



Cazenove Absolute Return Fund Company  
(CARFCo)

**PROSPECTUS**  
**1 October 2013**

## Prospectus of Cazenove Absolute Return Fund Company

An investment company with variable capital incorporated with limited liability and registered in England and Wales under Regulation 4 of the Open-Ended Investment Companies Regulations 2001, as amended or re-enacted from time to time.

This document (“this Prospectus”) constitutes the prospectus for Cazenove Absolute Return Fund Company (“the Company”), which has been prepared in accordance with the Collective Investment Schemes Sourcebook (COLL) of the Financial Conduct Authority (“FCA”) made under the Financial Services and Markets Act 2000.

This Prospectus is dated, and is valid as at 1 October 2013.

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

Cazenove Investment Fund Management Limited, the Authorised Corporate Director (“the ACD”) of the Company, is responsible for the information contained in this Prospectus. To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case), the information in this document does not contain any untrue or misleading statement or omit any matters required by The Open-Ended Investment Companies Regulations 2001 to be included in it. Cazenove Investment Fund Management Limited accepts responsibility accordingly.

### Distribution

No person has been authorised by the Company to give any information or 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 on as having been made by the Company. The delivery of this Prospectus (whether or not accompanied by any reports) or the issue of Shares shall not, under any circumstances, create any implication that the affairs of the Company have not changed since the date hereof.

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

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

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

The provisions of the Company’s Instrument of Incorporation are binding on each of its Shareholders.

This Prospectus has been approved for the purpose of section 21 of the Financial Services and Markets Act 2000 by Cazenove Investment Fund Management Limited.

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

The Depositary is not responsible for the information contained in this Prospectus and accordingly does not accept any responsibility therefore under the FCA Rules or otherwise.

**Important: If you are in any doubt about the contents of this Prospectus you should consult an independent financial adviser**

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## Terms used in this document

<b>“Absolute VaR”</b>	An absolute VaR approach limits the maximum VaR that a Fund can have relative to its NAV.
<b>“ACD”</b>	Cazenove Investment FundManagement Limited, the authorised corporate director of the Company.
<b>“Act”</b>	Financial Services and Markets Act 2000, as amended or re-enacted from time to time.
<b>“Business Day”</b>	A day on which The London Stock Exchange is open for business. If for any reason which, in the sole determination of the ACD, impedes the fair and accurate valuation of a Fund’s portfolio of securities, or a significant portion thereof, in accordance with the FCA Rules, this Prospectus and the Instrument of Incorporation of the Company, the ACD may decide that any Business Day shall not be construed as such.
<b>“Class”</b>	All of the Shares relating to a single Fund or a particular class or classes of Shares relating to a single Fund.
<b>“Company”</b>	Cazenove Absolute Return Fund Company (CARFCo).
<b>“Custodian”</b>	JPMorgan Chase Bank, N.A., the custodian of the Scheme Property.
<b>“Depository”</b>	J.P. Morgan Trustee and Depository Company Limited, the depository of the Company.
<b>“FCA”</b>	The Financial Conduct Authority, or its replacement or successor from time.
<b>“FCA Rules”</b>	The rules contained in the Collective Investment Schemes Sourcebook (COLL), as amended from time to time, published by the FCA as part of its handbook of rules made under the Act which shall, for the avoidance of doubt, not include guidance or evidential requirements contained in the said Sourcebook
<b>“Fund”</b>	A sub-fund of the Company (being part of the scheme property which is pooled separately and to which specific assets and liabilities of the Company may be allocated), which is invested in accordance with the investment objective applicable to such sub-fund.
<b>“Financial Year”</b>	The Company’s Annual Accounting Period which ends on 30 September each year.
<b>“Gross NAV”</b>	The Net Asset Value of a Fund after all regular accruing charges and expenses have been accrued to a Fund but before any Performance Fee has been accrued on the current Valuation Point.
<b>“High Water Mark”</b>	Performance measure used to ensure that a fee is only charged when the value of a Fund has increased over the Performance Period. It is based on the Net Asset Value of a Fund on the last Business Day of the Performance Period and where a Performance Fee is payable. If no Performance Fee is payable the High Water Mark will remain unchanged as of the end of the previous Performance Period.
<b>“Initial Offer Period”</b>	The initial offer of classes of Shares of each Fund referred to in this Prospectus and in Appendix 1 in respect of each Class of each Fund.

<b>“Instrument of Incorporation”</b>	The instrument of incorporation of the Company, as amended from time to time.
<b>“Leverage”</b>	The use of financial derivative instruments or borrowed capital, such as margin, to increase the potential return of an investment.
<b>“Net Asset Value” or “NAV”</b>	The value of the scheme property attributable to a Fund (or the Company) less the liabilities of the Fund (or the Company) as calculated in accordance with the Company’s Instrument of Incorporation and the FCA Rules.
<b>“Net NAV”</b>	The Net Asset Value of a Fund after the Performance Fee and all other regular accruing charges and expenses have been accrued to a Fund on the previous Valuation Point.
<b>“Non-Qualified Person”</b>	<p>Any person to whom a transfer of Shares (legally or beneficially) or by whom a holding or acquisition of Shares (legally or beneficially) would or, in the opinion of the ACD, might:-</p> <p>be in or constitute a breach of any law (or regulation by a competent authority) of any country or territory by virtue of which the person in question is not qualified to hold such Shares; or</p> <p>require the Company to be registered under any law or regulation whether as an investment fund or otherwise, or cause the Company to be required to apply for registration, or comply with any registration requirements in respect of any of its Shares, whether in the United States of America or any other jurisdiction; or</p> <p>cause the Company or its Shareholders some legal, regulatory, taxation, pecuniary or material administrative disadvantage or other adverse consequence which the Company or its Shareholders might not otherwise have incurred or suffered; or</p> <p>require the ACD to be registered under any law or regulation whether as an investment adviser or otherwise, or cause the ACD to be required to seek an exemption from such registration, whether in the United States of America or any other jurisdiction.</p>
<b>“OEIC Regulations”</b>	The Open-Ended Investment Companies Regulations 2001, as amended or re-enacted from time to time.
<b>“Performance Fee”</b>	The performance related management fee equal to 20 per cent. of the increase in the Net Asset Value of each Share of each Class of each Fund outstanding in respect of each Performance Period.
<b>“Performance Period”</b>	The Performance Period for the Cazenove UK Absolute Target Fund from launch to 31 December 2011 was three calendar months. This was followed by a Performance Period of 9 months from 1 January to 30 September 2012. Thereafter the Performance Period is twelve months in line with the Company’s Financial Year. The Performance Period for the Cazenove Absolute UK Dynamic Fund is twelve calendar months. The first Performance Period for a Fund may be less than a Fund’s standard Performance period.
<b>“Register”</b>	The register of Shareholders kept on behalf of the Company pursuant to paragraph 1(1) of schedule 3 of the OEIC Regulations.
<b>“Registrar”</b>	JP Morgan Europe Limited

<b>“Scheme Property”</b>	The property of the Company or a Fund, as the context may require, required under the FCA Rules to be given for safekeeping to the Depositary.
<b>“Share”</b>	A share in the capital of the Company (including the fractions of one thousandth of a Share).
<b>“Shareholder”</b>	A holder of Shares.
<b>“Transfer Agent”</b>	JP Morgan Europe Limited.
<b>“UCITS Directive”</b>	Means Directive No. 2009/65/EC of the Council and the European Parliament of 13 July 2009.
<b>“UCITS Scheme”</b>	A collective investment scheme complying with the requirements of the UCITS Directive.
<b>“Valuation Point”</b>	The point on a dealing day whether on a periodic basis or for a particular valuation, at which the ACD carries out a valuation of the Scheme Property for the Company or a Fund (as the case may be) for the purpose of determining the price at which Shares of a Class may be issued, cancelled, sold or redeemed. The current Valuation Point for each Fund is set out in Appendix 1.
<b>“VaR”</b>	Value at Risk, which is a measure of the maximum expected loss at a given confidence level over the specific time period.



## DIRECTORY

Addresses of:-

### The Company

CAZENOVE ABSOLUTE RETURN FUND COMPANY

<b>Registered Office</b>	12 Moorgate London EC2R 6DA	<b>Head Office and address for service of notices</b>	12 Moorgate London EC2R 6DA
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### The Authorised Corporate Director

CAZENOVE INVESTMENT FUND MANAGEMENT LIMITED

<b>Registered Office</b>	12 Moorgate London EC2R 6DA	<b>Head Office and address for service of notices</b>	12 Moorgate London EC2R 6DA
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### The Depositary

THE J.P.MORGAN TRUSTEE AND DEPOSITARY COMPANY LIMITED

<b>Registered Office</b>	25 Bank Street Canary Wharf London E14 5JP	<b>Principal place of business</b>	Chaseside Bournemouth BH7 7DA
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### The Custodian

JPMORGAN CHASE BANK, N.A.

<b>Registered Office</b>	25 Bank Street Canary Wharf London E14 5JP	<b>Principal place of business</b>	Chaseside Bournemouth BH7 7DA
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### Registrar and Transfer Agent

JP MORGAN EUROPE LIMITED

<b>Registered Office</b>	25 Bank Street Canary Wharf London E14 5JP	<b>Administrative Office</b>	60 Victoria Embankment London EC4YR0JP
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### Auditor

PRICEWATERHOUSECOOPERS LLP

7 More London Riverside  
London  
SE1 2RT

# THE COMPANY AND ITS FUNDS

## THE COMPANY

The Company is an investment company with variable capital incorporated with limited liability and registered in England and Wales under number C000680 and authorised by the FCA on 8<sup>th</sup> July 2008.

Share Capital: The maximum share capital of the Company is £500,000,000,000 and the minimum share capital is £100. Shares have no par value. The share capital of the Company at all times equals the Net Asset Values of the Funds.

The base currency for the Company is United Kingdom (“UK”)pounds sterling. Investors should note that if the UK participates in the third stage of European Monetary Union and sterling ceases to exist, the ACD may convert the base currency of the Company from sterling to euros. The ACD in consultation with the Depositary shall determine the best means to effect this conversion. The Company is of unlimited duration.

Shares in the Company may be marketed in the UK and in other member states of the European Union (“EU”) and in countries outside the EU and European Economic Area, subject to the OEIC Regulations, and any regulatory constraints in those countries, if the ACD so decides.

## THE FUNDS

The Company has been established as a UCITS Scheme and is structured as an umbrella company (under the OEIC Regulations) meaning that different Funds may be established from time to time by the ACD with the agreement of the Depositary and approval of the FCA. This Prospectus will be revised on the introduction of a new Fund or Class of Share within a Fund or at any other time in which the ACD and/or the Depositary consider appropriate.

