



**SIMPLIFIED  
PROSPECTUS**

Issued 1 September 2011

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**Melchior Investment  
Funds**

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# Introduction

This Simplified Prospectus contains key information in relation to Melchior Investment Funds ('the Company'), which is an Open Ended Investment Company ('OEIC'). The Company currently has six sub-funds (together the 'Funds'), as follows:

Melchior Japan Opportunities Fund  
Melchior North American Opportunities Fund  
Melchior Asian Opportunities Fund  
Melchior UK Opportunities Fund  
Melchior Japan Advantage Fund  
Melchior Global Equity Fund

**This is an important document which you should read and understand prior to making an investment. You should retain it for future reference.**

## Legal Structure

The Company is an authorised collective investment scheme as defined in the Financial Services and Markets Act 2000. It is an open-ended umbrella investment company established as a 'UCITS (Undertakings for Collective Investments in Transferable Securities) Scheme' being compliant with the 'COLL Sourcebook' published by the Financial Services Authority ('FSA').

The Company is an investment company with variable capital which is authorised and regulated by the Financial Services Authority and was incorporated in England and Wales (IC256) on 22 September 2003.

Unless otherwise defined, the terms in this Simplified Prospectus shall have the same meaning as in the full Prospectus.

All documentation will be provided in English.

The base currency of the Company is sterling; however, the Funds are valued in the following currencies:

Shares/Fund	Denomination
Melchior Japan Opportunities Fund	Japanese Yen
Melchior Japan Advantage Fund	Japanese Yen
Melchior North American Opportunities Fund	US Dollars
Melchior UK Opportunities Fund	Sterling
Melchior Asian Opportunities Fund	US Dollars
Melchior Global Equity Fund	Sterling

The price of shares for the Melchior Japan Opportunities Fund is expressed in Sterling, Euro, 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 are expressed in Sterling, US Dollars or Euro dependent on share class and shares themselves have no nominal value. The price of shares for the Melchior Global Equity Fund is expressed in Sterling.

The price of shares for the Melchior Japan Advantage Fund is expressed in Sterling or Japanese Yen dependent on share class and shares themselves have no nominal value.

## The Authorised Corporate Director ('ACD')

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

## Administrator

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

## Depository

National Westminster Bank Plc \*\*  
135 Bishopsgate  
London EC2M 3UR

The Depository's office that handles matters relating to the Company is located at:

National Westminster Bank Plc  
(Trustee & Depository Services)  
The Broadstone  
50 South Gyle Crescent  
Edinburgh EH12 9UZ

## Investment Adviser(s)

Dalton Capital (Guernsey) Limited \*<sup>1</sup>  
National Westminster House  
Le Truchot St Peter Port Guernsey GY1 1WD  
Channel Islands

Dalton Capital (Guernsey) Limited has delegated day to day investment management to:

<sup>1</sup> \* Regulated by the Guernsey Financial Services Commission

Dalton Strategic Partnership LLP \*\*<sup>2</sup>  
Princes Court  
7 Princes Street London EC2R 8AQ

### **Auditors**

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

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<sup>2</sup> \*\* Authorised and regulated by the Financial Services  
Authority

## What is an Investment Company with Variable Capital (ICVC)?

An open ended investment company ('OEIC') is a company which manages an investment fund or funds.

When you invest in an OEIC, your money is pooled with that of other investors in the fund. Your holdings in an OEIC are known as 'shares'.

A fund is considered 'open-ended' because as people invest in the fund more shares are created and the fund increases in size. Consequently, when investors withdraw their money from the fund shares are cancelled and the fund decreases in size.

The price of the shares that you buy is based on the value of the investments in which the OEIC has invested.

**The price of shares may vary as the value of the investments fluctuates.**

## What are the Fund's Investment objectives?

### Melchior Japan Opportunities Fund

The investment objective of this 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.

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.

#### What is the performance benchmark?

The benchmark by which the performance of this Fund is measured is the Topix Index.

### Melchior North American Opportunities Fund

The investment objective of this 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.

The Fund may also invest 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.

#### What is the performance benchmark?

The benchmark by which the performance of this Fund is measured is the S&P 500 Index.

### Melchior Asian Opportunities Fund

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.

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.

#### What is the performance benchmark?

The benchmark by which the performance of this Fund is measured is the MSCI Far East ex Japan Index.

### Melchior UK Opportunities Fund

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.

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.

#### What is the performance benchmark?

The benchmark by which the performance of the Fund is measured is the FTSE All Share Index.

### Melchior Japan Advantage Fund

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.

What is the performance benchmark?

The benchmark by which the performance of Melchior Japan Advantage Fund is measured is the Topix Index.

Melchior Global Equity Fund

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.

What is the performance benchmark?

The benchmark by which the performance of Melchior Global Equity Fund is measured is the MSCI World AC Index.

What are the limitations on types of investments?

