's portfolio or over the underlying of financial derivative instruments used by the Scheme. Counterparty approval is not required in relation to any investment decision made by the Scheme.
  - 20.11 The counterparties of these transactions will be highly rated financial institutions specialising in these types of transactions and approved by the Manager.

## **21. Efficient Portfolio Management**

- 21.1 Permitted transactions for the purposes of EPM (excluding stock lending transactions) are forward currency transactions with approved counterparties and transactions in (i) approved derivatives (i.e. options, futures or contracts for differences which are dealt in or traded on an eligible derivatives market), (ii) off-exchange derivatives (i.e. futures, options or contracts for differences with a counterparty falling within certain specified categories and meeting certain other criteria) or (iii) synthetic futures (i.e. derivatives transactions in the nature of composite derivatives created out of two options bought and written on the same eligible derivatives market and having certain characteristics in common) which meet detailed requirements set out in the FCA Rules.
- 21.2 A derivatives or forward transaction which will or could lead to delivery of property to the Trustee may be entered into only if such property can be held by the by the Scheme and the Manager has taken reasonable care to determine that delivery of the property pursuant to the transaction will not occur or will not lead to a breach of the FCA Rules.

21.3 There is no limit on the amount of the Scheme Property which may be used for transactions for the purposes of efficient portfolio management but each transaction for the account of the Scheme must satisfy three broadly based requirements:-

21.3.1 the transaction must be one which the Manager has ascertained with reasonable care to be economically appropriate to the efficient portfolio management of the Scheme in that it is realised in a cost effective way. Also the Manager will take reasonable care to determine that, for a transaction undertaken to reduce risk or cost (or both), the transaction (alone or in combination) will diminish a risk or cost of a kind or level which it is sensible to reduce and, for a transaction undertaken to generate additional capital or income, the Scheme is certain (or certain barring events which are not reasonably foreseeable) to derive a benefit from the transaction. A transaction may not be entered into if its purpose could reasonably be regarded as speculative. Where the transaction relates to the actual or potential acquisition of transferable securities, then the Manager must intend that the Scheme should invest in transferable securities within a reasonable time; and it must thereafter ensure that, unless the position has itself been closed out, that intention is realised within that reasonable time;

21.3.2 the purpose of the transaction must be to achieve one of the following in respect of the Scheme:-

- (a) **reduction of risk** – this, for example, allows for the use of the technique of cross-currency hedging in order to switch all or part of the Scheme Property away from a currency the Manager considers unduly prone to risk into another currency. This aim also permits the use of tactical asset allocation described in sub-paragraph (b) below;
- (b) **reduction of cost** – for example, the aims of reduction of risk and reduction of cost, together or separately, allow the Manager on a temporary basis to use the technique of tactical asset allocation. Tactical asset allocation permits the Manager to undertake a switch in the Scheme’s exposure by the use of derivatives rather than through the sale and purchase by the Scheme of transferable securities. If a transaction for the Scheme relates to the acquisition or potential acquisition of transferable securities, the Manager must intend that the Scheme should invest in transferable securities within a reasonable time and the Manager must thereafter ensure that, unless the position has itself been closed out, that intention is realised within that reasonable time.
- (c) **generation of additional capital or income** for the Scheme with an acceptably low level of risk which is consistent with the Scheme’s risk profile and the risk diversification rules laid down in the FCA Rules – there is an acceptably low level of risk in any case where the Manager has taken reasonable care to determine that the Scheme is certain (or certain barring events which are not reasonably foreseeable) to derive a benefit from stocklending or on the basis either of taking advantage of pricing imperfections in relation to the



acquisition and disposal (or vice versa) of rights in relation to property the same as, or equivalent to property which the authorised fund holds or may properly hold or of receiving premiums for the writing of covered put or call options.

The relevant purpose must relate to the Scheme Property, property (whether precisely identified or not) which is to be or is proposed to be acquired for the Scheme or anticipated cash receipts of the Scheme if due to be received at some time and likely to be received within one month; and

21.3.3 the maximum potential exposure created by each transaction must be covered "individually" by assets of the right kind within the Scheme Property (i.e., in the case of an exposure in terms of property, appropriate transferable securities or other property; and, in the case of an exposure in terms of money, cash, near cash, borrowed cash or transferable securities which can be sold to realise the appropriate cash) and "globally" (i.e. that the Scheme's exposure does not exceed the net asset value of its Scheme Property, taking into account the value of the underlying assets, future market movements, counterparty risk and the time available to liquidate any position). The global exposure must be calculated on at least a daily basis. Property and cash can be used only once for cover and, generally, property is not available for cover if it is the subject of a stocklending transaction. The lending transaction in a back to back currency borrowing does not require cover.

