



## **MELCHIOR INVESTMENT FUNDS**

### **PROSPECTUS**

This is the Prospectus of Melchior Investment Funds, prepared in accordance with Chapter 4 of the Financial Services Authority's Collective Investment Schemes Sourcebook (the "COLL Sourcebook") made under the Financial Services and Markets Act 2000 and complying with Section 4.2.5 of the COLL Sourcebook.

**Valid at 31 August 2011**

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## MELCHIOR INVESTMENT FUNDS

### Important information

No person has been authorised by the Company or the ACD to give any information or to make any representations in connection with the offering of Shares other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been made by the Company or the ACD. 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 have not been and will not be registered in the United States of America under any applicable legislation. They may not be offered or sold in the United States of America, any state of the United States of America or in its territories and possessions or offered or sold to US persons. The Company and the ACD have not been and will not be registered in the United States of America under any applicable legislation.

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

This Prospectus has been issued for the purpose of section 21 of the Financial Services and Markets Act 2000 by Thesis Unit Trust Management Limited.

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

This Prospectus is based on information, law and practice at the date hereof. The Company and ACD cannot be bound by an out of date prospectus when a new version has been issued and investors should check with Thesis Unit Trust Management Limited that this is the most recently published prospectus.

As a result of legislation in force in the UK to prevent money laundering, the ACD is responsible for compliance with anti money laundering regulations. In order to implement these regulations, in certain circumstances investors may be asked to provide proof of identity when buying or redeeming Shares. Until satisfactory proof of identity is provided, the ACD reserves the right to refuse to issue Shares, pay the proceeds of a redemption of Shares, or pay income on Shares to the investor. In the case of a purchase of Shares where the applicant is not willing or is unable to provide the information requested within a reasonable period, the ACD also reserves the right to sell the Shares purchased and return the proceeds to the account from which the subscription was made. These proceeds may be less than the original investment.

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

## MANAGEMENT & ADMINISTRATION

### Constitution

Melchior Investment Funds ("the Company") is an investment company with variable capital established pursuant to an authorisation order of the Financial Services Authority ("FSA") on 22 September 2003 and falls in the category of being a type of "UCITS scheme" for the purposes of the categorisations of the COLL Sourcebook and which is also an 'umbrella company' for the purposes of the Open-Ended Investment Companies Regulations 2001. The Company is incorporated with registration number IC256. Shareholders are not liable for the debts of the Company. A Shareholder is not liable to make any further payment to the Company after he has paid the price on purchase of the Shares. The Head Office of the Company is at Exchange Building, St John's Street, Chichester West Sussex PO19 1UP, which is also the address for service of notices or other documents required or authorised to be served on the Company. The base currency of the Company is Sterling. Certain of the sub-funds, as described in this Prospectus, are valued in a currency other than the base currency.

Melchior Investment Funds is structured as an umbrella company. Provision exists for an unlimited number of sub-funds (singularly "Fund", jointly "Funds"), and at the date of this Prospectus six funds, Melchior Japan Opportunities Fund, Melchior North American Opportunities Fund, Melchior Asian Opportunities Fund, Melchior UK Opportunities Fund, Melchior Japan Advantage Fund and Melchior Global Equity Fund are available for investment. Each sub-fund would belong to the category of " UCITS scheme" if it were itself an investment company with variable capital in respect of which an authorisation order made by the FSA were in force.

### Authorised Corporate Director ("ACD")

Thesis Unit Trust Management Limited

The registered office: Exchange Building, St John's Street, Chichester, West Sussex, PO19 1UP

A company limited by shares incorporated in England and Wales with registered number 03508646, on 6 February 1998. Share Capital £675,000 issued and fully paid.

The ACD's ultimate holding company is Thesis Asset Management plc, a public company incorporated in England and Wales with registered number 1802101. The shares of Thesis Asset Management plc are either held by Thomas Eggar LLP, solicitors, or held by a trust of which certain members of Thomas Eggar LLP are beneficiaries.

The ACD is the sole director of the Company.

Directors of the ACD:

A J Edwards  
S R Mugford  
M J Lally  
D W Tyerman  
G Dalton  
S Noone

The Directors also hold directorships within the Thesis group of companies, in which capacity they are engaged in investment business. Save for A J Edwards (solicitor) and S R Mugford (financial controller to solicitors' practice), none of the above is engaged in any significant business activity which is not connected with the business of the ACD.

Please see Appendix 4 for details of Authorised Unit Trusts and Open Ended Investment Companies for which Thesis Unit Trust Management Limited is also the Manager or Authorised Corporate Director respectively.

The terms of the Agreement dated 1 June 2010 between the Company and the ACD provide that the ACD should manage and administer the Company in accordance with the terms of the COLL Sourcebook as amended or replaced from time to time or equivalent regulations issued by the FSA or other appropriate authority and the Open-Ended Investment Companies Regulations 2001 as amended or replaced from time to time (together, the "Regulations"), the Instrument of Incorporation and this Prospectus.

The ACD Agreement may be terminated by either party on not less than six months' written notice or earlier upon the happening of certain specified events. The ACD Agreement contains detailed provisions relating to the responsibilities of the ACD and excludes it from any liability to the Company or any shareholder for any act or omission except in the case of negligence, wilful default, breach of duty or breach of trust in relation to the Company on its part. The ACD Agreement provides indemnities to the ACD to the extent allowed by the Regulations and other than for matters arising by reason of its negligence, wilful default, breach of duty or breach of trust in the performance of its duties and obligations. Subject to certain limited exceptions set out in the Regulations, the ACD may retain the services of any person to assist it in the performance of its functions.

Details of the fees payable to the ACD are set out under the heading "Charges and Other Expenses" below.

The ACD has delegated the following functions to the parties listed below:

- i. Investment management (Dalton Capital (Guernsey) Limited);
- ii. Registration (Broadway Registration Services Limited); and
- iii. Administration (Northern Trust Global Services Limited).

Further details of each of these appointments are set out below.

### **Depositary**

The Depositary of the Company is National Westminster Bank Plc. The Depositary is a public limited company and was incorporated in England and Wales on 18 March 1968 (registered number 929027). Its registered and head office is at 135 Bishopsgate, London EC2M 3UR. The principal business activity of the Depositary is banking. The ultimate holding company of the Depositary is The Royal Bank of Scotland Group plc, which is incorporated with limited liability in Scotland. The Depositary is regulated by the FSA and is authorised to carry on regulated activities in the United Kingdom.

The Depositary's office in Edinburgh concerned with matters relating to the Company is at The Broadstone, 50 South Gyle Crescent, Edinburgh, EH12 9UZ.

The terms of the agreement dated 1 June 2010 between the Company, the ACD and The Royal Bank of Scotland plc, as novated in favour of the Depositary with effect from 31 August 2011 (the "Depositary Agreement"), provide that the Depositary be engaged to maintain the safe custody of the property of the Company and to fulfil other duties required in the OEIC Regulations and COLL (as amended from time to time). Under the Depositary Agreement, the Depositary has the power to appoint sub-custodians and may include in such appointment powers of sub-delegation.

The Depositary will not be held liable for any loss incurred by it, or through any of its agents in carrying out its obligations or functions, unless such loss arises from its negligence, fraud or wilful default.

The Depositary Agreement provides indemnities to the Depositary except in respect of its failure to exercise due care and diligence or in the event of its negligence, fraud or wilful default.

### **Investment Manager**

The manager of the Funds' assets is Dalton Capital (Guernsey) Limited, which is regulated by the Guernsey Financial Services Commission. The principal activity of Dalton Capital (Guernsey) Limited is the provision of investment management services.

Dalton Capital (Guernsey) Limited has delegated day to day investment management to Dalton Strategic Partnership LLP (the "Investment Manager"), which is authorised and regulated by the Financial Services Authority. Its registered office is at Third Floor, Princes Court, 7 Princes Street, London EC2R 8AQ. The principal activity of Dalton Strategic Partnership LLP is the provision of investment management services.

The terms of the Agreement between the ACD and Dalton Capital (Guernsey) Limited includes the provision of investment management to attain the investment objectives of the Funds, the purchase and sale of investments and the exercise of voting rights relating to such investments. Dalton Capital (Guernsey) Limited has authority to make decisions on behalf of the ACD on a discretionary basis in respect of day to day investment management of the property of the Funds including authority to place purchase orders and sale orders with regulated dealers and preparation of the manager's report half yearly for inclusion in the Company's Report for circulation to shareholders. Day to day investment management has been delegated by Dalton Capital (Guernsey) Limited to the Investment Manager. The Agreement may be terminated by either party on not less than six months' written notice or earlier upon the happening of certain specified events.

Dalton Capital (Guernsey) Limited will receive a fee paid by the ACD out of its remuneration received each month from the Funds and is also entitled to receive commission paid by the ACD in respect of investment in the Funds by its clients.

### **Registrar and Administrator**

The registrar is Broadway Registration Services Limited.

The registered office of the Registrar is Third Floor, National Westminster House, Le Truchot, St Peter Port, Guernsey, GY1 1WD, Channel Islands.

The administrator is Northern Trust Global Services Limited.

The registered office of the administrator is 50 Bank Street, Canary Wharf, London E14 5NT.

The Register of shareholders will be maintained by the administrator on behalf of the Registrar at the address noted above, and may be inspected at that address or the principal place of business of the ACD during normal business hours by any shareholder or any shareholder's duly authorised agent.

The plan register, where applicable (being a record of persons who subscribe for units through or Individual Savings Accounts (ISAs)) can be inspected at the office of the Administrator.

### **Auditors**

Ernst & Young LLP  
1 More Place, London, SE1 2AF

**Conflict of interest**

The ACD, the Investment Manager and other companies within the ACD's and/or the Investment Manager's group may, from time to time, act as investment managers or advisers to other funds or sub-funds which follow similar investment objectives to those of the Company. It is therefore possible that the Manager and/or the Investment Manager may in the course of their business have potential conflicts of interest with the Company. Each of the Manager and the Investment Manager will, however, have regard in such event to its general obligations to act in the best interests of the Company so far as practicable, having regard to its obligations to other clients, when undertaking any investment business where potential conflicts of interest may arise.

## FURTHER DETAILS OF MELCHIOR INVESTMENT FUNDS

At the date of this Prospectus, six sub-funds are available for investment:

### **Melchior Japan Opportunities Fund**

#### **Investment Objective and Policy**

The investment objective of the Melchior Japan Opportunities Fund is to achieve longer term capital growth, without undue risk, through diversified investment in equities and bonds that are issued by companies that have their registered office or carry out a predominant (meaning not less than 51%) portion of their economic activity in Japan. Equally the Fund invests also in other collective investment schemes and cash. There may be times in light of adverse conditions when the manager will wish to hold positions in cash or near cash instruments.

### **Melchior North American Opportunities Fund**

#### **Investment Objective and Policy**

The investment objective of the Melchior North American Opportunities Fund is to achieve longer term capital growth, without undue risk, through diversified investment in equities and bonds that are issued by companies that have their registered office or carry out a predominant (meaning not less than 51%) portion of their economic activity in North America. Equally the Fund invests also in cash or near cash instruments. There may be times in light of adverse conditions when the manager will wish to hold positions in collective investment schemes.

### **Melchior Asian Opportunities Fund**

#### **Investment Objective and Policy**

The investment objective of the Melchior Asian Opportunities Fund is to achieve longer term capital growth, without undue risk, through diversified investment in equities and bonds that are issued by companies that have their registered office or carry out a predominant portion of their economic activity in Asia and which are expected to benefit from the economic growth of China and its neighbouring countries. Equally the Fund invests also in other collective investment schemes and cash. There may be times in light of adverse conditions when the manager will wish to hold positions in cash or near cash instruments.

### **Melchior UK Opportunities Fund**

#### **Investment Objective and Policy**

The investment objective of the Melchior UK Opportunities Fund is to achieve longer term capital growth without undue risk, through diversified investment in equities and bonds that are issued by companies that have their registered office or carry out a predominant (meaning not less than 51%) portion of their economic activity in the United Kingdom. The Fund may also invest up to 20% of its value in equities and bonds that are issued by companies that do not have their registered office or carry out a predominant portion of their economic activity in the United Kingdom. Equally, the Fund may also invest in other collective investment schemes and cash. There may be times in light of adverse conditions when the manager will wish to hold positions in cash or near cash instruments.

### **Melchior Japan Advantage Fund**

#### **Investment Objective and Policy**

The investment objective of the Melchior Japan Advantage Fund is to achieve longer term capital growth, without undue risk, through diversified investment in equities and bonds that are issued by companies that have their registered office or carry out a predominant portion of their economic activity in Japan. Equally the Fund also invests in other collective investment schemes and cash. There may be times in light of adverse conditions when the manager will wish to hold positions in cash or near cash instruments. The Fund will generally employ a value oriented approach to stock selection. The emphasis is on stocks with relatively lower price/earnings ratios.

## **Melchior Global Equity Fund**

### **Investment Objective and Policy**

The investment objective of the Melchior Global Equity Fund is to achieve longer term capital growth, without undue risk, through diversified investment in listed equities. In addition, the Fund may invest in other collective investment schemes and cash. There may be times in light of adverse conditions when the manager may wish to hold positions in cash or near cash instruments.

### **Investment and borrowing powers**

The investment and borrowing powers of the Funds are set out in Appendix 1.

### **Currency class hedging**

The Investment Manager plans to undertake currency class hedging transactions with respect to the following Funds:

Melchior North American Opportunities Fund	Sterling hedged share class
	Euro hedged share class
Melchior Japan Advantage Fund	Sterling hedged share class

This will be done with the aim of reducing the risk attached to these classes of share, by limiting the effect of movements in exchange rates on the value of the Sterling and Euro hedged share classes. However, hedging transactions are inherently risky, and it is possible that if a transaction were to fail so as to cause the Melchior North American Opportunities Fund or the Melchior Japan Advantage Fund significant losses and make them insolvent, the other sub-funds would be required to bear some of this loss. Notwithstanding this, the costs and gains of hedging transactions applicable to the Sterling or Euro hedged share classes will normally be borne solely by unitholders in the Melchior North American Opportunities Fund who hold the Sterling or Euro hedged share classes (as appropriate) or the unitholders in the Melchior Japan Advantage Fund who hold Sterling hedged share class.

The Investment Manager will aim to hedge USD assets back to the GBP currency of the Sterling hedged share class, and USD assets back to the Euro currency of the Euro hedged share class, in order to attempt to remove currency risk for investors. The total return, rather than just the capital, will be hedged, and the Investment Manager will generally aim to hedge at least 95% of the total value of the Sterling hedged class of share or Euro hedged class of share at any time. There can be no guarantee that even when the Investment Manager undertakes hedging on 100% of the total value of the Sterling or Euro hedged share classes that this will be a perfect hedge, and remove currency risk for holders of the Sterling or Euro hedged share classes.

The Investment Manager will review the hedging position on each day where there is a valuation point, and will adjust the hedge appropriately if there is a material change to the dealing volume.

Whilst the Investment Manager's intention is to reduce risk and mitigate the likely effects of exchange rate fluctuations between the currency of the Sterling hedged class and Euro hedged class of shares and the Melchior North American Opportunities Fund or the Melchior Japan Advantage Fund, this strategy may not be entirely successful in eliminating the effects of adverse changes in exchange rates.

