

**IMPORTANT: IF YOU ARE A RETAIL CUSTOMER YOU MUST CONSULT A  
FINANCIAL ADVISER ABOUT THE CONTENTS OF THIS PROSPECTUS**

**MGTS DOWNING FUND**

**(an open-ended investment company with variable capital incorporated with limited liability  
and registered in England and Wales under registered number  
IC269061)**

**PROSPECTUS**

**20 January 2025**

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**PROSPECTUS  
OF  
MGTS DOWNING FUND**

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

The Prospectus is dated and is valid as at 20 January 2025.

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

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

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 The Company is not bound by any out of date prospectus when it has issued a new prospectus and potential investors should check that they have the most recently published prospectus.

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

Margetts Fund Management Limited, the ACD of the Company, is the person responsible for the information contained in this Prospectus. To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained herein does not contain any untrue or misleading statement or omit any matters required by the FCA Regulations to be included in it.

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

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

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

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

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

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

## DEFINITIONS

“Accumulation Share(s)”	a Share or Shares in the Company (including larger denomination Shares and fractions) where any net income derived from the relevant Sub-fund is retained and accumulated for the benefit of shareholders and is reflected in the price of each accumulation Share;
"ACD"	Margetts Fund Management Limited, the Authorised Corporate Director of the Company;
"Act"	Financial Services and Markets Act 2000;
"Approved Derivative"	an approved derivative is one which is traded or dealt on an eligible derivatives market and any transaction in such a derivative must be effected on or under the rules of the market;
“Bond” or “Bonds”	a loan, usually to a company or government that pays interest;
“Business Day”	(1) (in relation to anything done or to be done in (including to be submitted to a place in) any part of the United Kingdom): any day which is not a Saturday or Sunday, Christmas Day, Good Friday or a bank holiday in that part of the United Kingdom;  (2) (in relation to anything done or to be done by reference to a market outside the United Kingdom): any day on which that market is normally open for business.
“Capital Growth”	the increase in the capital value of an asset over time;
"COLL"	the Collective Investment Scheme Sourcebook made by the FCA pursuant to the Financial Services and Markets Act 2000, as amended from time to time;
“Collective Investment Scheme”	a 'collective investment' scheme is where two or more members of the public invest money, or other assets together. They hold an interest in the investment and share the risk and the benefit in proportion to their investment. Common examples are unit trusts and OEICs. The regulator provides a more technical definition and there are specific rules about the types of Collective Investment Schemes that can be held;
“Commodities”	physical materials such as oil, agricultural products, and metals, but excluding gold;
"Company"	MGTS Downing Fund;
"Conversion"	The exchange of Share Class in a Sub-fund for those of another Share Class in the same Sub-fund and (as the context may require) the act of so “Converting” shall be interpreted accordingly;
"CRS"	means the Common Reporting Standard as developed and approved by the OECD in 2014 and implemented in the UK

	by the International Tax Compliance Regulations 2015 with effect from 1 January 2016;
"Cut-Off Time"	The point on a Dealing Day prior to which a transaction must be received by the ACD in order to permit the transaction to receive that Dealing Day's Valuation Point for each Sub-fund;
"Dealing Day"	Monday to Fridays excluding UK public and bank holidays;
"Depository"	The Bank of New York Mellon (International) Limited, the depository of the Company;
"Eligible Markets"	means eligible markets as defined in the FCA Regulations and as set out in Appendices 3 and 4;
"ETF" (Exchange Traded Funds)	securities or a collection of securities traded on a stock exchange;
"EPM"	means efficient portfolio management as defined in the COLL Rules and in accordance with instruments referred to in article 51 (2) of the UCITS Directive and article 11 of the UCITS eligible assets Directive. These techniques and instruments relate to transferrable securities and approved money-market instruments and are economically appropriate as they are realised in a cost effective way. The purpose must be to reduce risk and / or reduce cost and / or generate additional capital or income with a risk level which is consistent the investment objective and the risk diversification rules laid down in the COLL Rules;
"FCA "	the Financial Conduct Authority;
"FCA Regulations"	the rules contained in the Collective Investment Schemes Sourcebook of the FCA Rules;
"FCA Rules"	the FCA handbook of rules made under the Act and currently referred to as 'COLL Rules';
"FATCA"	means the US Foreign Account Tax Compliance Act, as set out in Sections 1471 through 1474 of the US Internal Revenue Code of 1986, as amended from time to time;
"GDPR"	means Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016, on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, as modified, amended and re-enacted from time to time (the "EU GDPR"), as it forms part of the law of the UK by virtue of section 3 of the European Union (Withdrawal) Act 2018, as amended, modified and reinstated from time to time, and any succeeding UK law or regulation which becomes enforceable by law from time to time;

“Income Share(s)”	a Share or Shares in the Company (including larger denomination Shares and fractions) where any net income from the relevant Sub-fund is distributed to shareholders as income payments on the relevant interim and annual allocation dates of that Sub-fund;
"Investment Manager"	the investment manager to the ACD;
“Investment Trust”	Investment Trusts are securities/companies that are set up to invest in other assets. The value of an investment trust will be linked to the value of the underlying investments and the demand for the investment trust shares. This means that the value of an investment can be higher or lower than the value of the underlying investments;
“Near Cash Instrument(s)”	securities such as money market funds or short-term bond funds, which, in the Investment Manager’s view, provide a comparable risk profile to cash;
"Net Asset Value" or "NAV"	the value of the Scheme Property of the Company (or of any Sub-fund as the context requires) less the liabilities of the Company or the Sub-fund concerned as calculated in accordance with the Company’s Instrument of Incorporation;
"OEIC Regulations"	the Open-Ended Investment Companies Regulations 2001;
"Regulated Activities Order"	the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001;
“REIT” (Real Estate Investment Trusts)	A company that runs or finances real estate to generate an income;
"Scheme Property"	the property of the Company to be given to the Depositary for safe-keeping, as required by the FCA Regulations;
“Share” or “Shares”	a Share or Shares in the Company (including larger denomination Shares and fractions);
"Share Class"	a particular class of Shares as described in Section 3;
“Structured Products”	a packaged investment strategy based on a single security, basket of securities, derivatives or commodities;
"Sub-fund" or Sub-funds"	a Sub-fund of the company (being part of the Scheme Property of the Company which is pooled separately) and to which specific assets and liabilities of the Company may be allocated and which is invested in accordance with the investment objective applicable to that Sub-fund;
"Switching"	The exchange of Shares of a Sub-fund for Shares of another Sub-fund or (as the context may require) the act of so exchanging and “Switching” shall be interpreted accordingly;
“UCITS Directive”	UCITS Directive (2009/65/EC) as recast, updated or amended from time to time and transposed into the laws of the UK



pursuant to the European Union (Withdrawal) Act 2018 and the European Union (Withdrawal Agreement) Act 2020.;

“UCITS scheme”

a scheme which is constituted in accordance with the UCITS Directive (a European Directive relating to undertakings for collective investment in transferable securities which has been adopted in the UK);

“US Persons”

a citizen or resident of the United States of America, its territories and possessions including the State and District of Columbia and all areas subject to its jurisdiction (including the Commonwealth of Puerto Rico), any corporation, trust, partnership or other entity created or organised in or under the laws of the United States of America, any state thereof or any estate or trust the income of which is subject to United States federal income tax, regardless of source. The expression also includes any person who falls within the definition of “US Person” as defined in rule 902 of regulation S of the United States Securities Act 1933; and

"Valuation Point"

the point, on a Dealing Day whether on a periodic basis or for a particular valuation, at which the ACD carries out a valuation of the Scheme Property for the Company for the purpose of determining the price at which Shares of a Share Class may be issued, cancelled or redeemed. The current Valuation Point is 00:00am (midnight) on each Dealing Day with the exception of Christmas Eve and New Year’s Eve or the last Business Day prior to those days annually where the valuation may be carried out at a time agreed in advance between the ACD and the Depositary.

## **1 The Company**

- 1.1 MGTS Downing Fund is an open-ended investment company with variable capital, incorporated in England and Wales on 20 December 2024 under registered number IC269061 and authorised by the FCA with effect from 20 December 2024 under Product Reference Number (PRN) 1024607. The Sub-funds PRN is MGTS Downing Active Defined Return Assets Fund – 1024608.
- 1.2 The Head Office of the Company is at 1 Sovereign Court, Graham Street, Birmingham B1 3JR and is also the address of the place in the United Kingdom for service on the Company of notices or other documents required or authorised to be served on it.
- 1.3 The base currency of the Company is pounds (£) sterling.
- 1.4 The maximum share capital of the Company is currently £10,000,000,000 and the minimum is £1,000. Shares in the Company have no par value and therefore the share capital of the Company at all times equals the Company's current net asset value.
- 1.5 Shareholders in the Company are not liable for the debts of the Company.
- 1.6 The Company has been established as a "UCITS scheme" and "umbrella company" (under the OEIC Regulations) and therefore different Sub-funds may be formed by the ACD, subject to approval from the FCA. On the establishment of a new Sub-fund or Share Class an updated prospectus will be prepared setting out the relevant information concerning the new Sub-fund. Each Sub-fund of the Company would belong to the type of "UCITS scheme" if it were itself an investment company with variable capital in respect of which an authorisation order made by the FCA was in force. The Company qualifies as UCITS scheme within the meaning of the UCITS Directive.

## **2 Company Structure**

- 2.1 As explained above the Company is a "UCITS scheme" and an "umbrella company" for the purposes of the OEIC Regulations. The assets of each Sub-fund within the Company are treated as separate from those of every other Sub-fund and will be invested in accordance with that Sub-fund's own investment objective and policy.
- 2.2 The Company does not intend to have an interest in immovable or tangible movable property.
- 2.3 Details of the Sub-funds, including their investment objectives and policies are set out in Appendix 1.
- 2.4 Each Sub-fund is a "UCITS scheme" as defined under the FCA Regulations.
- 2.5 Each Sub-fund has a specific portfolio of assets and investments, and its own liabilities, and investors should view each Sub-fund as a separate investment entity.
- 2.6 Each Sub-fund will be charged with the liabilities, expenses, costs and charges of the Company attributable to that Sub-fund.
- 2.7 Any assets, liabilities, expenses, costs or charges not attributable to a particular Sub-fund may be allocated by the ACD in a manner which is fair to shareholders as a whole but they will normally be allocated to all Sub-funds pro rata to the value of the net assets of the relevant Sub-funds.

### **3 Shares**

- 3.1 The Share Classes presently available for each Sub-fund are set out in Appendix 1. Further Share Classes may be made available in due course, as the ACD may decide.
- 3.2 The minimum initial investment for each Share Class is set out in Appendix 1. These limits may be waived at the discretion of the ACD.
- 3.3 The Company issues Accumulation Shares and credit any income allocated to them to capital.
- 3.4 When available, shareholders are entitled (subject to certain restrictions) to switch all or part of their Shares in one Sub-fund for Shares in a different Sub-fund. Details of this switching facility and the restrictions are set out in Sections 14 and 15.3.

### **4 Management and Administration**

#### **4.1 Authorised Corporate Director**

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

#### 4.1.2 Registered Office and Head Office:

1 Sovereign Court  
Graham Street  
Birmingham  
B1 3JR

Share Capital:                      Issued and paid up                      273,000 Ordinary £1 shares

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

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

MGTS Aequitas Fund  
MGTS AFH DA Fund  
MGTS AFH Multi-Asset Fund  
MGTS AFH Tactical Core Fund  
MGTS Clarion Portfolio Fund  
MGTS Future Money ICVC  
MGTS Iboss Fund  
MGTS IDAD Fund  
MGTS Progeny Fund  
MGTS Progeny Profolio Global Fund  
MGTS Progeny Profolio Model Fund  
MGTS Progeny Systematic Profolio Fund  
MGTS Qualis Fund  
MGTS Sentinel Fund

MGTS Seven Rivers Fund  
MGTS SIIIION Investment Fund  
MGTS St. Johns Property ICVC  
MGTS Tempus Fund  
MGTS Theia Fund  
MGTS Wealth Solutions ICVC  
The Blenheim Fund  
The Prima Fund

and as manager for the following authorised unit trusts:-

Margetts International Fund  
Margetts Opes Growth Fund  
Margetts Opes Income Fund  
Margetts Providence Fund  
Margetts Select Fund  
Margetts Venture Fund  
MGTS St. Johns Property Authorised Trust

## **4.2 Terms of Appointment**

- 4.2.1 The ACD was appointed by an agreement between the Company and the ACD (the "ACD Agreement"). The ACD Agreement provides that the appointment of the ACD is for an initial period of three years and thereafter may be terminated upon one years' written notice by either the ACD or the Company, although in certain circumstances the ACD Agreement may be terminated forthwith by notice in writing by the ACD to the Company or the Depositary, or by the Depositary or the Company to the ACD. Termination cannot take effect until the FCA has approved the appointment of another authorised corporate director in place of the retiring ACD.
- 4.2.2 The ACD is entitled to its pro rata fees and expenses to the date of termination and any additional expenses necessarily realised in settling or realising any outstanding obligations. No compensation for loss of office is provided for in the ACD Agreement. The ACD Agreement provides indemnities to the ACD other than for matters arising by reason of its negligence, default, breach of duty or breach of trust in the performance of its duties and obligations.
- 4.2.3 The fees to which the ACD is entitled are set out in Sections 30 and 31.
- 4.2.4 The main business activities of the ACD are the provision of discretionary investment management services to retail clients and professional clients and acting as a manager to authorised OEICs and unit trusts.
- 4.2.5 The directors of the ACD are listed in Appendix 8.
- 4.2.6 No executive director is engaged in any significant business activity not connected with the business of the ACD or other Margetts Holdings Limited subsidiaries.
- 4.2.7 A copy of the contract of service between the Company and the ACD is available to shareholders on request by contacting the ACD at their registered office.

## **5 The Depositary**

- 5.1 The Bank of New York Mellon (International) Limited (registered no. 03236121) is the Depositary of the Company and, for the avoidance of doubt, acts as the global custodian to the Company. The ACD has appointed the Depositary to act as depositary for purposes of the Company being a UCITS scheme.
- 5.2 The Depositary 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.
- 5.3 The registered and head office of the Depositary is at 160 Queen Victoria Street, London, EC4V 4LA.
- 5.4 The principal business activity of the Depositary is the provision of custodial, banking and related financial services. The Depositary is authorised by the Prudential Regulation Authority and is dual-regulated by the FCA and the Prudential Regulation Authority.
- 5.5 The Depositary is responsible for the safekeeping of the Scheme Property, monitoring the cash flows of the Company, and must ensure that certain processes carried out by the ACD are performed in accordance with the applicable rules and the Scheme Documents.

### **5.6 Terms of Appointment**

- 5.6.1 The ACD and the Company is required to enter into a written contract with the Depositary to evidence its appointment. The Depositary was appointed under an agreement dated 07 January 2025 (the “Depositary Agreement”) pursuant to which the ACD and the Depositary agree to carry out various functions in order to comply with, and facilitate compliance with, the requirements of the Directive.
- 5.6.2 Details of the Depositary’s remuneration are set out in Section 33. The Depositary (or its associates or any affected person) is under no obligation to account to the ACD, the Company or the shareholders for any profits or benefits it makes or receives that are made or derived from or in connection with the dealings of Shares of the Company, any transaction in Scheme Property or the supply of services to the Company.
- 5.6.3 The Depositary Agreement may be terminated by not less than three months’ prior written notice provided that no such notice will take effect until the appointment of a successor to the Depositary.
- 5.6.4 To the extent permitted by the FCA Regulations, the Company will indemnify the Depositary (or its associates) against costs, charges, losses and liabilities incurred by it (or its associates) in the proper execution, or in the purported proper execution, or exercise (reasonably and in good faith) of the Depositary’s duties, powers, authorities and discretions, except in the case of any liability for a failure to exercise due care and diligence in the discharge of its functions.

### **5.7 Duties of the Depositary**

- 5.7.1 The Depositary is responsible for the safekeeping of Scheme Property, monitoring the cash flows of the Company, and must ensure that certain processes carried out by the ACD are performed in accordance with the applicable rules and the constitutive documents of the Company.

## **5.8 Delegation of Safekeeping Functions**

- 5.8.1 The Depositary acts as global custodian and may delegate safekeeping to one or more global sub-custodians (such delegation may include the powers of sub-delegation). The Depositary has delegated safekeeping of the assets of the Company to The Bank of New York Mellon SA/NV and/or The Bank of New York Mellon (the “Global Sub-Custodians”).
- 5.8.2 The Global Sub-Custodians may sub-delegate safekeeping of assets in certain markets in which the Company may invest to various sub-delegates. A list of the sub-delegates is given below in Appendix 9. Investors should note that, except in the event of material changes requiring a prompt update of this Prospectus, the list of sub-delegates is updated only at each Prospectus review. An updated list of sub-delegates is maintained by the ACD at [2024.04.29 Sub Custodian List.pdf \(mgtsfunds.com\)](#).

## **6 The Investment Manager**

- 6.1 The ACD has appointed Downing LLP to provide discretionary investment management services to the ACD.

### **6.2 Terms of Appointment**

- 6.2.1 The Investment Manager was appointed by an agreement between the ACD and the Investment Manager (the "Investment Management Agreement").
- 6.2.2 Investment management functions have been delegated by the ACD to the Investment Manager. Under the Investment Management Agreement the ACD has appointed the Investment Manager to assist the ACD in the management of the investments of the Company with authority, subject to the objectives and restrictions in Appendices 1 and 2, to make all day to day decisions on behalf of the ACD and otherwise to act as it judges fits with a view to meeting the investment objectives of the Company as set out in Appendix 1.
- 6.2.4 The Investment Management Agreement may be terminated on six months’ written notice by the Investment Manager or the ACD or immediately by the ACD if it is the interests of the shareholders.
- 6.2.5 Under the Investment Management Agreement, the ACD provides indemnities to the Investment Manager, (except in the case of any matter arising as a direct result of its fraud, negligence, default or bad faith). The ACD may be entitled under the indemnities in the ACD Agreement to recover from the Company amounts paid by the ACD under the indemnities in the Investment Management Agreement.
- 6.2.6 The Investment Manager’s registered office is 3rd Floor, 10 Lower Thames Street, London EC3R 6EN. The principal activity of the Investment Manager is acting as an investment adviser.
- 6.2.7 The fees and expenses of the Investment Manager (plus VAT thereon) will be paid by the ACD out of its remuneration under the ACD Agreement. The fees and expenses of any delegates of the Investment Manager will be borne by the Investment Manager.