21.4 The Manager measures the creditworthiness of counterparties as part of the risk management process. The counterparties of these transactions will be highly rated financial institutions specialising in these types of transactions and approved by the Manager. A counterparty may be an associate of the Manager which may give rise to a conflict of interest.

21.5 Any income or capital generated by the use of EPM techniques (net of direct or indirect costs) will be paid to the Scheme.

## **22. Financial indices underlying derivatives**

22.1 The financial indices referred to in paragraph 20.2.6 are those which satisfy the following criteria:

22.1.1 the index is sufficiently diversified;

22.1.2 the index represents an adequate benchmark for the market to which it refers; and

22.1.3 the index is published in an appropriate manner.

22.2 A financial index is sufficiently diversified if:

22.2.1 it is composed in such a way that price movements or trading activities regarding one component do not unduly influence the performance of the whole index;

- 22.2.2 where it is composed of assets in which the Scheme is permitted to invest, its composition is at least diversified in accordance with the requirements with respect to spread and concentration set out in this Appendix; and
  - 22.2.3 where it is composed of assets in which the Scheme cannot invest, it is diversified in a way which is equivalent to the diversification achieved by the requirements with respect to spread and concentration set out in this Appendix.
- 22.3 A financial index represents an adequate benchmark for the market to which it refers if:
- 22.3.1 it measures the performance of a representative group of underlyings in a relevant and appropriate way;
  - 22.3.2 it is revised or rebalanced periodically to ensure that it continues to reflect the markets to which it refers, following criteria which are publicly available; and
  - 22.3.3 the underlyings are sufficiently liquid, allowing users to replicate it if necessary.
- 22.4 A financial index is published in an appropriate manner if:
- 22.4.1 its publication process relies on sound procedures to collect prices, and calculate and subsequently publish the index value, including pricing procedures for components where a market price is not available; and
  - 22.4.2 material information on matters such as index calculation, rebalancing methodologies, index changes or any operational difficulties in providing timely or accurate information is provided on a wide and timely basis.
- 22.5 Where the composition of underlyings of a transaction in a derivative does not satisfy the requirements for a financial index, the underlyings for that transaction shall where they satisfy the requirements with respect to other underlyings pursuant to paragraph 20.2 be regarded as a combination of those underlyings.

### **23. Transactions for the purchase of property**

- 23.1 A derivative or forward transaction which will or could lead to the delivery of property for the account of the Scheme may be entered into only if that property can be held for the account of the Fund, and the Manager having taken reasonable care determines that delivery of the property under the transaction will not occur or will not lead to a breach of the rules in the COLL Sourcebook.

### **24. Requirement to cover sales**

- 24.1 No agreement by or on behalf of the Scheme to dispose of property or rights may be made unless the obligation to make the disposal and any other similar obligation could immediately be honoured by the Scheme by delivery of property or the assignment (or, in Scotland, assignation) of rights, and the property and rights above are owned by the Scheme at the time of the agreement. This requirement does not apply to a deposit.

## **25. OTC transactions in derivatives**

25.1 Any transaction in an OTC derivative under paragraph 20 must be:

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

25.1.1.1 on approved terms; the terms of the transaction in derivatives are approved only if the Manager carries out, at least daily, a reliable and verifiable valuation in respect of that transaction corresponding to its fair value and which does not rely only on market quotations by the counterparty; and

25.1.1.2 can enter into a one or more further transactions to sell, liquidate or close out that transaction at any time, at its fair value; and

25.1.2 capable of reliable valuation; a transaction in derivatives is capable of reliable valuation only if the Manager having taken reasonable care determines that, throughout the life of the derivative (if the transaction is entered into), it will be able to value the investment concerned with reasonable accuracy: on the basis of an up-to-date market value which the Manager and the Trustee have agreed is reliable; or, if that value is not available, on the basis of a pricing model which the Manager and the Trustee have agreed uses an adequate recognised methodology; and

25.1.3 subject to verifiable valuation; a transaction in derivatives is subject to verifiable valuation only if, throughout the life of the derivative (if the transaction is entered into) verification of the valuation is carried out by an appropriate third party which is independent from the counterparty of the derivative, at an adequate frequency and in such a way that the Manager is able to check it; or a department within the Manager which is independent from the department in charge of managing the Scheme Property and which is adequately equipped for such a purpose.