On a liquidation of the Company, hedging instruments will be liquidated along with the other property of the Company (as described above) and will form part of the property out of which

liabilities of the Company, the Melchior North American Opportunities Fund and the Melchior Japan Advantage Fund are settled.

The shares of each Fund are denominated as follows:

<b>Fund</b>	<b>Denomination</b>
Melchior Japan Opportunities Fund	Japanese Yen
Melchior North American Opportunities Fund	US\$
with the exception of the: Sterling hedged share class; and Euro hedged share class	Sterling Euro
Melchior Asian Opportunities Fund	US\$
Melchior UK Opportunities Fund	Sterling
Melchior Global Equity Fund	Sterling
Melchior Japan Advantage Fund	Japanese Yen
with the exception of the: Sterling hedged share class	Sterling

## **Risk Factors**

### **General**

The investments of the Fund are subject to normal market fluctuations and other risks inherent in investing in securities. There can be no assurance that any appreciation in the value of investments will occur. The prices of the Fund are calculated daily and are influenced by the value of the assets held by the Fund.

The value of investments and the income derived from them may fall as well as rise and investors may not recoup the original amount they invest in the Fund. There is no certainty that the investment objective of the Fund will actually be achieved and no warranty or representation is given to this effect. The level of any yield for the Fund may be subject to fluctuations and is not guaranteed.

The entire market of a particular asset class or geographical sector may fall, having a more pronounced effect on funds heavily invested in that asset class or region. There will be a variation in performance between funds with similar objectives due to the different assets selected.

### **Dilution provision**

The Company may suffer a reduction in the value of its Scheme Property due to dealing costs incurred when buying and selling investments. To offset this dilution effect the ACD may require the payment of a dilution levy in addition to the price of Shares when bought or as a deduction when sold.

### **Currency Exchange Rates**

Currency fluctuations may adversely affect the value of the Company's investments and the income thereon and, depending on an investor's currency of reference, currency fluctuations may adversely affect the value of his investment in shares.

### **Inflation and interest rates**

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

### **Investment in other schemes**

The Company may, subject to the FSA Rules, invest in unregulated collective investment schemes. Such schemes are subject to less onerous regulatory supervision than regulated schemes, and therefore may be considered higher risk.

These unregulated schemes may include hedge funds which may be illiquid, i.e. difficult to sell, and may also borrow to meet their objectives. This borrowing is likely to lead to volatility in the value of the scheme, meaning that a relatively small movement either down or up in the value of the scheme's total assets will result in a magnified movement in the same direction of scheme's net asset value.

### **Credit and Fixed Interest Securities**

Fixed interest securities are particularly affected by trends in interest rates and inflation. If interest rates go up, the value of capital may fall, and vice versa. Inflation will also decrease the real value of capital.

The value of a fixed interest security will fall in the event of the default or reduced credit rating of the issuer. Generally, the higher the rate of yield, 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. A sub-investment grade bond has a Standard & Poor's credit rating of BBB or below. BBB is described as having adequate capacity to meet financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the bond issuer to meet its financial commitments.

### **Effect of Initial Charge or Redemption Charge**

Where an initial charge or redemption charge is imposed, an investor who realises his Shares may not (even in the absence of a fall in the value of the relevant investments) realise the amount originally invested.

In particular, where a redemption charge is payable, investors should note that the percentage rate at which the redemption charge is calculated is based on the market value rather than the initial value of shares. If the market value of the shares has increased the redemption charge will show a corresponding increase. Currently there is no redemption charge levied on shares.

The shares therefore should be viewed as medium to long term investments.

### **Taxation**

Tax laws currently in place may change in the future which could affect the value of your investments. See the section headed 'Taxation' for further details about taxation of the Company.

### **Suspension of dealings**

Investors are reminded that in certain circumstances their right to redeem shares (including a redemption by way of switching) may be suspended.

### **Custody**

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

## **Liquidity**

Depending on the types of assets the Company invests in; there may be occasions where there is an increased risk that a position cannot be liquidated in a timely manner at a reasonable price.

## **Derivatives**

The Investment Manager may employ derivatives solely for the purposes of hedging with the aim of reducing the risk profile of the Funds, or reducing costs, or generating additional capital or income, in accordance with Efficient Portfolio Management ("EPM").

To the extent that derivative instruments are utilised for hedging purposes, the risk of loss to the Fund may be increased where the value of the derivative instrument and the value of the security or position which it is hedging are insufficiently correlated.

For more information in relation to investment in derivatives please see paragraph 16 in Appendix I.

## **Counterparty and Settlement**

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

## **Liabilities of the Company**

Although each Fund so far as possible will be treated as bearing the liabilities, expenses, costs and charges attributable to it, in the unlikely event that its assets are not sufficient to meet these the ACD may re-allocate assets, liabilities, expenses, costs and charges between the Funds of the Company in a manner which it believes is fair to the Shareholders generally. The ACD would normally expect any such re-allocation to be effected on a pro rata basis having regard to the Net Asset Values of the relevant Funds. If there is any such re-allocation the ACD will advise Shareholders of it in the next succeeding annual or half yearly report to Shareholders.

## **Counterparty Risk in over-the-counter markets**

A Fund may enter into transactions in over-the-counter markets, which will expose the Fund to the credit of its counterparties and their ability to satisfy the terms of such contracts. For example, the Fund may enter into agreements or use other derivative techniques, each of which expose the Fund to the risk that the counterparty may default on its obligations to perform under the relevant contract. In the event of a bankruptcy or insolvency of a counterparty, the Fund could experience delays in liquidating the position and significant losses, including declines in the value of its investment during the period in which the Company seeks to enforce its rights, inability to realise any gains on its investment during such period and fees and expenses incurred in enforcing its rights. There is also a possibility that the above agreements and derivative techniques are terminated due, for instance, to bankruptcy, supervening illegality or change in the tax or accounting laws relative to those at the time the agreement was originated. In such circumstances, investors may be unable to cover any losses incurred.

## **Emerging markets**

Emerging markets tend to be more volatile than more established markets and therefore your money is at greater risk. Risk factors such as local political and economic conditions should also be considered.

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 within the Fund(s). A counterparty may not pay or deliver on time or as expected.

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

Given the possible lack of a regulatory structure it is possible that securities in which investments are made may be found to be fraudulent. As a result, it is possible that loss may be suffered.

The currencies of certain emerging countries prevent the undertaking of currency hedging techniques.

Some emerging markets may restrict the access of foreign investors to securities. As a result, certain securities may not always be available to the Fund(s) because the maximum permitted number of an investment by foreign shareholders has been reached. In addition, the outward remittance by foreign investors of their share of net profits, capital and dividends may be restricted or require governmental approval.

Accounting, financial reporting standards and disclosure requirements in emerging markets may differ from those in more developed markets and, accordingly, investment possibilities may be difficult to properly assess.

### **Deferred redemptions**

The ACD may defer redemptions at a particular valuation point to the next valuation point where the requested redemptions exceed 10% of a 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 (i.e. 10% of the 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. In such cases, investors will be exposed to any rise or falls of the respective markets prior to the next valuation point.

This risk applies to the Melchior UK Opportunities Fund.

## GENERAL INFORMATION

### The Company

The minimum share capital of the Company is £1 and the maximum share capital is £100,000,000,000.

### Winding up or termination

The Company may be wound up in accordance with the provisions contained in Chapter 7.3 of the COLL Sourcebook, and in particular, as provided by COLL 7.3.4R(4), upon (a) the passing of an extraordinary resolution to that effect, (b) the occurrence of an event for which the instrument of incorporation provides that the Company be wound up (for example, if the Share capital of the Company is below £1 million, or if a change in the laws or regulations of any country means that, in the ACD's opinion, it is desirable to wind up the Company), or (c) the date agreed by the FSA in response to a request from the ACD for the revocation of the authorisation order of the Company.

In the case of a scheme of arrangement resulting in the Company or Fund being left with no property on the passing of an extraordinary resolution of the shareholders approving the scheme of arrangement, the ACD shall wind up the Company in accordance with that resolution.

Upon winding up of the Company or termination of a Fund in any other case, the ACD shall sell all the investments and out of the proceeds of the sale shall settle the Company or termination of a Fund's liabilities and pay the costs and expenses of the winding up before distributing the proceeds of the realisation to the shareholders (upon production of the relevant evidence as to their entitlement to shares) proportionally to their respective interests in the Company or Fund at the commencement of the winding-up or termination.

As the Company is an umbrella company, any liabilities attributable or allocated to a particular Fund under the Regulations shall be met first out of the scheme property attributable to that Fund. If the liabilities of a Fund are greater than the proceeds of the realisation of the scheme property attributable or allocated to the Fund, the deficit shall be met out of the scheme property attributable or allocated to Funds in respect of which the proceeds of realisation exceed liabilities and will be divided between the Funds in a manner which is fair to shareholders in those Funds.

### Accounting and Record Dates

The annual Accounting Reference Date and Record Date for the final income allocation is 30 November. The Record Date for the interim income allocation is the 31 May. The annual and half yearly short reports of the Company, or Fund as appropriate, will be published and sent to shareholders on or before 31 March and 31 July respectively. The long reports will be available from the ACD upon request free of charge.

### Characteristics of Shares

The Company can issue different classes of share in respect of any Fund. In the case of income shares net income is distributed half-yearly to shareholders; in the case of accumulation shares net income is retained and accumulated for the benefit of shareholders and is reflected in the price of the shares. The Company may also issue hedged shares in respect of different share classes in the Melchior North American Opportunities Fund and the Melchior Japan Advantage Fund which can either be income or accumulation shares. At present the Company only has accumulation shares in issue.

The price of shares for the Melchior Japan Opportunities Fund is expressed in Sterling, US Dollar or Japanese Yen dependent on share class and shares themselves have no nominal value. The price of shares for the Melchior North American Opportunities Fund, Melchior Asian

Opportunities Fund and Melchior UK Opportunities Fund is expressed in Sterling, US Dollar or Euro dependent on share class and shares themselves have no nominal value. The price of the Sterling hedged share class for the Melchior North American Opportunities Fund is expressed in Sterling, and the price of the Euro hedged share class for the Melchior North American Opportunities Fund is expressed in Euro. The price of shares for the Melchior Japan Advantage Fund is expressed in Japanese Yen or Sterling dependent on share class. The price of the Sterling hedged share class for the Melchior Japan Advantage Fund is expressed in Sterling. The price of shares for the Melchior Global Equity Fund is expressed in Sterling.

The minimum investment in 'A' Shares is £10,000 or currency equivalent. The minimum investment in 'B' Shares is £250,000 or currency equivalent. The minimum investment in 'C' Shares is £10,000 or currency equivalent. The minimum investment in 'D' Shares is £250,000 or currency equivalent. The minimum investment in 'E' Shares is £500,000 or currency equivalent.

Shares will be issued in registered form. Names and addresses of holders will be entered in the register to evidence title to the Shares. Shareholders will not be issued with a certificate.

The ACD will impose no requirements nor will Shareholders have any special rights or entitlements with respect to the transfer of their holding or exchange of their Shares to or for shares in any other fund operated by the ACD.

### **Meetings and Voting Rights**

The Company has dispensed with the holding of annual general meetings.

A meeting of shareholders duly convened and held shall be competent by extraordinary resolution to require, authorise or approve any act, matter or document in respect of which any such resolution is required or expressly contemplated by the relevant regulations. Separate extraordinary resolutions are required for material changes.

At a meeting of shareholders the quorum for transaction of business is two shareholders present in person, or by proxy, or, in the case of a body corporate, by a duly authorised representative. If within half an hour of the time appointed for the meeting a quorum is not present then it shall be adjourned to a day and time which is seven or more days after the original day and time. If at an adjourned meeting a quorum is not present within 15 minutes of the time appointed for the meeting, then any one shareholder present in person or by proxy shall constitute a quorum. On a show of hands every shareholder who (being an individual) is present in person or (being a corporation) is present by one of its officers as its proxy shall have one vote. On a poll the voting rights attached to each share are the proportion of the total voting rights attached to all of the shares in issue that the price of the share bears to the aggregate price or prices of all of the shares in issue on the cut-off date. A shareholder entitled to more than one vote need not, if he votes, use all his votes or cast all his votes in the same way. In the case of joint holders the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other holders and for this purpose seniority is determined by the order in which the names stand in the Register of Holders. On a poll, votes may be given either personally or by proxy. The ACD (or an associate) is entitled to vote on shares held in its name but on behalf of shareholders who, if themselves registered shareholders, would be entitled to vote and who have given instructions to the ACD (or its associate) as to which way the votes are to be exercised. Where every shareholder within a Fund is prohibited under COLL 4.4.8R (4) from voting, a resolution may, with the prior written agreement of the Depositary, instead be passed with the written consent of Shareholders representing 50% or more, or for an extraordinary resolution 75% or more, of the shares of the Fund in issue.

### **Changes to the scheme**

Fundamental changes to the Company can only be made with the passing of an extraordinary resolution of shareholders. A fundamental change is a change or event which changes the purposes or nature of the Company or the Funds, or may materially prejudice a shareholder,

or alters the risk profile of the Company or a Fund, or introduces any new type of payment out of scheme property. Any change may be fundamental depending on its degree of materiality and effect on the Company or a Fund and its shareholders.

The ACD must give prior written notice to shareholders, in respect of any proposed change to the operation of the Company that constitutes a significant change. A significant change is a change or event which is not fundamental but which affects a shareholder's ability to exercise his rights in relation to his investment, or would reasonably be expected to cause the shareholder to reconsider his investment in the Company, or results in any increased payments out of the scheme property to the ACD or an associate, or materially increases other types of payment out of scheme property. The notice period must be of a reasonable length (and must not be less than 60 days).

The ACD must inform shareholders in an appropriate manner and timescale of any notifiable changes that are reasonably likely to affect, or have affected, the operation of the Company. A notifiable change is a change or event, other than a fundamental or significant change, which a shareholder must be made aware of unless the ACD concludes that the change is insignificant.

## VALUATION, CHARGES AND INCOME

### Valuation of Property

The Funds will be valued each business day in London at 11.00 hours ("the Valuation Point") for the purpose of determining prices at which shares in the Funds may be purchased or redeemed. Valuations may be made on other days to avoid excessive periods between valuations that would otherwise be caused by the incidence of non-business days and the regular valuation point may be changed on reasonable notice being given to shareholders.

The Funds will be valued on a net asset value basis to determine the price of the shares ("NAV price"). Except in circumstances where the application of a dilution levy applies (see "Charges and Other Expenses" section of this Prospectus) shares will be redeemed at the NAV price and purchased at a price that includes a preliminary charge at the rate applying to the Fund (see "Charges and Other Expenses"). If a dilution levy were to apply the NAV price will be adjusted accordingly to determine the price at which shares can be purchased and redeemed.

The net asset value of the property of the Funds shall be the value of their assets less the value of their liabilities determined (inter alia) in accordance with the following provisions which are set out in the Instrument of Incorporation.