Funds are operated separately and the assets of each Fund are managed in accordance with the investment objective and policy applicable to that Fund.

The following Funds are available:

- **Cazenove UK Absolute Target Fund**
- **Cazenove Absolute UK Dynamic Fund**

Each Fund of the Company is designed and managed to support longer-term investment and active trading is discouraged. Short-term or excessive trading into and out of a Fund may harm performance by disrupting portfolio management strategies and by increasing expenses. The ACD may at its discretion refuse to accept applications for, or switching of, Shares, especially where transactions are deemed disruptive, particularly from possible market timers or investors who, in its opinion, have a pattern of short-term or excessive trading or whose trading has been or may be disruptive to a Fund(s). For these purposes, the ACD may consider an investor’s trading history in the Fund(s) or other ACD managed funds and accounts under common ownership or control.

Full details of each Fund are set out in Appendix 1.

## INVESTMENT OBJECTIVES AND POLICIES OF THE FUNDS

The investment objective and policy of each Fund is set out in Appendix 1, and details of eligible security and derivative markets on which the Funds may invest are detailed in Appendix 2.

The assets of each Fund are treated as separate from those of every other Fund and will be invested with the aim of achieving the investment objective and in accordance with the policy of that Fund. They must also be invested so as to comply with the investment and borrowing powers and restrictions set out in the FCA Rules, the Instrument of Incorporation of the Company and this Prospectus. The Company is a UCITS Scheme.

A summary of the investment powers and restrictions applicable to each Fund is set out in Appendix 2.

### PROFILE OF A TYPICAL INVESTOR

Each Fund is available to a wide range of investors seeking to invest for the medium to long term who wish to gain access to a portfolio managed in accordance with a specific investment objective and policy. Investors must be prepared to accept fluctuations in the value of capital including capital loss and accept the risks of investing in equity markets. Different Classes of Share may be issued in respect of each Fund. The Classes currently available in each Fund are set out in Appendix 1. Each Fund can be marketed to all types of investor subject to the applicable legal and regulatory requirements in the relevant jurisdiction(s).

### PAST PERFORMANCE

Past performance is not a guide to future performance. It can in no way provide a guarantee of returns that you will receive in future.

The information about past performance contained within this Prospectus does not constitute a projection of the possible future value of an investment in any Fund and should not be taken as an indication that similar returns will be achieved in the future. The value of investments and the income from them can go down as well as up and investors may not get back the amount originally invested.

#### Performance Record

	<b>Five Year Annualised Performance or Since Fund Inception (Percentage Rate)</b>	<b>Date of Inception if Fund in existence for less than five years</b>
Cazenove UK Absolute Target Fund	1.43	18 <sup>th</sup> July 2008
Cazenove Absolute UK Dynamic Fund	8.03	7 <sup>th</sup> September 2009

<b>Cazenove Absolute Return Fund Company Discrete Past Performance</b>					
Annual Percentage Growth					
	<b>Dec 2012</b>	<b>Dec 2011</b>	<b>Dec 2010</b>	<b>Dec 2009</b>	<b>Dec 2008</b>
<b>Cazenove UK Absolute Target Fund</b>	3.79	10.73	-8.08	0.65	N/a
<b>Cazenove Absolute UK Dynamic Fund</b>	12.64	8.74	5.29	N/a	N/a

The table shows performance information for five complete 12-month periods to 31<sup>st</sup> December 2012. The performance data is based on lump sum initial investment of £100 into P1 sterling class accumulation shares.

## RISK FACTORS

Risk is about how likely an investment is to fluctuate in value over time. While historically over the longer term shares have been seen to outstrip the returns expected from a bank or a building society account, potential investors should consider the following before investing in any Fund.

### Fluctuations in Value and Investment Risk

The investments of the Company are subject to normal market fluctuation and other risks inherent in investing in securities, whether equities or bonds, or in derivatives of these securities. There can be no assurance that any appreciation in the value of investments will occur, and the capital value of your original investment is not guaranteed. The value of investments and the income from them may go down as well as up, and you may not get back the original amount invested. There is no assurance that the investment objective of each Fund will be actually achieved.

The level of risk varies between Funds. In assessing the risk profile of each Fund, the following factors are taken into account where relevant.

### Equities

Funds investing in equities tend to be more volatile than funds investing in bonds, but also may offer greater potential for growth. The value of the underlying investments in equity funds may fluctuate quite dramatically in response to the activities and results of individual companies, as well as in connection with general market and economic conditions. The Cazenove UK Absolute Target Fund, Cazenove Absolute UK Dynamic Fund will invest primarily in equities or derivatives thereof.

### Bonds

Funds investing partly or wholly in bonds will tend to be less volatile than pure equity funds, as bonds are generally considered to be more secure, usually include a condition to repay the original sum at a specified date in the future and normally provide a fixed level of income. However, the capital value of a bond fund and the level of its income will still fluctuate. Investments in higher yielding bonds issued by borrowers with lower credit ratings may result in a greater risk of default and have a negative impact on income and capital value. Income payments may constitute a return of capital in whole or in part. Income may be achieved by foregoing future capital growth.

Funds that invest in debt securities which are rated below investment grade or which are unrated will have a higher degree of portfolio risk than funds that invest only in debt securities of investment grade. Investment in debt securities below investment grade may result in a Fund having a greater risk of loss of principal and/or interest than an investment in debt securities which are deemed to be investment grade or higher. It is unlikely that the Cazenove UK Absolute Target Fund, Cazenove Absolute UK Dynamic Fund will invest significantly in bonds or in derivatives thereof.

### Currency Exchange Rates

Currency fluctuations may adversely affect the value of a Fund'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. A significant portion of a Fund's assets may be denominated in a currency other than the base currency of a Fund or Class. There is the risk that the value of such assets and/or the value of any distributions from such assets may decrease if the underlying currency in which assets are traded falls relative to the base currency in which Shares of the relevant Fund are valued and priced.

A Fund is not required to hedge its foreign currency risk, although it may do so through foreign currency exchange contracts, forward contracts, currency options and other methods. To the extent that a Fund does not hedge its foreign currency risk or such hedging is incomplete or unsuccessful, the value of that Fund's assets and income could be adversely affected by currency exchange rate movements. There may also be circumstances in which a hedging transaction may reduce currency gains that would otherwise arise in the valuation of the Fund in circumstances where no such hedging transactions are undertaken. The Cazenove UK

Absolute Target Fund and Cazenove Absolute UK Dynamic Fund will invest primarily in sterling denominated assets.

### Liquidity Consideration

The ACD's ability to invest and to liquidate the assets of a Fund invested in or otherwise attributable to smaller companies may, from time to time, be restricted by the liquidity of the market for smaller company securities in which the relevant Fund is invested. The Cazenove Absolute UK Dynamic Fund may invest significantly in smaller companies or in derivatives thereof. It is unlikely that the Cazenove UK Absolute Target Fund will significantly invest in smaller companies.

### Portfolio Concentration

This Cazenove Absolute UK Dynamic Fund may hold a higher concentration of stocks (usually 30-60 holdings and 25-50 holdings respectively on the long portfolio and 30-60 holdings and 25-50 holdings respectively on the short portfolio) and as such may lack the diversity of traditional funds thus carrying increased risk. High portfolio concentration could mean that the Fund's returns are more volatile when compared with a fund that invests in a wider range of companies.

### Effect of Preliminary Charge or Redemption Charge

Where a preliminary or redemption charge is imposed, an investor who redeems his Shares may not get back the amount originally invested (even if the value of the relevant investments has not fallen). 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 redemption value rather than the initial value of the 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 should therefore be viewed as a medium- to long-term investment.

### Performance Fees

A Performance Fee may be payable by the Company to the ACD in respect of each Performance Period for a Fund. The Performance Fee may be paid on unrealised gains. The Performance Fee accrual, where applicable, will be based on the Net Asset Value of a Fund at the previous Valuation Point. The lag of one Business Day between the actual performance event and the levying of the Performance Fee accrual may result in investors buying or selling Shares at prices different from those that would have prevailed in the absence of such a Performance Fee. This may either be to the benefit or disadvantage of investors depending on whether the Net Asset Value has increased or fallen in that one day interval.

### Charges to Capital

Where this Prospectus states that all or part of the ACD's fee and/or other charges in respect of a Fund and/or Class may be charged against capital rather than income, this will enhance income returns but may constrain future capital growth and/or result in an erosion of capital. Details of whether charges are made to capital or income for each Fund and each Class of Share are detailed in Appendix 1.

### Liabilities of the Shareholder

Shareholders are not liable for the debts of the Company. Shareholders are not liable to make any further payment to the Company after they have paid the purchase price of the Shares.

### Credit and Settlement Risk

Each Fund may be exposed to credit risk on parties with whom it trades and may also bear the risk of settlement default. The ACD may instruct the Custodian to settle transactions in securities on a delivery versus payment basis where the ACD believes that this form of settlement is appropriate. Shareholders should be aware that this may result in a loss to a Fund if a transaction fails to settle and the Custodian will not be liable for such a loss.

## Inflation Risk

Inflation erodes the real value of investments and changes in the anticipated rate of inflation could lead to capital losses in a Fund's investments.

## Political Risks

The value of a Fund's assets may be affected by uncertainties, such as political developments, nationalisation of certain industries, changes in government policies, taxation and currency repatriation and restrictions on foreign investment in some of the countries in which the relevant Fund may invest.

## Market Timing

A Fund may be subject to market timing activities which may include frequent purchases and sales of Shares with a view to profiting from anticipated changes in market prices between Valuation Points (often stemming from quantitative analysis) or arbitraging on the basis of market price changes subsequent to those are used in a Fund's valuation. Such market timing activities are disruptive to fund management, may lead to additional dealing charges which cause losses/dilution to a Fund and may be detrimental to performance and to the interests of long term Shareholders. Whilst the ACD will seek to detect and deter market timing activity, it may be unable to detect such activity if it occurs within deals in a nominee or other omnibus account.

## Investment Risk

Subject to the restrictions set out in Appendix 2 and the OEIC Regulations, each Fund may invest in securities of collective investment schemes. Such securities and instruments may generally not be publicly traded, may be unregistered for securities law purposes and may only be able to be resold in privately negotiated transactions with a limited number of purchasers. The difficulties and delays associated with such transactions could result in a Fund's inability to realise a favourable price upon disposal of such securities, and at times might make disposition of such securities and instruments impossible. To the extent a Fund invests in securities and instruments the terms of which are privately negotiated, the terms of such securities and instruments may contain restrictions regarding resale and transfer. In addition, certain listed securities and instruments, particularly securities and instruments of smaller capitalized or less seasoned issuers, may from time to time lack an active secondary market and may be subject to more abrupt or erratic price movements than securities of larger, more established companies or stock market averages in general. In the absence of an active secondary market a Fund's ability to purchase or sell such securities at a fair price may be impaired or delayed.