25.2 For the purposes of paragraph 25.1.1.1 above, "fair value" is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

## **26. Valuation of OTC derivatives**

26.1 For the purposes of paragraph 25.1.1.1, the Manager must:

26.1.1 establish, implement and maintain arrangements and procedures which ensure appropriate, transparent and fair valuation of the exposures of the Scheme to OTC derivatives; and

- 26.1.2 ensure that the fair value of OTC derivatives is subject to adequate, accurate and independent assessment.
- 26.2 Where the arrangements and procedures referred to in paragraph 26.1 above involve the performance of certain activities by third parties, the Manager must comply with the requirements in SYSC 8.1.13 R (Additional requirements for a management company) and COLL 6.6A.4 R (4) to (6) (Due diligence requirements of AFMs of UCITS schemes).
- 26.3 The arrangements and procedures referred to in this rule must be:
  - 26.3.1 adequate and proportionate to the nature and complexity of the OTC derivative concerned; and
  - 26.3.2 adequately documented.

## **27. Risk management**

- 27.1 The Manager uses a risk management process, enabling it to monitor and measure at any time the risk of the Trust's positions and their contribution to the overall risk profile of the Scheme.
- 27.2 The following details of the risk management process must be regularly notified by the Manager to the FCA and at least on an annual basis:
  - 27.2.1 a true and fair view of the types of derivatives and forward transactions to be used within the Scheme together with their underlying risks and any relevant quantitative limits; and
  - 27.2.2 the methods for estimating risks in derivative and forward transactions.

## **28. Investments in Deposits**

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

## **29. Significant influence**

- 29.1 The Manager shall not acquire, or cause to be acquired for the Trust, transferable securities issued by a body corporate and carrying rights to vote (whether or not on substantially all matters) at a general meeting of that body corporate if immediately before the acquisition, the aggregate of any such securities held for the Trust, taken together with any such securities already held for other authorised unit trusts of which it is also the Manager, gives the Manager power significantly to influence the conduct of business of that body corporate; or the acquisition gives the Manager that power.
- 29.2 The Manager is to be taken to have power significantly to influence the conduct of business of a body corporate if it can, because of the transferable securities held for all the authorised unit trusts of which it is the Manager, exercise or control the exercise of 20% or more of the voting rights in that body corporate (disregarding for this purpose

any temporary suspension of voting rights in respect of the transferable securities of that body corporate).

### **30. Concentration**

30.1 The Trust:

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

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

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

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

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

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

30.1.5 need not comply with the limits in paragraphs 38.3.2 and 30.1.3 of this Appendix if, at the time of the acquisition, the net amount in issue of the relevant investment cannot be calculated.

### **31. Schemes replicating an index**

31.1 Notwithstanding paragraph 14, the Scheme may invest up to 20% in value of the Scheme Property in shares and debentures which are issued by the same body where the stated investment policy is to replicate the composition of a relevant index as defined in paragraph 32.

31.2 Replication of the composition of a relevant index shall be understood to be a reference to replication of the composition of the underlying assets of that index, including the use of techniques and instruments permitted for the purpose of efficient portfolio management.

31.3 The limit in paragraph 31.1 can be raised up to 35% in value of the Scheme Property, but only in respect of one body and where justified by exceptional market conditions.

### **32. Relevant indices**

32.1 The indices referred to in paragraph 31 are those which satisfy the following criteria:

32.1.1 The composition is sufficiently diversified;

32.1.2 The index represents an adequate benchmark for the market to which it refers; and

- 32.1.3 The index is published in an appropriate manner.
- 32.2 The composition of an index is sufficiently diversified if its components adhere to the spread and concentration requirements in this Appendix.
- 32.3 An index represents an adequate benchmark if its provider uses a recognised methodology which generally does not result in the exclusion of a major issuer of the market to which it refers.
- 32.4 An index is published in an appropriate manner if:
  - 32.4.1 it is accessible to the public;
  - 32.4.2 the index provider is independent from the index-replicating Manager; this does not preclude index providers and the Manager from forming part of the same group, provided that effective arrangements for the management of conflicts of interest are in place.

### **33. Cover for investment in derivatives**

- 33.1 The Scheme may invest in derivatives and forward transactions as part of its investment policy provided its global exposure relating to derivatives and forward transactions held in the Scheme does not exceed the net value of the Scheme Property.

### **34. Daily calculation of global exposure**

- 34.1 The Manager must calculate the global exposure of the Scheme on at least a daily basis.
- 34.2 For the purposes of this section, exposure must be calculated taking into account the current value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the positions.