## **7 The Sponsor**

- 7.1 The sponsor of the Company is Downing LLP whose address is 3rd Floor, 10 Lower Thames Street, London EC3R 6EN.
- 7.2 The ACD works with the sponsor regarding the manufacture, design, structure, distribution and marketing of the Sub-funds.
- 7.3 The sponsor can instruct the ACD to retire in favour of an alternative ACD subject to regulatory requirements and contractual conditions being met including minimum term and notice periods.

## **8 The Auditor**

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

## **9 Administrator and Register of Shareholders**

- 9.1 The ACD carries out the role of administrator and registrar for the Company.
- 9.2 The Register of shareholders is maintained at 1 Sovereign Court, Graham Street, Birmingham, B1 3JR and may be inspected at that address during normal business hours by any shareholder or any shareholder's duly authorised agent.

## **10 Conflicts of Interest**

- 10.1 For the purposes of this section, the following definitions shall apply:
  - 10.1.1 "BNY Mellon Affiliate" means any entity in which The Bank of New York Mellon Corporation (a Delaware corporation with registered office at 240 Greenwich St, New York, New York 10286, U.S.A) controls (directly or indirectly) an interest of no less than 30% in the voting stock or interests in such entity.
  - 10.1.2 "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.
  - 10.1.3 "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, as implemented or given direct effect in the UK, or international accounting standards adopted in accordance with Regulation (EC) No. 1606/2002, as it forms part of the law of the UK by virtue of the EU Withdrawal Act 2018, as amended, modified and reinstated from time to time, and any succeeding UK law or regulation which becomes enforceable by law from time to time.

### **10.2 Company, ACD and investors**

- 10.2.1 The following conflicts of interests may arise between the Depositary, the Company and the ACD:

10.2.1.1 A Group Link where the ACD has delegated certain administrative functions, including but not limited to Transfer Agency, Fund Accounting, to The Bank of New York Mellon (International) Limited or any BNY Mellon Affiliate.

10.2.1.2 The Depository 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 Depository and the ACD will ensure that such conflicts of interests are managed, monitored and disclosed in order to prevent adverse effects on the interests of the Company and its investors.

10.2.1.3 If Link exists between the Depository and any investors in the Company, the Depository 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.

### **10.3 Depository Conflicts of interest**

10.3.1 The Depository or any BNY Mellon Affiliates may have an interest, relationship or arrangement that is in conflict with or otherwise material in relation to the services it provides to the ACD and the Company. Conflicts of interest may also arise between the Depository's different clients.

10.3.2 As a global financial services provider, one of the Depository's fundamental obligations is to manage conflicts of interest fairly and transparently. As a regulated business, the Depository is required to prevent, manage and, where required, disclose information regarding any actual or potential conflict of interest incidents to relevant clients.

10.3.3 The Depository is required to and does maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps designed to prevent conflicts of interest from adversely affecting the interests of its clients.

10.3.4 The Depository maintains an EMEA Conflicts of Interest Policy (the "Conflicts Policy"). The Conflicts Policy (in conjunction with associated policies):

- a) identifies the circumstances which constitute or may give rise to a conflict of interest entailing a risk of damage to the interests of one or more clients;
- b) specifies the procedures or measures which should be followed or adopted by the Depository in order to prevent or manage and report those conflicts of interest;
- c) sets out effective procedures to prevent or control the exchange of information between persons engaged in activities involving a risk of a conflict of interest where the exchange of that information may harm the interests of one or more clients;
- d) includes procedures to ensure the separate supervision of persons whose principal functions involve carrying out activities with or for clients and whose interests may conflict, or who otherwise represent different interests that may conflict, including with the interests of the Depository;
- e) includes procedures to remove any direct link between the remuneration of individuals principally engaged in one activity and the remuneration of, or revenues generated by, different individuals principally engaged in another activity, where a conflict of interest may arise in relation to those activities;
- f) specifies measures to prevent or limit any person from exercising inappropriate influence over the way in which an individual carries out investment or ancillary services or activities; and



- g) sets out measures to prevent or control the simultaneous or sequential involvement of an individual in separate investment or ancillary services or activities where such involvement may impair the proper management of conflicts of interest.

10.3.5 Disclosure of conflicts of interest to clients is a measure of last resort to be used by the Depositary to address its regulatory obligations only where the organisational and administrative arrangements established by the Depositary (and any BNY Mellon Affiliates where applicable) to prevent or manage its conflicts of interest are not sufficient to ensure, with reasonable confidence, that the risks of damage to the interests of clients will be prevented.

10.3.6 The Depositary must assess and review the Conflicts Policy at least once per year and take all appropriate measures to address any deficiencies.

10.3.7 The Depositary shall make available to its competent authorities, on request, all information which it has obtained while performing its services and which may be required by the competent authorities of the Company.

#### **10.4 Delegation**

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

10.4.1.1 A Group Link where the Depositary has delegated, or where any Global Sub-Custodian has sub-delegated, the safekeeping of the Scheme Property to a BNY Mellon Affiliate.

10.4.1.2 The Depositary 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 Depositary will ensure that such conflicts of interests are managed, monitored and disclosed in order to prevent adverse effects on the interests of the Company and its investors.

10.4.1.3 The Depositary may, from time to time, act as the depositary of other open-ended investment companies with variable capital and as trustee or custodian of other collective investment schemes.

10.5 Up-to-date information stated above with regards to the Depositary will be made available to shareholders on request.

## **11 Buying, Selling and Switching Shares**

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

### **11.1 Delivery versus Payment (DvP)**

11.1.1 When you purchase Shares, there is a moment of time at which the investor now owns the Share; and a moment of time when the investor's money has passed to the ACD. Similarly, when you sell a Share, there is a moment of time at which the investor no longer owns the Share; and a moment of time when the investor is credited with the value of that Share. As purchases and sales are not completed at exactly the same moment in real time (payment of cheques or bank transfers are not instantaneous), there is a small window of time (generally never more than one Business Day) when an investor might not own any units/shares, but may also not have the money instead. This is referred to as the 'Delivery versus Payment' (DvP)

window. There is a small risk that at that point, the transaction might fail to complete and that an investor might lose the value of the investment.

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

## **12 Buying Shares**

### **12.1 Procedure**

- 12.1.1 Shares can be bought by sending a completed application form to the ACD. Applications forms are available from the ACD at 1 Sovereign Court, Graham Street, Birmingham B1 3JR or telephoning 0345 607 6808.
- 12.1.2 The ACD has the right to reject, on reasonable grounds relating to the circumstances of the applicant, any application for Shares in whole or part, and in this event the ACD will return any money sent, or the balance of such monies, at the risk of the applicant. In addition the ACD may reject any application previously accepted in circumstances where the applicant has paid by cheque and that cheque subsequently fails to be cleared.
- 12.1.3 Any subscription monies remaining after a whole number of Shares has been issued will not be returned to the applicant. Instead, smaller denomination Shares (one-thousandth of a Share) will be issued in such circumstances.

### **12.2 Documentation**

- 12.2.1 A contract note giving details of the Shares purchased and the price used will be issued by the end of the Dealing Day following the Valuation Point by reference to which the purchase price is determined, together with, where appropriate, a notice of the applicant's right to cancel.
- 12.2.2 Settlement is due four UK Business Days after the transaction date. If the fourth day is a bank holiday for the Share Class currency then settlement moves forward to the next date where the UK and Share Class currency are both open.
- 12.2.3 Title to the Shares will pass to the shareholder on the settlement date or when payment for them has irrevocably been received by the ACD.
- 12.2.4 The ACD may cancel the Shares issued corresponding to any subscription not paid for in full in accordance with these provisions, and the investor submitting the subscription will be liable to the relevant Sub-fund for any loss, costs or expenses incurred directly or indirectly in relation to such cancellation. Late settlement will include a charge for interest and other bank charges.
- 12.2.5 Share certificates will not be issued in respect of Shares. Ownership of Shares will be evidenced by an entry on the Company's Register of Shareholders. Statements in respect of periodic

distributions of income in each Sub-fund will show the number of Shares held by the recipient in Sub-fund in respect of which the distribution is made. Individual statements of a shareholder's (or, when Shares are jointly held, the first named holder's) Shares will also be issued at any time on request by the registered holder.

### **12.3 In Specie Issue**

12.3.1 The Depositary may take into the scheme property assets other than cash as payment for the issue of Shares but only if the Depositary has taken reasonable care to ensure that receipt or payment out of the property concerned would not be likely to result in any material prejudice to the interests of shareholders of the Company.

### **12.4 Minimum subscriptions and holdings**

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

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

## **13 Selling Shares**

### **13.1 Procedure**

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

13.1.2 Requests to redeem Shares may be made to the ACD by telephone on 0345 607 6808 (followed up in writing) or in writing to the ACD at 1 Sovereign Court, Graham Street, Birmingham B1 3JR.

### **13.2 Documents the Seller will receive:**

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

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

13.2.3 The Valuation Point following receipt by the ACD of the request to redeem.

13.2.4 Where the redemption proceeds are to be paid by telegraphic transfer, the ACD will make the payment to the bank account details last notified to the ACD. The redemption proceeds will be sent at the risk of the shareholder and the ACD will not be responsible if the telegraphic transfer is delayed, unless this is as a result of the ACD's negligence. The ACD reserves the right to

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

### **13.3 Minimum redemption**

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

### **13.4 In Specie Redemption**

- 13.4.1 If a shareholder requests the redemption or cancellation of Shares, the ACD may, if it considers the deal substantial in relation to the total size of the Sub-fund concerned, arrange for the Company to cancel the Shares and transfer Scheme Property to the shareholder instead of paying the price of the Shares in cash, or, if required by the shareholder, pay the net proceeds of sale of the relevant Scheme Property to the shareholder. A deal involving Shares representing 5% or more in value of a Sub-fund will normally be considered substantial, although the ACD may in its discretion agree an in specie redemption with a shareholder whose Shares represent less than 5% in value of the Sub-fund concerned.
- 13.4.2 Before the proceeds of cancellation of the Shares become payable, the ACD will give written notice to the shareholder that scheme Property (or the proceeds of sale of that Scheme Property) will be transferred to that shareholder.
- 13.4.3 The ACD will select the property to be transferred (or sold) in consultation with the Depositary. They must ensure that the selection is made with a view to achieving no greater advantage or disadvantage to the redeeming shareholder than to continuing shareholders, and any such redemption as set out above, shall be subject to a retention by the Company from that property (or proceeds) the value (or amount) of any stamp duty reserve tax to be paid on the cancellation of Shares.

### **13.5 Direct Issue or Cancellation of Shares by the Company through the ACD**

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

### **13.6 Transfer of Title Through Electronic Communication**

- 13.6.1 The ACD accepts transfer of title authority by electronic communication via TISA Exchange Limited (TeX).

## **14 Switching and Conversions**

### **14.1 Switching**

- 14.1.1 If applicable, a holder of Shares may at any time switch all or some of their Shares ("Old Shares") for shares of another Sub-fund ("New Shares"). The number of New Shares issued will be determined by reference to the respective prices of New Shares and Old Shares at the Valuation Point applicable at the time the Old Shares are repurchased and the New Shares are issued.

- 14.1.2 Switching may be effected either by telephone on 0345 607 6808 or in writing to the ACD (at the address referred to in Section 13.1.2) and the shareholder may be required to complete a switching form (which, in the case of joint shareholders must be signed by all the joint holders). A switching shareholder must be eligible to hold the Shares into which the switch is to be made.
- 14.1.3 Switches may only be processed by the ACD where Old Shares and New Shares are priced in the same currency as one another.
- 14.1.4 The ACD may at its discretion charge a fee on the switching of Shares between Classes. These fees are set out in Section 30.1.1.19.
- 14.1.5 If the switch would result in the shareholder holding a number of Old Shares or New Shares of a value which is less than the minimum holding in the Sub-fund concerned, the ACD may, if it thinks fit, convert the whole of the applicant's holding of Old Shares to New Shares or refuse to effect any switch of the Old Shares. No switch will be made during any period when the right of shareholders to require the redemption of their Shares is suspended (as to which see Section 19 below). The general provisions on selling Shares shall apply equally to a switch.
- 14.1.6 The ACD may adjust the number of New Shares to be issued to reflect the imposition of any switching fee together with any other charges or levies in respect of the issue or sale of the New Shares or repurchase or cancellation of the Old Shares as may be permitted pursuant to the FCA Regulations.
- 14.1.7 Please note that, under current tax law, a switch of shares in one Sub-fund for shares in any other Sub-fund is treated as a redemption and sale and will, for persons subject to United Kingdom taxation, be a realisation for the purposes of capital gains taxation although a switch of shares between different Share Classes in the same Sub-fund will not be deemed to be a realisation for the purposes of capital gains taxation.
- 14.1.8 A shareholder who switches shares in one Sub-fund for shares in any other Sub-fund will not be given a right by law to withdraw from or cancel the transaction.

## **14.2 Conversions**

- 14.2.1 A holder of Shares in a Sub-fund may convert all or some of their Shares ("Original Class Shares") for shares in another Share Class ("New Class Shares") of the same Sub-fund, subject to meeting the minimum requirements for the Share Class into which the Conversion is to be made.
- 14.2.2 Conversions may be effected either by telephone on 0345 607 6808 or in writing to the ACD (at the address referred to in Section 13.1.2) and the shareholder may be required to complete a conversion form (which, in the case of joint shareholders must be signed by all the joint holders). A converting shareholder must be eligible to hold the Shares into which the conversion is to be made. Conversions will be effected by the ACD recording the change of Class on the Register. A confirmation letter showing details of the Conversion will be sent to the shareholder on the Business Day following completion of the transaction.
- 14.2.3 Switches may only be processed by the ACD where Old Shares and New Shares are priced in the same currency as one another.
- 14.2.4 Conversions will be effected at the next Valuation Point following receipt of instruction from a shareholder to convert or at a date mutually agreed between the ACD and the shareholder(s).

- 14.2.5 The number of New Class Shares issued will be determined by reference to the respective prices of Original Class Shares and New Class Shares at the Valuation Point applicable at the time the Conversion takes place.
- 14.2.6 The shareholder must meet any relevant minimum investment or holding criteria in respect of the Shares in the Share Class into which the Conversion is to be made. If the Conversion would result in the shareholder holding a number of Original Class Shares or New Class Shares of a value which is less than the minimum holding in the Share Class concerned, the ACD may, if it thinks fit, convert the whole of the applicant's holding of Original Class Shares to New Class Shares or refuse to effect the relevant Conversion of the Original Class Shares. No Conversion will be made during any period when the right of shareholders to require the sale of their Shares is suspended.
- 14.2.7 The ACD may adjust the number of New Class Shares to be issued or converted to reflect the imposition of any charges or levies in respect of the issue of New Class Shares or the Conversion of Original Class Shares as may be permitted in accordance with COLL.
- 14.2.8 The ACD may, at its discretion, charge a fee on the Conversion of Shares between Share Classes as described further below. These fees are set out in Section 30.1.1.19.
- 14.2.9 Please note that, under current United Kingdom taxation law and guidance, a Conversion of shares between different Share Classes within the same Sub-fund will generally not be treated by HM Revenue & Customs as a redemption and sale and will therefore generally not be a disposal for capital gains tax purposes for investors subject to United Kingdom taxation. However, please note that in certain limited circumstances, an exchange between Share Classes within the same Sub-fund may be classified as a Switch (for more information on Switches, see above under the heading "Switching") and may be treated differently for the purposes of capital gains taxation and income equalisation may be applicable.
- 14.2.10 Conversions will not generally be subject to income equalisation as referred to in Section 38 of this Prospectus. Please note that by performing a Conversion, the ACD may be required to convert a portion of capital to income in order to match the relevant yield in the Share Class into which the shareholder is Converting. This may have the effect of creating taxable income for persons subject to United Kingdom taxation (depending upon the shareholder's individual circumstances).
- 14.2.11 In certain circumstances the ACD may (accepting no obligation to do so), at its discretion, undertake compulsory Conversion of Share Classes to new or different Share Classes open to one or more type of retail or institutional client subject to the clients' best interest rule. Such circumstances may include, but shall not be limited to; ensuring compliance with law and/or regulation, changing to new Share Classes to reflect changes in law and/or regulation or the offering of new or replacement Share Classes in any Sub-fund.
- 14.2.12 The ACD may, at its discretion, undertake compulsory Conversion of Share Classes where a shareholder's investment holding falls below the minimum holding threshold for the Share Class in question as set out in Appendix 1. The ACD may convert a shareholders interest into another Share Class for which the minimum holding is met, which may result in higher charges where the receiving Share Class has higher charges as set out in Appendix 1.

## **15 Dealing Charges**

### **15.1 Preliminary Charge**

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

### **15.2 Redemption Charge**

15.2.1 The ACD may make a charge on the redemption of Shares. At present no redemption charge is levied.

15.2.2 The ACD may not introduce a redemption charge on Shares unless, not less than 60 days before the introduction, it has given notice in writing to the then current shareholders of that introduction and has revised and made available the Prospectus to reflect the introduction and the date of its commencement. If charged, the redemption charge will be deducted from the price of the Shares being redeemed and will be paid by the Company to the ACD.

15.2.3 In the event of a change to the rate or method of calculation of a redemption charge, details of the previous rate or method of calculation will be available from the ACD.

### **15.3 Switching Fee**

15.3.1 On the switching of Shares of a Sub-fund for Shares of another Sub-fund the Instrument of Incorporation authorises the Company to impose a switching fee. Full details of the current switching fee are set out in Section 30.1.1.19. The switching fee is payable to the ACD.

## **16 Other Dealing Information**

### **16.1 Dilution Adjustment**

16.1.1 The basis on which the Company's investments are valued for the purpose of calculating the issue and redemption price of Shares as stipulated in the FCA Regulations and the Company's Instrument of Incorporation is summarised in Section 22. The actual cost of purchasing or selling a Sub-fund's investments may be higher or lower than the mid market value used in calculating the share price - for example, due to dealing charges, or through dealing at prices other than the mid-market price. Under certain circumstances (for example, large volumes of deals) this may have an adverse effect on the shareholders' interest in a Sub-fund. In order to mitigate this effect, called "dilution", the ACD has the power to apply a "dilution adjustment", as defined in the FCA Rules on the issue and/or redemption of Shares in a Sub-fund. A dilution adjustment is an adjustment to the Share price. The ACD shall comply with the FCA Regulations in its application of any such dilution adjustment.