All the property of the Funds must be invested in transferable securities, collective investment schemes, deposits, derivatives, warrants, money market instruments and both corporate and government bonds, except that cash or near cash may be held for liquidity purposes or the efficient management of a Fund.

General

The property of the Funds may be invested in eligible securities markets where transferable securities admitted to official listing are dealt in or traded. A full list of the countries in which the Funds may invest together with the limitations by type of investment can be found in the full Prospectus.

Due to the investment selection and the investment techniques employed by the Investment Adviser, the Funds are not expected to have high volatility.

Use of derivatives – hedging

The Funds may employ certain financial derivative instruments, but solely for the purpose of hedging (sometimes known as Efficient Portfolio Management ('EPM')), with the aim of reducing the risk profile of a fund. The Funds may enter into approved derivatives transactions on eligible derivatives markets as detailed in the full Prospectus.

Who should invest in these Funds?

The Funds may be suitable for investors who are prepared to risk money in stock markets, put capital at risk and are willing to invest over the medium to long term (5 years).

The Funds may be suitable for investors wishing to achieve defined investment objectives by investing through collective investment schemes.

**If you are uncertain whether these products are suitable for you, please contact a financial adviser.**

Melchior Japan Opportunities Fund is suitable for those investors wanting to achieve longer term capital growth through investing primarily in Japanese equities and bonds.

Melchior North American Opportunities Fund is suitable for those investors wanting to achieve longer term capital growth through investing primarily in North American equities and bonds.

Melchior Asian Opportunities Fund is suitable for those investors wanting to achieve longer term capital growth through investing primarily in Asian equities and bonds, which are expected to benefit from the economic growth of China and its neighbouring countries.

Melchior UK Opportunities Fund is suitable for those investors wanting to achieve longer term capital growth through investing primarily in United Kingdom equity and bonds.

Melchior Japan Advantage Fund is suitable for those investors wanting 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.

Melchior Global Equity Fund is suitable for those investors wanting to achieve longer term capital growth through investing in global equities.

What happens to the income from my investment?

At the date of this Simplified Prospectus, accumulation shares only are in issue, where net income is retained and accumulated for the benefit of investors and reflected in the price of the shares.

# Risk Factors

## What are the general risks involved in investing in these Funds?

Any stock market investment involves risk. Some of these risks are general, which means that they apply to all investments. Others are specific, which means that they apply to individual funds.

**Before you decide to invest, it is important to understand these risks. If you are unsure, please seek professional advice from a financial adviser.**

**Investment in collective schemes should only be considered for the medium to longer term (i.e. five years minimum).**

### Market fluctuations

The value of investments and the income derived from them may fall as well as rise and investors may not get back the amount originally invested and may lose money. There is no assurance that the investment objective of the Funds will actually be achieved.

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.

### Effect of initial charge

Where an initial 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.

### Tax

Tax laws currently in place may change in the future which could affect the value of your investments.

See the section headed 'Taxation' in this Simplified Prospectus regarding further details in respect of the taxation of the Funds.

### Inflation risk

Returns will depend on the Funds growth, interest rates and the effects of inflation over time.

### Use of derivatives – hedging

The Funds may employ certain financial derivative instruments, but solely for the purpose of hedging (sometimes known as Efficient Portfolio Management ('EPM')), with the aim of reducing the risk profile of a fund.

The Funds may enter into approved derivatives transactions on eligible derivatives markets as detailed in the full Prospectus.

### Performance risk

There will be a variation in performance between funds with similar objectives due to the different assets

selected. The degree of investment risk depends on the risk profile of the Fund you choose.

### OEIC liabilities

If one of the funds of an OEIC has liabilities that exceed its net assets, the legal structure of an OEIC makes it possible for other funds within that OEIC to meet these liabilities, although this is not a likely situation.

However, the investors are not liable to make any further payments to the OEICs after the price on the purchase of the shares has been paid.

### Custody

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

## What are the specific risks involved in investing in these Funds?

The Funds have different areas of investment and their investment objectives are listed above. The specific risks labelled below may also apply to your investment.

**Please note that these risks may be more relevant to some investors than others depending on their personal circumstances.**

Details of all identified risks can be found in the full Prospectus.

### Currency exchange rates

Funds investing in overseas securities are exposed to, and can hold, currencies other than pounds sterling. As a result, exchange rate movements may cause the value of investments to decrease or increase.

This risk applies to: 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.

### Credit and fixed interest security

- 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 interest, the higher the perceived credit risk of the issuer. High yield bonds with lower credit ratings (also known as sub-investment grade bonds) are potentially more risky (higher credit risk) than investment grade bonds. A sub-investment grade bond has a Standard & Poor's credit rating of below BBB or equivalent.

This risk applies to: Melchior Japan Opportunities Fund,

Melchior North American Opportunities Fund, Melchior Asian Opportunities Fund, Melchior UK Opportunities Fund and Melchior Japan Advantage Fund.