- 1 All the property of the Funds (including receivables) is to be included, subject to the following provisions.
- 2 Property which is not cash (or other assets dealt with in paragraph 3 below) or a contingent liability transaction shall be valued as follows and the prices used shall (subject as follows) be the most recent prices which it is practicable to obtain:
  - (a) units or shares in a collective investment scheme:
    - (i) if a single price for buying and selling units or shares is quoted, at that price; or
    - (ii) if separate buying and selling prices are quoted, at the average of the two prices provided the buying price has been reduced by any initial charge included therein and the selling price has been increased by any exit or redemption charge attributable thereto; or
    - (iii) if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no recent price exists, or if the most recent price available does not reflect the ACD's best estimate of the value of the units or shares, at a value which, in the opinion of the ACD, is fair and reasonable;
  - (b) any other transferable security:
    - (i) if a single price for buying and selling the security is quoted, at that price; or
    - (ii) if separate buying and selling prices are quoted, at the average of the two prices or in respect of the Melchior Asian Opportunities Fund the last traded price; or
    - (iii) if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no price exists, or if the most recent price available does not reflect the ACD's best estimate of the value of the value of a security at the valuation point, at a value which, in the opinion of the ACD, is fair and reasonable;

- (c) property other than that described in (a) and (b) above shall be valued at a value which, in the opinion of the ACD, represents a fair and reasonable mid-market price.
- 3 Cash and amounts held in current and deposit accounts and in other time-related deposits shall be valued at their nominal values.
- 4 There will be a deduction of an estimated amount for anticipated tax liabilities including (as applicable and without limitation) capital gains tax, income tax, corporation tax and advance corporation tax, valued added tax, stamp duty and stamp duty reserve tax.
- 5 There will be a deduction of 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.
- 6 There will be a deduction of the principal amount of any outstanding borrowings whenever payable and any accrued but unpaid interest on borrowings.
- 7 Property which is a contingent transaction shall be treated as follows:
  - (a) if a written option, (and the premium for writing the option has become part of the scheme property), deduct the amount of the net value of premium receivable. If the property is an off-exchange derivative the method of valuation shall be agreed between the ACD and Depositary.
  - (b) if an off-exchange future, include at the net value of closing out in accordance with a valuation method agreed between the ACD and the Depositary;
  - (c) if any other form of contingent liability transactions, include at the net value of margin on closing out (whether as a positive or negative value). If the property is an off-exchange derivative, include at a valuation method agreed between the ACD and the Depositary.
- 8 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.
- 9 Subject to paragraph 10 and 11 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.
- 10 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 9.
- 11 All agreements are to be included under paragraph 9 which are, or ought reasonably to have been, known to the person valuing the property.
- 12 Add an estimated amount for accrued claims for tax of whatever nature which may be recoverable.
- 13 Add any other credits or amounts due to be paid into the scheme property.
- 14 Add a sum representing any interest or any income accrued due or deemed to have accrued but not received.

It should be noted that whilst the base currency of the Company is Sterling, the following Funds are valued in the following currencies:

Melchior North American Opportunities	US dollars
Melchior Japan Opportunities Fund	Japanese Yen
Melchior Asian Opportunities Fund	US dollars
Melchior UK Opportunities Fund	Sterling
Melchior Global Equity Fund	Sterling
Melchior Japan Advantage Fund	Japanese Yen

### Charges and Other Expenses

The ACD may receive, or waive in part or in whole, a preliminary charge upon investment in the Funds and a periodic charge in respect of the Funds, at various rates. The current rates are set out in the table below. Out of the preliminary charge the ACD may pay commission to qualifying intermediaries, including Dalton Capital (Guernsey) Limited, the Investment Manager and their associates.

### Dilution Levy

The actual cost of purchasing or selling 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 the Company. In order to prevent this effect, called "dilution", the ACD has the power to charge a "dilution levy" in the following circumstances: where the scheme property is in continual decline; on a sub-fund experiencing large levels of net sales relative to its size; on "large deals" (which for these purposes are defined as a 5% of the size of the relevant Fund); in any case where the ACD is of the opinion that the interests of remaining shareholders require the imposition of a dilution levy. It is not possible to predict accurately whether dilution would occur at any point in time.

The ACD currently charges a dilution levy at 0.5% on the purchase and/or sale value of shares on all "large deals". The dilution levy is calculated by reference to the costs of dealing in the underlying investments of the Fund, including any dealing spreads, commission and transfer taxes.

The ACD may alter its dilution policy in accordance with the rules in the COLL Sourcebook.

### Preliminary and Periodic Charges

The preliminary and periodic charges applying to the Funds are:

Fund	Share Class	Preliminary	Periodic
Melchior Japan Opportunities Fund	Euro 'A'	5%	2.15%
Melchior Japan Opportunities Fund	Euro 'B'	5%	1.65%
Melchior Japan Opportunities Fund	US\$ 'A'	5%	2.15%
Melchior Japan Opportunities Fund	US\$ 'B'	5%	1.65%
Melchior Japan Opportunities Fund	Yen 'A'	5%	2.15%
Melchior Japan Opportunities Fund	Yen 'B'	5%	1.65%
Melchior Japan Opportunities Fund	GBP 'A'	5%	2.15%
Melchior Japan Opportunities Fund	GBP 'B'	5%	1.65%
Melchior Japan Opportunities Fund	GBP 'C' *	5%	1.75%
Melchior Japan Opportunities Fund	GBP 'D' *	5%	1.65%
Melchior North American Opportunities Fund	US\$ 'A'	5%	2.15%
Melchior North American Opportunities Fund	US\$ 'B'	5%	1.65%
Melchior North American Opportunities Fund	US\$ 'C' *	5%	1.50%
Melchior North American Opportunities Fund	US\$ 'D' *	5%	1.00%
Melchior North American Opportunities Fund	GBP 'A'	5%	2.15%
Melchior North American Opportunities Fund	GBP 'B'	5%	1.65%
Melchior North American Opportunities Fund	GBP 'C' *	5%	1.50%

Melchior North American Opportunities Fund	GBP 'D' *	5%	1.00%
Melchior North American Opportunities Fund	GBP 'B' Hedged	5%	1.65%
Melchior North American Opportunities Fund	Euro 'A' Hedged	5%	2.15%
Melchior North American Opportunities Fund	Euro 'B' Hedged	5%	1.65%
Melchior North American Opportunities Fund	Euro 'C' Hedged *	5%	1.50%
Melchior North American Opportunities Fund	Euro 'D' Hedged *	5%	1.00%
Melchior Asian Opportunities Fund	US\$ 'A'	5%	2.15%
Melchior Asian Opportunities Fund	US\$ 'B'	5%	1.65%
Melchior Asian Opportunities Fund	US\$ 'D' *	5%	1.25%
Melchior Asian Opportunities Fund	Euro 'A'	5%	2.15%
Melchior Asian Opportunities Fund	Euro 'B'	5%	1.65%
Melchior Asian Opportunities Fund	GBP 'A'	5%	2.15%
Melchior Asian Opportunities Fund	GBP 'B'	5%	1.65%
Melchior Asian Opportunities Fund	GBP 'C' *	5%	1.75%
Melchior Asian Opportunities Fund	GBP 'D' *	5%	1.25%
Melchior UK Opportunities Fund	US\$ 'B'	5%	1.65%
Melchior UK Opportunities Fund	GBP 'A'	5%	2.15%
Melchior UK Opportunities Fund	GBP 'B'	5%	1.65%
Melchior UK Opportunities Fund	GBP 'C' *	5%	1.50%
Melchior UK Opportunities Fund	GBP 'D' *	5%	1.00%
Melchior Japan Advantage Fund	Yen 'A'	5%	2.15%
Melchior Japan Advantage Fund	Yen 'B'	5%	1.65%
Melchior Japan Advantage Fund	Yen 'C' *	5%	1.50%
Melchior Japan Advantage Fund	Yen 'D' *	5%	1.00%
Melchior Japan Advantage Fund	GBP 'A'	5%	2.15%
Melchior Japan Advantage Fund	GBP 'B'	5%	1.65%
Melchior Japan Advantage Fund	GBP 'C' *	5%	1.50%
Melchior Japan Advantage Fund	GBP 'D' *	5%	1.00%
Melchior Japan Advantage Fund	GBP 'B' Hedged	5%	1.65%
Melchior Global Equity Fund	GBP 'A'	5%	1.50%
Melchior Global Equity Fund	GBP 'B'	5%	0.75%

\* All C and D Shares are subject to the performance fee mechanism described below.

#### **Summary of the performance fee mechanism**

Where a Fund contains one or more performance fee share classes the ACD may be entitled to a performance fee in addition to the annual management charge in relation to that share class. The performance of the Fund is compared to the performance of an investment in a benchmark index over a performance period (specific Fund benchmarks are detailed in Appendix 3). If the Fund is successful in outperforming its benchmark over a performance period then the ACD will be entitled to a proportion of the outperformance as a performance fee. This is 15% of the outperformance of the Fund over the index plus 1.5% hurdle. A performance fee may still be paid if the Fund falls in value but still outperforms the benchmark index plus 1.5% hurdle. The performance fee is calculated and paid after consideration of all other payments to be made by the Funds. As the performance fee is calculated in reference to a benchmark index there is no maximum performance fee that can be stated.

Performance fees on each of the Funds will incorporate look-back mechanisms. This is to ensure that if a Fund underperforms against the benchmark during a performance period, it must make up that underperformance (not including the hurdle of 1.5%) during the next period before any performance fee is earned in the subsequent period. If a Fund underperforms during a performance fee period and then outperforms during the following period, a performance fee is only payable on the cumulative outperformance over the two performance fee periods. The look back mechanism only takes account of underperformance in the previous period. If underperformance has occurred in prior periods it will not be factored into the calculation.

Share classes may be available in currencies other than the base currency of the Fund. In this case the performance fee shall be first calculated for each share class in the base currency of the Fund. The daily under/outperformance expressed as a percentage shall then be applied to the performance fee calculations for the other currency classes of that share class. For example: the Yen 'C' share class of the Melchior Japan American Advantage Fund returns 1.5% on a particular day and the benchmark returns only 1.0%. Therefore the Fund has outperformed the benchmark by 0.5%. On each other currency class of the same share class (i.e. GBP 'C'), the same outperformance shall be applied, i.e. if the GBP 'C' share class return is 1%, the benchmark will be deemed to have returned 0.5%. This mechanism has the benefit of removing any differences in exchange rates used by the Fund administrator versus those used by data suppliers providing index returns.

The performance fee is calculated and accrued on a daily basis. Shares of the same share class are treated equally during a performance fee period. Therefore if new shares of the same share class are created during a period they will be treated in the same manner as shares already in existence, i.e. the Funds use a 'simple' mechanism rather than equalisation. Investors should understand that this statement implies that the impact of performance fees on shares may differ depending on prior performance during the period and on subscriptions and redemptions to the Fund throughout the period.

Performance fees will be crystallised and paid at the end of each performance fee period. Where shares are redeemed during the period any accrued performance fee will be crystallised on redemption and paid at the end of each performance fee period. Unless otherwise specified a performance fee period will run from 1<sup>st</sup> January to 31<sup>st</sup> December. If a Fund, or a performance fee share class, is launched during a calendar year, the first period will run from the date of launch until 31<sup>st</sup> December, and subsequent periods will run over calendar years as described above.

The ACD is not obliged to pay performance fees back to the Fund after they have been crystallised and paid.

Performance fees are calculated by the Fund administrator. The ACD is responsible for approving the performance fee, if earned, at the end of a period, and authorising payment on behalf of the Fund. The calculation and payment is overseen by the Depository.

Further details on the calculation method are available on request to the ACD.

### **Examples**

Please note: the following examples are for investments made at the start of a performance fee period. Investments made during a period may result in different performance fee calculations. Differences would only be material in the case of large moves in Fund value combined with large subscriptions/redemptions relative to the size of the Fund.

#### **Example 1**

Fund: Melchior North American Opportunities Fund

Share Class: GBP 'D'

Benchmark: S&P500 return plus 1.5%

Participation: 15%

Scenario: Fund outperforms a rising benchmark

Result: Performance fee is paid

Detail: £1000 is invested in the GBP 'D' share class of the Fund at the start of the performance period. The US\$ 'D' share class returns 10% over the period.

The S&P500 index in US\$ terms returns 5% over the period, and the benchmark is the S&P500 plus 1.5%, hence the benchmark return is 6.5%. Therefore the Fund has outperformed the benchmark by 3.5%. This outperformance is applied to the performance fee calculations for the other currency classes of the same share class including GBP 'D'. The £1000 invested in the GBP 'D' share class of the Fund has resulted in an extra return of £35 and the ACD is paid 15% as a performance fee. Therefore the performance fee payable on this investment equals £5.25.

### **Example 2**

Fund: Melchior North American Opportunities Fund

Share Class: GBP 'D'

Benchmark: S&P500 return plus 1.5%

Participation: 15%

Scenario: Fund outperforms a falling benchmark

Result: Performance fee is paid

Detail: £1000 is invested in the GBP 'D' share class of the Fund at the start of the performance period. The US\$ 'D' share class falls 5% over the period. The S&P500 index in US\$ terms falls 10% over the period, and the benchmark is the S&P500 plus 1.5%, hence the benchmark return is minus 8.5%. Therefore the US\$ 'D' share class of the Fund has outperformed the benchmark by 3.5%. This outperformance is applied to the performance fee calculation for the other currency classes of the same share class including GBP 'D'. The £1000 invested in the GBP 'D' share class of the Fund has resulted in £950 whereas the same return in the benchmark would have returned £915, resulting in an extra return of £35 and the ACD is paid 15% as a performance fee. Therefore the performance fee payable on this investment equals £5.25.

### **Example 3**

Fund: Melchior Japan Advantage Fund

Share Class: Yen 'C'

Benchmark: Topix return plus 1.5%

Participation: 15%

Scenario: Fund underperforms a rising benchmark in a performance period and then strongly outperforms a rising benchmark through the next performance period.

Result: No performance fee is paid for the first performance period. A performance fee is paid at the end of the second period based on the cumulative outperformance over both periods.

Detail: Yen 100,000 is invested in the Yen 'C' share class of the Fund at the start of the performance period. The Yen 'C' share class returns 5% over the period. The Topix index in Yen terms returns 10% over the period, and the benchmark is the Topix plus 1.5%, hence the benchmark return is 11.5%. Therefore the Yen 'C' share class of the Fund has underperformed the benchmark by 6.5%. The Yen 100,000 in the Yen 'C' share class of the Fund has resulted in Yen 105,000 whereas the same investment in the benchmark would have resulted in Yen 111,500. Therefore no performance fee is payable for the first period.

During the second period the Yen 'C' share class of the Fund returns 20%. The Topix index returns 5%, therefore with the additional hurdle of 1.5% the benchmark return is 6.5%. Before the ACD can earn a performance fee for this period, the Yen 'C' share class of the Fund must make up lost ground on the Topix index (not including the hurdle of 1.5%) for the previous period. An investment in the Topix for the first period would have resulted in Yen 110,000. This sum then invested in the benchmark for the second period (Topix +1.5%) would have resulted in Yen 117,150. The same Yen 100,000 invested in the Fund would have resulted in Yen 105,000 after the first period and then Yen 126,000 to the end of the second period.