16.1.2 The dilution adjustment for each Sub-fund will be calculated by reference to the estimated costs of dealing in the underlying investments of that Sub-fund, including any dealing spreads, commission and transfer taxes.

16.1.3 The need to apply a dilution adjustment will depend on the volume of sales (where they are issued) or redemptions (where they are cancelled) of shares. The ACD may apply a dilution adjustment on the issue and redemption of such Shares if, in its opinion, the existing

shareholders (for sales) or remaining shareholders (for redemptions) might otherwise be adversely affected, and if applying a dilution adjustment, so far as practicable, it is fair to all shareholders and potential shareholders. In particular, the dilution adjustment may be applied in the following circumstances:

- 16.1.3.1 where over a dealing period the Sub-fund has experienced a large level of net sales or redemptions relative to its size (i.e. net redemptions equivalent to equal or greater than 0.5% of the Net Asset Value of the Sub-fund);
- 16.1.3.2 on “large deals”. For these purposes, a large deal means a deal worth 0.5% or more of the Net Asset Value of the Sub-fund.
- 16.1.4 Where the ACD considers it necessary to protect the interests of the shareholders of the Sub-fund (for example, where the Sub-fund is in continuing decline as a result of poor market conditions or continual net redemptions).
- 16.1.5 The amount of any dilution adjustment is not retained by the ACD but is paid into the Sub-fund.
- 16.1.6 Since dilution is directly related to the inflows and outflows of monies to and from a Sub-fund, it is not possible to accurately predict whether dilution will occur or what dilution adjustment might be made. However, the ACD expects that a dilution adjustment may be required if there are strong inflows in which case the dilution adjustment will increase the price of the Shares. If there are net outflows the dilutions adjustment will reduce the price of the Shares.
- 16.1.7 If it does occur, it is therefore not possible to predict the amount of dilution adjustment required. If a dilution adjustment is not charged then this may restrict the future growth of the Sub-fund. In current market conditions the ACD does not expect that a dilution adjustment above 5% would be applied. This figure is based on future projections.
- 16.1.8 The ACD reserves the right not to impose a dilution adjustment in exceptional circumstances where it would, in its opinion, not be in the interests of shareholders to do so. The ACD’s decision on whether or not to make this adjustment, and at what level this adjustment might be made in a particular case or generally, will not prevent it from making a different decision on future similar transactions.

## **16.2 The ACD Dealing as Principal**

- 16.2.1 Where the ACD deals as principal in the Shares of the Company, any profits or losses arising from such transactions shall accrue to the ACD and not to the relevant Sub-fund of the Company.
- 16.2.2 The ACD is under no obligation to account to the Depositary, or to shareholders for any profit it makes on the issue or reissue of Shares or cancellation of Shares which it has redeemed.

## **17 Money Laundering**

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



## 18 Restrictions Compulsory Transfer and Deferred Redemption

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

18.1.1 If it comes to the notice of the ACD that any Shares (“affected Shares”):

- a) are owned directly or beneficially in breach of any law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory; or
- b) would result in the Company incurring any liability to taxation which the Company would not be able to recoup itself or suffering any other adverse consequence (including a requirement to register under any securities or investment or similar laws or governmental regulation of any country or territory); or
- c) are held in any manner by virtue of which the shareholder or shareholders in question is/are not qualified to hold such Shares or if it reasonably believes this to be the case; or
- d) are owned by a shareholder who is registered in a jurisdiction (where a Sub-fund is not registered or recognised by the relevant competent authority) whereby communication with that shareholder by the ACD, on behalf of the Sub-fund, might constitute a breach of the regulations in that jurisdiction (unless specific action is taken by the ACD to prevent such a communication constituting a breach)
- e) or if the ACD is not satisfied that any Shares may not give rise to a situation discussed in (a), (b), (c) or (d), the ACD may give notice to the shareholder(s) of the affected Shares requiring the transfer of such Shares to a person who is qualified or entitled to own them or that a request in writing be given for the redemption of such Shares in accordance with the COLL Sourcebook. If any shareholder upon whom such a notice is served does not within 30 days after the date of such notice transfer their affected Shares to a person qualified to own them or submit a written request for their redemption to the ACD or establish to the satisfaction of the ACD (whose judgement is final and binding) that they or the beneficial owner is qualified and entitled to own the affected Shares, they shall be deemed upon the expiry of that 30 day period to have given a request in writing for the redemption or cancellation (at the discretion of the ACD) of all the affected Shares.

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

18.1.2 It is not possible for the ACD to be fully informed of current law and regulations in every jurisdiction and accordingly in the interests of shareholders and to be able to ensure no Shares are held or acquired by any person in breach of the law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory or which would result in any Sub-fund incurring any liability to taxation which a Sub-fund is not able to recoup itself or suffering any other adverse consequence. The ACD’s policy will be to treat Shares of shareholders moving to jurisdictions other than the UK and EEA States as

affected Shares and may refuse to issue Shares to anyone resident outside of one of the jurisdictions.

- 18.1.3 A shareholder who becomes aware that they are holding or own affected Shares shall immediately, unless they have already received a notice as set out above, either transfer all their affected Shares to a person qualified to own them or submit a request in writing to the ACD for the redemption of all their affected Shares.
- 18.1.4 Where a request in writing is given or deemed to be given for the redemption of affected Shares, such redemption will (if effected) be effected in the same manner as provided for in the COLL Sourcebook.

## **18.2 Deferred Redemption**

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

## **19 Suspension of Dealings in the Company**

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

## **20                   Governing Law**

20.1 All deals in shares are governed by English law.

## **21                   Valuation of the Company**

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

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

## **22                   Calculation of the Net Asset Value**

22.1 The value of the Scheme Property of the Company or of a Sub-fund (as the case may be) shall be the value of its assets less the value of its liabilities determined in accordance with the following provisions.

22.2 All the Scheme Property (including receivables) of the Company (or the Sub-fund) is to be included, subject to the following provisions.

22.3 Scheme Property which is not cash (or other assets dealt with in Section 22.4) or a contingent liability transaction shall be valued as follows:

22.3.1 units or shares in a collective investment scheme:

22.3.1.1 if a single price for buying and selling units/shares is quoted, at the most recent such price; or

22.3.1.2 if separate buying or selling prices are quoted, at the average of the two prices provided the buying price has been reduced by any preliminary charge included therein and the selling price has been increased by any exit or redemption charge attributable thereto; or

22.3.1.3 if no price or no recent price exists, at a price which in the opinion of the ACD is fair and reasonable;

22.3.2 any other transferable security:

22.3.2.1 if a single price for buying and selling the security is quoted, at that price; or

22.3.2.2 if separate buying and selling prices are quoted, the average of those two prices; or

22.3.2.3 if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no price exists, at a value which in the opinion of the ACD reflects a fair and reasonable price for that investment;

22.3.3 property other than that described in 22.3.1 and 22.3.2 above:

- 22.3.3.1 at a value which, in the opinion of the ACD, represents a fair and reasonable mid-market price.
- 22.4 Cash and amounts held in current and deposit accounts and in other time-related deposits shall be valued at their nominal values.
- 22.5 Property which is a contingent liability transaction shall be treated as follows:
- 22.5.1 if it is a written option (and the premium for writing the option has become part of the Scheme Property), the amount of the net valuation of premium receivable shall be deducted.
- 22.5.2 if it is an off-exchange future, it will be included at the net value of closing out in accordance with a valuation method agreed between the ACD and the Depositary;
- 22.5.3 if the property is an off-exchange derivative, it will be included at a valuation method agreed between the ACD and Depositary;
- 22.5.4 if it is any other form of contingent liability transaction, it will be included at the net value of margin on closing out (whether as a positive or negative value).
- 22.6 In determining the value of the Scheme Property, all instructions given to issue or cancel Shares shall be assumed to have been carried out (and any cash paid or received) whether or not this is the case.
- 22.7 Subject to paragraphs 21.8 and 21.9 below, agreements for the unconditional sale or purchase of property which are in existence but uncompleted shall be assumed to have been completed and all consequential action required to have been taken. Such unconditional agreements need not be taken into account if made shortly before the valuation takes place and, in the opinion of the ACD, their omission will not materially affect the final net asset amount.
- 22.8 Futures or contracts for differences which are not yet due to be performed and unexpired and unexercised written or purchased options shall not be included under paragraph 21.7.
- 22.9 All agreements are to be included under paragraph 21.7 which are, or ought reasonably to have been, known to the person valuing the property.
- 22.10 An estimated amount for anticipated tax liabilities at that point in time including (as applicable and without limitation) capital gains tax, income tax, corporation tax and advance corporation tax and value added tax will be deducted.
- 22.11 An estimated amount for any liabilities payable out of the Scheme Property and any tax thereon treating periodic items as accruing from day to day will be deducted.
- 22.12 The principal amount of any outstanding borrowings whenever repayable and any accrued but unpaid interest on borrowings will be deducted.
- 22.13 An estimated amount for accrued claims for tax of whatever nature which may be recoverable will be added.
- 22.14 Any other credits or amounts due to be paid into the Scheme Property will be added.
- 22.15 A sum representing any interest or any income accrued due or deemed to have accrued but not received will be added.

- 22.16 Currency or values in currencies other than the base currency shall be converted at a rate of exchange that is not likely to result in any material prejudice to the interests of shareholder or potential shareholders.
- 22.17 Where the ACD has reasonable grounds to believe that:
- (a) no reliable price exists for a security (including a unit/Share in a collective investment scheme) at a valuation point; or
  - (b) the most recent price available does not reflect the ACD's best estimate of the value of the security (including a unit/Share in a collective investment scheme) at the Valuation Point;
- 22.17.1 it can value an investment at a price which, in its opinion, reflects a fair and reasonable price for that investment (the fair value price). The circumstances which may give rise to a fair value price being used include:
- (a) no recent trade in the security concerned; or
  - (b) suspension of dealings in an underlying collective investment scheme;
  - (c) the occurrence of significant movements in the markets in which the underlying collective investment schemes are invested since the last valuation point; or
  - (d) the occurrence of a significant event since the most recent closure of the market where the price of the security is taken.
- 22.18 In determining whether to use such a fair value price, the ACD will include in their consideration but need not be limited to the type of authorised fund concerned, the securities involved; whether the underlying collective investment schemes may already have applied fair value pricing; the basis and reliability of the alternative price used; and the ACD's policy on the valuation of Scheme Property as disclosed in this Prospectus.

## **23 Price per Share in the Sub-fund and each Class**

- 23.1 The price per Share at which Shares are sold is the sum of the Net Asset Value of a Share and any preliminary charge. The price per Share at which Shares are redeemed is the Net Asset Value per Share less any applicable redemption charge. In addition, there may, for both purchases and sales, be a dilution adjustment as described in Section 16 above.

## **24 Pricing basis**

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

## **25 Publication of Prices**

- 25.1 The most recent price of Shares will be published on the Margetts website and various on-line data agencies. They will also be available by telephoning the ACD on 0345 607 6808 and on its website: <https://www.mgtsfunds.com>.

## **26 Risk factors**

26.1 All investments in the Company involve risk. The risks set out below refer to the main risks factors for each Sub-fund. "General" risks are those risks applicable to all Sub-funds. "Specific Risks" are particularly relevant as defined under the investment objective and policy for each Sub-fund. Potential investors should consider the following risk factors before investing in the Company:

### **26.2 General**

26.2.1 An investment in one or more of the Sub-funds will involve exposure to those risks normally associated with investment in fixed interest securities, stocks and shares. As such, the price of shares and the income from them can go down as well as up and an investor may not get back the amount they invested. There is no assurance that investment objectives of any Sub-fund will actually be achieved. The ACD does not guarantee any yield or return on capital in any Sub-fund.

- a) In addition, the values, in the base currency denomination of each Share Class, of investments that are not denominated in the base currency of the Share Class, may rise and fall purely on account of exchange rate fluctuations, which will have a related effect on the price of Shares.
- b) Shares in all the Sub-funds should generally be regarded as long-term investments. Details of specific risks that apply to particular Sub-funds are set out in Appendix 1.
- c) Charges in respect of certain Sub-funds may be taken against capital rather than income. This may constrain capital growth of the Sub-fund in question and will be detailed in Appendix 1 if applicable.
- d) Where a preliminary charge or a redemption charge is imposed, a shareholder who realises their Shares may not (even where there has been no fall in the value of underlying investments) realise the amount originally invested.
- e) Where no dilution adjustment is charged to investments in or out of a Sub-fund the effect of these purchases or sales could have a dilution effect on the Sub-fund which may reduce performance.

### **26.3 Market Risk**

26.3.1 Prices and yields of many securities can change frequently and can fall based on a wide variety of factors. Examples of these factors include:

- a) Political and economic news;
- b) Government policy;
- c) Changes in technology and business practice;
- d) Changes in demographics, cultures and populations;
- e) Natural or human-caused disasters;
- f) Weather and climate patterns;
- g) Scientific or investigative discoveries; and
- h) Costs and availability of energy, commodities, and natural resources.

26.3.2 The effects of market risk can be immediate or gradual, short term or long-term, narrow or broad. This risk can apply to both the design and operation of computer models and can apply whether a model is used to support human decision-making or to directly generate trading recommendations. Flaws in software programmes can go undetected for long periods of time.

## **26.4 Inflation and Interest Rates**

- 26.4.1 The real value of any returns that an investor may receive from the Sub-fund could be affected by interest rates and inflation over time. Where inflation is high it may reduce the real return and purchasing power of the investment in the future. If inflation falls or remains low, the yields on short-term inflation-linked securities will fall or remain low.
- 26.4.2 Changes in interest rates affect the value of most investments. Bonds and fixed interest securities are directly impacted by changes in interest rates, where typically an increase in the level interest rates will have detrimental impact on the value of bonds held, whilst increasing the available returns on bonds available for investment.

## **26.5 Currency Exchange Rates**

- 26.5.1 Currency fluctuations may adversely affect the value of the Sub-fund's investments and the income thereon and, depending on a shareholder's currency of reference, currency fluctuations may reduce investment gains or income, or increase investment losses, in some cases significantly.

## **26.6 Credit and Default Risk**

- 26.6.1 All fixed income or other debt securities have a risk that the issuer may be unable to make interest payments or repay the capital. Generally, the value of a fixed income security will fall in the event of the default or reduced credit rating of the issuer, due to a higher risk of default. Government securities typically offer the lowest credit risk, which is reflected in their lower yield. Corporate debt typically offers a higher yield due to its higher risk. However, changes in economic and political outlook affect the value of such securities.
- 26.6.2 Sub-investment grade assets have the highest risk of default and can be volatile. Investors must be able to accept significant temporary losses to their capital and the possibility of fluctuations in the income return level of any Sub-fund that hold these assets.

## **26.7 Counterparty and Settlement**

- 26.7.1 Counterparty risk is the probability that the other party in an investment, credit, or trading transaction may not fulfil its part of the deal and may default on contractual obligations.
- 26.7.2 The Sub-funds will be exposed to credit risk on parties with whom it trades and will also bear the risk of settlement default.

## **26.8 Management Risk**

- 26.8.1 The Sub-fund may be subject to management risk because it is an actively managed investment fund. When managing the Sub-fund and applying investment techniques and risk analyses, the Investment Manager's assessment of market or economic trends, their choice or design of any software models they use, their allocation of assets, or other decisions regarding how the Sub-fund's assets will be invested cannot be guaranteed to ensure returns on investments.

## **26.9 Custody**

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

## **26.10 Operational Risk**

- 26.10.1 The operations of the Sub-fund could be subject to human error, faulty processes or governance, or technological failures. Operational risks may subject the Sub-fund to errors affecting valuation, pricing, accounting, tax reporting, financial reporting, custody and trading, among other things. Operational risks may go undetected for long periods of time, and even if they are detected it may prove impractical to recover prompt or adequate compensation from those responsible.

## **26.11 Taxation**

- 26.11.1 Taxation laws and rates may change over time and could affect the value of investments in the Sub-fund and of the Shares in the Sub-fund. See Section headed “Taxation” for further details about taxation of The Sub-fund.

## **26.12 Cancellation Rights**

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

## **26.13 Regulatory and Government Policy**

- 26.13.1 The laws that govern the Sub-fund may change in future. Any such changes may not be in the best interest of the Sub-fund and may have a negative impact on the value of your investment.

## **26.14 Political Risk**

- 26.14.1 The value of each Sub-fund may be affected by uncertainties such as international political developments, civil conflicts and war, changes in government policies, changes in taxation, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in the laws and regulations of countries in which investments may be made. For example, assets could be compulsorily re-acquired without adequate compensation.
- 26.14.2 Events and evolving conditions in certain economies or markets may alter the risks associated with investments in countries or regions that historically were perceived as comparatively stable becoming riskier and more volatile. These risks are magnified in countries in emerging markets.

## **26.15 Cyber Security**

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



providers, financial intermediaries and companies in which the Company invests or with which it does business.

#### **26.16 Regular Savings Plan**

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

#### **26.17 Liquidity**

26.17.1 The Sub-fund may be invested in assets which cannot be liquidated in a timely manner at a reasonable price. This may impact the value of Shares in the Sub-fund and the ability to redeem.

#### **26.18 Dilution Provisions Risk**

26.18.1 In certain circumstances a dilution adjustment may be made on the purchase or redemption of Shares. In the case of purchases for a cash value this will reduce the number of Shares acquired, or where a specific number of Shares is to be purchased increase the amount payable. When redeeming a specific number of Shares this will reduce the proceeds of sale, or where a specific cash amount has been requested result in a higher number of Shares being redeemed. Where a dilution adjustment is not made, existing investors in The Sub-Fund in question may suffer dilution which will constrain capital growth.

#### **26.19 Single Swinging Price - Impact on Fund Value and Performance**

26.19.1 The Sub-fund has a single swinging price. The single price can be swung up or down in response to inflows or outflows from the Sub-fund, in order to protect investors from the effect of dilution. Dilution occurs where the Sub-fund is forced to incur costs as a result of the Investment Manager buying or selling assets following inflows or outflows. A change to the pricing basis will result in a movement to the Sub-fund's published price and reported investment performance.

#### **26.20 Suspension of Dealings in Shares Risk**

26.20.1 In certain circumstances investors' right to redeem shares (including a redemption by way of switching) may be suspended.

#### **26.21 Suspension and Termination**

26.21.1 Investors should note that in exceptional circumstances, the ACD may, after consultation with the Depositary, suspend the issue, cancellation, sale and redemption (including switching) of Shares in any and all Sub-funds and Shares Classes.