### **35. Calculation of global exposure**

- 35.1 The Manager must calculate the global exposure of any Fund it manages either as:
  - 35.1.1 the incremental exposure and leverage generated through the use of derivatives and forward transactions (including embedded derivatives as referred to in paragraph 19 (Derivatives: general), which may not exceed 100% of the net value of the Scheme Property, by way of the commitment approach; or
  - 35.1.2 the market risk of the Scheme Property, by way of the value at risk approach.
- 35.2 The Manager must ensure that the method selected above is appropriate, taking into account:
  - 35.2.1 the investment strategy pursued by the Fund;
  - 35.2.2 the types and complexities of the derivatives and forward transactions used; and

35.2.3 the proportion of the Scheme Property comprising derivatives and forward transactions.

35.3 Where Manager employs techniques and instruments including repo contracts or stock lending transactions in accordance with paragraph 37 (Stock lending) in order to generate additional leverage or exposure to market risk, the Manager must take those transactions into consideration when calculating global exposure.

35.4 For the purposes of paragraph 35.1, value at risk means a measure of the maximum expected loss at a given confidence level over the specific time period.

### **36. Commitment approach**

36.1 Where the Manager uses the commitment approach for the calculation of global exposure, it must:

36.1.1 ensure that it applies this approach to all derivative and forward transactions (including embedded derivatives as referred to in paragraph 19 (Derivatives: general)), whether used as part of the Trust's general investment policy, for the purposes of risk reduction or for the purposes of efficient portfolio management in accordance with paragraph 37 (Stock lending); and

36.1.2 convert each derivative or forward transaction into the market value of an equivalent position in the underlying asset of that derivative or forward (standard commitment approach).

36.2 The Manager may apply other calculation methods which are equivalent to the standard commitment approach.

36.3 For the commitment approach, the Manager may take account of netting and hedging arrangements when calculating global exposure of the Trust, where these arrangements do not disregard obvious and material risks and result in a clear reduction in risk exposure.

36.4 Where the use of derivatives or forward transactions does not generate incremental exposure for the Fund, the underlying exposure need not be included in the commitment calculation.

36.5 Where the commitment approach is used, temporary borrowing arrangements entered into on behalf of the Scheme in accordance with paragraph 41 (General power to borrow) need not form part of the global exposure calculation.

### **37. Stock lending**

37.1 The Manager may request the Trustee to enter into stocklending transactions or a repo contract in respect of the Trust. However, the purpose of the stocklending transaction must be for the generation of capital or income for the Scheme with no, or an acceptably low degree of risk.

37.2 There is no limit on the value of the Scheme Property which may be the subject of repo contracts or stock lending transactions.

- 37.3 Any stocklending arrangements or repo entered into must be of the kind described in section 263 B of the Taxation of Chargeable Gains Act 1992 (without extension by section 263 C), but only if:
- 37.3.1 all the terms of the agreement under which securities are to be reacquired by the Trustee for the account of the Scheme are in a form which is acceptable to the Trustee and are in accordance with good market practice;
- 37.3.2 the counterparty is:
- 37.3.2.1 an authorised person; or
- 37.3.2.2 a person authorised by a Home State regulator; or
- 37.3.2.3 a person registered as a broker-dealer with the Securities and Exchange Commission of the United States of America; or
- 37.3.2.4 a bank, or a branch of a bank, supervised and authorised to deal in investments as principal, with respect to OTC derivatives by at least one of the following federal banking supervisory authorities of the United States of America: the Office of the Comptroller of the Currency; the Federal Deposit Insurance Corporation; the Board of Governors of the Federal Reserve System; and the Office of Thrift Supervision; and
- 37.3.3 collateral is obtained to secure the obligation of the counterparty under the terms referred to in paragraph 37.3.1 and the collateral is:
- 37.3.3.1 acceptable to the Trustee;
- 37.3.3.2 adequate ; and
- 37.3.3.3 sufficiently immediate.
- 37.4 The counterparty for the purpose of paragraph 37.3.2 is the person who is obliged under the agreement referred to in paragraph 37.3.1 to transfer to the Trustee the securities transferred by the Trustee under the stock lending arrangement or securities of the same kind.
- 37.5 Paragraph 37.3.3 does not apply to a stock lending transaction made through Euroclear Bank SA/NV's Securities Lending and Borrowing Programme.