## Suspension of Dealings in Shares

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

## Derivative Instruments

**Each Fund may trade certain derivative instruments for hedging and for investment purposes within the limits set out in Appendix 2 in both exchange-traded and over-the-counter markets. Such instruments may include forward foreign exchange contracts, futures, options, swaps, contracts for differences and repurchase and reverse repurchase agreements.**

**The use of derivative and forward transactions for investment purposes involves special risks which may:**

- **significantly raise the risk profile of the Fund;**
- **increase the volatility of the Fund when taking additional market or securities exposure;**
- **depend on the ability of the ACD to predict movements in the prices of securities;**
- **place some reliance on the imperfect correlation between instruments and the underlying securities;**  
**and**
- **involve investing in instruments not traded on exchanges and not standardised, which in turn may involve negotiations on transactions on an individual basis.**

## **Each Fund will principally use the following derivatives:**

- **Contracts for Differences**

A contract for differences (“CFD”) is a contract whereby the seller of the contract undertakes to pay to the buyer the difference between the current value of an asset and its future value if that value has increased. If the value falls then the buyer of the contract will pay the seller the difference between the current value and the future value. For example, if the CFD contract is underpinned by an equity then the buyer can speculate on share price movements without the need to own the underlying shares. Thus CFDs allow investors to take long or short positions synthetically and the contract may have no fixed expiry date or contract size.

Therefore CFDs do not have a maturity date and can be traded at any time on the OTC (over-the-counter) market. The underlying instrument may cover shares or indices. If dividends are paid on the underlying shares, buyers of long contracts (speculating on a rise) receive a compensatory payment. These amounts are paid by the seller of the long contract. If dividends are paid on the underlying shares, buyers of short contracts (speculating on a fall) pay a compensatory payment. The benefit of CFDs is that exposure can be obtained to price movements in underlying securities and instruments without the need to commit large amounts of capital. A holder of a CFD merely needs to deposit money in order to create the required initial margin. The purpose of this margin is to hedge potential losses which may result from the transaction. Margin requirements may need to be increased during the life of the CFD to meet changes in the value of the contract. The contract may be closed automatically if the losses exceed the guaranteed amounts.

Each Fund will make wide use of CFDs. CFDs carry significant leverage effects. The force of the leverage effect can move against the holder of the CFD as easily and as quickly as it can in their favour. To mitigate this risk, each Fund will use CFDs to obtain long or short exposure to equities and other securities, not to gain additional leverage.

- **Options**

Each Fund may purchase and sell (‘write’) options on securities. The seller (‘writer’) of a put option which is covered (i.e. the writer has a short position in the underlying security or currency) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security below the exercise price of the option. If the seller of the put option owns a put option covering an equivalent number of shares with an exercise price equal to or greater than the exercise price of the put written, the position is ‘fully hedged’ if the option owned expires at the same time or later than the option written. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option. If the buyer of the put holds the underlying security, the loss on the put will be offset in whole or in part by any gain on the underlying security.

The writer of a call option which is covered (e.g. the writer holds the underlying security) assumes the risk of decline in the market price of the underlying security below the value of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The buyer of the call option assumes the risk of losing its entire investment in the call option. If the buyer of the call sells short the underlying security, the loss on the call will be offset, in whole or in part, by any gain on the short sale of the underlying security, currency or commodity. In entering into a closing purchase transaction, a Fund may be subject to the risk of loss to the extent that the premium paid for entering into a closing purchase transaction exceeds the premium received when the option was written.

- **Exchange-Traded Futures Contracts**

Each Fund may make use of futures contracts which will present the same types of volatility and leverage risks associated with transactions in derivative instruments generally. In addition, such transactions present a number of risks which might not be associated with the purchase and sale of other types of investment products. Prior to expiration, a futures contract can be terminated only by entering into an offsetting



transaction. This requires a liquid secondary market on the exchange on which the original position was established. While a Fund will enter into futures and option positions only if, in the judgment of the ACD, there appears to be a liquid secondary market for such instruments, there can be no assurance that such a market will exist for any particular contract at any point in time. In that event, it might not be possible to establish or liquidate a position.

A Fund's ability to utilise futures to hedge its exposure to certain positions or as a surrogate for investments in instruments or markets will depend on the degree of correlation between the value of the instrument or market being hedged, or to which exposure is sought and the value of the futures contract. Because the instrument underlying a futures contract traded by the Fund will often be different from the instrument or market being hedged or to which exposure is sought, the correlation risk could be significant and could result in losses to the Fund. The use of futures involves the risk that changes in the value of the underlying instrument will not be fully reflected in the value of the futures contract or option.

The liquidity of a secondary market in futures contracts is also subject to the risk of trading halts, suspensions, exchange or clearing house equipment failures, government intervention, insolvency of a brokerage firm, clearing house or exchange or other disruptions of normal trading activity.

- **Forward Trading**

Forward contracts, unlike futures contracts, are not traded on exchanges and are not standardised; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and 'cash' trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies they trade and these markets can experience periods of illiquidity, sometimes of significant duration. Disruptions can occur in any market traded by a Fund due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward (and futures) trading to less than that which the ACD would otherwise recommend, to the possible detriment of the Fund. In respect of such trading, a Fund is subject to the risk of counterparty failure or the inability or refusal by a counterparty to perform with respect to such contracts. Market illiquidity or disruption could result in major losses to a Fund.

- **Hedging Transactions**

Each Fund may utilise financial instruments such as forward contracts for investment purposes and to seek to hedge against fluctuations in the value of the Fund's portfolio positions. Hedging against a decline in the value of portfolio positions does not eliminate fluctuations in the values of portfolio positions nor prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the positions' value. Such hedge transactions also limit the opportunity for gain if the value of the portfolio position should increase. Moreover, it may not be possible for the Fund to hedge against an exchange rate or interest rate fluctuation that is so generally anticipated if it is not able to enter into a hedging transaction at a price sufficient to protect the Fund from the decline in value of the portfolio position anticipated as a result of such a fluctuation.

While a Fund may enter into such transactions to seek to reduce exchange rate and interest rate risks, unanticipated changes in currency, interest rates and equity markets may result in a poorer overall performance of the Fund. For a variety of reasons, the ACD may not seek to establish (or may not otherwise obtain) a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent a Fund from achieving the intended hedge or expose a Fund to risk of loss.

- **Particular Risks of over-the-counter "OTC" Derivative Transactions**

Securities traded synthetically in OTC markets may trade in smaller volumes, and their prices may be more volatile than securities traded on securities exchanges (or otherwise). OTCs with securities as their underlying may be less liquid than actual traded securities. In addition, the prices of such OTCs may include an undisclosed dealer mark-up which a Fund may pay as part of the purchase price.



- **Credit Linked Note Risk**

A credit linked note is a debt instrument which assumes both credit risk of the relevant reference entity (or entities) and the issuer of the credit linked note. There is also a risk associated with the coupon payment; if a reference entity in a basket of credit linked notes suffers a credit event, the coupon will be re-set and paid on the reduced nominal amount. Both the residual capital and coupon are exposed to further credit events. In extreme cases, the entire capital may be lost. There is also the risk that a note issuer may default.

- **Equity Linked Note Risk**

The return component of an equity linked note is based on the performance of a single equity security, a basket of securities or an equity index. Investment in these instruments may cause a capital loss if the value of the underlying security decreases. In extreme cases the entire capital may be lost. These risks are also found in investing in equity investments directly. The return payable for the note is determined at a specified time on a valuation date, irrespective of the fluctuations in the underlying stock price. There is no guarantee that a return or yield on an investment will be made. There is also the risk that a note issuer may default.

A Fund that uses equity linked notes to gain access to certain markets, for example emerging and less developed markets, where direct investment is not possible. This approach may result in the following additional risks being incurred – lack of a secondary market in such instruments, illiquidity of the underlying securities, and difficulty selling these instruments at times when the underlying markets are closed.

- **OTC Derivative Instrument Transactions**

Each Fund may invest a portion of its assets in investments which are not traded on organised exchanges and as such are not standardised. Such transactions are known as over-the-counter or ('OTC') transactions and may include forward contracts or options. Whilst some OTC markets are highly liquid, transactions in OTC derivatives may involve greater risk than investing in exchange traded derivatives because there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of the position arising from an off exchange transaction or to assess the exposure to risk. Bid and offer prices need not be quoted and, even where they are, they will be established by dealers in these instruments and consequently it may be difficult to establish what is a fair price. In respect of such trading, a Fund is subject to the risk of counter-party failure or the inability or refusal by a counterparty to perform with respect to such contracts. Market illiquidity or disruption could result in major losses. The instruments, indices and rates of underlying derivative transactions that may be entered into by a Fund may be extremely volatile in the sense that they are subject to sudden fluctuations of varying magnitude, and may be influenced by, among other things, government trade, fiscal, monetary and exchange control programmes and policies national and international political and economic events and changes in interest rates. The volatility of such instruments, indices or rates, which may render it difficult or impossible to predict or anticipate fluctuations in the value of instruments traded by a Fund, could result in losses.

Each Fund will only enter into OTC derivatives transactions, repurchase transactions and stock lending transactions with reputable institutions which are subject to prudential supervision and specialising in these types of transactions. In principle, the counterparty risk for such transactions should not exceed 10 per cent. of the relevant Fund's net assets when the counterparty is an approved bank or 5 per cent. of its net assets in other cases. However, if a counterparty defaults, the actual losses may exceed these limits. If a counterparty were to default on its obligations this may have an adverse impact on the performance of the relevant Fund causing loss to investors.

## Volatility

The following generic risks may be particularly relevant in terms of the use of derivatives and forward transactions in each Fund:

- **Position (market) Risk**

There is also a possibility that ongoing derivative transactions will be terminated unexpectedly as a result of events outside the control of the ACD, for instance, bankruptcy, supervening illegality or a change in the tax or accounting laws relative to those transactions at the time the agreement was originated. In accordance with standard industry practice, it is the Company's policy to net exposures against its counterparties.

- **Liquidity Risk**

Derivatives traded OTC may not be standardised and thus may involve negotiations on each contract on an individual basis. This may result in OTC contracts being less liquid than exchange traded derivatives. The swap market, which is largely OTC, has grown substantially in recent years with a large number of banks and investment banking firms acting both as principals and as agents utilising standardised swap documentation. As a result, the swap market has become liquid but there can be no assurance that a liquid secondary market will exist at any specified time for any particular swap.