#### **26.22 Charges**

26.22.1 The costs incurred on Sub-funds may increase in the future.

#### **26.23 Shareholder's rights against service providers**

26.23.1 The Company relies on the performance of third-party service providers, including the ACD, the Depositary, the Investment Manager and the Auditor. Further information in relation to the roles of the service providers is set out in this prospectus.

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

## **26.24 Specific Risks**

### **26.25 Investment in Collectives**

26.25.1 The Sub-fund may make investments in collective investment schemes. Such investments may involve risks not present in direct investments, including, for example, the possibility that an investee collective investment scheme may at any time have economic or business interests or goals which are inconsistent with those of the Sub-fund concerned.

26.25.2 Unregulated collective investment schemes in which the Company may invest up to 20% of its scheme property may invest in highly illiquid securities that may be difficult to value. Moreover, many alternative investment strategies give themselves significant discretion in valuing securities. You should understand a Sub-fund's valuation process and know the extent to which a Sub-fund's securities are valued by independent sources and liquidity constraints. Subject to COLL, the Company may invest in unregulated collective investment schemes (including hedge funds). Such investment in unregulated collective investment schemes carries additional risks as these schemes may not be under the regulation of a competent regulatory authority, may use leverage techniques and may carry increased liquidity risk as units/shares in such schemes may not be readily realisable.

26.25.3 The Sub-fund may bear the expenses and annual management charge of collective investment schemes which are held as part of the scheme property.

### **26.26 Financial Indices**

26.26.1 The Sub-fund may invest in securities embedding exposure to financial indices. Any such index must meet the regulatory requirements including being sufficiently diversified, having a clear objective, not relating to a single commodity or concentration of related commodities, being an adequate benchmark for the relevant market, having clear guidelines for the selection of index components, being replicable, having the calculation methodology pre-determined and published, rebalancing at an appropriate frequency, being subject to an independent valuation, not permitting retrospective changes, not permitting payments from potential index components for inclusion in the index, and having the index constituents and weightings published. The ACD has risk management procedures in place to ensure that any securities embedding exposure to a financial index meet all of the required regulations.

### **26.27 Investment In Real Estate Investment Trusts**

26.27.1 Real Estate Investment Trusts (REITs) and listed Infrastructure investments. Investment in REITS and listed Infrastructure are equity investments carrying similar equity investment risks to those of other equity investments but, through these holdings, may also be subject to adverse effects from weaknesses and/or fluctuations in real estate prices.

### **26.28 Equity Securities Risk**

26.28.1 Equities are securities that represent an ownership interest in an issuer. Equities can lose value rapidly, and typically involve higher (often significantly higher) market risks than bonds, money market instruments or other debt instruments. Fluctuation in value may occur in response to activities of individual companies, the general market, economic conditions, or changes in currency exchange rates.

26.28.2 Equities may be purchased in the primary or secondary market. Purchases in the primary market through initial public offerings may involve higher risks due to various factors including limited numbers of available shares, unfavourable trading conditions, lack of investor knowledge, and lack of operating history of the issuing company. The secondary market is commonly referred to as the stock market and includes the London Stock Exchange, the New York Stock Exchange and other exchanges around the world.

## **26.29 Small and Mid-Cap Stock Risk**

26.29.1 Stocks of small and mid-size companies can be more volatile and less liquid than stocks of larger companies. These risks may be greater in emerging and frontier markets. Small and mid-size companies often have fewer financial resources, shorter operating histories, and less diverse business lines, and as a result can be at greater risk of long-term or permanent business setbacks. Initial public offerings (IPOs) can be highly volatile and can be hard to evaluate because of a lack of trading history and relative lack of public information.

## **26.30 Emerging Markets**

26.30.1 Where Sub-funds invest in some overseas markets these investments may carry risks associated with failed or delayed settlement of market transactions and with the registration and custody of securities.

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

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

26.30.4 Companies in emerging markets may not be subject:

- a) to accounting, auditing and financial reporting standards, practices and disclosure requirements comparable to those applicable to companies in major markets;
- b) to the same level of government supervision and regulation of stock exchanges as countries with more advanced securities markets.

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

- a) Restrictions on foreign investment in certain securities may be imposed on certain Sub-funds and as a result, may limit investment opportunities for the Sub-funds. Substantial government involvement in, and influence on, the economy may affect the value of securities in certain emerging markets.
- b) The reliability of trading and settlement systems in some emerging markets may not be equal to that available in more developed markets, which may result in delays in realising investments.

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

## **26.31 Illiquid or Restricted Securities Risk**

26.31.1 Certain securities may be hard to value or sell at a particular time due to market illiquidity or restrictions on their resale. This may include securities that are generally considered to be illiquid or restricted, due to conditions associated with the security, such as bond offerings under Rule 144A of the SEC and securities that represent a small issue, trade infrequently,

or are traded on markets that are comparatively small or have long settlement times. Selling illiquid or restricted securities usually requires more time and costs are often higher.

## **26.32 Derivatives**

- 26.32.1 Generally, a Financial Derivative Instrument (FDI) is a financial contract where the value depends upon, or is derived from, the value of an underlying asset, reference rate or index, and which may relate to stocks, bonds, interest rates, currencies or currency exchange rates, commodities, and related indices.
- 26.32.2 FDIs may be used for the purposes of efficient portfolio management (including hedging) and may also be used for investment purposes where this is set out in the Investment Objectives and Policy of the Sub-fund in Appendix 1.
- 26.32.3 Efficient portfolio management enables the Sub-fund to invest in derivatives and forward transactions (including futures and options) in accordance with regulations using techniques which relate to transferable securities and approved money market instruments and which fulfil the following criteria:
- (a) they are economically appropriate in that they are realised in a cost effective way;
  - (b) they are entered into for one or more of the following specific aims;
    - (i) reduction of risk and/or;
    - (ii) reduction of cost and/or;
    - (iii) generation of additional capital or income for the Sub-fund with a risk level which is consistent with the risk profile of the relevant Sub-fund and the risk diversification rules (as summarised in Appendix 2).
- 26.32.4 There is no guarantee that the Sub-fund will achieve the objective for which it entered into a transaction in relation to efficient portfolio management. The use of financial derivative instruments may result in losses for investors.
- 26.32.5 Where FDIs are used for investment purposes, this means that they are used as part of the investment strategy to meet the investment objective of the fund, based on a view of the future returns available.
- 26.32.6 The risks associated with the use of FDI are different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. FDI are specialised instruments that require investment techniques and risk analyses different from those associated with stocks and bonds. The use of FDI requires an understanding of both the underlying reference instrument and the FDI itself. There is no assurance that any derivative strategy used by a Fund will succeed and derivatives can lead to significant losses.
- 26.32.7 Alongside risks associated with the underlying reference asset the following risks are also relevant in terms of the use of FDI:
- a) Market risk. Like most other investments, FDI are subject to the risk that the market value of the instrument will change in a way detrimental to the Sub-fund's interests. While hedging strategies involving FDI can reduce the risk of loss, they can also reduce the opportunity for gain or even result in losses by offsetting favourable price movements in other portfolio investments. The Sub-fund may also have to buy or sell a security at a disadvantageous time or price because it is legally required to maintain offsetting positions or asset coverage in connection with certain FDI transactions.

- b) Liquidity risk. This risk exists when a particular FDI is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid (as is the case with many OTC derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous time or price.
- c) Pricing risk. This risk exists when a particular FDI becomes unusually expensive for purchase or cheap to sell relative to historical prices or the prices of corresponding cash market instruments. Under certain market conditions, it may not be economically feasible to initiate a transaction or liquidate a position in time to avoid a loss or to take advantage of an opportunity.
- d) Gearing (or leverage) risk. Because many FDI have a leveraged component, adverse changes in the value or level of the underlying asset, reference rate or index can result in a loss substantially greater than the amount invested in the FDI itself.
- e) Settlement risk. Derivative markets will have different clearance and settlement procedures and in certain markets there have been times when settlements have been unable to keep pace with the volume of transactions, thereby making it difficult to conduct such transactions. Delays in settlement could result in temporary periods when assets of the Sub-fund are uninvested and no return is earned thereon. A Sub-fund's inability to make intended purchases due to settlement problems could cause it to miss attractive investment opportunities. Inability to dispose of portfolio securities due to settlement problems could result either in losses to the Sub-fund due to subsequent declines in the value of the security or, if the Sub-fund has entered into a contract to sell the security, it could result in a possible liability of it to the purchaser.
- f) Legal risk. The terms of OTC FDI are generally established through negotiation between the parties thereto. While therefore more flexible, OTC FDI may involve greater legal risk than exchange-traded instruments, which are standardised as to the underlying instrument, expiration date, contract size and strike price, as there may be a risk of loss if the OTC FDI are deemed not to be legally enforceable or are not documented correctly. There may also be a legal or documentation risk that the parties to the OTC FDI may disagree as to the proper interpretation of its terms. If such a dispute occurs, the cost and unpredictability of the legal proceedings required for a Sub-fund to enforce its contractual rights may lead the Sub-fund to decide not to pursue its claims under the OTC FDI. A Sub-fund thus assumes the risk that it may be unable to obtain payments owed to it under OTC arrangements, and that those payments may be delayed or made only after the Sub-fund has incurred the costs of litigation. Further, legal, tax and regulatory changes could occur which may adversely affect a Sub-fund. The regulatory and tax environment for FDI is evolving, and changes in the regulation or taxation of FDI may adversely affect the value of such instruments held by the Sub-fund and the Sub-fund's ability to pursue its trading strategies.
- g) Correlation risk. There is a risk that where FDIs are used for efficient portfolio management that they may be imperfectly correlated with the expected performance that would be generated by other underlying assets.
- h) Interest rate risk. Interest rates have an impact on the value of FDIs, which is typically greater for FDIs that are further away from their expiry or are linked to interest rates or fixed income securities
- i) Credit risk. The use of FDI involves the risk that a loss may be sustained as a result of the failure of another party to the contract (the "counterparty") to make required payments or otherwise comply with the contract's terms. Counterparties to these transactions are therefore required to provide collateral, in the form of cash or securities, to protect the Fund against the risk of the counterparty's default. There is a risk that, due

to a significant change in the value of the FDI because of market conditions, the collateral posted by the counterparty would not be sufficient to cover the counterparty's obligations under the FDI, should the counterparty become insolvent, bankrupt or default prior to the receipt of additional collateral. This may result in substantial losses to the Sub-fund.

26.32.8 The Company maintains collateralisation policies to mitigate counterparty risk, including as follows:

- a) cash or securities held by the relevant Sub-fund or by the counterparty, as applicable, are posted as collateral to cover daily mark-to-market changes to the value of the FDI, and specific haircut policies will apply depending on collateral type and risk associated with the underlying security;
- b) based on changes in the market value of each FDI transaction, collateral to be posted, or received, is calculated daily on a net basis, to ensure that the value of the collateral covers the relevant Sub-fund's mark-to-market exposure to the counterparty; and
- c) in the event of a counterparty default, collateral held is immediately available (without recourse) to cover the relevant Sub-fund's current mark-to-market exposure to a counterparty.

26.32.9 Collateral transfers are normally subject to a minimum transfer amount (MTA) and so the Sub-fund may have some exposure to uncollateralised gains on contracts below these levels.

26.32.10 The ACD employs a risk management process which enables it to accurately identify, measure, monitor and manage the various risks associated with its own use of FDI.

26.32.11 Derivatives held in the Sub-funds will be accounted for and taxed in accordance with the Statement of Recommended Practice for Open-Ended Investment Companies. The way in which HMRC taxes derivatives held in collective investment schemes may change, which could adversely affect the tax paid by the Sub-fund.

### **26.33 Hedging Risk**

26.33.1 Hedging may be used in connection with managing the Sub-fund as well as for certain currency hedge Share Classes including partially hedged Share Classes. Any attempts to reduce or eliminate certain risks may not work as intended, and to the extent that they do work, they will generally eliminate potentials for gain along with risks of loss.

26.33.2 Hedging is normally undertaken using Financial Derivatives Instruments (FDIs) which are subject to the risks in the dedicated section. In addition to these risks, contracts entered into for hedging purposes also involve certain special risks including:

- a) Dependence on the ability to predict movements in the prices of investments being hedged,
- b) Imperfect correlation between the hedging instruments and the investments or market sectors being hedged which may result in an imperfect hedge of these risks and a potential loss of capital,
- c) The fact that skills needed to use these instruments may be different from those needed to select the Sub-fund's other investments
- d) The possible absence of a liquid market for any particular instrument at any particular time.

- 26.33.3 Hedging involves costs, which could reduce investment performance. Therefore, with any Share Class that involves hedging both at the Sub-fund level and the Share Class level, there could be two levels of hedging, some of which may yield no benefit (for example, at the Sub-fund level, a fund may hedge sterling denominated assets to US dollars, while a sterling hedged Share Class of the Sub-fund would then reverse that hedge as appropriate).
- 26.33.4 Risks related to Share Class currency hedging (such as counterparty risk) could affect investors of other Share Classes.
- 26.33.5 As there is no segregation of liabilities between the various Share Classes within the Sub-fund, there is a remote risk that, under certain circumstances, currency hedging transactions in relation to a partially hedged Share Class could result in liabilities which might affect the Net Asset Value of the other Share Classes of the same Sub-fund, in which case assets of the other Share Classes of the Sub-fund may be used to cover the liabilities incurred by such partially hedged Share Class.

#### **26.34 Over the counter (OTC) Derivatives risk**

- 26.34.1 In general, there is less governmental regulation and supervision of transactions in the OTC markets than organised stock exchanges. Many of the protections afforded to transactions on organised exchanges such as the performance guarantee of an exchange clearing house may not exist for OTC transactions. The risk of counterparty default therefore exists.
- 26.34.2 OTC derivatives are contractual agreements between the Sub-fund and one or more counterparties, they are regulated differently than market-traded securities. They can carry greater counterparty and liquidity risks; in particular, it may be more difficult to force a counterparty to honour its obligations to the Sub-fund. A downgrade in the creditworthiness of counterparty can lead to a decline in the value of OTC contracts with that counterparty.
- 26.34.3 If a counterparty ceases to offer a derivative that a Sub-fund had been planning on using, the Sub-fund may not be able to find a comparable derivative elsewhere and may miss an opportunity for gain or find itself unexpectedly exposed to risks or losses, including losses from a derivative position for which it was unable to buy an offsetting derivative.
- 26.34.4 OTC derivatives are not tradeable in a secondary market and therefore liquidity relies on the counterparty. From time to time, the counterparties, with which a Sub-fund effects transactions, might cease or be prevented from making markets or quoting prices in certain instruments, for instance due to there being restrictions on trading in the underlying investments. In such instances a Sub-fund might be unable to enter into a desired transaction or enter into an offsetting transaction with respect to an open position which might adversely affect its performance.
- 26.34.5 Further, in contrast to exchange traded instruments, forward, spot and option contracts on currencies, do not provide the Investment Manager with the possibility to offset the relevant Sub-fund's obligations through an equal and opposite transaction. For this reason when entering into forward, spot or options contracts, a Sub-fund may be required, and must be able to, perform its obligations under the contracts.
- 26.34.6 There is a risk that if the Sub-fund needed to unwind or reduce a position then the counterparty may not provide this liquidity, or may offer terms which are considered unacceptable. In this case the Sub-fund may suffer a loss or be unable to reduce or unwind the position. There are hedging techniques under efficient portfolio management to manage this risk although they are not guaranteed to be successful.
- 26.34.7 Because it is generally impractical for the Sub-fund to divide its OTC derivative transactions among a wide variety of counterparties, a decline in the financial health of any one

counterparty could cause significant losses. Conversely, if any Sub-fund experiences any financial weakness or fails to meet an obligation, counterparties could become unwilling to do business with the Sub-fund which could leave the Sub-fund unable to operate efficiently and competitively.

- 26.34.8 In certain circumstances, the Sub-fund may rely on the counterparty valuation of an over-the-counter derivative contract. There is no assurance that complete pricing models and procedures are in place for the purposes of producing an accurate verification of the counterparty valuation or that any such pricing models and procedures will be adhered hereto. Where possible, an independent valuation will be sought, however the nature of certain OTC derivative contracts may mean that the independent valuation is not accurate or does not reflect the price that the counterparty is willing to trade at.

## **26.35 Defined Return Strategies**

- 26.35.1 Defined Return Strategies (DRS) are created by investing in a series of FDIs (typically over-the-counter derivatives) which have features that alter the returns of an underlying reference asset (typically equity indices – e.g. FTSE 100, S&P 500), with the objective of delivering returns within a defined range. In order to achieve returns within a defined range, the DRS foregoes the higher potential growth of holding shares directly in order to provide some protection from losses when the value of shares falls less than a defined level. There may be times when shares fall below the defined level, in which case the DRS may provide a significant loss.
- 26.35.2 Due to the structure of DRS they can be complicated and not readily available. There may be times and market conditions where opportunities to invest in DRS are not present at a fair price. In addition, the value of DRS is more complicated than other FDIs and therefore there can be a higher level of price uncertainty or available liquidity.
- 26.35.3 DRS are not tradeable in a secondary market and therefore liquidity relies on the counterparty. There is a risk that if the Sub-fund needed to unwind or reduce a position then the counterparty may not provide this liquidity, or may offer terms which are considered unacceptable. In this case the Sub-fund may suffer a loss or be unable to reduce or unwind the position. There are hedging techniques under efficient portfolio management to manage this risk although they are not guaranteed to be successful.
- 26.35.4 DRS are usually designed to provide some protection against falls in the underlying reference asset. This means that the price of the DRS will typically fall by less than the underlying asset in most circumstances. However, there may be times when barriers that provide protection are at a higher risk of being breached. When this occurs then there is a risk that DRS may fall faster, causing greater losses, than the underlying reference asset.
- 26.35.5 In certain circumstances, where the underlying reference asset of a DRS is close to a barrier, the DRS can be more sensitive to movements in the underlying asset, leading to large fluctuations in price. In these circumstances, the sensitivity of the DRS will typically increase as it approaches expiry.

## **26.36 Structured Products**

- 26.36.1 For the purposes of the FCA's rules structured products may be regarded as either transferable securities, collective investment schemes or derivatives depending on the product in question. The common feature of these products is that they are designed to combine the potential upside of market performance with limited downside. Structured products typically are investments which are linked to the performance of one or more underlying instruments or assets such as market prices, rates, indices, securities, currencies



and commodities and other financial instruments that may introduce significant risk that may affect the performance of the Sub-funds.