### **38. Treatment of collateral**

- 38.1 Collateral is adequate for the purposes of this paragraph only if it is:
- 38.1.1 transferred to the Trustee or its agent;
- 38.1.2 at least equal in value, at the time of the transfer to the Trustee, to the value of the securities transferred by the Trustee; and



- 38.1.3 in the form of one or more of:
  - 38.1.3.1 cash; or
  - 38.1.3.2 a certificate of deposit; or
  - 38.1.3.3 a letter of credit; or
  - 38.1.3.4 a readily realisable security ; or
  - 38.1.3.5 commercial paper with no embedded derivative content; or
  - 38.1.3.6 a qualifying money market fund.
- 38.2 Where the collateral is invested in units in a qualifying money market fund managed or operated by (or, for an ICVC, whose authorised corporate director is) the Manager or an associate of the Manager, the conditions in paragraph 17.4 must be complied with.
- 38.3 Collateral is sufficiently immediate for the purposes of this paragraph if:
  - 38.3.1 it is transferred before or at the time of the transfer of the securities by the Trustee; or
  - 38.3.2 the Trustee takes reasonable care to determine at the time referred to in paragraph 38.3.1 that it will be transferred at the latest by the close of business on the day of the transfer.
- 38.4 The Trustee must ensure that the value of the collateral at all times is at least equal to the value of the securities transferred by the Trustee.
- 38.5 The duty in paragraph 38.4 may be regarded as satisfied in respect of collateral the validity of which is about to expire or has expired where the Trustee takes reasonable care to determine that sufficient collateral will again be transferred at the latest by the close of business on the day of expiry.
- 38.6 Any agreement for transfer at a future date of securities or of collateral (or of the equivalent of either) under this paragraph may be regarded, for the purposes of valuation and pricing of the Scheme or this Appendix, as an unconditional agreement for the sale or transfer of property, whether or not the property is part of the property of the Trust.
- 38.7 Collateral transferred to the Trustee is part of the Scheme Property for the purposes of the rules in the COLL Sourcebook, except in the following respects:
  - 38.7.1 it does not fall to be included in any calculation of NAV or this Appendix, because it is offset under paragraph 38.6 by an obligation to transfer; and
  - 38.7.2 it does not count as Scheme Property for any purpose of this Appendix other than this paragraph.

38.8 Paragraphs 38.6 and 38.7.1 not apply to any valuation of collateral itself for the purposes of this paragraph.

**39. Cash and near cash**

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

39.1.1 the pursuit of the Trust's investment objectives; or

39.1.2 the redemption of units; or

39.1.3 efficient management of the Scheme in accordance with their investment objectives; or

39.1.4 other purposes which may reasonably be regarded as ancillary to the investment objective of the Trust.

39.2 During the period of the initial offer the Scheme Property may consist of cash and near cash without limitation.

**40. Cover and Borrowing**

40.1 Cash obtained from borrowing, and borrowing which the Manager reasonably regards an Eligible Institution or an Approved Bank to be committed to provide, is available for cover under paragraph 33 except where paragraph 40.2 applies.

40.2 Where, for the purposes of this paragraph the Scheme borrows an amount of currency from an Eligible Institution or an Approved Bank; and keeps an amount in another currency, at least equal to such borrowing for the time on deposit with the lender (or his agent or nominee), then this applies as if the borrowed currency, and not the deposited currency, were part of the Scheme Property, and the normal limits on borrowing under paragraph 41 do not apply to that borrowing.

**41. General power to borrow**

41.1 The Trustee on the instruction of the Manager may, in accordance with this paragraph, borrow money for the use of the Scheme on terms that the borrowing is to be repayable out of the Scheme Property. This power to borrow is subject to the obligation of the Scheme to comply with any restriction in the instrument constituting the Trust. The Trustee may borrow money only from an Eligible Institution or an Approved Bank (as defined in the Glossary to the FCA Handbook).

41.2 The Manager must ensure that any borrowing is on a temporary basis and that borrowings are not persistent, and for this purpose the Manager must have regard in particular to the duration of any period of borrowing; and the number of occasions on which resort is had to borrowing in any period.

41.3 The Manager must ensure that no period of borrowing exceeds three months, whether in respect of any specific sum or at all, without the prior consent of the Trustee; the Trustee's consent may be given only on such conditions as appear to the Trustee

appropriate to ensure that the borrowing does not cease to be on a temporary basis only.

41.4 The Manager must ensure that the Trust's borrowing does not, on any business day, exceed 10% of the value of the Scheme Property.

41.5 These borrowing restrictions do not apply to "back to back" borrowing under paragraph 40.

**42. Restrictions on lending of money**

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

42.2 Acquiring a debenture is not lending for the purposes of paragraph 42.1; nor is the placing of money on deposit or in a current account.