#### Investment in specialist market sectors

Should investments be made in specialist market sectors or smaller company securities there may be times where there is difficulty realising some of the underlying holdings due to a lack of market liquidity in these securities. An entire market of an asset class can decline thus affecting the prices and value of assets.

This risk applies to: 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.

#### Emerging markets

- Emerging markets tend to be more volatile than more established stock markets and therefore your money is at greater risk. Other risk factors such as 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 funds. 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 holdings of securities than it would in a more developed market.

This risk applies to: Melchior Japan Opportunities Fund, Melchior Asian Opportunities Fund, Melchior Japan Advantage Fund and Melchior Global Equity Fund.

#### Warrants

Whilst warrants may be utilised for the management of investment risk they can also be volatile. A warrant allows within a subscribed period the right to apply for shares, debentures, loan stock or government securities from the issuer of the underlying security.

A small movement in the price of the underlying security results in a disproportionately large movement, favourable or unfavourable in the price of the warrant. Therefore the larger the fund holding in warrants the larger the risk of volatility.

This risk applies to: Melchior North American Opportunities Fund.

#### 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: Melchior UK Opportunities Fund.

#### Liquidity

The investments of the Funds may not always be readily realisable and their marketability may be restricted.

This risk applies to: 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.

# Past Performance

Please note that all performance information is at 31 December 2010. For more up-to-date performance information, please contact the ACD.

Past performance\* for each Fund is displayed in two ways:

1. Annual returns are displayed as a bar chart for each of the last 10 full consecutive years, i.e. from 1 January to 31 December for each year up to 31 December 2010. If the Fund has been running for less than 10 years, but more than 1 year, the annual returns are shown for as many years as are available.
2. Cumulative returns are displayed as a bar chart for the last 10 full consecutive years, i.e. from 1 January 1999 up to 31 December 2010. If the Fund has been running for less than 10 years, but more than 1 year, the cumulative returns are shown for as many years as are available.

Melchior Japan Opportunities Fund, Melchior North American Fund, Melchior Asian Opportunities Fund, Melchior UK Opportunities Fund, Melchior Japan Advantage Fund.

Melchior Global Equity Fund – since the Fund was launched on 9 July 2010 data is not yet available.

This performance information is net of tax and charges but does not include the effect of any preliminary charge that may be paid on the purchase of an investment (compared to benchmark).

Past performance is no indication of future performance.

\*For past performance, please see Appendix I.

# Charges & Expenses

## What will I pay for my investment?

Each Fund will have a single price at which the shares are bought and sold back to the ACD.

The shares in each Fund can be bought and sold at a price based on the value of the total assets of the Fund, minus its liabilities. This is known as the Net Asset Value, or NAV, of the Fund. The value of one share is the total NAV divided by the number of shares in issue. This is calculated each business day at 11.00 am.

Your investment is subject to the following charges:

**A preliminary charge:** Each time you make an investment into a fund the investment incurs a charge of 5%. This is known as an initial charge and is illustrated as a percentage '%' of your investment.

**An annual management charge ('AMC'):** An AMC or 'periodic charge' is taken from the income of the Fund. It is illustrated as a percentage '%' of the NAV of the Fund.

The AMC for the Melchior Global Equity Fund is:

GBP 'A' 1.50%

GBP 'B' 0.75%

**For the current rates for each other Fund and share class, please see Appendix II.**

**Performance fee:** For 'C' and 'D' 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 relevant Fund is compared to the performance of an investment in a benchmark index over a performance period. 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. 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.

**Further information and examples relating to performance fees can be found in the full Prospectus.**

**Deferred Redemption:** 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.

**Dilution levy:** Investors should note that in certain circumstances a dilution levy may be applied. The need to charge a dilution levy will depend on the volume of shares being created or redeemed and whether, in the opinion of the ACD, it will have an adverse affect on existing or remaining investors. The dilution levy, where applicable, is calculated by reference to the costs of dealing in the underlying investments of the relevant Fund, including any dealing spreads, commission and transfer taxes. See full Prospectus for further details.

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.

We will not increase our charges without giving at least 60 days' notice to investors.

How do charges and expenses affect your investment?

The tables in the Appendix I are examples which show the effects of the total charges on what you might get back on your investment.

The effect on an investment of £10,000 assuming growth of 6% per year is set out in the Appendix I\*.

These figures are not guaranteed and serve only to demonstrate the effect of charges and expenses on an investment. What you get back will depend on how your investment grows. You could get back more or less than the figures shown.

Please remember that inflation will reduce what you can buy in the future with the amount shown. Dealing costs are not included. All figures are calculated as at the Fund's year end date or estimated in the case of recently launched funds.

\* For Reductions in Yield/Effects of Deduction rates please see Appendix I.

What are the other charges?

The Total Expense Ratio (TER)\* is the annual percentage reduction in investor returns that would result from largely fixed operating costs (annual management charge, administration fees, audit fees etc) if the markets were to remain flat and the Funds' portfolios were to be held and not traded during a period.