Over the two periods the outperformance of the Yen 'C' share class of the Fund is Yen 8,850 (Yen 126,000 – Yen 117,150) and the performance fee is 15%. Therefore the performance fee payable at the end of the second period to the ACD is Yen 1,327.

#### **Example 4**

Fund:	Melchior Japan Advantage Fund
Share Class:	Yen 'C'
Benchmark:	Topix return plus 1.5%
Participation:	15%
Scenario:	Fund heavily underperforms a rising benchmark in a performance period and then outperforms the benchmark during the next two periods.
Result:	No performance fee is paid for the first or second performance periods. A performance fee is paid at the end of the third period based on the outperformance over the third period i.e. underperformance in the first period is no longer taken into account.
Detail:	Yen 100,000 is invested in the Yen 'C' share class of the Fund at the start of the performance period. The Yen 'C' share class returns 5% over the period. The Topix index in Yen terms returns 20% over the period, and the benchmark is the Topix plus 1.5%, hence the benchmark return is 21.5%. Therefore the Yen 'C' share class of the Fund has underperformed the benchmark by 16.5%. The Yen 100,000 in the Fund has resulted in Yen 105,000 whereas the same investment in the benchmark results in Yen 121,500. Therefore no performance fee is payable.

During the second period the Yen 'C' share class returns 10% and the Topix returns 5%. Over the last two periods the Yen 'C' share class of the Fund has returned Yen 115,500 (5% and 10% returns). Yen 100,000 invested in the Topix during the first period would have resulted in Yen 120,000, and this invested in the benchmark over the second period (5% +1.5% = 6.5%) would have resulted in Yen 127,800. The Yen 'C' share class has not outperformed over the two periods and therefore no performance fee is payable at the end of the second period.

During the third period the Yen 'C' share class returns 10% and the Topix returns 5% (producing a benchmark return of 6.5% when including the 1.5% hurdle). Although the Yen 'C' share class has still not made up the underperformance from period 1, this is now discounted as the look-back mechanism only takes account of the previous period. During the second period the Yen 'C' share class outperformed, and so the third period is examined independently. The Yen 'C' share class outperformed the

benchmark by 3.5% and therefore earns a performance fee of 15% of this outperformance. A Yen 100,000 investment in the Fund at the start of this period would have resulted in Yen 110,000 compared with a result of Yen 106,500 in the benchmark index. The Yen 3,500 outperformance would produce a performance fee of Yen 525.

### Remuneration of the Depositary

The Depositary receives for its own account a periodic fee which will be calculated and accrue daily and is payable monthly on the last business day in each calendar month in respect of that day and the period since the last business day in the preceding month and is payable as soon as practicable after the last business day in each month. The rate of the periodic fee is agreed between the ACD and the Depositary and is calculated on a sliding scale for the Funds on the following basis:

0.04% per annum	of the first £50million of the scheme property
0.03% per annum	of the balance

Subject to a minimum fee of £7,500 plus VAT per annum per Fund

These rates can be varied from time to time in accordance with the COLL Sourcebook.

The first accrual in relation to any Fund will take place in respect of the period beginning on the day on which the first valuation of that Fund is made and ending on the last business day of the month in which that day falls.

In addition to the periodic fee referred to above, the Depositary shall also be entitled to be paid transaction and custody charges in relation to transaction handling and safekeeping of the Scheme Property as follows:

Item	Range
Custody Transaction Charges	£5 to £200.
Custody Charges	0.0025% to 0.90% per annum

More specifically, charges for principal markets are as follows:

Country	Transaction Charge	Custody Charge
UK	£5	0.0025%
United States	£8	0.005%
Japan	£10	0.015%

These charges vary from country to country depending on the markets and the type of transaction involved. Transaction charges accrue at the time the transactions are effected and are payable as soon as is reasonably practicable, and in any event not later than the last business day of the month when such charges arose or as otherwise agreed between the Depositary and the ACD. Custody charges accrue and are payable as agreed from time to time by the ACD and the Depositary.

At present the Depositary delegates the function of custody of the Scheme Property to The Northern Trust Company.

Where relevant, the Depositary may make a charge for its services in relation to: distributions, the provision of banking services, holding money on deposit, lending money, or engaging in stock lending or derivative transactions, in relation to a sub-fund and may purchase or sell or

deal in the purchase or sale of Scheme Property, provided always that the services concerned and any such dealing are in accordance with the provisions of the COLL Sourcebook

The Depositary will also be entitled to payment and reimbursement of all costs, liabilities and expenses properly incurred in the performance of, or arranging the performance of, functions conferred on it by the Instrument, the COLL Sourcebook or by the general law.

On a winding up of a sub-fund 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.

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

In each such case such payments, expenses and disbursements may be payable to 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 COLL Sourcebook by the Depositary.

#### Administrator and Registrar Fees

The remuneration of the Administrator for the Melchior Asian Opportunities Fund is also payable out of the property of the Fund in respect of the same periods and accruing in the same way and payable at the same times as the ACD's periodic charge. The current rate of charge is 0.04% plus VAT per annum on the first £100m, 0.03% plus VAT per annum on the next £250m, and 0.02% plus VAT per annum thereafter on the value of the property of the Fund, subject to a minimum fee of £25,000 per annum. In addition, a share class fee of £1500 per annum per share class is payable if the number of share classes in issue exceeds 40.

#### Other Expenses

The following other expenses may be paid out of the property of the Funds: -

1. broker's commission, fiscal charges (including stamp duty and/or stamp duty reserve tax) and other disbursements which are necessary to be incurred in effecting transactions for the Fund and normally shown in contract notes, confirmation notes and difference accounts as appropriate;
2. any costs incurred in the incorporation and authorisation of the Company, any initial offer of shares, the preparation and printing of any Prospectus (and any amendments thereto) and the fees for professional services provided to the Company in connection with such offer, will be borne by the Company;
3. the Registrar's charge of 0.15% of the net asset value of a Fund per annum, accruing on the same basis as the ACD's periodic charge.
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;
5. any costs incurred by the Company in publishing the price of the shares in a national or other newspaper;
6. any costs incurred in producing and dispatching any payments made by the Company, or the yearly and half-yearly reports of the Company;
7. any fees, expenses or disbursements of any legal or other professional adviser of the Company;
8. any costs incurred in taking out and maintaining an insurance policy in relation to the Company;
9. any costs incurred in respect of meetings of shareholders convened for any purpose;

10. any payment permitted by COLL 6.7.15 of the COLL Sourcebook;
11. interest on borrowings and charges incurred in effecting or terminating such borrowings or in negotiating or varying the terms of such borrowings;
12. taxation and duties payable in respect of the property of the Funds or the issue or redemption of shares;
13. the audit fees of the Auditors (including VAT) and any expenses of the Auditors;
15. the fees of the FSA, in accordance with the Fees Manual, 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;
16. the Depositary will also be reimbursed out of the property of the Funds expenses incurred in performing the following activities and duties:
  - Delivery of stock to the Depositary or custodian;
  - Custody of assets;
  - Collection of income and capital;
  - Submission of tax returns;
  - Handling tax claims;
  - Preparation of the Depositary's annual report;
  - Arranging insurance;
  - Calling shareholder meetings and otherwise communicating with shareholders;
  - Dealing with distribution warrants;
  - Taking professional advice;
  - Conducting legal proceedings;
  - Such other duties as the Depositary is permitted or required by law to perform.
16. 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;
17. any payments otherwise due by virtue of the Regulations; and
18. any value added or similar tax relating to any charge or expense set out herein.

Each Fund formed after this Prospectus may bear its own direct establishment costs.

#### **Allocation of Charges and Expenses between Funds**

All charges and expenses are charged to the Fund in respect of which they were incurred. Any charges and expenses not attributable to any one Fund will normally be allocated by the ACD to all Funds pro rata to their Net Asset Values, although the ACD has discretion to allocate such charges and expenses in a different manner which it considers fair to shareholders generally.

#### **Income Allocations**

Allocations of income will be made on 31 March (final) and 31 July (interim) in each year. The income available for allocation is calculated by taking the aggregate of income received or receivable in respect of the period, deducting charges and expenses paid or payable out of such income, adding the ACD's best estimate of any relief from tax on such charges and expenses and making any other adjustments permitted by the Regulations that the ACD considers appropriate in relation to both income and expenses (including taxation), after consulting the auditors when required to do so. Distributable income payable on income

shares may be paid by cheque or BACS transfer (if the shareholder has supplied to the ACD appropriate bank details).

Income arising from a Fund's investments accumulates during each accounting period. If, at the end of the accounting period, income exceeds expenses, the net income of the Fund is available for distribution. In order to conduct a controlled dividend flow to shareholders interim distributions will be made at the ACD's discretion, up to the maximum of the distributable income available for the period. All remaining income is distributed in accordance with the Regulations.

The first allocation with respect to shares purchased between the two preceding Record Dates ("group 2 shares") will be made together with equalisation. Equalisation is the deemed amount contained in the purchase price of such shares which represents a proportion of the net income of the Funds already accrued up to the date of purchase. This is allocated to holders of group 2 shares with their first allocation but for tax purposes is treated as a return of capital.

Grouping for equalisation is permitted by the Instrument of Incorporation which means that the amount may be ascertained per share as the aggregate of all equalisation amounts in a grouping period divided by the number of group 2 shares in issue at the Record Date for the allocation. The grouping period is the accounting period between successive Record Dates.

Investors should be aware that should an income distribution be unclaimed for a period of six years after it has become due, it will be forfeited and returned to the Fund for the benefit of Unitholders.

#### **Issue and Redemption of Shares in the Company**

The ACD will accept orders for the purchase and sale of shares on normal business days between 9.00 am and 5.00 pm (London Time). The ACD may vary these times at its discretion. Requests to deal in shares may be made directly to the office of the ACD by postal request or telephone: 0870 870 8439 (or such other number as published from time to time) or by electronic communications (see the paragraph headed 'Electronic Communications' below).

Telephone calls will be recorded. The ACD may also, at its discretion, introduce further methods of dealing in Shares in the future.

The ACD's normal basis of dealing is at a forward price plus or minus any applicable dilution levy, which means that transactions will be effected at prices determined at the next following Valuation Point ("the dealing date"). To confirm the transaction, a contract note or allocation letter will be issued by close of business on the next business day after the dealing date.

The ACD will buy back shares from holders at not less than the price determined at the next Valuation Point following receipt of redemption instructions less any dilution levy. Payment of redemption proceeds will be made not later than four business days after either the dealing date or receipt of the redemption document if later.

In the event that a shareholder requests the redemption or cancellation of shares representing over 5% of the property of a Fund, the ACD may upon giving written notice to the shareholder arrange that, in place of payment of the NAV price of the shares in cash, the Company cancels the shares and transfers relevant scheme property to the shareholder.

**For the Melchior UK Opportunities Fund, the ACD may defer redemptions at a particular valuation point to the next valuation point where the requested redemptions exceed 10% of a 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 (i.e. 10% of the 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.**

The minimum investment in 'A' Shares is £10,000 or currency equivalent. The minimum investment in 'B' Shares is £250,000 or currency equivalent. The minimum investment in 'C' Shares is £10,000 or currency equivalent. The minimum investment in 'D' Shares is £250,000 or currency equivalent. The minimum investment in 'E' Shares is £500,000 or currency equivalent.

### **Publication of Share Prices**

Prices for the Shares below will be published in the Financial Times (FT) and prices of all Shares will be published on the Investment Management Association website: ([www.investmentuk.org](http://www.investmentuk.org)). The prices of Shares may also be obtained by calling 0870 870 8439 during the ACD's normal business hours.

<b>Fund</b>	<b>Share class remaining in FT</b>	
Melchior Japan Opportunities Fund	Yen 'B'	GBP 'B'
Melchior North American Opportunities Fund	US\$ 'B'	GBP 'B'
Melchior Asian Opportunities Fund	US\$ 'B'	GBP 'B'
Melchior UK Opportunities Fund	GBP 'B'	-
Melchior Japan Advantage Fund	Yen 'B'	GBP 'B' and GBP 'B' Hedged

The shares are not listed or dealt in on any investment exchange.

The ACD may, with the prior agreement of the Depositary, and must without delay if the Depositary so requires temporarily suspend the issue, cancellation, sale and redemption of Shares in any or all of the Funds where due to exceptional circumstances it is in the interests of all the Shareholders in the relevant Fund or Funds.

The ACD and the Depositary must ensure that the suspension is only allowed to continue for as long as is justified having regard to the interests of Shareholders.

The ACD or the Depositary (as appropriate) will immediately inform the FSA of the suspension and the reasons for it and will follow this up as soon as practicable with written confirmation of the suspension and the reasons for it to the FSA and the regulator in each EEA state where the Company is offered for sale.

The ACD will notify Shareholders as soon as is practicable after the commencement of the suspension, including details of the exceptional circumstances which have led to the suspension, in a clear, fair and not misleading way and giving Shareholders details of how to find further information about the suspension.

Where such suspension takes place, the ACD will publish details on its website or other general means, sufficient details to keep Shareholders appropriately informed about the suspension, including, if known, its possible duration.

During the suspension none of the obligations in COLL 6.2 (Dealing) will apply but the ACD will comply with as much of COLL 6.3 (Valuation and Pricing) during the period of suspension as is practicable in light of the suspension.

Suspension will cease as soon as practicable after the exceptional circumstances leading to the suspension have ceased but the ACD and the Depositary will formally review the suspension at least every 28 days and will inform the FSA of the review and any change to the information given to Shareholders.

The ACD may agree during the suspension to deal in Shares in which case all deals accepted during and outstanding prior to the suspension will be undertaken at a price calculated at the first Valuation Point after the restart of dealings in Shares.

**From time to time the ACD may hold shares in the Funds as principal. However, such shares are held by the ACD to facilitate the efficient management of the Funds and the ACD does not actively seek to make profit from holding shares as principal.**

**An affected person (the ACD, Depository, Investment Manager, or any of their associates, or the Auditor of the Company) is under no obligation to account to another affected person or to shareholders for any profit or other benefit they make on dealing in shares of the Funds, any transaction in scheme property, or the supply of services to the scheme.**

The ACD may, inter alia, reject at its discretion any application for the purchase, sale or exchange of shares 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.

If it comes to the notice of the ACD that any shares ("affected shares") 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 by virtue of which the shareholder or shareholders in question is/are not qualified and entitled to hold such shares or if it reasonably believes this to be the case, the ACD may give notice to the holder(s) of the affected shares requiring either 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 or cancellation of such shares in accordance with the Regulations. If any person upon whom such a notice is served does not within thirty days after the date of such notice transfer his or her affected shares to a person qualified to hold them or establish to the satisfaction of the ACD (whose judgement is final and binding) that he or she or the beneficial owner is qualified and entitled to own the affected shares, he or she shall be deemed upon the expiration of that thirty day period to have given a request in writing for the redemption of all the affected shares pursuant to the Regulations.

A person who becomes aware that he or she has acquired or is holding affected shares 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 by virtue of which he or she is not qualified to hold such affected shares, shall forthwith, unless he or she has already received a notice as aforesaid, either transfer or procure the transfer of all his or her affected shares to a person qualified to own them or give a request in writing or procure that such a request for the redemption or cancellation of all his or her affected shares pursuant to the Regulations.