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

43.1 The Scheme Property other than money must not be lent by way of deposit or otherwise.

43.2 Transactions permitted by paragraph 37 are not lending for the purposes of paragraph 43.1.

43.3 The Scheme Property must not be mortgaged.

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

44.1 Any power in the COLL Sourcebook to invest in transferable securities may be used for the purpose of entering into transactions to which this paragraph applies, subject to compliance with any restriction in the Instrument.

44.2 This section applies, subject to paragraph 44.3, to any agreement or understanding:

44.2.1 which is an underwriting or sub-underwriting agreement; or

44.2.2 which contemplates that securities will or may be issued or subscribed for or acquired for the account of the Trust.

44.3 Paragraph 44.2 does not apply to:

44.3.1 an option; or

44.3.2 a purchase of a transferable security which confers a right:

44.3.2.1 to subscribe for or acquire a transferable security; or

44.3.2.2 to convert one transferable security into another.

44.3.3 The exposure of the scheme to agreements and understandings within paragraph 44.2 must, on any business day:

44.3.3.1 be covered in accordance with the requirements of paragraph 33;  
and

44.3.3.2 be such that, if all possible obligations arising under them had immediately to be met in full, there would be no breach of any limit in the COLL Sourcebook.

#### **45. Guarantees and indemnities**

45.1 The Trustee for the account of the Scheme must not provide any guarantee or indemnity in respect of the obligation of any person.

45.2 None of the Scheme Property may be used to discharge any obligation arising under a guarantee or indemnity with respect to the obligation of any person.

45.3 Paragraphs 45.1 and 45.2 do not apply in respect of the Scheme to:

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

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

45.3.3 an indemnity (other than any provision in it which is void under regulation 62 of the Treasury Regulations) given to the Trustee against any liability incurred by it as a consequence of the safekeeping of any of the Scheme Property by it or by anyone retained by it to assist it to perform its function of the safekeeping of the Scheme Property; and

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

### Appendix 3

#### Past performance

Past performance is not a reliable indicator of future results. The price of Units and the income from them can fall as well as rise and you may not get back the amount originally invested.

	31/03/2023- 31/03/2024	31/03/2022- 31/03/2023	31/03/2021- 31/03/2022	31/03/2020- 31/03/2021	31/03/2019- 31/03/2020
Close FTSE techMARK X Acc	5.0%	7.6%	-4.9%	40.6%	-1.3%

## Appendix 4

### Dilution Adjustment

The number of occasions on which the dilution adjustment has been applied in the period from 1 April 2023 to 31 March 2024:

Name of Fund	Number of days on which dilution adjustment has been applied during the period
Close FTSE techMARK Fund	0

## **Appendix 5**

### **Eligible Markets**

#### **Eligible Securities Markets**

The eligible securities markets for the Scheme are as follows:

- “regulated markets” which are defined by reference to provisions of the Markets in Financial Instruments Directive; and
- markets established in EEA member states on which transferable securities admitted to official listing in those states are dealt in or traded (including the Official List of the London Stock Exchange plc).

#### **Eligible Derivatives Markets**

The eligible derivatives markets for the Scheme are as follows:

- the London International Financial Futures and Options Exchange

## Appendix 6

### BNYM SA/NV Sub-Custodian Network – 29 April 2024

<b>Country/Market</b>	<b>Subcustodian</b>	<b>Address</b>
<b>Argentina</b>	The Branch of Citibank, N.A. in the Republic of, Argentina	Ciudad de Buenos Aires
<b>Australia</b>	Citigroup Pty Limited	Melbourne
<b>Australia</b>	The Hongkong and Shanghai Banking Corporation Limited	Hong Kong
<b>Austria</b>	UniCredit Bank Austria AG	Vienna
<b>Bahrain</b>	HSBC Bank Middle East Limited	Kingdom of Bahrain
<b>Bangladesh</b>	The Hongkong and Shanghai Banking Corporation Limited	Hong Kong
<b>Belgium</b>	The Bank of New York Mellon SA/NV	Brussels
<b>Bermuda</b>	HSBC Bank Bermuda Limited	Hamilton
<b>Botswana</b>	Stanbic Bank Botswana Limited	Gaborone
<b>Brazil</b>	Citibank N.A., Brazil	Sao Paulo
<b>Brazil</b>	Banco Santander (Brasil) S.A.	Sao Paulo
<b>Bulgaria</b>	Citibank Europe plc, Bulgaria Branch	Sofia
<b>Canada</b>	CIBC Mellon Trust Company (CIBC Mellon)	Toronto
<b>Cayman Islands</b>	The Bank of New York Mellon	New York
<b>Channel Islands</b>	The Bank of New York Mellon	New York
<b>Chile</b>	Banco Santander Chile	Santiago
<b>China</b>	HSBC Bank (China) Company Limited	Shanghai
<b>China</b>	Bank of China Limited	Beijing
<b>Colombia</b>	Cititrust Colombia S.A. Sociedad Fiduciaria	Bogota
<b>Costa Rica</b>	Banco Nacional de Costa Rica	San José
<b>Croatia</b>	Privredna banka Zagreb d.d.	Zagreb
<b>Cyprus</b>	Citibank Europe Plc, Greece Branch	Athens
<b>Czech Republic</b>	Citibank Europe plc, organizacni slozka	Prague
<b>Denmark</b>	Skandinaviska Enskilda Banken AB (Publ)	Stockholm
<b>Egypt</b>	HSBC Bank Egypt S.A.E.	Cairo
<b>Estonia</b>	SEB Pank AS	Tallinn