- 26.36.2 Alongside risks associated with the underlying reference asset(s) there are risks that the issuer of the structured product defaults or becomes bankrupt (See default and credit risk). The Sub-fund may bear the risk of the loss of its principal investment and periodic payments expected to be received for the duration of its investment in the structured products. In addition, a liquid secondary market may not exist for the structured products, and there can be no assurance that one will develop. The lack of a liquid secondary market may make it difficult for the Sub-fund to sell any structured products it holds.

## **26.37 Leverage**

- 26.37.1 The Sub-funds are permitted to use leverage in line with their ability to invest in derivatives and forward transactions. Leveraged investments, by their nature, increase the potential loss to investors resulting from any depreciation in the value of such investments and therefore create the likelihood of greater volatility in the portfolio. Consequently, a relatively small price movement in the underlying of a leveraged instrument may result in a substantial loss to the Sub-fund.
- 26.37.2 Global Exposure is calculated using the commitment approach. The commitment approach converts the derivatives into the equivalent position in the underlying assets and therefore measures the incremental exposure provided via derivatives. In accordance with COLL, the global exposure of the Sub-fund must not exceed 100% of the Sub-fund's net asset value after any applicable netting and hedging has been removed. Confirmation of how to obtain the same contained within the Risk Management section of this prospectus.

## **26.38 Fixed Interest Securities**

- 26.38.1 Fixed interest securities (such as bonds) are particularly affected by trends in interest rates and inflation. If interest rates go up, the value of capital may fall, and vice versa. The value of a fixed interest security may fall in the event of a default or reduced credit rating of the issuer. Generally, the higher the rate of interest, the higher the perceived credit risk of the issuer. High yield bonds with lower credit ratings (also known as sub-investment grade bonds) are potentially more risky (higher credit risk) than investment grade bonds. The liquidity of many fixed interest securities issued by corporations or banks, in particular those issued by less well capitalised companies, is likely to be particularly reduced during times of market stress reducing the ability of the ACD to sell holdings at an acceptable price and in a timely manner.
- 26.38.2 Below Investment Grade Bonds are considered speculative. Compared to investment grade bonds, the prices and yields of below investment grade bonds are more volatile and more sensitive to economic events, and the bonds are less liquid and carry greater default risk.
- 26.38.3 Unrated securities will be considered for investment by the Sub-fund when the Investment Manager believes that the financial condition of the issuers of such securities, or the protection afforded by the terms of the securities themselves, limits the risk to the Sub-fund to a degree comparable to that of rated securities which are consistent with the Sub-fund's objectives and policies.
- 26.38.4 Certain securities may become distressed when the issuer of such securities enters into default or is in high risk of default. While these securities can offer high rewards, they are highly speculative, can be very difficult to value or sell, and often involve complex and unusual situations and extensive legal actions involving multiple parties whose outcome is quite uncertain. There can be no assurance that investment will generate returns to compensate investors adequately for the risks assumed without experiencing a loss.

- 26.38.5 Debt issued by governments and government-owned or -controlled entities can be subject to additional risks, especially in cases where the government is reliant on payments or extensions of credit from external sources, is unable to institute the necessary systemic reforms or control domestic sentiment, or is unusually vulnerable to changes in geopolitical or economic sentiment.
- 26.38.6 Even if a government issuer is financially able to pay off its debt, investors may have little recourse should it decide to delay, discount or cancel its obligations, as the main avenue to pursue payment is typically the sovereign issuer's own courts.
- 26.38.7 Investment in sovereign debt exposes the Sub-fund to direct or indirect consequences of political, social, and economic changes in various countries

## **27 Liabilities of the Company and the Sub-funds**

- 27.1 The assets of the Sub-funds belong exclusively to that Sub-fund so that each Sub-fund has segregated liability from other Sub-funds. As such, the assets of one Sub-fund shall not be used to discharge the liabilities of or claims against the umbrella company or any other person or body, or any other Sub-fund, and shall not be available for any such purpose.
- 27.2 While the provisions of the OEIC Regulations provide for the segregated liability between Sub-funds, the concept of segregated liability is relatively new. Accordingly, where claims are brought by local creditors in foreign courts or under foreign law contracts, it is not yet known how those foreign courts will treat such segregation of liability between Sub-funds.
- 27.3 Shareholders are not, however, liable for the debts of the Company. A shareholder is not liable to make any further payment to the Company after paying the purchase price of Shares.

## **28 Risk Management**

- 28.1 Upon request by writing to the ACD at 1 Sovereign Court, Graham Street, Birmingham B1 3JR a shareholder can receive information relating to:
- a) the quantitative limits applying in the risk management of a Sub-fund of the Company;
  - b) the methods used in relation to 27; and
  - c) any recent developments of the risk and yields of the main categories of investment in the Sub-fund.

## **29 Past Performance Data**

- 29.1 Historical performance data for the Sub-fund is set out at Appendix 7.

## **30 Fees and Expenses**

### **30.1 General**

30.1.1 The Sub-fund may pay out of the Scheme Property of the Sub-fund charges and expenses incurred by the Sub-fund, which will include the following expenses:

- 30.1.1.1 the fees and expenses payable to the ACD (which will include the fees and expenses payable to the Investment Manager) and to the Depositary;
- 30.1.1.2 broker's commission, fiscal charges (including stamp duty and/or stamp duty reserve tax) and other disbursements which are necessarily incurred in effecting transactions for the Sub-fund and normally shown in contract notes, confirmation notes and difference accounts as appropriate;
- 30.1.1.3 fees and expenses of the administrator and in respect of establishing and maintaining the register of shareholders and any sub-register of shareholders;
- 30.1.1.4 any costs incurred in or about the listing of Shares in the Company on any Stock Exchange, and the creation, conversion and cancellation of Shares;
- 30.1.1.5 any costs incurred by the Company in publishing the price of the Shares in a national or other newspaper;
- 30.1.1.6 any costs incurred in producing and dispatching any payments made by the Company, or the yearly and half-yearly reports of the Company;
- 30.1.1.7 any fees, expenses or disbursements of any legal or other professional adviser of the Company;
- 30.1.1.8 any costs incurred in taking out and maintaining any insurance policy in relation to the Company;
- 30.1.1.9 any costs incurred in respect of meetings of shareholders convened for any purpose including those convened on a requisition by shareholders not including the ACD or an associate of the ACD;
- 30.1.1.10 liabilities on unitisation, amalgamation or reconstruction including certain liabilities arising after transfer of property to the Company in consideration for the issue of Shares as more fully detailed in the FCA Regulations;
- 30.1.1.11 interest on borrowings and charges incurred in effecting or terminating such borrowings or in negotiating or varying the terms of such borrowings;
- 30.1.1.12 taxation and duties payable in respect of the property of the Company or the issue or redemption of Shares;
- 30.1.1.13 the audit fees of the Auditors (including VAT) and any expenses of the Auditors;
- 30.1.1.14 the fees of the FCA under the FCA Regulations, together with any corresponding periodic fees of any regulatory authority in a country or territory

outside the United Kingdom in which Shares in the Company are or may be marketed;

- 30.1.1.15 the costs of preparing, updating and printing (and translation where required) this prospectus, the simplified prospectuses or Key Investor Information Document as appropriate, the Instrument of Incorporation, statements and contract notes and the costs of distributing this prospectus and the instrument of incorporation and any other information provided to shareholders and any other administrative expenses related to this Section 30.1.1.15 (but not the cost of disseminating the Key Investor Information Document);
- 30.1.1.16 the Depositary's expenses, as detailed in Section 33 below;
- 30.1.1.17 any expense incurred in relation to company secretarial duties including the cost of maintenance of minute books and other documentation required to be maintained by the Company;
- 30.1.1.18 any payments otherwise due by virtue of the FCA Regulations;
- 30.1.1.19 any fees, expenses or disbursements in respect of any transfer agency service are detailed below and subject to annual inflationary increases (capped at a maximum of 3% per annum).

Asset Fees:

<i>First two classes:</i>	<i>£1,252.28 per annum</i>
<i>Additional classes:</i>	<i>£748.49</i>
Management Accounts:	£2,817.65 per annum
Postal Deals:	£16.12
Telephone Deals:	£12.68
Switches/Conversions:	£31.30 per switch/conversion
Stock Transfers:	£24.60
Electronic Deals:	£8.74
Distribution Costs:	£575.76 per distribution per Share Class
Registration Charge	£19.57 per shareholder per annum

- 30.1.1.20 any costs in respect of the preparation and calculation of the net asset value and price of Shares in the Sub-funds and the publication and circulation thereof (including the costs of electronic data/information sources) and the costs of obtaining fund ratings and benchmark costs;
- 30.1.1.21 any value added or similar tax relating to any charge or expense set out herein;
- 30.1.1.22 fees related to the licensing of financial indices from third-party providers for the use of a comparator benchmark, as agreed with the index provider.

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

30.1.3 Expenses are allocated between income and capital in accordance with the FCA Regulations. The ACD's annual management charge is currently taken from income, unless otherwise stated in appendix 1. Any change to the approach of deducting any charge or expense from income or capital shall be subject to the consent of the Depositary and either the consent of shareholders or the expiry of 60 calendar days' notice to shareholders.

## **31 Charges payable to the ACD**

- 31.1 In payment for carrying out its duties and responsibilities the ACD is entitled to take out of each Sub-fund an annual management charge.
- 31.2 The annual management charge is based on the net asset value of each Sub-fund on each Business Day, accrues daily and is payable monthly in arrears on the last Dealing Day of each month. The current management charges are set out in Appendix 1.
- 31.3 The ACD is also entitled to reimbursement of all reasonable, properly vouched, out of pocket expenses incurred in the performance of its duties, including stamp duty and stamp duty reserve tax on transactions in shares.
- 31.4 The ACD's annual management charge is taken from income, unless otherwise stated in appendix 1. However, where the amount of income received by one of these Sub-funds is insufficient to pay the annual management charge plus all other expenses attributable or apportioned to the relevant Sub-fund, then some or all such charges and expenses may be charged against the capital of the relevant Sub-fund. This will only be done with the approval of the Depositary and may constrain Capital Growth.
- 31.5 The ACD may not introduce a new category of remuneration for its services unless the introduction has been approved by an extraordinary resolution of shareholders in the Company.
- 31.6 The ACD may not increase the current rate or amount of its remuneration payable out of the Scheme Property of the Company or the preliminary charge unless, not less than 60 days before the introduction or increase, the ACD gives notice in writing of the introduction or increase and the date of its commencement to all shareholders and has revised and made available the Prospectus to reflect the introduction or new rate and the date of its commencement.

## **32 Investment Manager's fees**

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

## **33 Depositary's Fee**

- 33.1 The Depositary receives for its own account a periodic fee which will accrue daily and is payable within seven days after the last Dealing Day in each month. The fee is calculated by reference to the value of each Sub-fund on the immediately preceding Dealing Day except for the first accrual which is calculated by reference to the first Valuation Point of each Sub-fund. The fee is payable out of the property attributable to each Sub-fund. The rate of the periodic fee is agreed between the ACD and the Depositary from time to time.
- 33.2 The current rate is 0.0375% on the first £50 million, 0.0275% on the next £50 million, 0.0175% on the next £50 million and 0.0075% on the balance, plus VAT in each case. Fees are subject to a minimum of £5,000 plus VAT per annum.
- 33.3 The first accrual in relation to any Sub-fund will take place in respect of the period beginning on the day on which the first valuation of that Sub-fund is made and ending on the last Dealing Day of the month in which that day falls.

- 33.4 The remuneration payable to the Depositary out of the property attributable to each Sub-fund for its services also includes transaction charges and custody charges. Transaction charges vary from country to country, dependent on the markets and the value of the stock involved and subject to a current range of £4.50 (UK) to £115 (Saudi Arabia) and accrue at the time the transactions are effected and are payable as soon as is reasonably practicable, and in any event not later than the last Dealing Day of the month when such charges arose or as otherwise agreed between the Depositary and the ACD. Custody charges again vary from country to country (usually between 0.006% (UK) and 1% (Saudi Arabia)) depending on the markets and the value of the stock involved and accrue and are payable as agreed from time to time by the ACD and the Depositary.
- 33.5 In addition to the fees and charges payable to the Depositary referred to above, the amount payable to the Depositary out of the property attributable to any Sub-fund by way of remuneration for its services may include charges in connection with its duties (or the exercise of powers conferred upon it by the OEIC Regulations or the FCA Regulations) referable to (but not limited to):
- a) custody of assets (including overseas custody services);
  - b) the acquisition holding and disposal of property;
  - c) the collection and distribution to shareholders of dividends, interest and any other income;
  - d) the maintenance of distribution accounts;
  - e) the conversion of foreign currency;
  - f) registration of assets in the name of the Depositary or its nominee or agents;
  - g) borrowings, stock lending or other permitted transactions;
  - h) communications with any parties (including telex, facsimile, SWIFT and electronic mail);
  - i) taxation matters;
  - j) insurance matters;
  - k) dealings in derivatives;
  - l) costs and charges relating to banking and banking transactions;
  - m) preparation of the Depositary's annual report;
  - n) taking professional advice;
  - o) conducting legal proceedings;
  - p) the convening and/or attendance at meetings of shareholders; and
  - q) modification of the Instrument of Incorporation, Prospectus, and negotiation and/or modification of the Depositary Agreement and any other agreement entered into between the Depositary and its delegates.
- 33.6 The Depositary will also be paid by the Company out of the property attributable to each Sub-fund, expenses properly incurred in the performance of, or arranging the performance of,

functions conferred on it by the Depositary Agreement, the FCA Regulations or by the general law.

- 33.7 The Depositary shall be entitled to recover its fees, charges and expenses when the relevant transaction or other dealing is effected or relevant service is provided or as may otherwise be agreed between the Depositary and the Company or the ACD.
- 33.8 On a winding up of the Company, the termination of a Sub-fund or the redemption of a Class of Shares, the Depositary will be entitled to its pro rata fees, charges and expenses to the date of winding up, the termination, or the redemption (as appropriate) and any additional expenses necessarily realised in settling or receiving any outstanding obligations. No compensation for loss of office is provided for in the agreement with the Depositary.
- 33.9 Any value added tax on any fees, charges or expenses payable to the Depositary will be added to such fees, charges or expenses.
- 33.10 In each such case such expenses and disbursements will also be payable if incurred by any person (including the ACD or any associate or nominee of the Depositary or of the ACD) who has had the relevant duty delegated to it pursuant to the FCA Regulations by the Depositary.
- 33.11 Expenses not directly attributable to a particular Sub-fund will be allocated between Sub-funds.

## **34 Allocation of Fees and Expenses between Sub-funds**

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

## **35 Shareholder Meetings and Voting Rights**

The Company does not hold annual general meetings.

### **35.1 Requisitions of Meetings**

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

### **35.2 Notice of Quorum**

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

### **35.3 Voting Rights**

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

## **36 Class and Sub-fund Meetings**

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

## **37 Taxation**

### **37.1 Taxation Of The Company**

#### **37.1.1 Income**

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



## 37.1.2 Capital gains

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

## 37.1.3 Stamp duty reserve tax (“SDRT”)

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

## 37.2 Taxation Of The Shareholder

### 37.2.1 Income

#### 37.2.1.1 Dividend distributions

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

#### 37.2.1.2 UK resident individual shareholders

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

#### 37.2.1.3 Corporate shareholders within the scope of corporation tax

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

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

#### 37.2.1.4 Non-UK resident shareholders

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

#### 37.2.1.5 Equalisation

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

#### 37.2.1.6 UK legislation on Taxation of Savings Income

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

### 37.2.2 Capital gains

#### 37.2.2.1 UK resident individual shareholders

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

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

#### 37.2.2.2 Corporate shareholders within the scope of corporation tax

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

#### 37.2.2.3 Non-UK resident shareholders

A shareholder who is neither resident nor ordinarily resident in the UK will not normally be liable to UK tax on capital gains accruing to them on the disposal or deemed disposal of their Shares in the Sub-fund, except where the holding

is connected with a trade, profession or vocation carried on by them in the UK through a branch, agency or permanent establishment or they fall within certain anti-avoidance provisions relating to temporary non-UK residence.

### 37.2.3 Inheritance Tax

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

### 37.2.4 Shareholding in the Sub-fund treated as a loan relationship

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

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

### 37.2.5 US Foreign Account Tax Compliance Act 2010 and OECD International Tax Compliance

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

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

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

- 37.2.5.4 Under CRS, if the shareholder is tax resident in a CRS participating country or does not provide the requisite documentation, information on these shareholders will need to be reported to HMRC. As part of the automatic information exchange between the CRS countries, HMRC will report the relevant information to the responsible tax authorities. Within the EU, CRS has been implemented by Council Directive 2014/107/EU on the mandatory automatic exchange of tax information which was adopted on 9 December 2014 and became effective among most EU member states from 1 January 2016. As a consequence, CRS has been implemented and/or given direct effect into the law of the UK.
- 37.2.5.5 Shareholders and intermediaries should note that it is existing policy of the ACD that Shares are not being offered or sold for the account of US Persons or shareholders who do not provide the appropriate FATCA information or CRS information. Subsequent transfers of Shares to US Persons are prohibited. If Shares are beneficially owned by any US Person or a person who has not provided the appropriate FATCA or CRS information, the ACD may in its discretion compulsorily redeem such Shares.