The TER for each Fund is based on the Net Asset Value ('NAV') of the Fund. The TER shows the annual operating expenses of the scheme – it does not include transaction expenses. All funds registered in the European Union highlight the TER to help you compare the annual operating expenses of different schemes.

For full details of the dealing commission arrangements, refer to the full Prospectus.

\*For TER rates please see Appendix I.

What are dealing costs and Portfolio Turnover Rate ('PTR')?

There are costs associated with buying and selling shares that include broker commission and government stamp duty, currently 0.5% on the purchase of shares.

The PTR\* represents the percentage of the Fund's portfolio that is bought and sold over a 12 month period. If the PTR is high, the costs incurred may have a higher impact on your investment. At the same time, active management may mean that changing investments increases the performance of the Fund sufficiently to outweigh these costs.

## Taxation

The following summary of certain relevant taxation provisions is based on current law and practice and does not constitute legal or tax advice.

It does not purport to deal with all the tax consequences applicable to the Funds or to all categories of investors, some of whom may be subject to special rules. Investors and potential investors are advised to consult their professional advisers concerning possible taxation or other consequences of purchasing, holding, selling, converting, or otherwise disposing of the shares under the laws of their country of incorporation, establishment, citizenship, residence or domicile and in light of their particular circumstances.

The Funds are exempt from UK tax on capital gains made on internal transactions but are liable to Corporation Tax at the lower rate of income tax (20%) on their income, other than dividends from UK companies, less their expenses of management.

Investors may have a liability for tax when shares are sold.

### Non-Resident

If you are resident outside of the United Kingdom you should consult a professional adviser as an investment into these funds may not be suitable for you and may have implications relating to the subscribing for, purchasing, holding, switching or disposing of Shares under the laws of the jurisdiction in which you may be subject to tax.

### How much tax will I pay?

The rates of any relief from taxation depend on your own personal circumstances and are likely to vary over time.

The information given below is based on our understanding of current HM Revenue & Customs practice. It summarises the position of individual investors who are UK resident.

### **If you are unclear of your own tax position you should take professional advice.**

One of the factors that will affect your tax position is whether your distribution comes from interest or from dividends i.e. from bond funds or equity funds. In the case of all the Funds, distribution comes from dividends.

### Capital gains tax

If your realised gains from all investments do not exceed the capital gains tax exemption (£10,600 for 2011/2012 tax year), you will not pay any capital gains tax. Any realised gains over this exemption will be taxed at your appropriate rate of income tax.

All gains realised before 23 June 2010 are taxed at 18%. From 23 June 2010, gains in excess of this are taxed at 18% to the extent that, together with an individual's taxable income, they do not exceed the upper limit of the basic rate income tax band (£35,500 for 2011/2012) and at 28% to the extent that they exceed that limit.

For current tax rate information you may contact the HMRC at [www.hmrc.gov.uk](http://www.hmrc.gov.uk).

### Income tax

Distributions, whether they are paid out or accumulated, are treated as income for tax purposes.

Dividend distributions (Equity Funds) – a dividend distribution reflects income from the fund's property. Distributions are treated as a UK company dividend and are paid with a 10% tax credit, equivalent to 10% of the aggregate of the distribution and the tax credit.

Dividends are added to an individual's income and taxed at income tax rates for individuals who reside in the UK. The income tax liability for individuals within the basic rate of tax will be satisfied by the 10% tax credit and there will be no further liability to pay. For higher rate taxpayers will pay income tax at the dividend upper rate on the grossed up amount of 32.5% (or the dividend additional rate of 42.5% where the individual's taxable income exceeds £150,000). This will be reduced by the tax credit resulting in an effective rate of 25% (or 36.1%) being charged on the distribution.

Please see the taxation section in the full Prospectus for further details.

### What is Stamp Duty Reserve Tax ('SDRT')?

**This is a transaction tax charged on agreements to transfer chargeable securities (including shares).**

HM Treasury requires a 0.5% SDRT charge to be imposed on the value of redemption of shares to the ACD and of any third party transfers for value (collectively, a 'surrender of shares').

This charge may have an adverse effect on the value of a Fund. The FSA rules allow the cost of SDRT to be met directly from a Fund's assets or to be recovered from investors on the purchase or redemption of shares in a Fund.

It is the ACD's current policy to meet the cost of SDRT directly from the Funds' assets, however, there may be exceptions to this, and the policy could change in the future.

Further information can be found in the full Prospectus.

Is this an appropriate investment?

**If you are in any doubt as to the suitability of the Funds you should consult an independent financial adviser to obtain personal advice.**

What are the benefits of investing in the Funds?

- You obtain a wide diversification of risk as your money is pooled with that of other investors to purchase a portfolio more broadly based than would otherwise be possible for the same size of investment.
- Your money is managed by a professional fund manager who has access to a wide range of research and resources enabling investments to be chosen that are appropriate to meet the objectives of the Fund.

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How do I buy, sell and switch shares?