- **Correlation Risk**

Derivatives do not always perfectly or even highly correlate or track the value of the securities, rates or indices they are designed to track. Consequently, a Fund's use of derivative techniques may not always be an effective means of, and sometimes could be counter-productive to, the Fund's investment objective. An adverse price movement in a derivative position may require cash payments of variation margin that might in turn require, if there is insufficient cash available in the portfolio, the sale of a Fund's investments under disadvantageous conditions.

- **Legal Risk**

There are legal risks involved in using derivatives which may result in loss due to the unexpected application of a law or regulation or because contracts are not legally enforceable or documented correctly.

- **Leverage**

Since many derivatives have a leverage component, adverse changes in the value or level of the underlying asset, rate or index can result in a loss substantially greater than the amount invested in the derivative itself. Certain derivatives have the potential for unlimited loss regardless of the size of the initial investment. If there is a default by the other party to any such transaction, there will be contractual remedies; however, exercising such contractual rights may involve delays or costs which could result in the value of the total assets of the related portfolio being less than if the transaction had not been entered.

- **Foreign Exchange Risk**

Investing in overseas securities will be affected by currency fluctuations, in addition to usual stock market fluctuations. Where an asset is held in a currency denomination other than Sterling, the assets value will be affected by changes in exchange rates between the UK and the currency of the country in which the security is held.

## Counterparties

Each Fund may enter into transactions in OTC markets that expose each Fund to the credit of the counterparties and their ability to satisfy the terms of such contracts. Where a Fund enters into derivative contracts, it will be exposed 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, a Fund could experience delays in liquidating the position and may incur significant losses. The ACD may use one or more counterparties to undertake derivative transactions on behalf of a Fund and may be required to pledge the Fund's assets as collateral against these transactions. There may be a risk that a counterparty will be unable to meet its obligations with regards to the return of the collateral and may not meet other payments due to a Fund. To minimise such risk the ACD will assess the credit worthiness of any counterparty that it engages.

## Risks associated with Dodd-Frank Wall Street Reform

Recent legislative and regulatory reforms, including Dodd-Frank Wall Street Reform, are expected to result in new regulation of swap agreements, including clearing, margin, reporting, record keeping and registration requirements. New regulations, could, amongst other things, restrict a Fund's ability to engage in swap transactions (for example, by making certain types of swap transactions no longer available to a Fund) and/or increase the costs of such swap transactions (for example, by increasing margin or capital requirements) and a Fund may as a result be unable to execute its investment strategies in a manner the Manager might otherwise choose. It is also unclear how the regulatory changes will affect counterparty risk.

## Short Sales

A short sale involves the sale of a security that the Company does not own in the expectation of purchasing the same security at a later date at a lower price. To make delivery to the buyer, the Company must borrow the security and later purchase the security to return to the lender. A short sale involves a risk of a theoretically unlimited increase in the market price of the security. Although a Fund is prohibited under the FCA Rules from taking direct short positions in securities, it can employ certain derivative techniques such as using Contracts for Differences which may establish both “long” and “short” positions in securities. These positions may seek to take advantage of both rising and falling market values.

## Risks Associated with Hedged Currency Classes

The ACD may issue Share Classes denominated in a currency other than the base currency of the relevant Fund. In doing so the ACD may undertake hedging transactions and, in particular, forward currency contracts, specifically to mitigate shareholders’ exposure to movements in the base currency. The costs of the hedging transactions will be borne by the particular hedged currency Share Class including transaction costs and any gain or loss arising from the forward currency contract. Such contracts will seek to provide the necessary level of protection against adverse currency movements but there can be no guarantee that such protection will eliminate such risk.

The base currency of the Cazenove UK Absolute Target Fund and the Cazenove Absolute UK Dynamic Fund is pounds sterling. The ACD has issued euro denominated Share Classes for the Cazenove UK Absolute Target Fund and the Cazenove Absolute UK Dynamic Fund.

In the case of a net flow to or from the euro Share Classes hedging transaction may not be adjusted and reflected in the Net Asset Value calculation of those Share Classes until one or more business days following the Valuation Point. This may have a positive or negative result.

Currency hedging transactions in relation to one Share Class may comprise a potential risk that liabilities arising from such transactions may affect the Net Asset Value of the other Share Classes of the same Fund where the costs of the hedging transactions cannot be met by the particular hedged currency Share Class.

In the case of a net flow to or from the euro Share Classes the currency conversion may be carried out at different spot rates to those used to calculate the price of these Share Classes. This may result in a currency gain or loss to the particular share class.

## Risk Management, Value at Risk and Leverage.

The ACD uses a risk management process to identify, analyse, evaluate and manage the risks inherent to the investment strategies and policies adopted by the Funds. The risk management process seeks to ensure that the level of risk being taken is appropriate to each Fund’s objectives and policy and the level of complexity and sophistication of the investment management strategies employed.

Each Fund uses complex derivative strategies. The key market risk measure used by the ACD for the Funds is Absolute Value at Risk (“VaR”). As such VaR reports are produced daily based on previous day’s closing positions. The VaR figures are calculated using a 21 day holding period and 99 per cent. confidence limit. One year of daily returns (weighted towards most recent history) is used in calculating volatility and correlation.

In using complex derivative strategies each Fund may create additional leverage which may result in additional risk as set out above.

## Variation in Performance of Share Classes

The respective Share Classes of a Fund should achieve similar annual returns because each Share Class of that Fund is invested in the same portfolio of securities. However, annual performance and thus the Net Asset Value per Share may differ because each Share Class may face different levels of operating expenses. The variation in the performance levels achieved between the Share Classes of a Fund may lead to each Share Class paying a different rate of Performance Fee.

The ACD will seek to minimise fluctuations of the currency in a Share Class not in the base currency of a Fund by hedging that currency exposure. Where currency hedging is undertaken, the results of that hedging will be reflected in the Net Asset Value per Share of the hedged Share Class. Whilst the currency hedging may substantially protect investors against a decrease (or increase) in the value of the base currency of the Fund relative to the currency of the Share Class, such currency hedging activities will not provide total protection against currency fluctuations and to this extent may lead to variations in Share Class Net Asset Values per Share and thus the relative performance of each Share Class. Moreover, any expenses arising from such currency hedging transactions will be borne by the Share Class in relation to which those expenses have been incurred and may thereby impact on the performance of that Share Class.

## Taxation

Derivatives held in a Fund will be accounted for and taxed in accordance with the Statement of Recommended Practice for Open-Ended Investment Companies. The way in which HM Revenue & Customs taxes derivatives held in collective investment schemes may change which could adversely affect the tax paid by these Funds.

## Umbrella structure of the Company and Cross Liability Risk

The Funds are segregated portfolios of assets and, accordingly, the assets of a Fund belong exclusively to that Fund and shall not be used to discharge directly or indirectly the liabilities of, or claims against, any other person or body, including the Company, or any other Fund, and shall not be available for any such purpose. Subject to the above, each Fund will be charged with the liabilities, expenses, costs and charges attributable to that Fund and within each Fund charges will be allocated as far as possible according to the Net Asset Value of that particular Share Class. Any assets, liabilities, expenses, costs or charges not attributable to a particular Fund may be allocated by the ACD in a manner which it believes is fair to the Shareholders generally. This will normally be pro rata to the Net Asset Value of the relevant Funds.

While the provisions of the OEIC Regulations provide for segregated liability between the Funds, the concept of segregated liability is relatively new. Accordingly, where claims are brought by local creditors in foreign courts or under foreign law contracts, it is not yet known how those foreign courts will react to the segregated liability between the Funds provided in the OEIC Regulations and as such it is not certain that the assets of a Fund will be completely insulated from the liabilities of other Funds of the Company in every circumstance.

## Specific risks linked to Stock Lending and Repurchase Transactions

Stock lending and repurchase transactions involve certain risks. There is no assurance that a Fund will achieve the objective for which it entered into a transaction.

Repurchase transactions might expose a Fund to risks similar to those associated with optional or forward derivative financial instruments, the risks of which are described in other parts of this Prospectus. Stock loans may, in the event of a counterparty default or an operational difficulty, be recovered late and only in part, which might restrict a Fund's ability to complete the sale of securities or to meet redemption requests.

The Fund's exposure to its counterparty will be mitigated by the fact that the counterparty will forfeit its collateral if it defaults on the transaction. If the collateral is in the form of securities, there is a risk that when it is sold it will realise insufficient cash to settle the counterparty's debt to a Fund or to purchase replacements for the securities that were lent to the counterparty. In the latter case, a Fund's tri-party lending agent will indemnify that Fund against a shortfall of cash available to purchase replacement securities but there is a risk that the indemnity might be insufficient or otherwise unreliable.

In the event that a Fund reinvests cash collateral in one or more of the permitted types of investment that are described above, there is a risk that the investment will earn less than the interest that is due to the counterparty in respect of that cash and that it will return less than the amount of cash that was invested. There is also a risk that the investment will become illiquid, which would restrict the Fund's ability to recover its securities on loan, which might restrict that Fund's ability to complete the sale of securities or to meet redemption requests.

## Risks associated with Foreign Account Tax Compliance Act

Effective from the beginning of 2013, the Company is required to comply with extensive new reporting and withholding requirements designed to inform the US department of the Treasury of US-owned foreign investment accounts. Failure to comply with these requirements will subject the Company to US withholding taxes on certain US-sourced income and gains. Shareholders may be requested to provide additional information to the ACD to enable each Fund to satisfy these obligations. The US Department of Treasury is expected to issue further, detailed guidance as to the mechanics and scope of this reporting and withholding regime. There can be no assurance as to the timing or impact of any such guidance on future operations of the Company and its Funds.

# SHARES

## CLASSES OF SHARES

Different Classes of Share may be issued in respect of each Fund. Classes may be distinguished by their different characteristics, including, without limitation, criteria for subscription, currency of denomination, allocation of costs, liabilities, gains and losses and charges. The Classes currently available in each Fund and their characteristics are set out in Appendix 1.

Further Classes of Share may be established from time to time by the ACD with the approval of the FCA, the agreement of the Depositary and in accordance with the Instrument of Incorporation. On the introduction of any new Fund or Class, either a revised Prospectus or a supplemental Prospectus will be prepared, setting out the details of each Fund or Class.

Holders of income Shares are entitled to be paid income attributable to such Shares in respect of each annual, interim or quarterly accounting periods, as applicable for the relevant Fund.

Holders of accumulation Shares are not entitled to be paid the income attributable to such Shares, but that income is automatically added to (and retained as part of) the capital assets of the relevant Fund at the end of each annual accounting period. The price of an accumulation Share increases to reflect accrued income.