<b>Estonia</b>	The Bank of New York Mellon SA/NV, Asset Servicing, Niederlassung Frankfurt am Main	Frankfurt
<b>Euromarket</b>	Clearstream Banking S.A.	Luxembourg
<b>Euromarket</b>	Euroclear Bank SA/NV	Brussels
<b>Finland</b>	Skandinaviska Enskilda Banken AB (Publ)	Stockholm
<b>France</b>	BNP Paribas SA	Paris
<b>France</b>	The Bank of New York Mellon SA/NV	Brussels
<b>Germany</b>	The Bank of New York Mellon SA/NV	Frankfurt
<b>Ghana</b>	Stanbic Bank Ghana Limited	Accra
<b>Greece</b>	Citibank Europe Plc, Greece Branch	Athens
<b>Hong Kong</b>	Citibank N.A. Hong Kong	Hong Kong
<b>Hong Kong</b>	Deutsche Bank AG	Hong Kong
<b>Hong Kong</b>	The Hongkong and Shanghai Banking Corporation Limited	Hong Kong
<b>Hungary</b>	Citibank Europe plc. Hungarian Branch Office	Budapest
<b>Iceland</b>	Landsbankinn hf.	Reykjavik
<b>India</b>	Standard Chartered Bank, India Branch	Mumbai
<b>India</b>	The Hongkong and Shanghai Banking Corporation Limited	Hong Kong
<b>Indonesia</b>	Standard Chartered Bank, Indonesia Branch (SCB)	Jakarta
<b>Ireland</b>	The Bank of New York Mellon	New York
<b>Israel</b>	Bank Hapoalim B.M.	Tel Aviv
<b>Italy</b>	The Bank of New York Mellon SA/NV	Brussels
<b>Japan</b>	Mizuho Bank, Ltd.	Tokyo
<b>Japan</b>	MUFG Bank, Ltd.	Tokyo
<b>Jordan</b>	Bank of Jordan	Amman
<b>Kazakhstan</b>	Citibank Kazakhstan Joint-Stock Company	Almaty
<b>Kenya</b>	Stanbic Bank Kenya Limited	Nairobi
<b>Kuwait</b>	HSBC Bank Middle East Limited, Kuwait	Safat
<b>Latvia</b>	AS SEB banka	Kekavas novads
<b>Latvia</b>	The Bank of New York Mellon SA/NV, Asset Servicing, Niederlassung Frankfurt am Main	Frankfurt
<b>Lithuania</b>	AB SEB bankas	Vilniu
<b>Lithuania</b>	The Bank of New York Mellon SA/NV, Asset Servicing, Niederlassung Frankfurt am Main	Frankfurt
<b>Luxembourg</b>	Euroclear Bank SA/NV	Brussels