Except during periods of temporary suspension, the ACD will accept orders for the purchase and sale of shares on normal business days between 8.30 am and 5.30 pm.

Shares may be bought and sold by providing the ACD with instructions, either in writing, through the order line on 0870 870 8439, or by electronic communication.

Electronic Communications

It is possible to give instructions to the ACD to transfer, or renunciation title to shares, by electronic communications subject to prior agreement with the ACD.

Orders are transacted at the next available valuation point after receipt of your instruction. No interest will be paid prior to investment. Payment for share purchases must be received by the ACD not later than the day following the valuation point. Shares that have not been paid for will not be sold.

Share certificates will not be issued.

To confirm the transaction, a contract note will be issued by close of business on the next business day after the dealing date.

Sale proceeds will be sent no later than four business days after receipt of the correctly renounced documentation or the sale date, whichever is the later.

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.

Instructions in writing should be sent to:

Northern Trust Global Services Limited  
(Dealing Department)  
50 Bank Street  
Canary Wharf, London E14 5NT

How much do I need to invest?

The following are the minimum subscription amounts for shares in the Funds or such lower amounts as may be determined by the ACD at its absolute discretion:

Shares	Amount
'A' Shares	£10,000 or currency equivalent
'B' Shares	£250,000 or currency equivalent
'C' Shares	£10,000 or currency equivalent
'D' Shares	£250,000 or currency equivalent
'A' Hedged Shares	£10,000 or currency equivalent
'B' Hedged Shares	'A' £250,000 or currency equivalent
'C' Hedged Shares	'B' £250,000 or currency equivalent
'D' Hedged Shares	'C' £250,000 or currency equivalent

Can I make regular savings?

We offer a savings plan allowing you to make monthly payments directly into the fund and accumulate your share holdings over a period of time. By making regular savings you may benefit from 'pound cost averaging', buying more shares when prices are low and fewer shares when prices are high.

On opening a savings plan the ACD will require your first contribution to be made by cheque. Subsequent savings plan contributions will be collected by direct debit on the 6th day of each month, and investments made at the next valuation point.

The Monthly Saving Plan allows you to save as little as £100 per month. Investments made via a savings plan will be acknowledged in writing. There is no minimum term for savings plan participation and contributions may be suspended or stopped by giving written instructions.

#### Can I switch to another Fund?

It is possible for investors to switch their entitlement between funds if this facility is available. The ACD may, at its discretion make a charge on switching of shares, which will not exceed the excess difference between the initial charges. Investors should note that a switch of shares in one Fund for shares in another Fund is treated as a redemption and sale and is a disposal for UK tax purposes. A switching investor must be eligible to hold the shares into which the switch is to be made.

#### How much will advise cost?

If you seek advice your adviser will be entitled to initial commission of up to 3% of the amount invested in the Funds. For example, if you invest £1,000 your adviser will be paid up to £30. Melchior Japan Opportunities Fund does not currently offer any commission.

If your financial adviser is charging a fee instead of receiving commission, he or she will provide you with details relating to the cost of their advice.

#### Can I change my mind?

Although you are always entitled to change your mind, if you invest directly into one of the Funds using our telephone dealing service or postal application you will not be entitled to cancellation rights. If you have invested via a financial adviser you may be entitled to change your mind within 14 days of receiving your notification of cancellation and return it to us within the 14 days. This will depend on the service you receive from your financial adviser. We will then return your investment to you, although if the value of your investment has fallen by the time we receive your cancellation form, we will deduct an amount equal to the fall in value before returning it to you.

#### Where can I find out how my investment is doing?

Prices for the below share classes will be published in the *Financial Times* (FT) newspaper. All share prices will be available on the Investment Management Association website: [www.investmentuk.org](http://www.investmentuk.org).

Fund	Share Class
Japan Opportunities Fund	Yen 'B' GBP 'B'
North American Opportunities Fund	US\$ 'B' GBP 'B'
Asian Opportunities Fund	US\$ 'B' GBP 'B'
UK Opportunities Fund	GBP 'B' -
Japan Advantage Fund	Yen 'B' GBP 'B'

#### When will I receive a report of my investment?

You will receive a short report informing you of the progress of your investment twice a year; these reports will be mailed to you on or before 31 January and 31 July each year. Long form reports are available on request from the ACD.

#### Where can I obtain additional information?

Copies of the full Prospectus, the latest annual and half yearly reports can be obtained free of charge from the ACD.

Requests for additional information may be made in writing to the ACD or by telephone during the hours of 8.30 am and 5.30 pm to 0870 870 8439.

We may record telephone conversations to offer you additional security, resolve complaints and improve our service standards. Conversations may also be monitored for staff training purposes.

#### What happens to my investment on death?

Shares in the Funds form part of your estate on death and, on production of the Death Certificate and the Grant of Probate or Letters of Administration, can be sold or re-registered in the names of the Executors or Administrators of the Estate or a beneficiary, or in the names of the surviving investors.