The Instrument of Incorporation allows gross income and gross accumulation Shares to be issued, as well as net income and net accumulation Shares. Net Shares are Shares in respect of which income allocated to them is distributed periodically to the relevant Shareholders (in the case of income Shares) or credited periodically to capital (in the case of accumulation Shares), in either case in accordance with relevant tax law, net of any tax deducted or accounted for by the Company. Gross Shares are income or accumulation Shares where, in accordance with relevant tax law, distribution or allocation of income is made without any tax being deducted or accounted for by the Company. All references in this Prospectus are to net Shares unless otherwise stated.

Where a Fund has more than one Class, each Class may attract different charges and expenses and so monies may be deducted from the Classes in unequal proportions. In these circumstances, the proportionate interests of the Classes within a Fund will be adjusted accordingly.

The price of Shares is expressed in pounds sterling or euro. Shares themselves have no nominal value. Shares do not carry preferential or pre-emptive rights to acquire further Shares.

The Instrument of Incorporation does not provide for bearer Shares and consequently none will be issued.

## REGISTER OF SHAREHOLDERS

All Classes of Share are in registered, uncertificated form. Certificates will not be issued to Shareholders. The Registrar has established and maintains the Register for each Fund which is available for inspection by Shareholders at its office at 60 Victoria Embankment, London EC4Y0JP. The Register shall be prima facie evidence as to the persons respectively entitled to the Shares entered in the Register. No notice of any trust, express, implied or constructive, shall be entered on the Register in respect of any Share and the ACD and the Registrar shall not be bound by any such notice.



# BUYING, SELLING AND SWITCHING SHARES

## GENERAL

The ACD or the Company will receive requests for the issue, redemption and switching of Shares between 9.00 a.m. and 5.00 p.m. on each Business Day. Investor in the Company will be treated as retail clients for the purpose of dealing in Shares of the Company.

## MONEY LAUNDERING PREVENTION

The ACD has both statutory and regulatory obligations to maintain procedures to combat money laundering and terrorist financing. This means that persons buying or selling Shares may be required to provide proof of identity and proof of their permanent residential address. To fulfil this requirement, the ACD may request any information and supporting documentation it deems necessary, including information about beneficial ownership, source of funds and origin of wealth. For each of the persons who signs the application form, the ACD may request documentation which evidences proof of identity and proof of address. The ACD will be authorised under the Data Protection Act to use electronic means to access information relating to the investor's proof of identity and permanent residential address. If the ACD cannot satisfactorily confirm the investor's name and address in this manner, or it requires any further information in order to fulfil its regulatory or legal requirements, then the investor may be contacted with a request for additional proof of identity as required.

Until satisfactory proof of identity is provided, the ACD reserves the right to refuse to issue Shares, pay proceeds of a redemption of Shares or pay income on Shares to the Shareholder.

## MINIMUM HOLDINGS

These are set out in Appendix 1. The ACD has the right to waive these limits.

If following a redemption, switch or transfer a holding in any Class of Share should fall below the minimum holding for that Class, as detailed in Appendix 1, the ACD has the discretion to effect a redemption of that Shareholder's entire holding in that Class of Share. The ACD may use this discretion at any time. Failure not to do so immediately after such redemption, switch or transfer does not remove this right.

## BUYING SHARES

Valid applications to purchase Shares received in the Initial Offer Period of a Fund will be processed at the initial offer price per Share specified by the ACD. The initial offer price in respect of each Class and the related Initial Offer Period is set out in Appendix 1 in respect of each Fund and each Class. The ACD may extend the Initial Offer Period in its discretion.

In the event that the ACD agrees to sell any Shares during the Initial Offer Period, it will pay the initial offer price (less any amount thereof representing any preliminary charge) to the Depositary as soon as practicable after receiving the initial offer price from the purchaser and no later than the fourth Business Day following the end of the Initial Offer Period.

Valid applications to purchase Shares of a Fund following the Initial Offer Period will be processed at a sale price calculated with reference to the next Valuation Point for that Fund following receipt of the application, except in the case where dealing in a Fund has been suspended as set out below.

Investors and authorised intermediaries may request to purchase Shares in a Fund by application in writing to the ACD on each Business Day. Application forms are available from the ACD and should be completed and returned as directed on the application form with a cheque payable to Cazenove Investment Fund Management Limited. On acceptance of the application, Shares will be issued at the relevant price, and a contract note ("Contract Note") confirming the issue price and the number of Shares issued together with, in appropriate cases, a notice of the applicant's right to cancel the application will normally be despatched by close of business on the next Business Day.

**Note that subscription monies must be paid in the currency of the Share class in which you are investing.**

Entitlement to Shares will be entered on the Register immediately after the later of:-

- (i) the time when the purchaser has supplied the ACD with such information about the proposed holder as will enable the Depositary to complete the entry on the Register;
- (ii) receipt of payment; and
- (iii) the expiry of any period during which the purchaser has a right to cancel the agreement for the purchase of the Shares pursuant to rules made by FCA under the Act.

Applications to purchase shares, once made are, except in the case where cancellation rights are applied, irrevocable. However, subject to its obligations under the OEIC Regulations, the ACD has the right to reject, on reasonable grounds relating to the circumstances of the applicant, any application for Shares in whole or part, and in this event the ACD will return any money sent, or the balance of such monies, at the risk of the applicant and without interest. The ACD, at its discretion, has the right to cancel a purchase deal if settlement is overdue and any loss arising on such cancellation shall be the liability of the applicant. Alternatively interest may be charged (at the ACD's cost of borrowing) at the ACD's discretion if settlement is overdue.

The ACD also has the right to reject applications to purchase Shares of a Fund in circumstances where it is satisfied, on reasonable grounds that if such Shares were issued on the relevant Business Day the proceeds of issue could not be invested without compromising the investment objective of the relevant Fund. In such circumstances the ACD may scale back applications by investors to purchase Shares on the relevant Business Day on such basis as it may deem appropriate and may reject any application for Shares in whole or in part to give effect to such a scale back. In such event the ACD will return any money sent, or the balance of such monies, at the risk of the applicant and without interest.

**Any subscription monies remaining after a whole number of Shares have been purchased will be used to purchase fractions of whole Shares (known as "smaller denomination Shares"). A smaller denomination Share is equivalent to one-thousandth of a whole Share.**

The ACD will not pay interest on any monies held by it pending investment in Shares.

The Company is subject to the Proceeds of Crime Act and the ACD may at its discretion require verification of identity from any person applying for Shares including, without limitation, any applicant who tenders payment by way of cheque or banker's draft on an account in the name of a person or persons other than the applicant; or appears to the ACD to be acting on behalf of some other person.

#### **Default by a Purchaser**

Default by a purchaser in payment of any moneys under the purchaser's application will entitle the Depositary to cancel any rights of the purchaser in the Shares. In the case of default, the ACD will hold the purchaser liable, or jointly and severally liable with any agent of the purchaser, for any loss sustained by the ACD as a consequence of a fall in the price of Shares.

#### **Short-Term Buying and Selling of Shares**

Buying and then selling the Shares of a Fund over a short time period may harm performance by disrupting investment management strategies and by increasing the Fund's costs, including brokerage and administration costs. This may dilute the value of each Share. In the interest of all Shareholders it is, therefore, the ACD's policy to monitor Share sales and purchases to seek to identify any short-term buying and selling patterns or trends. If trading patterns are identified which the ACD considers will damage the interests of Shareholders, it may take such action as it deems appropriate in its absolute discretion to prevent such trading, including, but not limited to, notifying the Shareholder of the ACD's concerns about his/her Share dealings, compulsorily redeeming those Shares, rejecting in its discretion any application for the purchase of Shares (under the powers set out above under "Buying Shares") and reporting suspicious trading to the FCA.



## CANCELLATIONS

Applicants who have received advice from their financial advisers may have the right to cancel their application to buy Shares at any time during the 14 calendar days after the date on which they receive a cancellation notice from the ACD. If an applicant decides to cancel the contract, and the value of the investment has fallen at the time of the Valuation Point after the ACD receives the completed cancellation notice, they will not receive a full refund as an amount equal to any fall in value will be deducted from the sum originally invested. No interest will be paid on refunds due to cancellations.

## SELLING SHARES

Shareholders may request to sell their Shares in a Fund by writing to the ACD or by telephone daily between 9.00 a.m. and 5.00 p.m. on each Business Day in the following manner:-

- (a) **Notice in Writing:-** To sell Shares, Shareholders should send signed, written selling instructions to the ACD at Cazenove Investment Fund Management, P.O. Box 67546, London, EC2P 2JB. The Shares will be repurchased from the Shareholder at the relevant price.
- (b) **Notice by Telephone:-** Shares may be sold by telephone either through a professional adviser or direct to the ACD's Dealing Department on telephone number **+44 (0)20 3479 0000**. All telephone calls to the Dealing Department are recorded in the best interests of both the investor and the ACD.

On acceptance of written and telephone instructions, Shares will be sold at the relevant price, and a Contract Note will be despatched with a Renunciation Form. The Renunciation Form should be completed, signed and returned to the ACD. Where possible, proceeds of the sale (less, if the proceeds are to be remitted abroad, the cost of such remittance) will be paid into the selling Shareholder's bank account, not later than the close of business on the fourth Business Day following receipt of the written instruction duly signed by the holder.

Certain institutional investors may place valid dealing instructions with the ACD via electronic trading platforms supported by the ACD or its appointed agents but this facility does not currently extend to retail investors. The ACD may in the future introduce an electronic trading system which will enable private investors to buy and sell Shares using the internet but at present the ACD will only accept written and telephone instructions to deal from these investors.

Requests to sell Shares are irrevocable. Significant delays in payment of the proceeds of sale can occur in cases where a holder has not advised the Registrar in advance of a change of address or bank account details.

### Instances where the ACD does not have to accept a Request to Sell Shares

The ACD will not be obliged to purchase Shares in the following circumstances:

- (a) if the number or value of Shares sought to be sold is:-
  - (i) less than the entirety of the Shareholder's holding of Shares of the Class concerned; and
  - (ii) less than any number or value stated in Appendix 1 as the minimum number or value of Shares that may be sold in that Class of Share of the Fund concerned;
- (b) if the number or value of the Shares sought to be sold would result in the holder holding less than any number or value stated in Appendix 1 as the minimum number or value of Shares of the Class concerned that may be held;
- (c) if the Company ensures that the Shareholder is able to sell his Shares on an investment exchange at a price not significantly different from the price at which they would otherwise have been purchased by the ACD; or
- (d) where Shares are sold in return for property transferred or sold (in specie cancellation).

This is outlined below.

## Payment on Selling Shares

Once a request to sell Shares has been agreed, the proceeds of the sale (less, where applicable, the cost of remitting the sum abroad) will normally be paid to the selling Shareholder by the close of business on the fourth Business Day after the later of:-

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

Note that redemption monies will be settled in the currency of the Share class in which you invested.