## **38 Income Equalisation**

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

## **39 Winding up of the Company or Termination of a Sub-fund**

- 39.1 The Company shall not be wound up except as an unregistered company under Part V of the Insolvency Act 1986 or under the FCA Regulations. A Sub-fund may only be terminated under the FCA Regulations.
- 39.2 Where the Company is to be wound up or a Sub-fund terminated under the FCA Regulations, such winding up / termination may only be commenced following approval by the FCA. The FCA may only give such approval if the ACD provides a statement (following an investigation into the affairs of the Company) either that the Company will be able to meet its liabilities within 12 months of the date of the statement or that the Company will be unable to do so. The Company may not be wound up under the FCA Regulations if there is a vacancy in the position of ACD at the relevant time.
- 39.3 The Company may be wound up or a Sub-fund terminated under the FCA Regulations if:
- 39.3.1 an extraordinary resolution to that effect is passed by shareholders; or

- 39.3.2 the period (if any) fixed for the duration of the Company or a Sub-fund by the Instrument of Incorporation expires, or an event (if any) occurs on the occurrence of which the Instrument of Incorporation provides that the Company is to be wound up or a particular Sub-fund terminated (for example, if the Share capital of the Company is below its prescribed minimum or (in relation to any Sub-fund) the Net Asset Value of the Sub-fund is less than £1,000,000, or if a change in the laws or regulations of any country means that, in the ACD's opinion, it is desirable to terminate the Sub-fund); or
- 39.3.3 on the date of effect stated in any agreement by the FCA to a request by the ACD for the revocation of the authorisation order in respect of the Company or the Sub-fund;
- 39.4 On the occurrence of any of the above:
- 39.4.1 the parts of the FCA Regulations and the Instrument of Incorporation relating to Pricing and Dealing and Investment and Borrowing will cease to apply to the Company or the Sub-fund;
- 39.4.2 the Company will cease to issue and cancel Shares in the Company or the Sub-fund and the ACD shall cease to sell or redeem Shares or arrange for the Company to issue or cancel them for the Company or the Sub-fund;
- 39.4.3 no transfer of a Share shall be registered and no other change to the register shall be made without the sanction of the ACD;
- 39.4.4 where the Company is being wound up, the Company shall cease to carry on its business except in so far as it is beneficial for the winding up of the Company;
- 39.4.5 the corporate status and powers of the Company and, subject to the provisions of paragraphs 38.4.1 and 38.4.4 above, the powers of the ACD shall remain until the Company is dissolved.
- 39.4.6 The ACD shall, as soon as practicable after the a Sub-fund falls to be terminated, realise the assets and meet the liabilities of the Sub-fund and, after paying out or retaining adequate provision for all liabilities properly payable and retaining provision for the costs of termination, arrange for the Depositary to make one or more interim distributions out of the proceeds remaining (if any) to shareholders proportionately to their rights to participate in the Scheme Property of the Sub-fund. When the ACD has caused all of the Scheme Property to be realised and all of the liabilities of the Sub-fund to be realised, the ACD shall arrange for the Depositary to also make a final distribution to shareholders (if any Scheme Property remains to be distributed) on or prior to the date on which the final account is sent to shareholders of any balance remaining in proportion to their holdings in the Sub-fund. This section 39.4.6 shall apply to the Company in the event that the Company falls to be wound up as if references herein to the Sub-fund are to the Company as a whole.
- 39.4.7 As soon as reasonably practicable after completion of the winding up of the Company or the termination of a Sub-fund, the ACD shall notify the FCA.
- 39.4.8 On completion of a winding up of the Company, the Company will be dissolved and any money (including unclaimed distributions) standing to the account of the Company, will be paid into court within one month of dissolution.
- 39.4.9 Following the completion of the winding up of the Company or the termination of a Sub-fund, the ACD shall notify the Registrar of Companies and shall notify the FCA that it has done so.

39.4.10 Following the completion of a winding up of either the Company or the termination of a Sub-fund, the ACD must prepare a final account showing how the winding up / termination took place and how the Scheme Property was distributed. The auditors of the Company shall make a report in respect of the final account stating their opinion as to whether the final account has been properly prepared. This final account and the auditors' report must be sent to the FCA, to each shareholder and, in the case of the winding up of the Company, to the Registrar of Companies within two months of the termination of the winding up.

## **40 General Information**

### **40.1 Accounting Periods**

40.1.1 The annual accounting period of the Company ends each year on 30 September (the accounting reference date). The interim accounting period of the Company ends each year on 31 March.

### **40.2 Income Allocations**

40.2.1 Allocations of income are made in respect of the income available for allocation in each accounting period.

40.2.2 Distributions of income in respect of Income Shares for each Sub-fund are paid on or before the annual income allocation date of 30 November.

40.2.3 If a distribution remains unclaimed for a period of six years after it has become due, it will be forfeited and will revert to the Sub-fund and if no longer in existence then to the Company.

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

40.2.5 In relation to income Shares, distributions of income for each Sub-fund in which income Shares are issued are paid by BACS directly into a shareholder's bank account on or before the relevant income allocation date in each year. Payment will be made into the bank or building society account last notified by the shareholder to the ACD. It will be deemed to be received on the income allocation date. The ACD will not be responsible if the payment is delayed except where, as a result of the ACD's negligence. The ACD will have no obligation to remit a second payment to the shareholder until satisfied with the results of the investigation.

### **40.3 Annual Reports**

40.3.1 Annual reports of the Company will be published within four months of each annual accounting period and half-yearly reports will be published within two months of each interim accounting period, however no half-yearly report will be published in the Company's first accounting period. The half yearly and annual reports can be found on the website: [www.mgtsfunds.com](http://www.mgtsfunds.com).

A paper copy of these are available free of charge upon request by writing to the compliance officer at 1 Sovereign Court, Graham Street, Birmingham B1 3JR.

- 40.3.2 The ACD shall provide the following information to shareholders on an annual basis in the annual report sent to shareholders or on a periodic basis if deemed necessary: (i) the percentage of a Sub-fund's assets which are subject to special arrangements arising from their illiquid nature; (ii) any new arrangements for managing the liquidity of the Sub-fund (iii) the current risk profile of the Sub-fund and the risk management systems employed by the Investment Manager to manage those risks; (iv) any changes to the maximum level of leverage that may be employed on behalf of the Sub-fund and any right of the reuse of collateral or any guarantee granted under the leveraging arrangement; (v) the total amount of leverage employed by the Sub-fund and (vi) any arrangement made by the Depositary to discharge itself of contractual liability.

#### **40.4 Documents of the Company**

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

- 40.4.1.1 the most recent annual and half-yearly reports of the Company;
- 40.4.1.2 the Instrument of Incorporation and Prospectus (and any amending instrument of incorporation or Prospectus);
- 40.4.1.3 the remuneration policy of the ACD; and
- 40.4.1.4 the ACD Agreement between the Company and the ACD.

Any shareholder may obtain copies of these documents on request to the ACD.

- 40.4.2 The ACD may make a charge at its discretion for copies of documents.

#### **40.5 Changes to investment strategy or investment policy, or both**

- 40.5.1 Under the FCA Regulations, the ACD is required to determine which one of the following three categories the changes to Sub-fund operation fall within:

- 40.5.1.1 Fundamental events which change the nature of the Sub-fund or the basis on which the investor invested. For example, changes to an investment objective, its risk profile or something that would cause material prejudice to the investors would require investor approval.
- 40.5.1.2 Significant events which would materially affect an investor's investment, result in increased payments out of the Sub-fund, or could reasonably be expected to cause investors to reconsider their participation in the Sub-fund. Those should be notified pre-event to investors and in sufficient time to enable them to leave the Sub-fund, if they wish, before the change takes effect. 60 days minimum notice is required for these changes.
- 40.5.1.3 Notifiable events for which the ACD would decide when and how the investor should be notified, depending on the type of event. In these cases notification could be after the event.

## **40.6 Acting to deliver good customer outcomes**

40.6.1 The ACD seeks to ensure that it acts to deliver good customer outcomes at all times. This objective is embedded in the operations and culture of the firm and is considered and delivered at every level and kept under review, which also ensures compliance with certain FCA Principles for Firms (as stated in PRIN 2.1 of the FCA's Principle for Business sourcebook). The ACD has the appropriate policies and procedures in place to ensure it acts to deliver good customer outcomes and details are available on the ACD's website and upon request.

## **40.7 Service of Notices**

40.7.1 Where a notice is required to be served on a shareholder in writing it shall be provided to the registered address of the shareholder or in such other form as agreed with any shareholder.

## **40.8 Complaints**

40.8.1 Complaints concerning the operation or marketing of the Company should be referred to the compliance officer of the ACD at 1 Sovereign Court, Graham Street, Birmingham B1 3JR in the first instance. If the complaint is not dealt with satisfactorily then it can be made direct to The Financial Ombudsman Service whose contact number is 0800 023 4567. Complaints can also be made online on the Financial Ombudsman website, whose contact number is 0800 023 4567. Complaints can also be made online on the Financial Ombudsman website, [How to complain \(financial-ombudsman.org.uk\)](http://www.financial-ombudsman.org.uk).

## **40.9 Remuneration**

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

## **40.10 Data Protection**

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

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

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

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



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

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

40.10.6 For more information about the how data is processed, retained and deleted or to read more about the rights under the General Data Protection Regulations (GDPR) the Privacy Notice of the ACD can be found at [Privacy Notice.pdf \(margetts.com\)](#) or contact [dataprotection@margetts.com](mailto:dataprotection@margetts.com).

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

## **APPENDIX 1**

### **Investment objectives and policy and other details of the Company**

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

The name of appointed sub-advisers for each Sub-fund (where applicable) is set out in this Appendix 1.

## **MGTS Downing Active Defined Return Assets Fund (PRN: 1024608)**

### **Investment Objective**

The investment objective is to grow capital over any 6-year period.

Capital is at risk and there is no guarantee that the objective will be achieved.

### **Investment Policy**

The Sub-fund will provide exposure to assets which, when combined, have some of the qualities of shares (such as the higher potential for capital growth) with some of the qualities of debt assets (such as defined payments and maturity dates) with the aim of producing a diversified range of Defined Returns from the underlying investments. For these purposes a Defined Return means an expected return based on certain scenarios and providing certain conditions are met, which are agreed in advance between the Sub-fund and an eligible counterparty.

Defined Return Strategies (DRS) are created by investing in a series of Financial Derivative Instruments (FDIs) (typically over-the-counter asset swaps) which have features that alter the returns of an underlying basket of shares (typically equity indices – e.g. FTSE 100, S&P 500), with the objective of delivering returns within a defined range. In order to achieve returns within a defined range, the DRS foregoes the higher potential growth of holding shares directly in order to provide some protection from losses when the value of shares falls less than a defined level. There may be times when shares fall below the defined level, in which case the DRS may provide a loss that will be similar to investing directly in the underlying shares.

The above FDIs typically swap a series of variable cash payments for defined payments (pay-offs) over a set period of time (typically around 6 years) with an eligible counterparty (typically global investment banks). The variable payments due on the FDIs are linked to either interest rates or the returns from a basket of shares. In order to manage risk, the Sub-fund will hold a basket of assets, usually bonds or shares, that provides a series of returns that enable it to generate the variable cash payments due on the FDIs.

In order to achieve the investment objective, the Sub-fund may have exposure to the following assets: -

- Shares (In any industrial sector or geographical region)
- Bonds (which may include government, investment grade corporate, notes issued by approved banks and inflation linked)
- Financial Derivative Instruments (FDIs) (Including exchange traded and over-the-counter derivatives)
- Structured Notes (which may embed derivatives)
- Cash and near cash instruments

Exposure to DRS will typically represent more than 80% of the Sub-fund's Net Asset Value and is expected to be the main driver of investment returns.

The Sub-fund may also invest up to 10% of its Net Asset Value in collective investment schemes (which may include schemes operated by the ACD, associates or controllers of the ACD).

Exposure to cash will vary depending upon prevailing circumstances and would not normally exceed 10% of the Net Asset Value of the Sub-fund.

Where typical exposures are stated above, they provide a range that is expected to occur over a normal investment cycle and reflect the Investment Manager's assessment of future returns.

The Sub-fund is actively managed, meaning that the Investment Manager selects investments, rather than tracking a stock exchange or index.

The use of derivatives and/or hedging transactions are permitted for investment purposes and in connection with the efficient portfolio management (EPM - managing the Sub-fund in a way that is designed to reduce risk or cost and/or generate extra income or growth or both).

### **Investment Strategy**

The core strategy of the Sub-fund is the DRS which combine transferable securities such as bonds and/or shares with FDIs. The following provides a representative example of how this strategy works.

An example 6 year asset swap contract will be entered into with a global Investment bank that requires the Sub-fund to pay a variable payment linked to interest rates (e.g. a recognised market rate such 3-month Sterling Overnight Index Average (SONIA) plus a premium) in return for a predefined amount of Defined Return (for example 7% per annum) conditional on the performance of an “underlying asset”, typically a financial Index or combination of Indices such as the FTSE 100 and S&P 500, being above one of several Observation Barriers or “observation points”, which will typically be on the 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup>, 4<sup>th</sup>, 5<sup>th</sup> and 6<sup>th</sup> anniversaries of the contract start date. Once agreed, the terms of the contract cannot be altered for the length of the contract.

The performance of the underlying assets will be reviewed at the observation points. If the conditions associated with the 1st barrier are met then the counterparty will pay the Defined Return to the Sub-fund and the contract will end. If the conditions have not been met at the 1<sup>st</sup> observation point, then the contract will continue to the second observation point and the associated barrier conditions. If the conditions of the 2nd barrier are met, then the counterparty will pay the Defined Return multiplied by 2 (for the 2<sup>nd</sup> anniversary) and the contract will expire. In this manner the contract will continue until the barrier conditions are met at any one of the remaining observation points in turn at which point the contract expires and pays the appropriate multiple of the Defined Return.

If the conditions have not been met by the final observation point then the Sub-fund will not receive the Defined Return. If any of the indices are below the final Observation Barrier but above a separate “Defensive Downside Barrier” then initial capital will be preserved. However, should any of the indices fall below this separate “Defensive Downside Barrier” at the final observation point (e.g. 65% of the starting value of the underlying assets) then the Sub-fund will owe the counterparty further capital, which in this example is equal to the loss on the underlying asset.

The Sub-fund will typically achieve the variable payments required to enter the contract by investing in assets, typically bonds and/or shares. Bonds typically pay a fixed coupon, which will be swapped through a separate FDI for a variable rate of interest that aligns to the variable payments required on the swap. At times, it may be beneficial to swap a variable payment that is linked to the returns of a basket of shares, and in which case the Investment Manager will invest in shares or equity related securities that aligns to the required variable payments.

The FDIs are normally subject to collateralisation to mitigate the risk of counterparty failure. Collateralisation is a two-way arrangement where the counterparties agree to post assets to mitigate against accrued losses relating to the contacts, which will be valued daily. If the swap value is positive the counterparty post assets to the Sub-fund and if the swap value is negative the Sub-fund will post assets to the counterparty. Collateral transfers are normally subject to a minimum transfer amount (MTA) and so the Sub-fund may have some exposure to uncollateralised gains on contracts below these levels.

## Example

Contract increment of £5,000,000.00

Investment Period: 6 years

Underlying Assets: FTSE 100 initial value 7600

S&P 500 initial value 4900

Defined Return: 7%

Year 1 Barrier: 100% of Initial Value

Year 2 Barrier: 95% of Initial Value

Year 3 Barrier: 90% of Initial Value

Year 4 Barrier: 85% of Initial Value

Year 5 Barrier: 80% of Initial Value

Year 6 Barrier: 75% of Initial Value

Defensive Downside Barrier: 65% of Initial Barrier

Example pay-off Table							
Observation Point	Barrier Percentage	Index Barrier Levels		Index levels @ observation point and payoffs			
		FTSE	S&P	Both equal to/or above	Action	One or both indices below	Action
1	100%	7600	4900	Pay 7% £350,000	All Contracts mature	Pay 0%	Contract rolls to observation point 2
2	95%	7220	4655	Pay 14% £700,000	All Contracts mature	Pay 0%	Contract rolls to observation point 3
3	90%	6840	4410	Pay 21% £1,050,000	All Contracts mature	Pay 0%	Contract rolls to observation point 4

4	85%	6460	4165	Pay 28% £1,400,000	All Contracts mature	Pay 0%	Contract rolls to observation point 5
5	80%	6080	3920	Pay 35% £1,750,000	All Contracts mature	Pay 0%	Contract rolls to observation point 6
(Scenario 1) 6 Final Observation Point	75%	5700	3675	Pay 42% £2,100,000	All Contracts mature	Pay 0%	Reference Defensive Downside Barrier (table below)

Observation Point	Barrier Percentage	Index Barrier Levels		Barriers @ final observation point and payoffs.	
		FTSE	S&P	Defensive downside barrier = 65% of initial.	
Final Observation Point	75%	5320	3675	One or both below final observation barrier but above the Defensive Downside Barrier	Sub-fund receives zero payment from the counterparty, and no further payment is due by the sub-fund.
Final Observation Point	75%	4856	3764	One or both assets below final Observation Barrier and Defensive Downside Barrier	The Sub-fund pays the counterparty the percentage loss of the worst index performance multiplied by the amount of the original amount invested in the increment exposed to the package.  <b>Example</b>  FTSE100 is at 4856 , S&P is at 3764  Notional exposure to the package £5,000,000.00  Fund Pays 4856/7600 (- 36.1%) multiplied by £5,000,000.00 = <b>£1,805,263.16</b>

## Variations

**Defined Return** – The Defined Return will vary based on prevailing market conditions. The return available will be impacted by interest rates, market price volatility, timing of the observation points, the percentage levels of the barriers and length of the contract. The Investment Manager will seek to identify the most optimal Defined Returns based on the prevailing market conditions and expectations of realising growth by entering a contract with the appropriate risk reward profile to meet the objective of the Sub-fund.

For example: The Defined Returns available may be lower when interest rates are low and/or market volatility is low

**Observation Barriers** – Barriers can vary based on the Investment Manager’s discretion having regard to the risk reward profile from the prevailing conditions and in order to create a diversified portfolio.

For example: Setting higher observation barriers can increase the Defined Return available, but also increase the risk of not achieving the Defined Returns.

A typical defensive set of barriers could be:

1<sup>st</sup> 100%, 2<sup>nd</sup> 95%, 3<sup>rd</sup> 90%, 4<sup>th</sup> 85%, 5<sup>th</sup> 80%, Final 75%

This may be varied to be less defensive such as:

1<sup>st</sup> 100%, 2<sup>nd</sup> 100%, 3<sup>rd</sup> 95%, 4<sup>th</sup> 90%, 5<sup>th</sup> 85%, Final 80% or

Or a more aggressive set such as:

1<sup>st</sup> 105%, 2<sup>nd</sup> 100%, 3<sup>rd</sup> 95%, 4<sup>th</sup> 90%, 5<sup>th</sup> 85%, Final 80%

Each barrier can be varied by any percentage, for example:

1<sup>st</sup> 100%, 2<sup>nd</sup> 97%, 3<sup>rd</sup> 93%, 4<sup>th</sup> 85%, 5<sup>th</sup> 80%, Final 75%

**Defensive Downside Barrier** - The Defensive Downside Barrier can also be varied to achieve the optimal risk reward profile when considering prevailing market conditions, the Sub-fund’s portfolio structure, the level of the Defined Return available and the probability of meeting the Sub-fund’s objective.

For example: Setting a higher defensive downside barrier can increase the Defined Returns available, but also reduce the protection from market falls.