### **Exchange of Shares in the Company**

It is possible for shareholders to switch their entitlement between Funds or between share classes in the same Fund. An exchange of shares is where the Company converts, at the request of the shareholder and upon receipt of an exchange notice, part or all of the shares relating to one class held by the shareholder into shares of one or more other classes or Funds on the same day. Shareholders should be aware that an exchange of shares for shares (of whatever class) in another Fund is treated as a redemption and sale and is a disposal for Capital Gains Tax purposes but an exchange of shares for shares of another class in the same Fund is not.

Exchange requests may be made by telephone, by fax or by letter in each case to the ACD. Shareholders may be required to complete a switching form (which in the case of joint shareholders must be signed by all joint holders). Switching forms are available on request from the ACD.

A shareholder who switches between Funds will not be given a right by law to withdraw from or cancel the transaction.

The ACD may, at its discretion, make a charge on the switching of shares. The charge will not exceed any excess of the preliminary charge applicable to the shares being acquired over the preliminary charge applicable to the shares being switched. If, having been requested by the ACD, for any reason an exchange notice is not received by the Company on the same day, the application will still be binding and considered irrevocable by the Company. The exchange notice must be addressed to the Company and signed by all registered holders. Exchange instructions accepted on any dealing day will be satisfied at prices calculated at the next valuation point. The relevant prices will be the NAV price per share of the appropriate Funds. The number of new shares issued to the shareholder will be the number of shares to be exchanged multiplied by the NAV price of those shares divided by the NAV price of the new shares. In the event that an exchange involves share classes of differing currency denomination a currency exchange factor will be applied.

### **Electronic communications**

The ACD will accept instructions to transfer or renunciation of title to shares on the basis of an authority communicated by electronic means and sent by the shareholder, or delivered on their behalf by a person that is authorised by the FSA or regulated in another jurisdiction by an equivalent supervisory authority, subject to:

- 1) Prior agreement between the ACD and the person making the communication as to:
  - (a) the electronic media by which such communications may be delivered; and
  - (b) how such communications will be identified as conveying the necessary authority; and
- 2) Assurance from any person who may give such authority on behalf of the investor that they will have obtained the required appointment in writing from the shareholder.

## **TAXATION**

### **General**

The information below is a general guide based on current United Kingdom law and HM Revenue & Customs practice, all of which are subject to change. It summarises the tax position of the Company and of investors who are United Kingdom resident individuals and hold Shares as investments. The regime for taxation of income and capital gains received by individual investors depends on the tax law applicable to their personal circumstances and/or the place where the Scheme Property is invested. Prospective investors who are in any doubt about their tax position, or who may be subject to tax in a jurisdiction other than the United Kingdom, are recommended to take professional advice.

### **The Company**

The Company is generally exempt from United Kingdom tax on capital gains realised on the disposal of its investments.

Dividends from United Kingdom companies are received by the Company with a tax credit and no further tax is payable by the Company on that income. The Company will be subject to corporation tax on most other types of income but after deducting allowable management expenses and the gross amount of any interest distributions. Where the Company suffers foreign tax on income received, this may normally be deducted from the United Kingdom tax due on that income. Overseas Dividends received after 30th June, 2009 are no longer taxable for corporation tax purposes unless an election is made to continue to tax them.

The Company will make dividend distributions except where more than a certain percentage of its property has been invested throughout the distribution period in interest-paying investments, in which case it will make interest distributions.

### **Shareholders**

#### **Income**

The Company will pay distributions (which will be automatically retained in the Company in the case of accumulation Shares) with a tax credit. Individuals liable to income tax at the basic rate will have no further liability to tax. Higher rate taxpayers will have to pay an additional amount of income tax on the amount received. Certain categories of Shareholder may be able to reclaim some tax credits.

#### **Income Equalisation**

The first income allocation received by an investor after buying Shares may include an amount of income equalisation. This is effectively a repayment of the income equalisation paid by the investor as part of the purchase price. It is a return of capital, and is not taxable. Rather it should be deducted from the acquisition cost of the Shares for capital gains tax purposes.

#### **Capital Gains**

Shareholders may be liable to capital gains tax on gains arising from the redemption, transfer or other disposal of Shares. The rate of tax, and available reliefs, will be as applicable from time to time.

#### **EU Savings Directive**

Under the EU Council Directive on taxation of savings income Member States of the European Union ("Member States") are required to provide to the tax authorities of other Member States details of payments of interest and other similar income (which in the case of a collective investment fund may include income arising as a result of the sale and redemption of the fund's shares) paid by a person who is a "paying agent" for the purposes of the Directive to an individual resident for the purposes of the Directive in another Member State. However, a number of Member States may instead impose a system of withholding tax for a transitional period.

## **GENERAL SUMMARY ONLY**

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

### **General Information**

Copies of the Instrument of Incorporation, Simplified Prospectus, Prospectus and the most recent annual and half-yearly reports may be inspected free of charge during normal business hours at the offices of the ACD. Copies of the above documents may be obtained upon application to the ACD. The ACD may make a charge at its discretion for copies of documents (apart from the most recent versions of the Prospectus and annual and half yearly long reports of the Company which are available free of charge to anyone who requests).

Shareholders who have complaints about the operation of the Company should contact the ACD in the first instance. If the complaint is not dealt with to the satisfaction of the shareholder, then they may make their complaint direct to the Financial Ombudsman Service at South Quay Plaza, 183 Marsh Wall, London E14 9SR.

Investments denominated in currencies other than the base currency are subject to fluctuations in exchange rates which can be favourable or unfavourable.

An investment in an investment company with variable capital such as the Company should be regarded as a longer term investment. Investors should be aware that the price of shares and the income from them can fall as well as rise and investors may not receive back the full amount invested. Past performance is not necessarily a guide to future performance. Investments denominated in currencies other than the base currency are subject to fluctuations in exchange rates which can be favourable or unfavourable.

The Funds are marketable to all eligible investors provided they can meet the minimum subscription levels.

If the assets of one Fund are insufficient to meet the liabilities attributable to it, the ACD may re-allocate such liabilities between the Funds then in existence in a manner which is fair to shareholders generally. This re-allocation will normally be performed on the basis of the Funds' respective Net Asset Values.

### **Data Protection Act**

The ACD will use, analyse and assess information held about shareholders in servicing its relationship with them. The ACD may also exchange similar information with the Investment Managers in order for them to send periodic information to you. If you do not wish to receive this information, please tick the 'Opt out box' on the application form provided with the Simplified Prospectus.

### **Overseas Transfers**

The ACD may transfer your personal information to countries located outside of the European Economic Area (the "EEA").

This may happen when the ACD's servers, suppliers and / or service providers are based outside of the EEA. The data protection laws and other laws of these countries may not be as comprehensive as those that apply within the EEA. In these instances the ACD will take steps

to ensure that your privacy rights are respected. Details relevant to you may be provided upon request.

### **Electronic Verification**

The Money Laundering Regulations 2007, The Proceeds of Crime Act 2002, The FSA Senior Management Arrangements Systems & Controls Sourcebook and Joint Money Laundering Steering Group guidance notes (which are updated from time to time) state that the ACD must check your identity and the source of the money invested. The checks may include an electronic search of information held about you on the electoral roll and using credit reference agencies. The credit reference agency may check the details you supply against any particulars on any database (public or otherwise) to which they have access and may retain a record of that information although this is only to verify your identity and will not affect your credit rating. They may also use your details in the future to assist other companies for verification purposes. If you apply for shares you are giving the ACD permission to ask for this information in line with the Data Protection Act 1998. If you invest through a financial adviser they must fill an identity verification certificate on your behalf and send it to the ACD with your application.

### **Client Money**

Moneys received by the ACD the form of cheques or other remittances in respect of applications for shares which are not accepted or rejected by the following dealing day are, pending acceptance or rejection, paid into a client money account maintained by the ACD with The Royal Bank of Scotland plc. No interest is payable by the ACD on moneys credited to this account.

**Past Performance** - Past performance figures can be obtained from the ACD.

	2006 % Growth	2007 % Growth	2008 % Growth	2009 % Growth	2010 % Growth
Melchior Japan Opportunities GBP A	-28.12	-18.81	-32.42	-0.82	26.11
Melchior Japan Opportunities JPY A	-17.21	-21.74	-60.57	12.97	6.37
Melchior Japan Opportunities USD A	-18.18	-16.97	-51.04	5.38	20.88
Melchior Japan Opportunities EUR A	-26.47	-25.82	-48.93	8.26	30.25
Topix TR	3.02	-11.11	-40.62	7.62	0.96
Melchior North American Opportunities USD A	15.07	7.08	-44.89	34.46	22.69
Melchior North American Opportunities GBP A	1.06	4.69	-23.93	20.84	27.90
S&P 500 TR	15.79	5.49	-37	26.46	15.06
Melchior Asian Opportunities EUR A	26.27	19.68	-64.08	88.9	21.98
Melchior Asian Opportunities GBP A	23.38	30.82	-52.62	74.32	18.06
Melchior Asian Opportunities USD A	40.54	33.8	-65.68	93.64	13.17
MSCI AC Far East ex Japan TR LC	26.85	35.91	-46.44	64.57	15.50
Melchior UK Opportunities GBP A	-	-3.21	-49.75	44.43	14.98
FTSE All Share TR		5.32	-29.93	30.12	14.51

Melchior Japan Advantage GBP A Acc	-	-	7.28	-2.5	20.01
Melchior Japan Advantage JPY B Acc	-	-	-37.8	11.24	1.70
Topix TR	3.02	-11.11	-40.62	7.62	0.96

Melchior Global Equity Fund *	-	-	-	-	-
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\* figures are not yet available for this fund, it was only launched in July 2010.

Past performance is not necessarily a guide to future performance. The value of investments and the income from them is not guaranteed and can go down as well as up. Investors may not get back the full amount invested

Fund	Cumulative Performance (2005 - 2010)	Fund	Cumulative Performance (2005 - 2010)
Melchior Japan Opps A GBP	-54.91%	Melchior North American A USD	34.47%
Melchior Japan Opps A JPY	-80.85%	Melchior North American A GBP	30.15%
Melchior Japan Opps A USD	-60.68%	S & P 500 TR	24.82%
Topix TR	-41.12%		

Fund	Cumulative Performance (2006 - 2010)	Fund	Cumulative Performance (2007 - 2010)
Melchior Japan Opps A EUR	-63.70%	Melchior UK Opportunities GBP A	5.45%
Topix TR	-41.12%	FTSE All Share TR	35.77%

Fund	Cumulative Performance (2006 - 2010)
Melchior Asian Opportunities EUR A	91.18%
Melchior Asian Opportunities GBP A	92.49%
Melchior Asian Opportunities USD A	113.89%
MSCI AC Far East ex Japan TR LC	95.40%

Fund	Cumulative Performance (2008 - 2010)
Melchior Japan Advantage GBP A	23.82%
Melchior Japan Advantage JPY B	-25.96%
Topix TR	-41.12%

## **Appendix 1**

### **Investment and borrowing powers**

#### **1. General**

The Scheme Property will be invested with the aim of achieving the investment objective of the Funds but subject to the limits set out in the relevant Funds' investment policy and the limits set out in Chapter 5 of the COLL Sourcebook ("COLL 5") and this Prospectus.

From time to time and in particular during periods of uncertain or volatile markets, the Investment Manager may choose to hold a substantial proportion of the property of the Company in money-market instruments and/or cash deposits.

#### **1.1 Prudent spread of risk**

The ACD must ensure that, taking account of the investment objective and policy of each Fund, the Scheme Property aims to provide a prudent spread of risk.

#### **1.2 Cover**

1.2.1 Where the COLL Sourcebook allows a transaction to be entered into or an investment to be retained only (for example, investment in nil and partly paid securities and the general power to accept or underwrite) if possible obligations arising out of the investment transactions or out of the retention would not cause any breach of any limits in COLL 5, it must be assumed that the maximum possible liability of the Company under any other of those rules has also to be provided for.

1.2.2 Where the COLL Sourcebook permits an investment transaction to be entered into or an investment to be retained only if that investment transaction, or the retention, or other similar transactions, are covered:

1.2.2.1 it must be assumed that in applying any of those rules, the Company must also simultaneously satisfy any other obligation relating to cover; and

1.2.2.2 no element of cover must be used more than once.

#### **2. UCITS Schemes - general**

2.1 Subject to the investment objective and policy of the Funds, the Scheme Property must, except where otherwise provided in COLL 5, only consist of any or all of:

2.1.1 transferable securities;

2.1.2 approved money-market instruments;

2.1.3 permitted units in collective investments schemes;

2.1.4 permitted derivatives and forward transactions; and

2.1.5 permitted deposits.

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

### 3. **Transferable Securities**

3.1 A transferable security is an investment falling within article 76 (Shares etc), article 77 (Instruments creating or acknowledging indebtedness), article 78 (Government and public securities), article 79 (Instruments giving entitlement to investments) and article 80 (Certificates representing certain securities) of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (the "Regulated Activities Order").

3.2 An investment is not a transferable security if the title to it cannot be transferred, or can be transferred only with the consent of a third party.

3.3 In applying paragraph 3.2 of this Appendix to an investment which is issued by a body corporate, and which is an investment falling within articles 76 (Shares, etc) or 77 (Instruments creating or acknowledging indebtedness) of the Regulated Activities Order, the need for any consent on the part of the body corporate or any members or debenture holders of it may be ignored.

3.4 An investment is not a transferable security unless the liability of the holder of it to contribute to the debts of the issuer is limited to any amount for the time being unpaid by the holder of it in respect of the investment.