## Minimum Redemption

Part of a Shareholder's holding may be redeemed but the ACD reserves the right to refuse a redemption request if the value of the Shares of any Fund to be redeemed is less than the minimum stated in respect of the appropriate Class in the Fund in question (see Appendix 1).

## Deferred Sale of Shares

The ACD may decide to defer the sale of Shares at any Valuation Point to the next Valuation Point where the sale of Shares by a Shareholder or Shareholders exceeds 10 per cent. of the Fund's NAV. The deferral will enable the ACD to manage the orderly sale of the Fund's property to raise proceeds to meet the sale of Shares and in doing so will aim to protect the interests of existing Shareholders. All Shareholders who have sought to sell their Shares at any Valuation Point at which the sale of Shares has been deferred will be treated in the same way and the ACD will ensure that all orders relating to an earlier Valuation Point are completed before those relating to a later Valuation Point are considered.

## Sale Proceeds

The amount to be paid by the ACD as the proceeds of a sale of Shares shall not be less than the price of a Share of the relevant Class to be notified to the Depositary in respect of the next Valuation Point less:-

- a) any redemption charge permitted; and
- b) any stamp duty reserve tax permitted to be retained by the ACD.

## SWITCHING SHARES

Shareholders are entitled to switch some or all of their Shares of one Class ("Original Shares") for Shares of another Class within the same Fund or for Shares of any Class within a different Fund ("New Shares"). A switch involves the sale of the Original Shares and the purchase of the New Shares. The number of New Shares issued will be determined by reference to the respective prices of New Shares and Original Shares at the valuation point applicable when the Original Shares are redeemed and the New Shares are issued.

Instructions for switching Shares may be given by telephoning the ACD's Dealing Department on telephone number **+44 (0)203479 0000** or in writing to the ACD.

The ACD may at its discretion make a charge on the switching of Shares. The charge will not exceed an amount equal to the then prevailing preliminary charge (if any) for the New Shares. The switching charge is payable to the ACD. No switching charge is payable on a switch from one Class in a Fund to another Class in the same Fund. The ACD may adjust the number of New Shares issued to reflect the imposition of any switching charge and any other charges or levies in respect of the issue or sale of the New Shares or the redemption or cancellation of the Original Shares as may be permitted pursuant to the FCA Rules.

If a switch would result in the Shareholder holding a number of Original Shares or New Shares of a value which is less than the minimum holding in the Fund concerned, the ACD may, if it thinks fit, convert the whole of the Shareholder's holding of Original Shares to New Shares or refuse to effect any switch of the Original Shares. No switch will be made during any period when the right of Shareholders to require the redemption of their Shares is suspended. The general provisions on procedures relating to redemption will apply equally to a switch.

Shareholders subject to UK tax should note that a switch of Shares within the same Fund will not be treated as a disposal for the purposes of capital gains taxation. Switches of Shares between different Funds is treated as a disposal for purposes of capital gains taxation and so may give rise to a capital gains tax liability.

Shareholders who switch Shares of one Class for Shares of any other Class, or switch Shares of one Fund for shares of any other Fund, will not be given a right by law to withdraw from or cancel the transaction.

## ISSUE OF SHARES IN EXCHANGE FOR IN SPECIE ASSETS

The ACD may arrange for the Company to issue Shares in exchange for assets other than money, but will only do so where the Depositary is satisfied that the Company's acquiring of those assets in exchange for the Shares concerned is not likely to result in any material prejudice to the interests of Shareholders or potential Shareholders.

The ACD will ensure that the beneficial interest in the assets is transferred to the Company with effect from the issue of the Shares.

The ACD will not issue Shares in any Fund in exchange for assets the holding of which would be inconsistent with the investment objective of that Fund.

## IN SPECIE CANCELLATION

If a Shareholder requests the redemption or cancellation of Shares, the ACD may, if it considers the deal substantial in relation to the total size of the Fund concerned, arrange for the Company to cancel Shares and transfer an appropriate amount of the Scheme Property to the Shareholder instead of paying the price of the Shares in cash. A deal involving Shares representing 5 per cent. or more in value of a Fund will normally be considered substantial, although the ACD may in its discretion agree an in specie cancellation with a Shareholder whose Shares represent less than 5 per cent. in value of the Fund concerned.

Before the proceeds of cancellation of the Shares become payable, the ACD will give written notice to the Shareholder that Scheme Property will be transferred to that Shareholder.

The ACD will select the property to be transferred in consultation with the Depositary. They must ensure that the selection is made with a view to achieving no greater advantage or disadvantage to the redeeming Shareholder than to continuing Shareholders. The Company retains from that property the value of any stamp duty reserve tax to be paid on the cancellation of Shares.

## SUSPENSION OF DEALING IN SHARES

The buying, selling and switching of Shares of each Fund or Shares of all Funds of the Company may at any time be temporarily suspended by the ACD, with the prior agreement of the Depositary or if the Depositary so requires, if the ACD or the Depositary, as appropriate, is of the opinion that due to exceptional circumstances there is good and sufficient reason to do so having regard to the interests of Shareholders in the Company and/or the relevant Fund. Such reasons may include the closure or suspension of dealing on a relevant stock exchange, or the inability of the ACD to ascertain properly the value of any or all of the assets or realise any material part of the assets of a Fund or the value of redemption requests received in respect of any Business Day is deemed, in the ACD's discretion with the prior agreement of the Depositary, to be exceptional in relation to the value of the relevant Fund.

If the redemption of Shares is suspended, the obligations contained in Chapter 6 of the FCA Rules relating to the creation, cancellation, issue and redemption of Shares will cease to apply and the obligations relating to the valuation of Shares will be complied with only to the extent practicable in light of the suspension.

Appropriate notification of suspension will be given to Shareholders as soon as practicable after suspension commences. In accordance with the FCA Rules, the FCA will also be immediately informed of the suspension and the reasons for it. The ACD and the Depositary will review the suspension at least every 28 days and will inform the FCA of the results. The suspension will continue only for as long as it is justified having regard to the interests of the Shareholders.

Where the ACD agrees during suspension to deal in Shares, all deals accepted during, and outstanding prior to, the suspension will be undertaken at a price calculated at the first relevant Valuation Point after the restart of dealings in Shares.

### ACD DEALING AS PRINCIPAL

The ACD will, on the completion of the valuation of each Fund, advise the Depositary of the issue and cancellation prices of Shares of that Fund. These are the prices which the ACD has to pay to the Depositary for the issue of Shares or which the ACD will receive from the Depositary upon the cancellation of Shares. The ACD deals as principal in these Shares and may hold Shares for its own account. However, Shares will generally only be held by the ACD to facilitate Share orders and will not be held for speculative purposes. Any profits or losses arising from such transactions shall accrue to the ACD and not to the Fund. The ACD is under no obligation to account to the Depositary, or to Shareholders for any profit it makes on the issue or re-issue of Shares or cancellation of Shares which it has redeemed.

# SHARE PRICES

## PRICING BASIS

The Company deals on a forward pricing basis. A forward price is calculated at the next valuation of the Scheme Property after the purchase, sale or switch of Shares is agreed.

Shares are priced on a single, mid-market basis in accordance with the FCA Rules.

## CALCULATION OF PRICES

### Valuations

The price of a Share is calculated by reference to the Net Asset Value of the Fund to which it relates and the basis of calculation of Net Asset Value is summarised below. The ACD will carry out a valuation of each Fund with the frequency and at the times detailed in Appendix 1.

The ACD reserves the right, subject to prior approval from the Depositary, to:-

- i) value the property of all or any of the Funds at an alternative time on any day on which the London Stock Exchange reduces the length of its mandatory quote period; and
- ii) suspend valuation of the property of a Fund at any time when the buying, selling and exchanging of Shares is suspended.

Investors should bear in mind that, on purchase, the ACD's preliminary charge is added to the price of Shares and, on a sale, any applicable redemption charge will be deducted from the proceeds of the sale. In addition, for both purchases and sales by investors, there may be a dilution adjustment and an SDRT provision.

### Special Valuations

The ACD may carry out an additional valuation of the property of a Fund at any time during a Business Day if he considers it desirable to do so and may carry out special valuations in the following circumstances:-

- (a) where necessary for the purposes of effecting a scheme of reconstruction or amalgamation; or
- (b) on the day on which the annual or half-yearly accounting period ends.

## CALCULATION OF NET ASSET VALUE

The value of the property of each individual Fund shall be the value of the relevant assets less the value of the relevant liabilities determined in accordance with the Company's Instrument of Incorporation. A summary of the provisions follows.

1. All the Scheme Property (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 the most recent such 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 if no recent traded price is available or if no price exists, at a value which in the opinion of the ACD is fair and reasonable;
  - 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 those two prices; or
    - iii. if, in the opinion of the ACD, the price obtained is unreliable or if no recent traded price is available or if no price exists, at a price which in the opinion of the ACD is fair and reasonable;
  - c) property other than that described in a) and b) above: at a price which, in the opinion of the ACD, is fair and reasonable 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. Property which is a contingent liability transaction shall be treated as follows:-
    - a) if it is a written option (and the premium for writing the option has become part of the Scheme Property), the amount of the net valuation of the premium receivable shall be deducted. If the property is on off-exchange derivative, the method of valuation shall be agreed between the ACD and the Depositary;
    - b) if the property is an off-exchange future, the method of valuation shall be agreed between the ACD and Depositary;
    - c) if it is any other form of contingent liability transaction, it will be included at the net value of margin on closing out (whether as a positive or negative value). If the property is an off-exchange derivative, the method of valuation shall be agreed between the ACD and the Depositary.
  5. 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.
  6. Subject to paragraphs 7 and 8 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.
  7. 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 6.
  8. All agreements are to be included under paragraph 6 which are, or ought reasonably to have been, known to the person valuing the property.
  9. An estimated amount for the anticipated tax liabilities at that point in time, including (as applicable and without limitation) capital gains tax, income tax, corporation tax and advance corporation tax, value added tax, stamp duty and stamp duty reserve tax, will be deducted.
  10. An estimated amount for any liabilities payable out of the Scheme Property and any tax thereon will be deducted, treating periodic items as accruing from day to day.
  11. The principal amount of any outstanding borrowings (whenever repayable) and any accrued but unpaid interest on borrowings will be deducted.
  12. An estimated amount for accrued claims for tax of whatever nature which may be recoverable will be added.
  13. Any other credits or amounts received will be added.
  14. A sum representing any interest or any income accrued due or deemed to have accrued but not received will be added.