<b>Malawi</b>	Standard Bank PLC	Lilongwe
<b>Malaysia</b>	Standard Chartered Bank Malaysia Berhad (SCB)	Kuala Lumpur
<b>Malta</b>	The Bank of New York Mellon SA/NV, Asset Servicing, Niederlassung Frankfurt am Main	Frankfurt
<b>Mauritius</b>	The Hongkong and Shanghai Banking Corporation Limited	Ebene
<b>Mexico</b>	Banco Nacional de México S.A. Integrante del Grupo Financiero Banamex	Ciudad de Mexico
<b>Mexico</b>	Banco S3 CACEIS Mexico, S.A., Institución de Banca Multiple	Ciudad de Mexico
<b>Morocco</b>	Citibank Maghreb S.A.	Casablanca
<b>Namibia</b>	Standard Bank Namibia Limited	Kleine Kuppe, Windhoek
<b>Netherlands</b>	The Bank of New York Mellon SA/NV	Brussels
<b>New Zealand</b>	The Hongkong and Shanghai Banking Corporation Limited	Auckland
<b>Nigeria</b>	Stanbic IBTC Bank Plc.	Lagos
<b>Norway</b>	Skandinaviska Enskilda Banken AB (Publ)	Stockholm
<b>Oman</b>	Standard Chartered Bank Oman branch	Ruwi
<b>Pakistan</b>	Deutsche Bank AG	Karachi
<b>Panama</b>	Citibank N.A., Panama Branch	Panama City
<b>Peru</b>	Citibank del Peru S.A.	Lima
<b>Philippines</b>	Standard Chartered Bank, Philippines Branch	Makati City
<b>Poland</b>	Bank Polska Kasa Opieki S.A.	Warszawa
<b>Portugal</b>	Citibank Europe Plc	Dublin
<b>Qatar</b>	Qatar National Bank	Doha
<b>Qatar</b>	The Hongkong and Shanghai Banking Corporation Limited	Hong Kong
<b>Romania</b>	Citibank Europe plc Dublin, Romania Branch	Bucharest
<b>Russia</b>	AO Citibank	Moscow
<b>Russia</b>	PJSC ROSBANK	Moscow
<b>Saudi Arabia</b>	HSBC Saudi Arabia	Riyadh
<b>Serbia</b>	UniCredit Bank Serbia JSC	Belgrade
<b>Singapore</b>	DBS Bank Ltd	Singapore
<b>Singapore</b>	Standard Chartered Bank (Singapore) Limited	Singapore
<b>Slovak Republic</b>	Citibank Europe plc, pobočka zahraničnej banky	Bratislava
<b>Slovenia</b>	UniCredit Banka Slovenija d.d.	Ljubljana

<b>South Africa</b>	Standard Chartered Bank, Johannesburg Branch	Sandton
<b>South Africa</b>	The Standard Bank of South Africa Limited	Johannesburg
<b>South Korea</b>	Deutsche Bank AG	Seoul
<b>South Korea</b>	The Hongkong and Shanghai Banking Corporation Limited, Seoul Branch	Seoul
<b>Spain</b>	Banco Bilbao Vizcaya Argentaria, S.A.	Bilbao
<b>Spain</b>	CACEIS Bank Spain, S.A.U.	Madrid
<b>Sri Lanka</b>	The Hongkong and Shanghai Banking Corporation Limited	Hong Kong
<b>Sweden</b>	Skandinaviska Enskilda Banken AB (Publ)	Stockholm
<b>Switzerland</b>	Credit Suisse (Switzerland) Ltd.	Zurich
<b>Switzerland</b>	UBS Switzerland AG	Zurich
<b>Taiwan</b>	HSBC Bank (Taiwan) Limited	Taipei City
<b>Tanzania</b>	Stanbic Bank Tanzania Limited	Dar es Salaam
<b>Thailand</b>	The Hongkong and Shanghai Banking Corporation Limited	Bangkok
<b>Tunisia</b>	Union Internationale de Banques	Tunis
<b>Turkey</b>	Deutsche Bank A.S.	Istanbul
<b>U.A.E.</b>	HSBC Bank Middle East Limited (HBME)	Dubai
<b>U.K.</b>	The Bank of New York Mellon	New York
<b>U.S.A.</b>	The Bank of New York Mellon	New York
<b>U.S.A. Precious Metals</b>	HSBC Bank, USA, N.A.	New York
<b>Uganda</b>	Stanbic Bank Uganda Limited	Kampala
<b>Ukraine</b>	JSC "Citibank" Full name Joint Stock Company "Citibank"	Kiev
<b>Uruguay</b>	Banco Itaú Uruguay S.A.	Montevideo
<b>Vietnam</b>	HSBC Bank (Vietnam) Ltd	Ho Chi Minh City
<b>WAEMU</b>	Société Générale Côte d'Ivoire	Abidjan
<b>Zambia</b>	Stanbic Bank Zambia Limited	Lusaka
<b>Zimbabwe</b>	Stanbic Bank Zimbabwe Limited	Harare

Note: Benin, Burkina-Faso, Guinea Bissau, Ivory Coast, Mali, Niger, Senegal and Togo are members of the West African Economic and Monetary Union (WAEMU).