3.5 The Company may invest in a transferable security only to the extent that the transferable security fulfils the following criteria:

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

3.5.2 its liquidity does not compromise the ability of the ACD to comply with its obligation to redeem Shares at the request of any qualifying Shareholder under the FSA Handbook;

3.5.3 reliable valuation is available for it as follows:

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

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

3.5.4 appropriate information is available for it as follows:

3.5.4.1 in the case of a transferable security admitted to or dealt in on an eligible market, where there is regular, accurate and comprehensive information available to the market on the transferable security or, where relevant, on the portfolio of the transferable security;

3.5.4.2 in the case of a transferable security not admitted to or dealt in on an eligible market, where there is regular and

- accurate information available to the ACD on the transferable security or, where relevant, on the portfolio of the transferable security;
- 3.5.5 it is negotiable; and
  - 3.5.6 its risks are adequately captured by the risk management process of the ACD.
- 3.6 Unless there is information available to the ACD that would lead to a different determination, a transferable security which is admitted to or dealt in on an eligible market shall be presumed:
- 3.6.1 not to compromise the ability of the ACD to comply with its obligation to redeem Shares at the request of any qualifying Shareholder; and
  - 3.6.2 to be negotiable.
- 3.7 Up to 100% in value of the scheme property of the Funds may consist of warrants (although the Melchior Japan Opportunities Fund, Melchior Asian Opportunities Fund, Melchior UK Opportunities Fund and Melchior Global Equity Fund may only invest up to 5%). **As the Melchior North American Opportunities Fund is not restricted to investing less than 5% of their assets in warrants then their net asset value may, at times, be highly volatile.**
4. **Closed end funds constituting transferable securities**
- 4.1 A unit or a share in a closed end fund shall be taken to be a transferable security for the purposes of investment by the Company, provided it fulfils the criteria for transferable securities set out in paragraph 3.5 and either:
- 4.1.1 where the closed end fund is constituted as an investment company or a unit trust:
    - 4.1.1.1 it is subject to corporate governance mechanisms applied to companies; and
    - 4.1.1.2 where another person carries out asset management activity on its behalf, that person is subject to national regulation for the purpose of investor protection; or
  - 4.1.2 where the closed end fund is constituted under the law of contract:
    - 4.1.2.1 it is subject to corporate governance mechanisms equivalent to those applied to companies; and
    - 4.1.2.2 it is managed by a person who is subject to national regulation for the purpose of investor protection.
5. **Transferable securities linked to other assets**
- 5.1 The Company may invest in any other investment which shall be taken to be a transferable security for the purposes of investment by the Company provided the investment:
- 5.1.1 fulfils the criteria for transferable securities set out in 3.5 above; and

- 5.1.2 is backed by or linked to the performance of other assets, which may differ from those in which the Company can invest.
- 5.2 Where an investment in 5.1 contains an embedded derivative component, the requirements of this section with respect to derivatives and forwards will apply to that component.
- 6. **Approved Money-Market Instruments**
- 6.1 An approved money-market instrument is a money-market instrument which is normally dealt in on the money-market, is liquid and has a value which can be accurately determined at any time.
- 6.2 A money-market instrument shall be regarded as normally dealt in on the money-market if it:
  - 6.2.1 has a maturity at issuance of up to and including 397 days;
  - 6.2.2 has a residual maturity of up to and including 397 days;
  - 6.2.3 undergoes regular yield adjustments in line with money-market conditions at least every 397 days; or
  - 6.2.4 has a risk profile, including credit and interest rate risks, corresponding to that of an instrument which has a maturity as set out in 6.2.1 or 6.2.2 or is subject to yield adjustments as set out in 6.2.3.
- 6.3 A money-market instrument shall be regarded as liquid if it can be sold at limited cost in an adequately short time frame, taking into account the obligation of the ACD to redeem Shares at the request of any qualifying Shareholder.
- 6.4 A money-market instrument shall be regarded as having a value which can be accurately determined at any time if accurate and reliable valuations systems, which fulfil the following criteria, are available:
  - 6.4.1 enabling the ACD to calculate a net asset value in accordance with the value at which the instrument held in the Scheme Property could be exchanged between knowledgeable willing parties in an arm's length transaction; and
  - 6.4.2 based either on market data or on valuation models including systems based on amortised costs.
- 6.5 A money-market instrument that is normally dealt in on the money-market and is admitted to or dealt in on an eligible market shall be presumed to be liquid and have a value which can be accurately determined at any time unless there is information available to the ACD that would lead to a different determination.
- 7. **Transferable securities and money-market instruments generally to be admitted or dealt in on an Eligible Market**
- 7.1 Transferable securities and approved money-market instruments held within the Company must be:
  - 7.1.1 admitted to or dealt in on an eligible market as described in 8.3.1; or

- 7.1.2 dealt in on an eligible market as described in 8.3.2; or
- 7.1.3 admitted to or dealt in on an eligible market as described in 8.4; or
- 7.1.4 for an approved money-market instrument not admitted to or dealt in on an eligible market, within 9.1; or
- 7.1.5 recently issued transferable securities provided that:
  - 7.1.5.1 the terms of issue include an undertaking that application will be made to be admitted to an eligible market; and
  - 7.1.5.2 such admission is secured within a year of issue.
- 7.2 However, the Company may invest no more than 10% of the Scheme Property in transferable securities and approved money-market instruments other than those referred to in 7.1.

## 8. **Eligible markets regime: purpose and requirements**

- 8.1 To protect Shareholders the markets on which investments of the Company are dealt in or traded on should be of an adequate quality ("eligible") at the time of acquisition of the investment and until it is sold.
- 8.2 Where a market ceases to be eligible, investments on that market cease to be approved securities. The 10% restriction in 7.2 above on investing in non approved securities applies and exceeding this limit because a market ceases to be eligible will generally be regarded as an inadvertent breach.
- 8.3 A market is eligible for the purposes of the rules if it is:
  - 8.3.1 a regulated market as defined in the FSA Handbook; or
  - 8.3.2 a market in an EEA State which is regulated, operates regularly and is open to the public.
- 8.4 A market not falling within paragraph 8.3 of this Appendix is eligible for the purposes of COLL 5 if:
  - 8.4.1 the ACD, after consultation with and notification to the Depositary, decides that market is appropriate for investment of, or dealing in, the Scheme Property;
  - 8.4.2 the market is included in a list in the prospectus; and
  - 8.4.3 the Depositary has taken reasonable care to determine that:
    - 8.4.3.1 adequate custody arrangements can be provided for the investment dealt in on that market; and
    - 8.4.3.2 all reasonable steps have been taken by the ACD in deciding whether that market is eligible.
- 8.5 In paragraph 8.4.1, a market must not be considered appropriate unless it is regulated, operates regularly, is recognised by an overseas regulator, is open to the public, is adequately liquid and has adequate arrangements for unimpeded transmission of income and capital to or for the order of Shareholders.

8.6 The Eligible Markets for the Company are set out in Appendix 2.

9. **Money-market instruments with a regulated issuer**

9.1 In addition to instruments admitted to or dealt in on an eligible market, the Company may invest in an approved money-market instrument provided it fulfils the following requirements:

9.1.1 the issue or the issuer is regulated for the purpose of protecting Shareholders and savings; and

9.1.2 the instrument is issued or guaranteed in accordance with paragraph 10 (Issuers and guarantors of money-market instruments) below.

9.2 The issue or the issuer of a money-market instrument, other than one dealt in on an eligible market, shall be regarded as regulated for the purpose of protecting Shareholders and savings if:

9.2.1 the instrument is an approved money-market instrument;

9.2.2 appropriate information is available for the instrument (including information which allows an appropriate assessment of the credit risks related to investment in it), in accordance with paragraph 11 (Appropriate information for money-market instruments) below; and

9.2.3 the instrument is freely transferable.

10. **Issuers and guarantors of money-market instruments**

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

10.1.1 issued or guaranteed by any one of the following:

10.1.1.1 a central authority of an EEA State or, if the EEA State is a federal state, one of the members making up the federation;

10.1.1.2 a regional or local authority of an EEA State;

10.1.1.3 the European Central Bank or a central bank of an EEA State;

10.1.1.4 the European Union or the European Investment Bank;

10.1.1.5 a non-EEA State or, in the case of a federal state, one of the members making up the federation;

10.1.1.6 a public international body to which one or more EEA States belong; or

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

10.1.3 issued or guaranteed by an establishment which is:

- 10.1.3.1 subject to prudential supervision in accordance with criteria defined by European Community law; or
  - 10.1.3.2 subject to and complies with prudential rules considered by the FSA to be at least as stringent as those laid down by European Community law.
- 10.2 An establishment shall be considered to satisfy the requirement in 10.1.3.2 if it is subject to and complies with prudential rules, and fulfils one or more of the following criteria:
- 10.2.1 it is located in the European Economic Area;
  - 10.2.2 it is located in an OECD country belonging to the Group of Ten;
  - 10.2.3 it has at least investment grade rating;
  - 10.2.4 on the basis of an in-depth analysis of the issuer, it can be demonstrated that the prudential rules applicable to that issuer are at least as stringent as those laid down by European Community law.

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

- 11.1 In the case of an approved money-market instrument within 10.1.2 or issued by a body of the type referred to in COLL 5.2.10EG, or which is issued by an authority within 10.1.1.2 or a public international body within 10.1.1.6 but is not guaranteed by a central authority within 10.1.1.1, the following information must be available:
- 11.1.1 information on both the issue or the issuance programme, and the legal and financial situation of the issuer prior to the issue of the instrument, verified by appropriately qualified third parties not subject to instructions from the issuer;
  - 11.1.2 updates of that information on a regular basis and whenever a significant event occurs; and
  - 11.1.3 available and reliable statistics on the issue or the issuance programme.
- 11.2 In the case of an approved money-market instrument issued or guaranteed by an establishment within 10.1.3, the following information must be available:
- 11.2.1 information on the issue or the issuance programme or on the legal and financial situation of the issuer prior to the issue of the instrument;
  - 11.2.2 updates of that information on a regular basis and whenever a significant event occurs; and
  - 11.2.3 available and reliable statistics on the issue or the issuance programme, or other data enabling an appropriate assessment of the credit risks related to investment in those instruments.
- 11.3 In the case of an approved money-market instrument:
- 11.3.1 within 10.1.1.1, 10.1.1.4 or 10.1.1.5; or

- 11.3.2 which is issued by an authority within 10.1.1.2 or a public international body within 10.1.1.6 and is guaranteed by a central authority within 10.1.1.1;

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

**12. Spread: general**

- 12.1 This rule on spread does not apply to government and public securities.
- 12.2 For the purposes of this requirement companies included in the same group for the purposes of consolidated accounts as defined in accordance with Directive 83/349/EEC or in the same group in accordance with international accounting standards are regarded as a single body.
- 12.3 Not more than 20% in the value of the Scheme Property is to consist of deposits with a single body.
- 12.4 Not more than 5% in value of the Scheme Property is to consist of transferable securities or approved money-market instruments issued by any single body, except that the limit of 5% is raised to 10% in respect of up to 40% in value of the Scheme Property (covered bonds need not be taken into account for the purposes of applying the limit of 40%). For these purposes certificates representing certain securities are treated as equivalent to the underlying security.
- 12.5 The limit of 5% is raised to 25% in value of the Scheme Property in respect of covered bonds provided that when the Company invests more than 5% in covered bonds issued by a single body, the total value of covered bonds held must not exceed 80% in value of the Scheme Property. The Company does not currently invest in covered bonds.
- 12.6 The exposure to any one counterparty in an OTC derivative transaction must not exceed 5% in value of the Scheme Property. This limit is raised to 10% where the counterparty is an Approved Bank (as defined in the FSA Handbook).
- 12.7 Not more than 20% in value of the Scheme Property is to consist of transferable securities and approved money-market instruments issued by the same group.
- 12.8 Not more than 20% in value of the Scheme Property is to consist of the units of any one collective investment scheme.
- 12.9 The COLL Sourcebook provides that in applying the limits in 12.3, 12.4 and 12.6 and subject to 12.5, not more than 20% in value of the Scheme Property is to consist of any combination of two or more of the following:
- 12.9.1 transferable securities (including covered bonds) or approved money-market instruments issued by; or
  - 12.9.2 deposits made with; or
  - 12.9.3 exposures from OTC derivatives transactions made with
- a single body.
- 12.10 The ACD must ensure that counterparty risk arising from an OTC derivative transaction is subject to the limits set out in paragraphs 12.6 and 12.9 above.

- 12.11 When calculating the exposure of the Company to a counterparty in accordance with the limits in set out in paragraph 12.6, the ACD must use the positive mark-to-market value of the OTC derivative contract with that counterparty.
- 12.12 The ACD may net the OTC derivative positions of the Company with the same counterparty, provided:
- 12.12.1 it is able legally to enforce netting agreements with the counterparty on behalf of the Company; and
  - 12.12.2 the netting agreements in 12.12.1 do not apply to any other exposures the Company may have with that same counterparty.
- 12.13 The ACD may reduce the exposure of the scheme property to a counterparty to an OTC derivative transaction through the receipt of collateral. Collateral received must be sufficiently liquid so that it can be sold quickly at a price that is close to its pre-sale valuation.
- 12.14 The ACD must take collateral into account in calculating exposure to counterparty risk in accordance with the limits set out in paragraph 12.6 when it passes collateral to the counterparty to an OTC derivative transaction on behalf of the Company.
- 12.15 Collateral passed in accordance with paragraph 12.14 may be taken into account on a net basis only if the authorised fund manager is able legally to enforce netting arrangements with this counterparty on behalf of the Company.
- 12.16 The ACD must calculate the issuer concentration limits referred to in the paragraphs above on the basis of the underlying exposure created through the use of OTC derivatives in accordance with the commitment approach.
- 12.17 In relation to exposures arising from OTC derivative transactions, as referred to paragraph 12.9, the ACD must include in the calculation any counterparty risk relating to the OTC derivative transactions.

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

- 13.1 The following section applies to government and public securities ("such securities").
- 13.2 Where no more than 35% in value of the Scheme Property is invested in such securities issued by any one body, there is no limit on the amount which may be invested in such securities or in any one issue.
- 13.3 The Company may invest more than 35% in value of the Scheme Property in such securities issued by any one body provided that:
- 13.3.1 the ACD has before any such investment is made consulted with the Depositary and as a result considers that the issuer of such securities is one which is appropriate in accordance with the investment objective of the Company;
  - 13.3.2 no more than 30% in value of the Scheme Property consists of such securities of any one issue;
  - 13.3.3 the Scheme Property includes such securities issued by that or another issuer, of at least six different issues;
  - 13.3.4 the disclosures required by the FSA have been made.

13.4 In giving effect to the foregoing object more than 35% of the Scheme Property may be invested in Government and other public securities issued or guaranteed by the Government of the United Kingdom, or Northern Ireland, or a member State other than the United Kingdom, the Scottish Administration, the Executive Committee of the Northern Ireland Assembly or the National Assembly of Wales, the Governments of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and the Governments of Australia, Canada, Japan, New Zealand, Switzerland or the United States of America, and securities issued by the European Investment Bank.

13.5 Notwithstanding 12.1 and subject to 13.2 and 13.3 above, in applying the 20% limit in paragraph 12.9 with respect to a single body, government and public securities issued by that body shall be taken into account.

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

14.1 Up to 10% of the value of the Scheme Property may be invested in units or shares in other collective investment schemes ("Second Scheme") provided the Second Scheme satisfies all of the following conditions and provided that no more than 30% in value of the Scheme Property is invested in Second Schemes within 14.1.1.2-14.1.1.4 below.

14.1.1 The Second Scheme must:

14.1.1.1 satisfy the conditions necessary for it to enjoy the rights conferred by the UCITS Directive; or

14.1.1.2 be recognised under the provisions of s.270 of the Financial Services and Markets Act 2000; or

14.1.1.3 be authorised as a non-UCITS retail scheme (provided the requirements of Article 50(1)(e) of the UCITS Directive are met);

14.1.1.4 be authorised in another EEA State provided the requirements of Article 50(1)(e) of the UCITS Directive are met; or

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

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

(b) approved the Second Scheme's management company, rules and depositary/custody arrangements;

(provided the requirements of article 50(1)(e) of the UCITS Directive are met).

14.1.2 The Second Scheme must have terms which prohibit more than 10% in value of the scheme property consisting of units in collective investment schemes. Where the Second Scheme is an umbrella, the provisions in this paragraph 14.1.2, paragraph 14.1.3 and paragraph 12 (Spread: General) apply to each sub fund as if it were a separate scheme.