15. The total amount of any cost determined to be, but not yet, amortised relating to the authorisation and incorporation of the Company (or a Fund, as the case may be) and of its initial offer or issue of Shares will be added.
16. Currencies or values in currencies other than the base currency or (as the case may be) the designated currency of a Fund shall be converted at the relevant valuation point at a rate of exchange that is not likely to result in any material prejudice to the interests of Shareholders or potential Shareholders.

When an investment is fair valued, there is no guarantee that the investment will be sold at the price at which a Fund is carrying the investment. The ACD monitors domestic and foreign markets and news information for any developing events that may have an impact on the valuation of the Fund's investments.

Where the ACD believes that a reliable unit price cannot be established as at the valuation point, dealing in the relevant Fund may be suspended.

## PUBLICATION OF PRICES

Details for each Fund are set out in Appendix 1.

Daily prices for each Fund are published on Cazenove Capital Management Limited's website: [www.cazenovecapital.com](http://www.cazenovecapital.com).

Shareholders can obtain up-to-date Fund prices free of charge by telephoning 0800 0159 592. The ACD is not responsible for any errors in publication or for the non-publication of prices. The ACD issues and redeems Shares on a forward pricing basis, not on the basis of the published prices.

## DILUTION ADJUSTMENT

The actual cost of purchasing or selling Shares in a Fund may be higher or lower than the mid-market value used in calculating the Share price. These costs may include dealing charges, commissions and the effects of dealing at prices other than the mid-market price. The effects of transaction charges and the dealing spread may have a materially disadvantageous effect on the Shareholders' interest in a Fund.

To prevent this effect, known as "dilution", the ACD may charge a dilution adjustment when there are net inflows into a Fund or net outflows from a Fund, so that the price of a Share is above or below that which would have resulted from a mid-market valuation. It is not, however, possible to predict accurately whether dilution will occur at any point in time. Consequently it is not possible to accurately predict how frequently the ACD will need to make such a dilution adjustment. For illustrative purposes, the ACD applied to the Cazenove UK Absolute Target Fund and the Cazenove Absolute UK Dynamic Fund a dilution adjustment on 37 and 21 occasions respectively over the 12 month period from 1 January 2012 to 31 December 2012. However, such historical information does not constitute a projection and may not be indicative of how dilution adjustments may be charged by the ACD in the future. The charging of a dilution adjustment may reduce the redemption price or increase the purchase price of Shares. The imposition of a dilution adjustment may reduce the redemption price or increase the purchase price of Shares.

The imposition of a dilution adjustment will depend on the volume of sales or redemptions of Shares. The ACD may make a dilution adjustment:

- (i) if net sales or redemptions are £250,000 or more in value for Funds whose NAV is less than £50 million at that time; or
- (ii) if net sales or redemptions are over 0.5 per cent. of the Fund's Net Asset Value for Funds whose value is £50 million or more at that time (Cazenove UK Absolute Target Fund and Cazenove Absolute UK Dynamic Fund); or
- (iii) where a Fund is in continual decline (i.e. is suffering a net outflow of investments); or
- (iv) in any other case where the ACD believes that it is in the interest of Shareholders to impose a dilution adjustment.



The dilution adjustment for each Fund will be calculated by reference to the costs of dealing in the underlying investments of that Fund, including any dealing spreads, commission and transfer taxes but excluding any UK Stamp Duty payable on purchases of underlying securities. The cost of dealing in underlying investments can vary over time and as a result the amount of dilution adjustment will also vary over time. The price of each Class of Share in a Fund will be calculated separately but any dilution adjustment will affect the price of Shares of each Class of Share in each Fund equally. When the dilution adjustment is not made and Shares are bought or sold at a mid-market price there may be an adverse impact on the total assets of a Fund.

Estimates of the dilution adjustment calculated on securities held in each Fund, dealing expenses incurred and market conditions at the time of this Prospectus are:

- Cazenove UK Absolute Target Fund 0.29%
- Cazenove Absolute UK Dynamic Fund 0.94%

These rates are indicative and are only intended to provide a guide to Shareholders and potential Shareholders on the possible rate at which the dilution adjustment may be charged. The ACD will review dilution adjustment charges at least once every 3 months.

## SDRT PROVISION

The redemption of Shares by a Shareholder may result in the Company incurring a liability for stamp duty reserve tax ("SDRT"). SDRT is a tax which is charged on certain agreements to transfer securities. The SDRT liability (if any) will be determined by reference to the nature of the relevant Fund's underlying investments and by the number of Shares issued in the relevant Fund during the week in which the redemption occurs and in the following week.

The ACD will, as permitted by the OEIC Regulations and FCA Rules, pay any liability for SDRT out of the capital property of each Fund. The maximum amount of SDRT which will be due is 0.5 per cent. of the value of the Shares redeemed.

The ACD may also, where it believes that it is in the overall best interests of Shareholders to do so, impose an SDRT provision on large deals. The likely frequency of the imposition of an SDRT provision will depend on the frequency with which large deals occur. The ACD currently considers a transaction (or series of transactions in one dealing period) by any person to buy or sell Shares that represents 5 per cent or more of the then current net asset value of the Fund) to be a "large deal" for these purposes. The imposition of an SDRT provision will have the effect of increasing the cost of buying Shares or reducing the proceeds on selling Shares. The ACD does not at present intend to charge an SDRT provision on other transactions.

The amount of the SDRT provision will not exceed 0.5 per cent. of the value of the transaction before the imposition of the provision. If the ACD receives an SDRT provision in respect of any Share bought or sold it shall, forthwith upon receipt of that SDRT provision, pay it to the Depositary to become part of the scheme property.



# CHARGES AND EXPENSES

## ACD'S CHARGES AND EXPENSES

### Preliminary Charge

The ACD may make a preliminary charge on a sale of Shares which is calculated on the basis of such percentage of the Shareholder's investment (plus value added tax if any). The actual amount applicable to each Share Class is set out in Appendix 1. Any preliminary charge will be applied in accordance with COBS 6.1 of the FCA Rules.

**The ACD reserves the right to review levels of charges. Notice of any increase from the current levels will be dealt with in accordance with the FCA Rules.**

### Redemption Charge

The ACD currently makes no charge on cancellation or redemption of Shares. However, the ACD reserves the right to charge up to 5.0 per cent. on the sale of Shares that have been held by the selling Shareholder for less than one year. The charge will be subsequently reduced by 1.0 per cent. for each complete year that the Shares have been held. Notice of the introduction of any such charge will be dealt with in accordance with the FCA Rules. Where a Shareholder has acquired Shares at different times and seeks to redeem or cancel Shares, he/she will be treated, for the purposes of any redemption charge applied, as cancelling or redeeming Shares in the order in which they were acquired.

If redemption charges are introduced, and then such charges are changed, historical rates will be available from the ACD on request.

### Investment Management Charge

The ACD is entitled to make a periodic investment management charge (plus value added tax if any) calculated at an annual percentage rate based upon the value of the property of each Fund. The actual amount applicable to each Share Class is set out in Appendix 1. **The ACD reserves the right to review levels of charges. Notice of any increase from the current levels will be dealt with in accordance with the FCA Rules.**

The periodic management charge shall accrue daily and will be determined by reference to the NAV of each Fund on each Business Day and shall be deducted and paid at the end of each month. The investment management charge will be taken from either the capital or income of the Fund, as detailed in Appendix 1.

Those Funds that have the investment management charge deducted from capital may accordingly have their capital growth constrained.

### Performance Fee

The ACD is entitled to receive out of the assets of each Share Class of each Fund a performance related management fee (the "Performance Fee") equal to 20 per cent. of the increase in the Net Asset Value of each Share of each Class (after adding back any distributions made if applicable) of each Fund outstanding in respect of each Performance Period. The Performance Fee will be calculated and paid only after consideration of all other payments.

Each Performance Period for the Cazenove UK Absolute Target Fund to 31 December 2011 was three calendar months. There was then a Performance Period of 9 months from 1 January to 30 September 2012. The Performance Period is now twelve calendar months. Each Performance Period for the Cazenove Absolute UK Dynamic Fund is twelve calendar months.

For any Performance Fee to be payable in a Performance Period any previous underperformance will need to have been made good during the course of that Performance Period. There is no maximum ceiling in terms of the monetary amount of Performance Fee that may be charged. **The ACD reserves the right to review levels**

**of charges. Notice of any increase from the current levels will be dealt with in accordance with the FCA Rules**

The first Performance Period for the Cazenove UK Absolute Target Fund ran from 18 July to 30 September 2008.

The first Performance Period for the Cazenove Absolute UK Dynamic Fund ran from 7 September to 30 September 2009.

*Calculation method*

The performance of each Share Class will be calculated on a daily accrual basis and will be accrued at each Valuation Point. The accrual will be 20 per cent. of the amount by which the Net Asset Value exceeds the High Water Mark. The Performance Fee will be accrued on a cumulative basis with the daily accrual either increasing or decreasing at each Valuation Point depending on the performance of the Share Class of a Fund.

If, at any Valuation Point, the current mid-price falls below the High Water Mark no Performance Fee will be accrued. A Performance Fee will not then be accrued until the mid-price reaches the High Water Mark and thus any "underperformance" has been made good. If the Share Class of a Fund has failed to reach the High Water Mark in a current Performance Period then the requirement to reach that High Water Mark will be carried forward in to the next Performance Period or subsequent Performance Periods until such a time as the High Water Mark is reached.

The cumulative Performance Fee that accrues from the beginning of a Performance Period will be included in the ongoing calculation of the Share price. However, until the end of the relevant Performance Period any under performance of a Share Class on any given Business Day will be set against any prior outperformance, thereby reducing the Performance Fee accrual within each Share Class of each Fund. In such circumstances, the reduction of any Performance Fee accrual may not equate exactly to the total amount of any previously accrued Performance Fee. This arises because the number of Shares in issue at the time of the under performance may be more than or less than those in issue at the time of accrual.

In summary, the method of calculation of the Performance fee for each Share Class of each Fund will be:

- The opening Shares in Issue on a Business Day x (that Business Day's Share price less the previous Business Day's Share price).
- The accrual will equal 20 per cent. of the increase in the Net Asset Value.
- If the Net Asset Value falls then an accrued amount equal to 20 per cent. of the decrease in the Net Asset Value will be credited back to the Share Class.
- The Share price used for the calculation will be the gross mid-price (that is the Net Asset Value per Share plus any Performance Fee accrual).

*Crystallisation*

Crystallisation of the Performance Fee occurs on the last day of each Performance Period. Any Performance Fee due is payable out of each Fund to the ACD in arrears at the end of the Performance Period. Accordingly, once the Performance Fee has crystallised no refund will be made in respect of any Performance Fee paid out at that point in subsequent Performance Periods.