#### How do I make a complaint?

If you have any queries or complaints about the operation of the Funds please address them in the first instance to the ACD or the Depositary. In the unlikely event that you do not receive a satisfactory response you may direct complaints to:

Financial Ombudsman Service South Quay Plaza, 183 Marsh Wall, London E14 9SR

#### Are there any compensation arrangements?

The ACD is covered by the Financial Services Compensation Scheme.

You may be entitled to compensation from the scheme if the ACD cannot meet its obligations. This depends on the type of business and the circumstances of the claim. Most types of investment business are covered for 100% of the first £50,000, so the maximum compensation is £50,000.

Further information about compensation arrangements is available by contacting the following:

Financial Services Compensation Scheme  
7th Floor, Lloyds Chambers, Portsoken Street,  
London E1 8BN  
Telephone: 0207 892 7300

#### How does the Data Protection Act impact on me?

Your details may be forwarded to the Investment Manager, in order for them to send periodic information to you. If you do not wish to receive this information, you should tick the 'opt out' box on the application form.

Alternatively, you may advise us in writing, by writing to:

The Compliance Officer  
Thesis Unit Trust Management Limited

Exchange Building  
St John's Street  
Chichester PO19 1UP

**What are the Money Laundering Regulations?**

To comply with Money Laundering Regulations, we may require you to supply evidence of identity and address and or may validate these details against any database (public or other) to which we may have access. We will retain a record if such an enquiry is made.

**What is the European Savings Directive?**

The EU Council Directive 2003/48/EC on taxation of savings income came into force on 1 July 2005. 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 paid by a person who is a 'paying agent' to an Individual (or certain entities) resident in another Member State. Austria, Belgium and Luxembourg will apply a withholding tax for a transitional period, unless during such period they elect otherwise. For a collective investment scheme income may include distributions or dividends whether paid or accumulated, together with income arising as result of the sale or redemption of shares. Investors resident in prescribed territories outside of the EU may also be included in the exchange of information. Information on these territories can be obtained from HM Revenue & Customs or your professional adviser.

**What is the governing law?**

Any contract or relationship entered into with the ACD will be governed by the laws of England and Wales and will be subject to the exclusive jurisdiction of the English courts.

**How do I contact the FSA?**

The FSA can be contacted at:

Financial Services Authority  
25 The North Colonnade Canary Wharf  
London E14 5HS

UK: 0845 606 1234 (local call rates)

Overseas: +44(0)207 066 1000 Website:

[www.fsa.gov.uk](http://www.fsa.gov.uk)

# Appendix I

## TABLES, CHARTS AND GRAPHS EFFECTS OF DEDUCTIONS/REDUCTIONS IN YIELD Melchior Japan Opportunities Fund – Sterling 'A' accumulation shares

At end of year	Investment to date	Effect of deductions to date	What you might get back
	£	£	£
1	10,000	783	9,817
3	10,000	1,428	10,484
5	10,000	2,189	11,195
10	10,000	4,721	13,193

The last line in the table shows that over 10 years, the effect of the total charges and expenses could amount to £4,721. Putting it another way, this would have the same effect as bringing investment growth from 6% a year down to 2.8%.

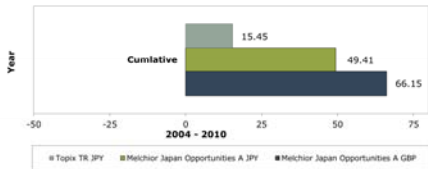
The above table assumes that no withdrawals are made and that income is accumulated.

\*performance may be further affected by performance fees, for further information see Performance Fees under the Charges and Expenses section.

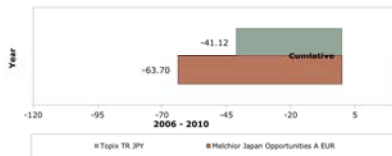
### PAST PERFORMANCE

Melchior Japan Opportunities Fund –  
'A' accumulation shares

Past performance is no indication of further performance.

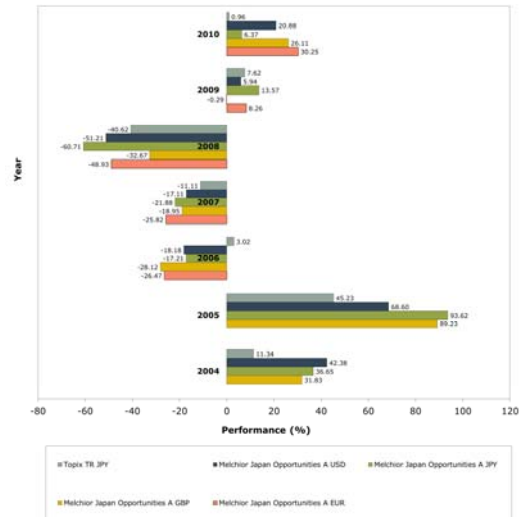


Percentage cumulative performance, accumulation shares, (total return), based on the MorningStar data.