A typical Defensive Downside Barrier may be 65%, which could be decreased to 60% to be more defensive, accepting a lower Defined Return or increased to 70% to be less defensive, in order to achieve a higher Defined Return. The downside barrier will be a factor of the outlook on markets, available Defined Returns compared to the risks, and/or the portfolio composition and the level of diversification of other positions.

**Underlying Reference Assets** – Typically a financial Index or combination of Indices such as the FTSE 100 and S&P 500 are used as the underlying reference asset for the above barriers. The number and type of underlying reference assets can be altered to achieve the optimal risk reward profile when considering prevailing market conditions.

For example: Referencing more financial indices will typically increase the Defined Returns available, but also increase the risk that one of the indices triggers a barrier level.

## Performance Comparison

There are three types of benchmarks which can be used:

1. A target - an index or similar factor that is part of a target a fund manager has set for a fund's performance to match or exceed, which includes anything used for performance fee calculation
2. A constraint - an index or similar factor that fund managers use to limit or constrain how they construct a fund's portfolio
3. A comparator - an index or similar factor against which a fund manager invites investors to compare a fund's performance

The Sub-fund does not have a performance target and is not constrained by any index, IA sector or similar factor.

A composite is used as a comparator, made up of:

- 50% Solactive United Kingdom Large Cap ex Investment Trust Index NTR; and
- 50% Solactive Global Equity Ex- UK Return Index

The comparator broadly reflects the typical returns that can be achieved from the underlying exposure to shares within the FDIs. Although the Sub-funds returns are expected to deviate from the returns of the comparator in the short-term, the comparator provides a useful and relevant comparison over the objective timeframe. However, please note that this comparator will not be used to define portfolio composition, nor will it be used as a performance target.

## Summary details of the Sub-fund

<b>Classes of Shares available</b>	I Accumulation F Accumulation*
<b>Currency of denomination</b>	Sterling
<b>Minimum initial investment</b>	I Accumulation - £100,000 F Accumulation - £50,000,000
<b>Minimum investment for regular investors (subject to minimum holding)</b>	I Accumulation - £10,000 F Accumulation – regular investments will not be available for this Share Class
<b>Minimum subsequent investment</b>	I Accumulation - £10,000 F Accumulation - £1,000,000
<b>Minimum withdrawal</b>	I Accumulation - £10,000 F Accumulation - £1,000,000
<b>Minimum holding</b>	I Accumulation - £100,000 F Accumulation - £15,000,000
<b>ACD's preliminary charge</b>	0.00%



<b>ACD's redemption charge</b>	0.00%
<b>Annual Management Charge (subject to OCF cap – see below)</b>	I Accumulation – 0.60% F Accumulation – 0.35%
<b>Expenses charged to</b>	Income
<b>Annual accounting date</b>	30 September
<b>Interim accounting date</b>	31 March
<b>Annual income allocation date</b>	30 November
<b>Distribution frequency</b>	Annual
<b>Invest in any Securities Market of the UK, of a Member State of the EU or states within the EEA on which securities are admitted to Official Listing</b>	Yes
<b>Invest in Eligible Markets</b>	As listed in Appendices 3 and 4
<b>Valuation Point</b>	00.00am (midnight)
<b>Cut-Off Time</b>	12:00pm

\* The F Share Class will be available to all those who invest in the early stages of the Sub-fund when total assets are less than £50m. The minimums stated above will apply once the value of the F Share Class exceeds £50m.

### **Ongoing charges**

The Investment Manager aims to ensure that ongoing charges are maintained at or below a particular level.

In order to achieve such objective, the Investment Manager has, with the agreement of the ACD, undertaken that if the total OCF (as calculated at the end of the relevant accounting period) exceeds 0.35% in the case of the F Share Class or 0.60% in the case of the I Share Class, the Investment Manager shall reimburse the Sub-fund for an amount which, when deducted from the operating costs incurred by the Sub-fund during the relevant accounting period, would result in the total OCF being equal to 0.35% in the case of the F Share Class or 0.60% in the case of the I Share Class in the relevant accounting period.

Any amount to be reimbursed as stated above may be reimbursed by the Investment Manager in any one, or a combination of any or all, of the following methods as the Investment Manager may elect in its absolute discretion:

1. by repaying to the ACD or the Sub-fund any fees, charges or other remuneration that the Investment Manager has received in respect of the relevant accounting period or previous accounting periods in consideration for its services;
2. by making a cash payment to the ACD or the Sub-fund as a reimbursement for operating costs incurred by the Sub-fund during the relevant accounting period;
3. by waiving any fees, charges or other remuneration that the Investment Manager has accrued in respect of the relevant accounting period or previous accounting periods in consideration for its services as Investment Manager to the ACD of the Sub-fund but in respect of which payment has not been received;
4. by waiving any fees, charges or other remuneration that the Investment Manager reasonably expects to accrue in respect of future periods in consideration for its services as the Investment Manager of the Sub-fund.

The ACD has undertaken to procure that the Sub-fund receives promptly the full benefit of any such reimbursement, payment or waiver.

Any extraordinary cost, one-time expense, nonrecurring charge or any other cost, expense, charge or liability suffered or incurred by the Sub-fund in respect of a reasonably unpredictable event or which is unlikely to occur again will not be included in total operating costs for the purpose of calculating the OCF of the Sub-fund for the purposes of the above provisions.

### **Date of launch**

20 January 2025

### **Initial Offer Period**

The initial offer of Shares in the Sub-fund commences at 9:00am on 20 January 2025 and shall continue until close of dealing (12:00pm) on 31 January 2025, or earlier if the value of the underlying investments moves by more than + or – 2% at any time. Initial subscriptions may be invested during the initial offer period, at the absolute discretion of the ACD. The price per Share in the initial offer period will be £1.00.

### **Target Market:**

#### **Profile of a typical investor**

Investors should be able to understand and accept the investment objectives, policy, strategy, and risks of the Sub-fund, including the "Risk Factors" detailed in this document.

The Sub-fund uses a combination of assets and derivatives to achieve the risk/return profile described in the investment objective, policy and strategy. While it is not expected to carry materially more risk than other retail equity market UCITS funds, the strategy may be less familiar to some, posing greater risk to less sophisticated investors without proper advice, who may underestimate long-tail risks.

The Sub-fund is intended for informed or sophisticated investors with the necessary knowledge to fully comprehend its nature and risks. It is unsuitable for retail investors who have not received professional advice.

The target market includes advised retail and professional investors, who have received advice from an independent financial adviser. Execution-only retail investors are not permitted to invest, regardless of their expertise.

The objectives, policy, and strategy should align with the investors' goals and investment horizon.

**Type of clients:** advised retail, professional clients and eligible counterparties.

**Distribution channels:** This product is deemed as eligible for the following distribution channels:

- Investment advice
- Portfolio management
- Advised retail sales

**Clients' knowledge and experience:** investors who have read the literature relating to the Sub-fund and who have, as a minimum, a knowledge of funds which are to be managed in accordance with a specific investment objective and policy.

**Clients' financial situation with a focus on ability to bear losses:** Investors must be prepared to accept fluctuations in the value of capital and income and accept the risks of investing in equity markets. Investors may get back less than they invested as capital and income is at risk. Investors should understand the nature of the downside risk protection which can result in falls being greater than market losses when markets are close to barrier levels during periods of market falls.

**Clients' risk tolerance and compatibility of risk/reward profile of the product with the target market:** The Key Investor Information Document (KIID) provides a risk rating which should be understood before making an investment. Although this risk rating provides a guide, investors should be aware that the rating is subject to change due to prevailing investment conditions.

**Recommended Holding Period:**

Investors should have an investment time horizon of at least 6 years.

The recommended holding period does not provide any guarantee that the objective will be achieved, and investors should be aware that capital and the income distributed are at risk.

**You should not invest if you:**

- are a retail client that has not received professional advice
- are looking for full capital protection or full repayment of the amount invested
- want a guaranteed return (whether income or capital)
- have no risk tolerance

## APPENDIX 2

### 1 Investment and borrowing powers of the Company

- 1.1 These restrictions apply to the Company subject to any further restrictions contained within the Investment Objective and Policy as set-out in Appendix 1.
- 1.2 The Investment Manager may exercise in respect of each Sub-fund the full authority and powers permitted by the FCA Rules for an open-ended investment company with variable capital belonging to the UK UCITS retail scheme type (as defined in the FCA Rules) subject to its stated investment objective and policy and the restrictions stated in this Prospectus. Below is a summary of the key investment and borrowing powers applicable to a UK UCITS retail scheme but full details can be found in the FCA Rules.

### 2 Collective Investment Schemes

- 2.1 Up to 100% of the value of the scheme property of each Sub-fund may be invested in units or shares in other collective investment schemes (a “**second scheme**”) provided the second scheme meets each of the following requirements:
- a) the second scheme is:
    - i. a UK UCITS or satisfies the conditions necessary for it to enjoy the rights conferred by the UCITS Directive as implemented in the EEA; or
    - ii. 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
    - iii. authorised as a non-UK UCITS retail
    - iv. scheme (provided the requirements of COLL 5.2.13AR(1), (3) are met); or
    - v. authorised in an EEA State (provided the requirements of COLL 5.2.13AR are met); or
    - vi. authorised by the competent authority of an OECD member country (other than an EEA State) which has:
      - a. signed the IOSCO Multilateral Memorandum of Understanding; and
      - b. approved the second scheme’s management company, rules and depositary/custody arrangements (provided the requirements of COLL 5.2.13AR are met);
  - b) the second scheme must comply, where relevant, with COLL 5.2.15R (investment in associated collective investment schemes) and COLL 5.2.16R (investment in other group schemes);
  - c) the second scheme is prohibited from having more than 10% in value of the property of that scheme consisting of units in collective investment schemes; and
  - d) where the second scheme is an umbrella, the provision in (b) to (c) and COLL 5.2.11R (Spread: general) apply to each Sub-fund as if it were a separate scheme.
- 2.2 The collective investment schemes in which each Sub-fund may invest may include schemes which are managed or operated by (or in the case of an open-ended investment company, have as its authorised corporate director) the ACD or an Associate of the ACD. Up to 100% of the property of each Sub-fund may be invested in such schemes.
- 2.3 No Sub-fund may invest in or dispose of units or shares in a second scheme which is managed or operated by (or in the case of an open-ended investment company, whose ACD

is) the ACD or an Associate of the ACD where there is a charge in respect of such investment or disposal, unless the ACD pays the following amounts into the property of the Sub-fund before the close of business on the fourth Business Day next after the agreement to invest or dispose:

- on investment, either:

any amount by which the consideration paid by each Sub-fund for units or shares in the second scheme exceeds the price that would have been paid for the benefit of the second scheme had the units or shares been newly issued or sold by it; or

if such price cannot be ascertained by the ACD, the maximum amount of any charge permitted to be made by the seller of units or shares in the second scheme; and

- on disposal:

the amount of any charge made for the account of the authorised fund manager or operator of the second scheme or an Associate of any of them in respect of the disposal.

2.4 Any addition to or deduction from the consideration paid on the acquisition or disposal of units or shares in the second scheme which is, or is like, a dilution adjustment made in accordance with the FCA Rules is to be treated as part of the price of the units or shares and not part of any charge.

2.5 Not more than 20% of the property of a Sub-fund may consist of units of any one scheme.

2.6 No Sub-fund may invest in Shares in another Sub-fund of the Company.

### **3. Spread – general**

3.1 Up to 5% in value of the property of any Sub-fund may consist of transferable securities or approved money-market instruments issued by any one issuer. This limit does not apply to certain government and public securities and is extended to 10% provided that the total value of transferable securities and approved money market instruments held in the issuing bodies in each of which it invests more than 5% is less than 40%.

3.2 Not more than 20% in value of any Sub-fund may consist of transferable securities and approved money-market instruments issued by the same group.

3.3 Not more than 20% in value of any Sub-fund may consist of a combination of two or more of the following: (i) transferable securities or approved money-market instruments issued by; (ii) or deposits made with; (iii) or exposures from OTC derivatives transactions made with, a single body.

### **4 Transferable securities and approved money-market instruments**

4.1 Any Sub-fund may invest in transferable securities and approved money-market instruments provided they meet the qualifying criteria in the FCA Rules and they are:

- admitted to or dealt in on a regulated market within the meaning of the FCA Rules; or
- dealt in/on a market established in the UK or an EEA State which is regulated, operates regularly and is open to the public; or

- admitted to or dealt in on a market which the ACD and the Depositary determine to be appropriate, the market is included in the list of eligible markets in Appendix 3 and the Depositary 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 ACD in deciding whether that market is eligible; or
- for an approved money-market instrument not admitted to or dealt in on an eligible market where the issue or the issuer is regulated for the purpose of protecting investors and savings and the instrument is issued or guaranteed in accordance with the FCA Rules; or
- 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 the admission is secured within a year of issue.

4.2 Subject to the investment policy of each Sub-fund, there is no limit on the value of the property of each Sub-fund which may consist of transferable securities and approved money-market instruments referred to above. Any Sub-fund may invest up to 10% of the value of its property in transferable securities and approved money-market instruments (provided these are liquid and have a value which can be determined at any time) other than those referred to above (when aggregated with investments in unregulated collective investment schemes as set out above).

4.3 Subject to the FCA Rules, not more than 10% in value of the property of any Sub-fund is to consist of transferable securities (excluding government and public securities) or money-market instruments (including certificates representing certain securities) issued by any single body. This limit is raised to 25% in value of the property of any Sub-fund in respect of covered bonds.

## **5 Significant influence**

5.1 Any Sub-fund as a whole is not permitted to hold more than 20% of the voting share capital of a body corporate.

## **6 Concentration**

6.1 Each Sub-fund:

- a) shall not acquire transferable securities (other than debt securities) which do not carry a right to vote on any matter at a general meeting of the body corporate that issued them, and represent more than 10% of those securities issued by that body corporate;
- b) shall not acquire more than 10% of the debt securities issued by any single body;
- c) shall not acquire more than 25% of the units or shares of a collective investment scheme;
- d) shall not acquire more than 10% of the money market instruments issued by any single body; and
- e) need not comply with the limits in (b), (c) and (d) if, at the time of acquisition, the net amount in issue of the relevant investment cannot be calculated.

## **7 Spread - government and public securities**

7.1 In respect of government and public securities issued by the following, no more than 35% in value of the property of any Sub-fund will be invested in securities issued by any one body:

- a) the UK or an EEA State;
- b) a local authority of the UK or an EEA State;
- c) a non-EEA State; or
- d) a public international body to which the UK or one or more EEA States belong.

7.2 More than 35% of the value of the scheme property of each Sub-fund may be invested in transferable securities or approved money market instruments issued by or on behalf of or guaranteed by the government of United States, Canada, Hong Kong, Japan, Australia, New Zealand, Singapore, Switzerland, the UK and the EEA, including Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Lichtenstein, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden.

## **8 Underwriting**

8.1 Subject to the provisions of the FCA Rules, including as to covering the exposure, each Sub-fund's powers to invest in transferable securities may be used for the purpose of entering into underwriting, sub-underwriting and placing agreements in respect of certain transferable securities.

## **9 Warrants**

9.1 Warrants or other instruments entitling the holder to subscribe for shares, debentures or government and public securities and any other transferable securities (not being nil or partly paid securities) which are akin thereto fall within any of a Sub-fund's powers of investment only if, on the assumption that the right conferred by the warrant will be exercised (whether or not it is intended that it will be), it is reasonably foreseeable that the right to subscribe could be exercised without contravening the FCA Rules. Up to 100% of the value of the property of a Sub-fund may consist of warrants.

## **10 Nil or partly paid securities**

10.1 Transferable securities or approved money market instruments on which any sum is unpaid fall within any Sub-fund's powers 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 Sub-fund, at the time when payment is required, without contravening the FCA Rules.

## **11 Cash and near cash**

11.1 The ACD may at its discretion and as considered appropriate retain liquid funds in each Sub-fund at any time. This cash will be held in pursuit of each Sub-fund's objectives or to facilitate the redemption of Shares, efficient management of each Sub-fund in accordance with its objectives or any other purposes which may reasonably be regarded as ancillary to the objectives of each Sub-fund.

11.2 Cash forming part of the property of any Sub-fund or standing to the credit of the distribution account may be placed in any current, deposit or loan account with the

Depository, the ACD or any Associate of any of them provided it is an eligible institution or approved bank and the arrangements are at least as favourable to each Sub-fund concerned as would be those of any comparable arrangements effected on normal commercial terms negotiated at arm's length between two independent parties.

## **12 Borrowing**

- 12.1 Subject to the FCA Rules, each Sub-fund may borrow to meet redemption and settlement mismatches, although it is not expected that significant use will be made of borrowing. Such borrowing may only be made from an eligible institution or approved bank and must not be persistent; no period of borrowing may exceed three months without the prior consent of the Depository which may only give such consent on conditions as appear to the Depository appropriate to ensure that the borrowing does not cease to be on a temporary basis. Borrowing must not, on any Business Day, exceed 10% of the value of the property of any Sub-fund. As well as applying to borrowing in a conventional manner, the 10% limit applies to any other arrangement designed to achieve a temporary injection of money into the property of any Sub-fund, in the expectation that such will be repaid, for example by way of a combination of derivatives which produces an effect similar to borrowings.
- 12.2 Borrowings may be made from the Depository, the ACD, the directors or any Associate of any of them provided it is an eligible institution or approved bank and the arrangements are at least as favourable to the Sub-fund concerned as would be those of any comparable arrangements effected on normal commercial terms negotiated at arm's length between two independent parties.

## **13 Investments in deposits**

- 13.1 Each Sub-fund may invest in deposits only if it is with an approved bank, is repayable on demand or has the right to be withdrawn; and matures in no more than 12 months.