- 14.1.3 Investment may only be made in other collective investment schemes managed by the ACD or an associate of the ACD if the Prospectus clearly states that the Company may enter into such investments and the rules on double charging contained in the COLL Sourcebook are complied with.
- 14.2 The Company may, subject to the limits set out in 14.1 above, invest in collective investment schemes managed or operated by, or whose authorised corporate director is, the ACD or one of its associates.
- 14.3 If a substantial proportion of the Company's assets are invested in other collective investment schemes, the maximum level of management fees that may be charged by an investee collective investment scheme to the Company will be 6%.
- 14.4 Funds in the Company are not permitted to invest in other Funds of the Company.
15. **Investment in nil and partly paid securities**
- A transferable security or an approved money-market instrument on which any sum is unpaid falls within a power of investment only if it is reasonably foreseeable that the amount of any existing and potential call for any sum unpaid could be paid by the Company, at the time when payment is required, without contravening the rules in COLL 5.
16. **Derivatives: general**
- The Investment Manager may employ derivatives in pursuit of the Investment Objective of a Fund, but solely for the purpose of hedging, with the aim of reducing the risk profile of the Fund, using efficient portfolio management techniques.**
- The Company may use its property to enter into derivatives transactions for the purposes of risk management through hedging. Approved transactions (excluding stock lending transactions) are transactions in derivatives (i.e. options, futures or contracts for differences) dealt in or traded on approved derivative markets, forward transactions in currencies, off-exchange options or contracts for differences resembling options; or synthetic futures in certain circumstances.**
- Use of derivatives will not contravene any relevant investment objectives nor compromise the risk profile of the Funds.**
- 16.1 A transaction in derivatives or a forward transaction must not be effected for the Company unless the transaction is of a kind specified in paragraph 18 (Permitted transactions (derivatives and forwards)) below, and the transaction is covered, as required by paragraph 28 (Cover for transactions in derivatives and forward transactions) of this Appendix.
- 16.2 Where the Company invests in derivatives, the exposure to the underlying assets must not exceed the limits set out in the COLL Sourcebook in relation to COLL 5.2.11R (Spread: general) and COLL 5.2.12R (Spread: government and public securities) except for index based derivatives where the rules below apply.
- 16.3 Where a transferable security or approved money-market instrument embeds a derivative, this must be taken into account for the purposes of complying with this section.
- 16.4 A transferable security or an approved money-market instrument will embed a

derivative if it contains a component which fulfils the following criteria:

- 16.4.1 by virtue of that component some or all of the cash flows that otherwise would be required by the transferable security or approved money-market instrument which functions as host contract can be modified according to a specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, and therefore vary in a way similar to a stand-alone derivative;
  - 16.4.2 its economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract; and
  - 16.4.3 it has a significant impact on the risk profile and pricing of the transferable security or approved money-market instrument.
- 16.5 A transferable security or an approved money-market instrument does not embed a derivative where it contains a component which is contractually transferable independently of the transferable security or the approved money-market instrument. That component shall be deemed to be a separate instrument.
- 16.6 Where the Company invests in an index based derivative, provided the relevant index falls within paragraph 19 (Financial Indices underlying derivatives), the underlying constituents of the index do not have to be taken into account for the purposes of COLL 5.2.11R and COLL 5.2.12R.

## 17. **Efficient Portfolio Management**

- 17.1 The Company may utilise the Scheme Property to enter into transactions for the purposes of Efficient Portfolio Management ("EPM"). Permitted EPM transactions (excluding stock lending arrangements) are transactions in derivatives e.g. to hedge against price or currency fluctuations, dealt with or traded on an eligible derivatives market; off-exchange options or contracts for differences resembling options; or synthetic futures in certain circumstances. The ACD must take reasonable care to ensure that the transaction is economically appropriate to the reduction of the relevant risks (whether in the price of investments, interest rates or exchange rates) or to the reduction of the relevant costs and/or to the generation of additional capital or income for the Company with a risk level which is consistent with the risk profile of the Company and the risk diversification rules laid down in COLL. The exposure must be fully "covered" by cash and/or other property sufficient to meet any obligation to pay or deliver that could arise.
- 17.2 Efficient portfolio management techniques may involve options, futures or contracts for differences or forward transactions in accordance with the FSA Regulations. There is no limit on the amount of the property of a scheme which may be used for these purposes, but there are various requirements which must be satisfied. The specific aims of efficient portfolio management are:
- 17.2.1 the reduction of risk - to hedge against either price or currency fluctuation to avoid volatility in the market and limit the down side of the risk;
  - 17.2.2 the reduction of cost; and

- 17.2.3 the generation of additional capital or income for the scheme with a risk level which is consistent with the risk profile of the scheme and the risk diversification rules laid down in the FSA Regulations.
- 17.3 The transactions must be economically appropriate in that they are realised in a cost effective way and any exposure must be fully covered by cash or other property sufficient to meet any obligation to pay or deliver that could arise.
- 18. **Permitted transactions (derivatives and forwards)**
  - 18.1 A transaction in a derivative must be in an approved derivative; or be one which complies with paragraph 22 (OTC transactions in derivatives).
  - 18.2 A transaction in a derivative must have the underlying consisting of any one or more of the following to which the Company is dedicated:
    - 18.2.1 transferable securities;
    - 18.2.2 approved money-market instruments permitted under paragraphs 7.1.1 to 7.1.4;
    - 18.2.3 deposits and permitted derivatives under this paragraph;
    - 18.2.4 collective investment scheme units permitted under paragraph 14 (Investment in collective investment schemes);
    - 18.2.5 financial indices which satisfy the criteria set out in paragraph 19 (Financial indices underlying derivatives);
    - 18.2.6 interest rates;
    - 18.2.7 foreign exchange rates; and
    - 18.2.8 currencies.
  - 18.3 A transaction in an approved derivative must be effected on or under the rules of an eligible derivatives market.
  - 18.4 A transaction in a derivative must not cause the Company to diverge from its investment objective as stated in the Instrument of Incorporation and the most recently published version of this Prospectus.
  - 18.5 A transaction in a derivative must not be entered into if the intended effect is to create the potential for an uncovered sale of one or more, transferable securities, approved money-market instruments, units in collective investment schemes, or derivatives, provided that a sale is not to be considered as uncovered if the conditions in paragraph **Error! Reference source not found.** are satisfied.
  - 18.6 Any forward transaction must be with an Eligible Institution or an Approved Bank.
  - 18.7 A derivative includes an investment which fulfils the following criteria:
    - 18.7.1 it allows transfer of the credit risk of the underlying independently from the other risks associated with that underlying;

- 18.7.2 it does not result in the delivery or the transfer of assets other than those referred to in COLL 5.2.6AR, including cash;
  - 18.7.3 in the case of an OTC derivative, it complies with the requirements in paragraph 22; and
  - 18.7.4 its risks are adequately captured by the risk management process of the ACD and by its internal control mechanisms in the case of risk asymmetry of information between the ACD and the counterparty to the derivative resulting from the potential access of the counterparty to non-public information on persons whose assets are used as the underlying by that derivative.
- 18.8 The Company may not undertake transactions in derivatives on commodities.
19. **Financial Indices underlying derivatives**
- 19.1 The financial indices referred to in 18.2 are those which satisfy the following criteria:
- 19.1.1 the index is sufficiently diversified;
  - 19.1.2 the index represents an adequate benchmark for the market to which it refers; and
  - 19.1.3 the index is published in an appropriate manner.
- 19.2 A financial index is sufficiently diversified if:
- 19.2.1 it is composed in such a way that price movements or trading activities regarding one component do not unduly influence the performance of the whole index;
  - 19.2.2 where it is composed of assets in which the Company is permitted to invest, its composition is at least diversified in accordance with the requirements with respect to spread and concentration set out in this section; and
  - 19.2.3 where it is composed of assets in which the Company cannot invest, it is diversified in a way which is equivalent to the diversification achieved by the requirements with respect to spread and concentration set out in this section.
- 19.3 A financial index represents an adequate benchmark for the market to which it refers if:
- 19.3.1 it measures the performance of a representative group of underlyings in a relevant and appropriate way;
  - 19.3.2 it is revised or rebalanced periodically to ensure that it continues to reflect the markets to which it refers, following criteria which are publicly available; and
  - 19.3.3 the underlyings are sufficiently liquid, allowing users to replicate it if necessary.
- 19.4 A financial index is published in an appropriate manner if:

- 19.4.1 its publication process relies on sound procedures to collect prices, and calculate and subsequently publish the index value, including pricing procedures for components where a market price is not available; and
  - 19.4.2 material information on matters such as index calculation, rebalancing methodologies, index changes or any operational difficulties in providing timely or accurate information is provided on a wide and timely basis.
- 19.5 Where the composition of underlyings of a transaction in a derivative does not satisfy the requirements for a financial index, the underlyings for that transaction shall where they satisfy the requirements with respect to other underlyings pursuant to 18.2, be regarded as a combination of those underlyings.

**20. Transactions for the purchase of property**

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

**21. Requirement to cover sales**

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

**22. OTC transactions in derivatives**

- 22.1 Any transaction in an OTC derivative under paragraph 18.1 must be:
  - 22.1.1 in a future or an option or a contract for differences;
  - 22.1.2 with an approved counterparty; a counterparty to a transaction in derivatives is approved only if the counterparty is an Eligible Institution or an Approved Bank; or a person whose permission (including any requirements or limitations), as published in the FSA Register or whose Home State authorisation, permits it to enter into the transaction as principal off-exchange;
  - 22.1.3 on approved terms; the terms of the transaction in derivatives are approved only if, the ACD: carries out, at least daily, a reliable and verifiable valuation in respect of that transaction corresponding to its fair value and which does not rely only on market quotations by the counterparty; and can enter into one or more further transactions to sell, liquidate or close out that transaction at any time, at its fair value; and
  - 22.1.4 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:

22.1.4.1 on the basis of an up-to-date market value which the ACD and the Depositary have agreed is reliable; or

22.1.4.2

if the value referred to in 22.1.4.1 is not available, on the basis of a pricing model which the ACD and the Depositary have agreed uses an adequate recognised methodology; and

22.1.5 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:

22.1.5.1 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

22.1.5.2 a department within the ACD which is independent from the department in charge of managing the Company and which is adequately equipped for such a purpose.

22.2 The ACD must:

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

22.2.2 ensure that the fair value of OTC derivatives is subject to adequate, accurate and independent assessment.

22.3 For the purposes of paragraph 22.1.3 and 22.2, "fair value" is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

22.4 Where the arrangements and procedures referred to in paragraph 22.3 involve the performance of certain activities by third parties, the ACD must comply with the requirements of SYSC 8.1.13R (Additional requirements for a management company) and COLL 6.6A4R (4) to (6) (due diligence requirements for AFMs of UCITS schemes);

22.5 The arrangements and procedures referred to in paragraphs 22.3 to 22.4 must be:

22.5.1.1 adequate and proportionate to the nature and complexity of the OTC derivative concerned; and

22.5.1.2 adequately documented.

## 23. Risk management

23.1 The ACD uses a risk management process, enabling it to monitor and measure as

frequently as appropriate the risk of the Company's positions and their contribution to the overall risk profile of the Company. Before using the process, the ACD will notify the FSA of the details of the risk management process.

23.2 The following details of the risk management process must be regularly notified by the ACD to the FSA and at least on an annual basis:

23.2.1 a true and fair view of the types of derivatives and forward transactions to be used within the Company together with their underlying risks and any relevant quantitative limits; and

23.2.2 the methods for estimating risks in derivative and forward transactions.

#### 24. **Investment in deposits**

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

#### 25. **Significant influence**

25.1 The Company must not acquire transferable securities issued by a body corporate and carrying rights to vote (whether or not on substantially all matters) at a general meeting of that body corporate if:

25.1.1 immediately before the acquisition, the aggregate of any such securities held by the Company gives the Company power significantly to influence the conduct of business of that body corporate; or

25.1.2 the acquisition gives the Company that power.

25.2 For the purposes of paragraph 25.1, the Company is to be taken to have power significantly to influence the conduct of business of a body corporate if it can, because of the transferable securities held by it, exercise or control the exercise of 20% or more of the voting rights in that body corporate (disregarding for this purpose any temporary suspension of voting rights in respect of the transferable securities of that body corporate).

#### 26. **Concentration**

The Company:

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

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

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

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

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

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

26.5 need not comply with the limits in paragraphs 26.2, 26.3 and 26.4 of this Appendix if, at the time of the acquisition, the net amount in issue of the relevant investment cannot be calculated.

**27. Derivative exposure**

27.1 The Company may invest in derivatives and forward transactions as long as the exposure to which the Company is committed by that transaction itself is suitably covered from within the Scheme Property. Exposure will include any initial outlay in respect of that transaction.

27.2 Cover ensures that the Company is not exposed to the risk of loss of property, including money, to an extent greater than the net value of the Scheme Property. Therefore, the Company must hold Scheme Property sufficient in value or amount to match the exposure arising from a derivative obligation to which the Company is committed. Paragraph 28 (Cover for transactions in derivatives and forward transactions) below sets out detailed requirements for cover of the Company.

27.3 A future is to be regarded as an obligation to which the Company is committed (in that, unless closed out, the future will require something to be delivered, or accepted and paid for); a written option as an obligation to which the Company is committed (in that it gives the right of potential exercise to another thereby creating exposure); and a bought option as a right (in that the purchaser can, but need not, exercise the right to require the writer to deliver and accept and pay for something).

27.4 Cover used in respect of one transaction in derivatives or forward transaction must not be used for cover in respect of another transaction in derivatives or a forward transaction.

**28. Cover for transactions in derivatives and forward transactions**

28.1 The Company may invest in derivatives and forward transactions as part of its investment policy provided:

28.1.1.1 its global exposure relating to derivatives and forward transactions held in the Company does not exceed the net value of the scheme property; and

28.1.1.2 its global exposure to the underlying assets does not exceed in aggregate the investment limits laid down in paragraph 12 above.

28.2 The ACD must calculate the global exposure of the Company on at least a daily basis.

28.3 For the purposes of this section, exposure must be calculated taking into account the current value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the positions.

28.4 The ACD must calculate the global exposure of the Company either as:

28.4.1.1 the incremental exposure and leverage generated through the use of derivatives and forward transactions (including embedded derivatives as referred to in COLL 5.2.19(R)(3A), which may not exceed 100% of the net value of the scheme property of the Company by way of the commitment approach; or

- 28.4.1.2 the market risk of the scheme property of the Company by way of the value at risk approach.
- 28.5 The ACD must ensure that the method selected above is appropriate, taking into account:
  - 28.5.1.1 the investment strategy pursued by the Company;
  - 28.5.1.2 the types and complexities of the derivatives and forward transactions used; and
  - 28.5.1.3 the proportion of the scheme property comprising derivatives and forward transactions.
- 28.6 Where the Company employs techniques and instruments including repo contracts or stock lending transactions in order to generate additional leverage or exposure to market risk, the ACD must take those transactions into consideration when calculating global exposure.
- 28.7 For the purposes of this paragraph, value at risk means a measure of the maximum expected loss at a given confidence level over the specific time period.
- 29. **Cover and Borrowing**
- 29.1 Cash obtained from borrowing, and borrowing which the ACD reasonably regards an Eligible Institution or an Approved Bank to be committed to provide, is not available for cover under paragraph 28 (Cover for transactions in derivatives and forward transactions) except where 29.2 below applies.
- 29.2 Where, for the purposes of this paragraph the Company borrows an amount of currency from an Eligible Institution or an Approved Bank; and keeps an amount in another currency, at least equal to such borrowing for the time being in 29.1 on deposit with the lender (or his agent or nominee), then this paragraph 29.2 applies as if the borrowed currency, and not the deposited currency, were part of the Scheme Property.
- 30. **Cash and near cash**
- 30.1 Cash and near cash must not be retained in the Scheme Property except to the extent that, where this may reasonably be regarded as necessary in order to enable:
  - 30.1.1 the pursuit of the Company's investment objective; or
  - 30.1.2 redemption of Shares; or
  - 30.1.3 efficient management of the Company in accordance with its investment objective; or
  - 30.1.4 other purposes which may reasonably be regarded as ancillary to the investment objective of the Company.
- 31. **General**
- 31.1 It is envisaged that the Company will normally be fully invested but there may be times that it is appropriate not to be fully invested when the ACD reasonably regards this as necessary in pursuit of the investment objective and policy, redemption of Shares, efficient management of the Company or any one purpose which may reasonably be regarded as ancillary to the investment objective of the Company.