Please note that the cumulative performance for the Melchior Japan Opps Euro 'A' (Acc) is only for 2006 and not from 2004, due to the share class being launched later than the other classes.

Percentage annual performance, accumulation shares, (total return), based on the MorningStar data.



# Appendix I

## TABLES, CHARTS AND GRAPHS EFFECTS OF DEDUCTIONS/REDUCTIONS IN YIELD Melchior North American Opportunities Fund – Sterling 'A' accumulation shares

At end of year	Investment to date	Effect of deductions to date	What you might get back
	£	£	£
1	10,000	772	9,828
3	10,000	1,393	10,518
5	10,000	2,127	11,257
10	10,000	4,575	13,340

The last line in the table shows that over 10 years, the effect of the total charges and expenses could amount to £4,575. Putting it another way, this would have the same effect as bringing investment growth from 6% a year down to 2.9%.

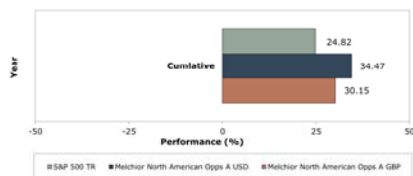
The above table assumes that no withdrawals are made and that income is accumulated.

\*performance may be further affected by performance fees, for further information see Performance Fees under the Charges and Expenses section.

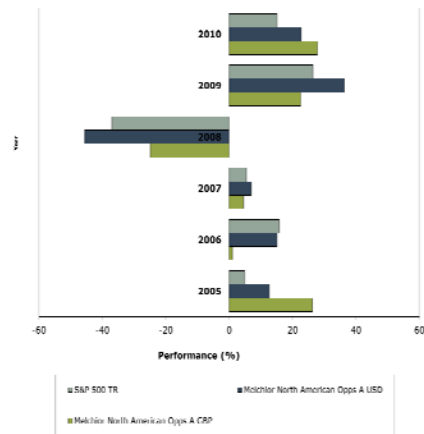
### PAST PERFORMANCE

Melchior North American Opportunities Fund –  
'A' accumulation shares

Past performance is no indication of further performance.



Percentage annual performance, accumulation shares, (total return) based on the MorningStar data.



Percentage annual performance, accumulation shares, (total return), based on the MorningStar data.

# Appendix I

## TABLES, CHARTS AND GRAPHS EFFECTS OF DEDUCTIONS/REDUCTIONS IN YIELD Melchior Asian Opportunities Fund – Sterling 'A' accumulation shares

At end of year	Investment to date	Effect of deductions to date	What you might get back
	£	£	£
1	10,000	788	9,812
3	10,000	1,443	10,468
5	10,000	2,217	11,167
10	10,000	4,787	13,127

The last line in the table shows that over 10 years, the effect of the total charges and expenses could amount to £4,787. Putting it another way, this would have the same effect as bringing investment growth from 6% a year down to 2.8%.

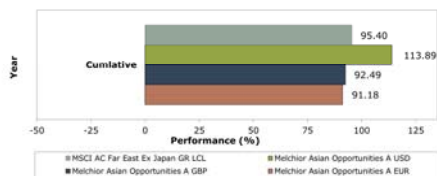
The above table assumes that no withdrawals are made and that income is accumulated.

\*performance may be further affected by performance fees, for further information see Performance Fees under the Charges and Expenses section.

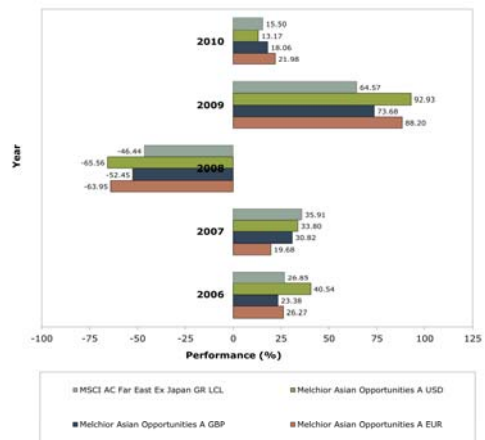
### PAST PERFORMANCE

Melchior Asian Opportunities Fund –  
'A' accumulation shares

Past performance is no indication of further performance.



Percentage annual performance, accumulation shares, (total return) based on the MorningStar data.



Percentage annual performance, accumulation shares, (total return), based on the MorningStar data.

# Appendix I

## TABLES, CHARTS AND GRAPHS EFFECTS OF DEDUCTIONS/REDUCTIONS IN YIELD Melchior UK Opportunities Fund – Sterling 'A' accumulation shares

At end of year	Investment to date	Effect of deductions to date	What you might get back
	£	£	£
1	10,000	806	9,795
3	10,000	1,500	10,411
5	10,000	2,317	11,067
10	10,000	5,022	12,893

The last line in the table shows that over 10 years, the effect of the total charges and expenses could amount to £5,022. Putting it another way, this would have the same effect as bringing investment growth from 6% a year down to 2.6%.