## **14 Derivatives and forward contracts**

- 14.1 Subject to the FCA Rules and the provisions below each Sub-fund may invest in derivatives or forward contracts. Transactions involving derivatives or forward contracts will be subject to the parameters set out below.
- a) Pursuant to the FCA Rules, the ACD may enter into a transaction for each Sub-fund which is:
- (i) a permitted transaction; and
  - (ii) fully covered in accordance with the FCA Rules.
- b) Permitted transactions are derivatives transactions (i.e. options, futures or contracts for difference) and forward transactions. A derivatives transaction must be:
- (i) in an approved derivative (i.e. one which is traded or dealt in on an eligible derivatives market, as set out in Appendix 4) and effected on or under the rules of an eligible derivatives market; or
  - (ii) one which complies with the provisions in the FCA Rules regarding "over-the-counter" ("OTC") derivatives, which requires:
    - (1) that the counterparty to the transaction must be 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;

- (2) that the transaction is on approved terms, the terms of the transaction are only approved if the ACD:
    - (i) carries out, at least daily, a reliable and verifiable valuation in respect of that transaction corresponding to its fair value (being the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction) and which does not rely only on market quotations by the counterparty; and
    - (ii) can enter into one or more further transactions to sell, liquidate or close out that transaction at any time, at its fair value; and
  - (3) that the transaction is capable of reliable valuation; a transaction in derivatives is capable of reliable valuation only if the ACD having taken reasonable care determines that, throughout the life of the derivative (if the transaction is entered into), it will be able to value the investment concerned with reasonable accuracy:
    - (i) on the basis of an up-to-date market value which the ACD and the Depositary have agreed is reliable; or
    - (ii) if the value referred to in (i) is not available, on the basis of a pricing model which the ACD and the Depositary have agreed uses an adequate recognised methodology; and
  - (4) 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:
    - (i) an appropriate third party which is independent from the counterparty of the derivative, at an adequate frequency and in such a way that the ACD is able to check it; or
    - (ii) a department within the ACD which is independent from the department in charge of managing the scheme property and which is adequately equipped for such a purpose.
- c) Eligible derivatives markets consist of any derivatives market which the ACD considers appropriate after consultation with the Depositary, subject to the FCA Rules. The eligible derivatives markets for each Sub-fund are set out in Appendix 4.
  - d) A transaction in a derivative must not cause any Sub-fund to diverge from its investment objectives stated in the Instrument and the most recently published version of this Prospectus.
  - e) A derivatives or forward transaction which would or could lead to delivery of property to the Depositary may be entered into only if such property can be held by a Sub-fund and the ACD reasonably believes that delivery of the property pursuant to the transaction will not lead to a breach of the FCA Rules.

- f) No transaction may be entered into unless the maximum potential exposure created by the transaction, in terms of the principal or notional principal of the derivative is covered globally in accordance with the FCA Rules, by cash or near cash or other property (of the right kind) sufficient to match the exposure. A covered currency forward or a covered currency derivative may provide cover for a derivative, but, in general, a derivative or forward transaction is not available to provide cover for another derivative or forward transaction. Cash not yet received but due to be received within one month, cash obtained by borrowing, borrowings which the ACD reasonably regards an eligible institution to be committed to provide and “synthetic cash” are available for cover.
  - g) Transactions may only be entered into if the maximum potential exposure created by the transaction, in terms of the principal or notional principal of the derivative, does not exceed the Net Asset Value of the Scheme Property and their global exposure to the underlying assets does not exceed the investment limit laid down in the FCA Rules.
  - h) Global exposure within a Sub-fund is a measure of the potential loss to the Sub-fund from the use of derivative instruments. This is calculated using the commitment approach or the “VaR approach”.
- 14.2 The commitment approach converts derivatives into the equivalent position in the underlying asset using the conversion methods set out in CESR Guidelines 10-788 and thereby measures the incremental exposure provided by derivatives, after all appropriate netting or hedging positions have been removed.
- 14.3 Where a Sub-fund uses the commitment approach, transactions may only be entered into if the commitment exposure created by the transactions, in terms of the principal or notional principal of the derivative, does not exceed the Net Asset Value of the Scheme Property and their global exposure to the underlying assets does not exceed the investment limit laid down in the FCA Rules.
- 14.4 The “VaR approach” is an estimate of the potential loss at a given confidence level, or probability, over a specific time period.
- 14.5 “Absolute” VaR is expressed as a percentage of the Net Asset Value of a Sub-fund. The Absolute VaR limit of each Sub-fund has to be set at or below 20% of its Net Asset Value.
- 14.6 “Relative” VaR is the VaR of a Sub-fund expressed as a multiple of the VaR of the benchmark or reference portfolio. The reference portfolio for VaR purposes may be different from the benchmark used for performance calculation. For a Sub-fund whose VaR is calculated using the relative VaR approach, the relative VaR limit on the Sub-fund must be set at, or below, twice the VaR on the comparable benchmark or reference portfolio.
- 14.7 The above VaR calculations will be based upon a one month holding period and a 99% confidence interval. The holding period and historical observation period may change provided that they are in accordance with the requirements of the FCA.
- 14.8 Sub-funds using the VaR approach are required by the applicable regulations, to calculate their expected level of leverage using the “gross sum of notional” method. The gross sum of notional method is a measure of incremental leverage from the use of derivatives in which each derivative is converted into an equivalent position in the underlying asset using the conversion methods set out in CESR Guidelines 10-788. The exposures are summed together (regardless of whether there are positive or negative figures) and taking no account of hedging and netting to produce the gross sum of notional leverage. Therefore this is a

measure of derivative use rather than market exposure. As such, the gross sum of notional method can produce a high indication of derivative usage but this may be materially reduced by applying hedging and netting reductions as used by the commitment approach.

14.9 All of the Sub-funds currently use the commitment approach.

- a) A Sub-fund may not undertake transactions in commodity derivatives.
- b) Derivatives and forward transactions may be used where they are reasonably believed by the ACD to be economically appropriate to the EPM (efficient portfolio management) of each Sub-fund. The ACD considers that the use of derivatives for EPM is not likely to affect the volatility or risk profile of the Sub-funds. Derivatives will not be used for speculative purposes.
- c) The purpose of EPM is to achieve reduction of risk and/or reduction of cost and/or the generation of additional capital or income with a risk level which is consistent with the risk profile of the relevant Sub-fund and the risk diversification rules in the FCA Rules. The purpose must relate to the property of the relevant Sub-fund, property (whether precisely identified or not) which is to be or is proposed to be acquired for the Sub-fund and anticipated cash receipts of the Sub-fund, if due to be received and likely to be so within one month.
- d) To be economically appropriate to the EPM of a Sub-fund, the Investment Manager must reasonably believe that:
  - (i) for transactions 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;
  - (ii) the transaction will generate additional capital or income with a risk level which is consistent with the risk profile of the Sub-fund and the risk diversification rules laid down in the FCA Rules; and
  - (iii) where, for example, the Investment Manager wishes to achieve a switch in exposure, it may do so, rather than through sale and purchase of property of the Sub-fund, by use of derivatives (a technique commonly called “tactical asset allocation”) if the transactions concerned reasonably appear to it to be economically appropriate to the EPM of the Sub-fund and to diminish a risk or cost of a kind or level which it is sensible to reduce. Where the transaction relates to the actual or potential acquisition of transferable securities, then the Investment Manager must intend that the Sub-fund 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.
- e) Each Sub-fund may utilise both exchange-traded and OTC derivatives, including futures, forwards, swaps and contracts for difference, for the purpose of EPM. Such derivatives and forward transactions will usually be exchange-traded. Each Sub-fund may invest in derivatives and forward exchange contracts as long as the exposure to the Sub-fund resulting from those transactions is suitably covered by its property. Exposure will include any initial outlay in respect of that transaction.
- f) The exposure to any one counterparty in an OTC derivative transaction must not exceed 5% in value of the property of a Sub-fund; this limit is raised to 10% where the counterparty is an approved bank. For the purpose of calculating the 10% limit, OTC derivative transactions with the same counterparty can be netted provided that certain

conditions are met and the netting procedures are based on legally binding agreements. The exposure in respect of an OTC derivative may be reduced to the extent that collateral is held in respect of it if the collateral:

- (i) is marked-to-market on a daily basis and exceeds the value of the amount at risk;
  - (ii) is exposed only to negligible risks (e.g. government bonds of first credit rating or cash) and is liquid;
  - (iii) is held by a third-party custodian not related to the provider or is legally secured from the consequences of a failure by a related party; and
  - (iv) can be fully enforced by the relevant Sub-fund at any time.
- g) Each Sub-fund may invest in derivatives and forward contracts as long as the exposure to the Sub-fund resulting from those transactions is suitably covered by its property. Exposure will include any initial outlay in respect of that transaction. The ACD considers that the risk profile of each Sub-fund is not adversely affected by the use of derivatives. In summary, the use of derivatives for EPM is not likely to affect the volatility or risk profile of the Sub-funds.
- h) Transactions may only be entered into if the maximum potential exposure created by the transaction, in terms of the principal or notional principal of the derivative, does not exceed the Net Asset Value of the Scheme Property and their global exposure to the underlying assets does not exceed the investment limit laid down in the FCA Rules.
- 14.10 Transactions may be effected in which the Investment Manager has, either directly or indirectly, an interest that may potentially involve a conflict of its obligation to the Company. Where a conflict cannot be avoided, the Investment Manager will have regard to its fiduciary responsibility to act in the best interests of the Company and its investors. The Investment Manager will ensure that investors are treated fairly and that such transactions are effected on terms which are not less favourable to the Company than if the potential conflict had not existed.
- 14.11 Operational costs and fees arising from EPM techniques and/or the use of derivatives are paid for by the relevant Sub-fund. The identity of the entities to which operational costs and fees are paid will be disclosed in the annual report.
- 14.12 A Sub-fund may receive cash, high quality government bonds and equities to the extent deemed necessary by the ACD in respect of over-the-counter derivative transactions for a Sub-fund, provided however that such collateral must comply with the requirements of the FCA.
- 14.13 A documented haircut policy will be put into place, as required, for the Company, detailing the policy in respect of each class of assets received and which takes into account the characteristics of the assets and the results of any stress tests conducted as required. Any re-investment of cash collateral shall be diversified in accordance with the requirements of the FCA. Re-invested cash collateral exposes the Company to certain risks such as the risk of a failure or default of the issuer of the relevant security in which the cash collateral has been invested.
- 14.14 Total return swaps are a type of derivative contract under which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the total return (including both the income it generates and any capital gains) of an

underlying asset (for example, a commodity or stock market index). In this way, a party can gain the economic exposure of the underlying asset without actually owning that asset.

- a) The specific types of total return swaps permitted are swaps on equity indices, equity basket of stocks, equity ETFs, individual government bonds, bond indices, bond ETFs and bond baskets.
- b) The maximum proportion of the assets under management that can be subject to total return swaps is 100%, with a maximum of 5% with any one non-approved counterparty and a maximum of 10% with any one approved counterparty.
- c) The expected proportion of the assets under management that can be subject to total return swaps is between 0 and 25%.
- d) All revenues arising from total return swaps will be returned to the Sub-fund, and the ACD does not take any fees or costs out of those revenues additional to its periodic charge on the Scheme Property.

14.15 Except as specified about, no Sub-fund will enter into any securities financial transactions (SFT) as defined in article 3(11) of the Securities Financing Transactions Regulation.

## **15 Leverage**

15.1 As noted within the Borrowing section above, a Sub-fund may borrow to meet redemption and settlement mismatches, although it is not expected that significant use will be made of borrowing. Borrowing must not, on any Business Day, exceed 10% of the value of the property of a Sub-fund. As any such borrowing would be covered by any settlement mismatches and therefore fully covered, this would not be regarded as leverage.

## **16 Stock lending**

16.1 The Sub-funds have power to engage in stock lending in the manner permitted by, and subject to the requirements of, the FCA Rules. The power may be exercised for the purpose of EPM. There is no limitation on the value of the property of a Sub-fund that may be the subject of permitted stock lending transactions. However, currently none of the Sub-funds engage in stock lending and the ACD does not anticipate that any Sub-fund will engage in stock lending in the future.

## APPENDIX 3

### Eligible Securities Markets

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

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

- |                    |   |
|--------------------|---|
| 1. UK and Ireland  | Alternative Investment Market   |
| 2. Australia       | The Australian Securities Exchange  |
| 3. Channel Islands | The Channel Islands Stock Exchange  |
| 4. Hong Kong       | The Hong Kong Stock Exchange  |
| 5. Japan           | The Tokyo Stock Exchange  |
| 6. Singapore       | The Singapore Stock Exchange  |
| 7. United States   | NYSE MKT<br>NYSE Euronext<br>NASDAQ OMX PHLX<br>The United States Bond Market<br>NASDAQ |

## **APPENDIX 4**

### **Eligible Derivatives Markets**

- 1 NYSE American
- 2 Euronext
- 3 Eurex
- 4 Intercontinental Exchange
- 5 ICE Futures Europe
- 6 New York Futures Exchange
- 7 New York Mercantile Exchange
- 8 New York Stock Exchange
- 9 One Chicago
- 10 Tokyo Stock Exchange
- 11 Tokyo Financial Exchange
- 12 The Montreal Exchange
- 13 Toronto Stock Exchange
- 14 The Hong Kong Stock Exchange
- 15 The Singapore Stock Exchange

## **APPENDIX 5**

### **Directory**

#### **The Company and Head Office**

MGTS Downing Fund  
1 Sovereign Court  
Graham Street  
Birmingham  
B1 3JR

#### **Authorised Corporate Director**

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

#### **Investment Manager**

Downing LLP  
3rd Floor  
10 Lower Thames Street  
London  
EC3R 6EN

#### **Administrator and Registrar**

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

#### **Depository**

The Bank of New York Mellon (International) Limited  
160 Queen Victoria Street  
London  
EC4V 4LA

#### **Auditor**

Shipleys LLP  
10 Orange Street  
Haymarket  
London  
WC2H 7DQ

#### **Sponsor**

Downing LLP  
3rd Floor  
10 Lower Thames Street  
London  
EC3R 6EN



## **APPENDIX 6**

### **DILUTION**

Please note: With effect from launch the Company had a dilution adjustment approach using a swinging NAV. Please see section 16.1 which explains the approach to dilution adjustments.

The Sub-funds do not yet have a twelve-month calendar year track record so no data is available.

## **APPENDIX 7**

### **Past Performance**

The Sub-funds do not yet have a twelve-month calendar year track record so no data is available.

## **APPENDIX 8**

### **List of Directors**

Directors of Margetts Fund Management Limited:

Executive:

T.J Ricketts

M.D Jealous

A. Ogunnowo

Non-Executive:

J.M Vessey

L. Scott

J. Harris

## APPENDIX 9

The following third-party delegates have been appointed by the Global Sub-Custodian in the referenced markets as sub-custodians of the assets of the Company:

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

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

Lithuania	AB SEB bankas	Vilnius
Lithuania	The Bank of New York Mellon SA/NV, Asset Servicing, Niederlassung Frankfurt am Main	Frankfurt
Luxembourg	Euroclear Bank SA/NV	Brussels
Malawi	Standard Bank PLC	Lilongwe
Malaysia	Standard Chartered Bank Malaysia Berhad (SCB)	Kuala Lumpur
Malta	The Bank of New York Mellon SA/NV, Asset Servicing, Niederlassung Frankfurt am Main	Frankfurt
Mauritius	The Hongkong and Shanghai Banking Corporation Limited	Ebene
Mexico	Banco Citi México, S.A., Institución de Banca Múltiple, Grupo Financiero Citi México.	Ciudad de Mexico
Mexico	Banco S3 CACEIS Mexico, S.A., Institución de Banca Multiple	Ciudad de Mexico
Morocco	Citibank Maghreb S.A.	Casablanca
Namibia	Standard Bank Namibia Limited	Kleine Kuppe, Windhoek
Netherlands	The Bank of New York Mellon SA/NV	Brussels
New Zealand	The Hongkong and Shanghai Banking Corporation Limited	Auckland
Nigeria	Stanbic IBTC Bank Plc.	Lagos
Norway	Skandinaviska Enskilda Banken AB (Publ)	Stockholm
Oman	Standard Chartered Bank Oman branch	Ruwi
Pakistan	Deutsche Bank AG	Karachi
Panama	Citibank N.A., Panama Branch	Panama City
Peru	Citibank del Peru S.A.	Lima
Philippines	Standard Chartered Bank, Philippines Branch	Makati City
Poland	Bank Polska Kasa Opieki S.A.	Warszawa
Portugal	Citibank Europe Plc	Dublin
Qatar	Qatar National Bank	Doha
Qatar	The Hongkong and Shanghai Banking Corporation Limited	Hong Kong
Romania	Citibank Europe plc Dublin, Romania Branch	Bucharest
Russia	AO Citibank	Moscow

Russia	PJSC ROSBANK	Moscow
Saudi Arabia	HSBC Saudi Arabia	Riyadh
Serbia	UniCredit Bank Serbia JSC	Belgrade
Singapore	DBS Bank Ltd	Singapore
Singapore	Standard Chartered Bank (Singapore) Limited	Singapore
Slovak Republic	Citibank Europe plc, pobočka zahraničnej banky	Bratislava
Slovenia	UniCredit Banka Slovenija d.d.	Ljubljana
South Africa	Standard Chartered Bank, Johannesburg Branch	Sandton
South Africa	The Standard Bank of South Africa Limited	Johannesburg
South Korea	Deutsche Bank AG	Seoul
South Korea	The Hongkong and Shanghai Banking Corporation Limited, Seoul Branch	Seoul
Spain	Banco Bilbao Vizcaya Argentaria, S.A.	Bilbao
Spain	CACEIS Bank Spain, S.A.U.	Madrid
Sri Lanka	The Hongkong and Shanghai Banking Corporation Limited	Hong Kong
Sweden	Skandinaviska Enskilda Banken AB (Publ)	Stockholm
Switzerland	Credit Suisse (Switzerland) Ltd.	Zurich
Switzerland	UBS Switzerland AG	Zurich
Taiwan	HSBC Bank (Taiwan) Limited	Taipei City
Tanzania	Stanbic Bank Tanzania Limited	Dar es Salaam
Thailand	The Hongkong and Shanghai Banking Corporation Limited	Bangkok
Tunisia	Union Internationale de Banques	Tunis
Turkey	Deutsche Bank A.S.	Istanbul
U.A.E.	HSBC Bank Middle East Limited (HBME)	Dubai
U.K.	The Bank of New York Mellon	New York
U.S.A.	The Bank of New York Mellon	New York
U.S.A. Precious Metals	HSBC Bank, USA, N.A.	New York
Uganda	Stanbic Bank Uganda Limited	Kampala

Ukraine	JSC "Citibank" Full name Joint Stock Company "Citibank"	Kiev
Uruguay	Banco Itaú Uruguay S.A.	Montevideo
Vietnam	HSBC Bank (Vietnam) Ltd	Ho Chi Minh City
WAEMU	Société Générale Côte d'Ivoire	Abidjan
Zambia	Stanbic Bank Zambia Limited	Lusaka
Zimbabwe	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).