- 31.2 Where the Company invests in or disposes of units or shares in another collective investment scheme which is managed or operated by the ACD or an associate of the ACD, the ACD must pay to the Company by the close of business on the fourth business day the amount of any preliminary charge in respect of a purchase, and in the case of a sale, any charge made for the disposal.
- 31.3 A potential breach of any of these limits does not prevent the exercise of rights conferred by investments held by the Company but, in the event of a consequent breach, the ACD must then take such steps as are necessary to restore compliance with the investment limits as soon as practicable having regard to the interests of Shareholders.
- 31.4 The COLL Sourcebook permits the ACD to use certain techniques when investing in derivatives in order to manage the Company's exposure to particular counterparties and in relation to the use of collateral to reduce overall exposure with respect to over-the-counter ("OTC") derivatives; for example the Company may take collateral from counterparties with whom they have an OTC derivative position and use that collateral to net off against the exposure they have to the counterparty under that OTC derivative position, for the purposes of complying with counterparty spread limits. The COLL Sourcebook also permits the Company to use derivatives to effectively short sell (agree to deliver the relevant asset without holding it in the Company) under certain conditions.

## 32. **Underwriting**

- 32.1 Underwriting and sub underwriting contracts and placings may also, subject to certain conditions set out in the COLL Sourcebook, be entered into for the account of the Company.

## 33. **General power to borrow**

- 33.1 The Company or the ACD, on the instructions of the Company, may and subject to the COLL Sourcebook, borrow money from an Eligible Institution or an Approved Bank for the use of the Company on terms that the borrowing is to be repayable out of the Scheme Property.
- 33.2 Borrowing must be on a temporary basis, must not be persistent, and in any event must not exceed three months without the prior consent of the Depositary, which may be given only on such conditions as appear appropriate to the Depositary to ensure that the borrowing does not cease to be on a temporary basis.
- 33.3 The ACD must ensure that borrowing does not, on any business day, exceed 10% of the value of the Scheme Property.
- 33.4 These borrowing restrictions do not apply to "back to back" borrowing for currency hedging purposes (i.e. borrowing permitted in order to reduce or eliminate risk arising by reason of fluctuations in exchange rates).

## 34. **Restrictions on lending of money**

- 34.1 None of the money in the Scheme Property may be lent and, for the purposes of this paragraph, money is lent by the Company if it is paid to a person ("the payee") on the basis that it should be repaid, whether or not by the payee.
- 34.2 Acquiring a debenture is not lending for the purposes of paragraph 34.1, nor is the placing of money on deposit or in a current account.
- 34.3 Nothing in paragraph 34.1 prevents the Company from providing an officer of the Company with funds to meet expenditure to be incurred by him for the purposes of

the Company (or for the purposes of enabling him properly to perform his duties as an officer of the Company) or from doing anything to enable an officer to avoid incurring such expenditure.

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

- 35.1 Scheme Property other than money must not be lent by way of deposit or otherwise.
- 35.2 Transactions permitted by paragraph 38 (Stock lending) are not to be regarded as lending for the purposes of paragraph 35.1.
- 35.3 The Scheme Property must not be mortgaged.
- 35.4 Where transactions in derivatives or forward transactions are used for the account of the Company in accordance with COLL 5, nothing in this paragraph prevents a Sub-fund or the Depositary at the request of the Sub-fund: from lending, depositing, pledging or charging its Scheme Property for margin requirements; or transferring Scheme Property under the terms of an agreement in relation to margin requirements, provided that the ACD reasonably considers that both the agreement and the margin arrangements made under it (including in relation to the level of margin) provide appropriate protection to Shareholders.

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

- 36.1 Any power in COLL 5 to invest in transferable securities may be used for the purpose of entering into transactions to which this section applies, subject to compliance with any restriction in the Instrument of Incorporation. This section applies, to any agreement or understanding: which is an underwriting or sub-underwriting agreement, or which contemplates that securities will or may be issued or subscribed for or acquired for the account of the Company.
- 36.2 This ability does not apply to an option, or a purchase of a transferable security which confers a right to subscribe for or acquire a transferable security, or to convert one transferable security into another.
- 36.3 The exposure of the Company to agreements and understandings as set out above, on any business day be covered and be such that, if all possible obligations arising under them had immediately to be met in full, there would be no breach of any limit in the COLL Sourcebook.

**37. Guarantees and indemnities**

- 37.1 The Company or the Depositary for the account of the Company must not provide any guarantee or indemnity in respect of the obligation of any person.
- 37.2 None of the Scheme Property may be used to discharge any obligation arising under a guarantee or indemnity with respect to the obligation of any person.
- 37.3 Paragraphs 37.1 and 37.2 do not apply to in respect of the Company:
  - 37.3.1 any indemnity or guarantee given for margin requirements where the derivatives or forward transactions are being used in accordance with COLL 5; and
  - 37.3.2 an indemnity falling within the provisions of regulation 62(3) (Exemptions from liability to be void) of the OEIC Regulations;

- 37.3.3 an indemnity (other than any provision in it which is void under regulation 62 of the OEIC Regulations) given to the Depositary against any liability incurred by it as a consequence of the safekeeping of any of the Scheme Property by it or by anyone retained by it to assist it to perform its function of the safekeeping of the Scheme Property; and
- 37.3.4 an indemnity given to a person winding up a scheme if the indemnity is given for the purposes of arrangements by which the whole or part of the property of that scheme becomes the first property of the Company and the holders of units in that scheme become the first Shareholders in the Company.

### 38. **Stock lending**

- 38.1 The entry into stock lending transactions or repo contracts for the account of the Company is permitted for the generation of additional income for the benefit of the Company, and hence for its Shareholders.
- 38.2 The specific method of stock lending permitted in this section is in fact not a transaction which is a loan in the normal sense. Rather it is an arrangement of the kind described in section 263B of the Taxation of Chargeable Gains Act 1992, under which the lender transfers securities to the borrower otherwise than by way of sale and the borrower is to transfer those securities, or securities of the same type and amount, back to the lender at a later date. In accordance with good market practice, a separate transaction by way of transfer of assets is also involved for the purpose of providing collateral to the "lender" to cover him against the risk that the future transfer back of the securities may not be satisfactorily completed.
- 38.3 The stock lending permitted by this section may be exercised by the Company when it reasonably appears to the Company to be appropriate to do so with a view to generating additional income with an acceptable degree of risk.
- 38.4 The Company or the Depositary at the request of the Company may enter into a stock lending arrangement or repo contract of the kind described in section 263B of the Taxation of Chargeable Gains Act 1992 (without extension by section 263C), but only if all the terms of the agreement under which securities are to be reacquired by the Depositary for the account of the Company, are in a form which is acceptable to the Depositary and are in accordance with good market practice, the counterparty meets the criteria set out in COLL 5.4.4, and collateral is obtained to secure the obligation of the counterparty. Collateral must be acceptable to the Depositary, adequate and sufficiently immediate.
- 38.5 The Depositary must ensure that the value of the collateral at all times is at least equal to the value of the securities transferred by the Depositary. This duty may be regarded as satisfied in respect of collateral the validity of which is about to expire or has expired where the Depositary takes reasonable care to determine that sufficient collateral will again be transferred at the latest by the close of business on the day of expiry.
- 38.6 Any agreement for transfer at a future date of securities or of collateral (or of the equivalent of either) may be regarded, for the purposes of valuation under the COLL Sourcebook, as an unconditional agreement for the sale or transfer of property, whether or not the property is part of the property of the Scheme Property.
- 38.7 There is no limit on the value of the Scheme Property which may be the subject of stock lending transactions or repo contracts.

## Appendix 2

### Eligible Markets

#### (a) Eligible Securities Markets

The eligible securities markets for the Funds are as follows:

United Kingdom	All eligible markets The Alternative Investment Market of the London Stock Exchange (AIM)
Any other EEA State	All eligible markets
United States of America	NYSE Euronext New York The NASDAQ Stock Market NYSE Amex Equities
Australia	Australian Securities Exchange (ASX)
Bahrain**	Bahrain Stock Exchange
Bermuda**	Bermuda Stock Exchange (BSX)
Brazil**	BM&F BOVESPA SA (São Paulo Stock Exchange)
Canada	Toronto Stock Exchange TSX Venture Exchange
China***	Shenzhen Stock Exchange Shanghai Stock Exchange
Chile**	Santiago Stock Exchange (Bolsa de Comercio de Santiago)
Columbia**	Bolsa de Valores de Colombia (BVC)
Croatia**	Zagreb Stock Exchange
Egypt**	Cairo & Alexandria Stock Exchange (CASE)
Hong Kong	Hong Kong Stock Exchange
India**	National Stock Exchange of India Ltd Bombay Stock Exchange (BSE)**
Indonesia***	Indonesia Stock Exchange
Israel**	Tel Aviv SE (TASE)
Japan	Tokyo Stock Exchange Osaka Securities Exchange Nagoya Stock Exchange JASDAQ Securities Exchange Hercules Exchange
Kuwait**	Kuwait Stock Exchange
Korea	Korea Exchange (KRX)
Malaysia	Bursa Malaysia Securities Bhd
Mexico	Bolsa Mexicana de Valores (BMV)
Morocco**	Casablanca Stock Exchange
New Zealand	New Zealand Stock Exchange (NZX)

Oman**	Muscat Securities Market
Pakistan**	Karachi Stock Exchange
Peru**	Bolsa de Valores de Lima (BVL)
Philippines***	Philippine Stock Exchange
Russia**	Moscow Interbank Currency Exchange (MICEX) RTS Stock Exchange
Singapore	Singapore Exchange (SGX)
South Africa**	Bond Exchange of South Africa JSE Securities Exchange JES Limited**
Sri Lanka**	Colombo SE
Switzerland	SIX Swiss Exchange (SWX)
Taiwan***	Taiwan Stock Exchange
Thailand	The Stock Exchange of Thailand (SET)
Tunisia**	Tunis Stock Exchange
Turkey**	Istanbul SE (ISE)
United Arab Emirates**	Abu Dhabi Securities Market (ADSM) Abu Dhabi & Dubai Exchanges**

\* Melchior Asian Opportunities Fund only

\*\* Melchior Global Equity Fund only

\*\*\* Melchior Asian Opportunities Fund and Melchior Global Equity Fund only

#### **(b) Eligible Derivatives Markets**

The eligible derivative markets for the Funds are:

Bolsa Mexicana de Valores (BMV)

Australian Securities Exchange (ASX)

Chicago Board of Trade

Chicago Board Options Exchange

Chicago Mercantile Exchange

EDX London

Eurex Deutschland

Hong Kong Stock Exchange  
NYSE Euronext LIFFE  
MEFF Renta Fija  
MEFF Renta Variable  
Montreal Exchange  
NASDAQ OMX Copenhagen  
NASDAQ OMX PHLX  
NASDAQ OMX Stockholm  
New York Mercantile Exchange  
NYSE Amex Equities  
NYSE Arca  
NYSE Euronext New York  
NYSE Euronext Paris  
Osaka Securities Exchange  
South Africa Futures Exchange (SAFEX)  
Sydney Futures Exchange  
The NASDAQ Stock Market (NASDAQ)  
Tokyo Stock Exchange

## **Appendix 3**

### **Fund benchmarks**

#### **Melchior Japan Opportunities Fund**

Topix Index

#### **Melchior North American Opportunities Fund**

S&P 500 Index

#### **Melchior Asian Opportunities Fund**

MSCI Far East ex Japan Index

#### **Melchior UK Opportunities Fund**

FTSE All Share Index

#### **Melchior Japan Advantage Fund**

Topix Index

#### **Melchior Global Equity Fund**

MSCI World AC Index

## Appendix 4

### List of other Authorised Collective Investment Schemes Operated By the ACD

#### Authorised Investment Companies with Variable Capital

Abaco Fund ICVC  
Bryth ICVC  
Destiny Fund ICVC  
Farnborough Equity Fund  
Natural Resources Fund  
Melchior Investment Funds  
Orchard Investment Funds  
The Ambrose Fund  
The Dunnottar Fund  
The Global Diversified Fund  
The Global Multi Asset Fund  
The Hector Fund The Juniper Fund  
The Lockerley Fund  
The Motim Fund  
The Ord Fund  
The Preston Fund  
The Resolution Fund  
Thesis iFunds OEIC  
The Serissa Fund  
The Staderas Fund  
The Stratford Fund  
The Wharton Fund  
TM Balanced Growth Fund

#### Authorised Unit Trusts

Cherwell Fund  
Eden Investment Fund  
Elfynn International Trust  
Lavaud Fund  
KES Diversified Fund  
KES Equity Fund  
KES Growth Fund  
KES Income and Growth Fund  
KES Strategic Investment Fund  
Palm Fund  
The Darin Fund  
The Eldon Fund  
The Elfynn Trust  
The TUTMAN B&CE Contracted-out Pension Scheme  
The Iceberg Trust  
The Joral Global Growth Fund  
The Palfrey Fund  
Thesis Cathedral Fund  
Thesis Charlotte Square Allweather Fund  
Thesis Headway Fund  
Thesis Lion Growth Fund  
Thesis Optima Fund  
Thesis PM A Fund  
Thesis PM B Fund  
Thesis Thameside Managed Fund  
TM Darwin Multi Asset Fund

## Appendix 5

### Directory

**The Company and Head Office:**

Melchior Investment Funds  
Exchange Building  
St John's Street  
Chichester  
West Sussex PO19 1UP

**Authorised Corporate Director:**

Thesis Unit Trust Management Limited  
Exchange Building  
St John's Street  
Chichester  
West Sussex PO19 1UP

**Depository:**

National Westminster Bank Plc  
135 Bishopsgate  
London  
EC2M 3UR

**Investment Manager:**

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Third Floor  
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GY1 1WD  
Channel Islands

**Registrar:**

Broadway Registration Services Limited  
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National Westminster House  
Le Truchot, St Peter Port, Guernsey  
GY1 1WD  
Channel Islands

**Administrator:**

Northern Trust Global Services Limited  
50 Bank Street  
Canary Wharf  
London E14 5NT

**Auditors:**

Ernst & Young LLP  
1 More Place  
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