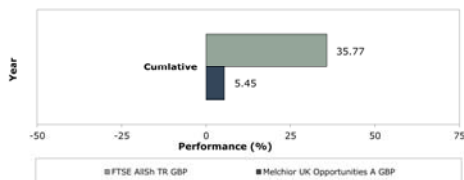
The above table assumes that no withdrawals are made and that income is accumulated.

\*performance may be further affected by performance fees, for further information see Performance Fees under the Charges and Expenses section.

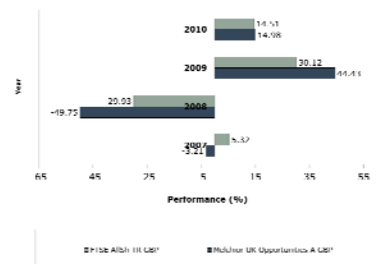
### PAST PERFORMANCE

Melchior UK Opportunities Fund –  
'A' accumulation shares

Past performance is no indication of further performance.



Percentage annual performance, accumulation shares, (total return) based on the MorningStar data.



Percentage annual performance, accumulation shares, (total return), based on the MorningStar data.

# Appendix I

## TABLES, CHARTS AND GRAPHS EFFECTS OF DEDUCTIONS/REDUCTIONS IN YIELD Melchior Japan Advantage Fund – Sterling 'A' accumulation shares

At end of year	Investment to date	Effect of deductions to date	What you might get back
	£	£	£
1	10,000	772	9,828
3	10,000	1,393	10,518
5	10,000	2,127	11,257
10	10,000	4,575	13,340

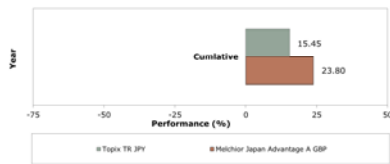
The last line in the table shows that over 10 years, the effect of the total charges and expenses could amount to £4,575. Putting it another way, this would have the same effect as bringing investment growth from 6% a year down to 2.9%.

The above table assumes that no withdrawals are made and that income is accumulated.

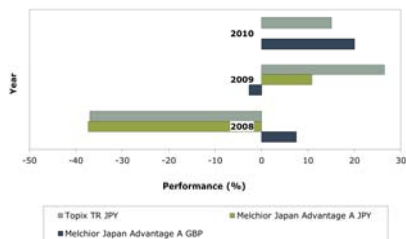
### PAST PERFORMANCE

Melchior Japan Advantage Fund –  
'A' accumulation shares

Past performance is no indication of further performance.



Percentage cumulative performance, accumulation shares, (total return) based on the MorningStar data.



Percentage annual performance, accumulation shares, (total return), based on the MorningStar data.

TOTAL EXPENSES RATIO ('TER')

Melchior Investment Funds

Fund	S/C	TER %
Melchior Japan Opportunities Fund	A	2.84
Melchior Japan Opportunities Fund	B	2.34
Melchior Japan Opportunities Fund	C	2.44
Melchior Japan Opportunities Fund	D	1.94
Melchior North American Opportunities Fund	A	2.45
Melchior North American Opportunities Fund	B	1.95
Melchior North American Opportunities Fund	C	3.19
Melchior North American Opportunities Fund	D	2.71
Melchior Asian Opportunities Fund	A	2.59
Melchior Asian Opportunities Fund	B	2.09
Melchior Asian Opportunities Fund	C	2.19
Melchior Asian Opportunities Fund	D	1.69
Melchior UK Opportunities Fund	A	2.83
Melchior UK Opportunities Fund	B	2.33
Melchior UK Opportunities Fund	C	2.18
Melchior UK Opportunities Fund	D	1.68
Melchior Japan Advantage Fund	A	2.48
Melchior Japan Advantage Fund	B	1.98
Melchior Japan Advantage Fund	C	2.13
Melchior Japan Advantage Fund	D	1.68
Melchior Global Equity Fund	B	1.49

PORTFOLIO TURNOVER RATE ('PTR')

Melchior Investment Funds

$$\frac{(\text{Purchases of securities} + \text{Sale of securities}) - (\text{Subscription of shares} + \text{Redemption of shares})}{(\text{Average fund value over 12 months})} \times 100$$

Fund	PTR %
Melchior Japan Opportunities Fund	327.03
Melchior North American Opportunities Fund	360.56
Melchior Asian Opportunities Fund	284.78
Melchior UK Opportunities Fund	547.78
Melchior Japan Advantage Fund	245.74
Melchior Global Equity Fund	27.28

These expenses are normally paid from a Fund's income and will only be taken from capital if there is not enough income to cover them. Previous TERs can be obtained from the ACD.

TABLES, CHARTS AND GRAPHS  
ANNUAL MANAGEMENT CHARGE

## Melchior Investment Funds

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

All 'C' and 'D' share classes are subject to the performance fee mechanism. For more details, please refer to the Charges & Expenses section.

The ACD will not increase their charges without giving at least 60 days' notice to investors.