The ACD will seek to ensure that Performance Fee calculations are accurately applied and the Company's auditors will review the calculations of the Performance Fee and its charging on an annual basis.

*High Water Mark*

The High Water Mark is a performance measure that is used to ensure that a Performance Fee is only charged where the Net Asset Value of the Fund has increased over the course of the Fund's Performance Period. It is based on the mid-price of the Fund on the last Business Day of the Performance Period and where a Performance Fee is payable. If no Performance Fee is payable at the end of the Performance Period, the High Water Mark will remain unchanged as of the end of the prior Performance Period.

Examples 1 to 6 show how the Performance Fee is calculated. For simplicity these examples refer to a single mid-price of Class P1 Shares using the following data and on the basis of the proposed 20 per cent. Performance Fee on any outperformance against the previous High Water Mark. Please note that for ease of understanding, the examples provided below do not show the one Business Day lag between the actual performance event and the accrual of the Performance Fee. This lag may result in investors buying or selling Shares at prices different from those that would have prevailed in the absence of such a Performance Fee.

No Performance Fee will be accrued if the Share price is below the High Water Mark. If the Share price is above the High Water Mark, a Performance Fee will be accrued according to the following formulae:

Accrued Performance Fee = Accrued fee brought forward + that day's Performance Fee

Day's Performance Fee = opening shares for the day x (closing price - previous day's price) x 20 per cent.

The day's Performance Fee will either increase or reduce the accrued fee, depending upon whether the performance is positive or negative. The accrued fee will not be allowed to become a negative monetary amount. The gross reference prices used in each of the calculations are exclusive of any accrued Performance Fee.

These examples refer to a single Share price of Class P1 Shares.

Valuation Point	A	B	C	D	E	F
Gross Price	100p	110p	90p	102p	111.6	101.6
HWM	100p	100p	100p	100p	101.6p	101.6
Net price	100p	108p	90p	101.6p	109.6	101.6

In the above examples the High Water Mark is 100p to point D at which point the Performance Fee is taken and the High Water Mark is reset to 101.6p.

#### *Example 1*

A first investor buys Shares at the Valuation Point A at 100p. At Valuation Point B the gross price has risen to 110p which is 10p in excess of the High Water Mark of 100p so the Performance Fee accrual is 2p (20 per cent. of 10p). This means that those buying Shares at this point will pay 108p per Share. The Performance Fee will not be crystallised (paid to the ACD) until the end of the Performance Period which is Valuation Point D.

#### *Example 2*

At Valuation Point C the gross price has fallen by 20p from 110p to 90p. Since this is below the High Water Mark of 100p, the Share Class has accrued no Performance Fee for the period from Valuation Point B to Valuation Point C. Moreover, as the Share Class has underperformed its High Water Mark since Valuation Point A, the Performance Fee accrued to Valuation Point B (2p) has been reversed which means that the net price will now be set at 90p. Consequently if the first investor redeems at Valuation Point C he will receive less than he initially invested but neither will he have paid any Performance Fee.

#### *Example 3*

The second investor acquires shares at the Valuation Point C at 90p. At Valuation Point D the gross price has risen to 102p, an increase of 12p from the price at which he bought Shares. The High Water Mark is still 100p, so a Performance Fee will only be charged on the 2p increase from 100p to 102p. This equates to a performance accrual of 0.4p (20 per cent. of 2p) resulting in a net price of 101.6p. Thus the investor's Shares will only incur a Performance Fee on that proportion of the price which is in excess of 100p but not on the increase in value from 90p to 100p. Moreover the Shares acquired by the first investor will not therefore incur a Performance Fee twice for the same period of performance.

#### *Example 4*

The second investor sells Shares at the Valuation Point D at 101.6p having bought those shares at 90p. Whilst the gross value of the Shares has increased by 12p (excluding the Performance Fee accrual) since he initially

bought the Shares he will only incur a Performance Fee on that proportion of the gross price which is in excess of 100p.

#### *Example 5*

A third investor buys Shares at the Valuation Point D at 101.6p. At this Valuation Point the Performance Fee is crystallised and the High Water Mark is reset at 101.6p. At Valuation Point E the gross price increases by 10p to 111.6p so a Performance Fee is only charged on that 10p increase equating to a Performance Fee accrual of 2p (20 per cent. of 10p). This results in a net price of 109.6p.

#### *Example 6*

At Valuation Point F the gross price falls by 10p from 111.6 to 101.6p at which point the third investor sells. As the Share Class has underperformed its High Water Mark since Valuation Point E, the Performance Fee accrued to Valuation Point E (2p) has been reversed which means that the net price will now be set at 101.6p. Consequently if the third investor redeems at Valuation Point F he will pay no Performance Fee is paid.

Investors can obtain further details about the Performance Fee by contacting the ACD.

## **DEPOSITARY'S CHARGES AND EXPENSES**

The Depositary's remuneration, which is payable out of the assets of the Company, is a periodic charge at such annual percentage of the value of the property of the Company as is set out in the table below, with the property of the Company being valued and such remuneration accruing and being paid on the same basis as the ACD's periodic charge. Currently, the ACD and the Depositary have agreed that the Depositary's remuneration in respect of the Company shall be calculated on a sliding scale as follows:

<b>Value of Scheme Property</b>	<b>Fee</b>
On the first £40 million	0.0275 per cent.
£40 - £80 million	0.0175 per cent.
Excess above £80 million	0.0075 per cent.

The Depositary is also entitled to receive out of the Scheme Property remuneration for performing or arranging for the performance of the functions conferred on the Depositary by the Instrument of Incorporation or the FCA Rules. The Depositary's remuneration under this paragraph shall accrue when the relevant transaction or other dealing is effected and shall be paid in arrears on the next following date on which payment of the Depositary's periodic charge is to be made or as soon as practicable thereafter. Currently the Depositary does not receive any remuneration under this paragraph.

The Depositary is permitted to increase its remuneration subject to the agreement of the ACD. If the charge materially increases the payment out of the Company, written notice will be given in the same manner as for an increase to the ACD's preliminary charge detailed above.

In addition to the remuneration referred to above, the Depositary will be entitled to receive reimbursement for expenses properly incurred by it in the discharge of its duties or exercising any of the powers conferred upon it in relation to the Company and each Fund, subject to approval by the ACD.

The Depositary has appointed JPMorgan Chase Bank, N.A. as the Custodian of the Scheme Property and is entitled to receive reimbursement of the Custodian's fees as an expense of the Company. JPMorgan Chase Bank's remuneration for acting as Custodian is calculated at an ad valorem rate determined by the territory or country in which the assets of the Company are held. Currently, the lowest rate is 0.0025 per cent. and the highest rate is 0.4000 per cent. In addition, the Custodian makes a transaction charge determined by the territory or country in which the transaction is effected. Currently, these transaction charges range from £5 to £200 per transaction.

The Depositary is also entitled to be reimbursed out of the Scheme Property in respect of remuneration charged by the Custodian for such services as the ACD, Depositary and the Custodian may from time to time agree, being services delegated to the Custodian by the Depositary in performing or arranging for the performance of the functions conferred on the Depositary by the Instrument of Incorporation or the FCA Rules. Remuneration charged under this paragraph shall accrue when the relevant transaction or other dealing is effected and shall be paid in arrears. Currently the Custodian does not receive any remuneration under this paragraph.

The Custodian is permitted to increase its remuneration subject to the agreement of the Depositary and ACD. If the remuneration materially increases the payment out of the Scheme, written notice will be given in the same manner as for an increase to the ACD's preliminary charge detailed above.

The following further expenses may also be paid out of the Scheme Property:

- all charges imposed by, and any expenses of, any agents appointed by the Depositary to assist in the discharge of its duties;
- all charges and expenses incurred in connection with the collection and distribution of income;
- all charges and expenses incurred in relation to the preparation of the Depositary's annual report to Shareholders; and
- all administration charges and expenses incurred in relation to stock lending.

In addition to the fees and charges payable to the Depositary referred to above, the amount payable to the Depositary out of the property attributable to any Fund may include amounts payable by way of reimbursement for charges incurred in connection with its duties (or the exercise of powers conferred upon it by the OEIC Regulations and FCA Rules) referable to (but not limited to):-

- (i) custody of assets (including overseas custody services);
- (ii) the acquisition holding and disposal of property;
- (iii) the collection and distribution to Shareholders of dividends, interest and any other income;
- (iv) the maintenance of distribution accounts;
- (v) the conversion of foreign currency;
- (vi) registration of assets in the name of the Depositary or its nominee or agents;
- (vii) borrowings, stocklending or other permitted transactions;
- (viii) communications with any parties (including telex, facsimile, SWIFT and electronic mail);
- (ix) taxation matters;
- (x) insurance matters;
- (xi) dealings in derivatives;
- (xii) costs and charges relating to banking and banking transactions;
- (xiii) preparation of the Depositary's annual report to Shareholders;
- (xiv) taking professional advice;
- (xv) all charges imposed by, and any expenses of, any agents appointed by the Depositary to assist in the discharge of its duties;
- (xvi) conducting legal proceedings;
- (xvii) the convening and/or attendance at meetings of Shareholders; and
- (xviii) modification of the Instrument of Incorporation, Prospectus, and negotiation and/or modification of the Depositary Agreement and any other agreement entered into between the depositary and its delegates.

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

## REGISTRAR AND TRANSFER AGENT CHARGE

The Registrar and Transfer Agent will be paid a periodic charge of 0.0275 per cent per annum. The fee will be payable to JP Morgan Europe Limited for the provision of the following services:

- (i) maintaining the Register of Shareholders
- (ii) preparing data used for the financial statements for the Funds;
- (iii) providing facilities for dealing in the Company's Shares; and
- (iv) maintaining the Company's accounting and other books and records.

The Registrar and Transfer Agent charge shall accrue daily and will be determined by reference to the NAV of each Fund on each dealing day and shall be deducted and paid at the end of each month.

## OTHER EXPENSES

In addition to the fees and expenses of each of the ACD and the Depositary, including those the Depositary incurs in the implementation of the Depositary Agreement, and any applicable value added tax thereon the following expenses may be paid out of the property of a Fund:-

- (a) brokers' commission, fiscal charges and other disbursements which are:-
  - (i) necessarily incurred in effecting transactions for that Fund; and
  - (ii) normally shown in contract notes, confirmation notes and difference accounts as appropriate.
- (b) interest on borrowings permitted under that Fund and charges incurred in effecting or terminating or in negotiating or varying the terms of such borrowings;
- (c) taxation and duties payable in respect of the property of that Fund or the issue of shares in that Fund;
- (d) any costs incurred in modifying the Instrument of Incorporation and the Prospectus, including costs incurred in respect of meetings of holders convened for the purpose of approving such modifications;
- (e) any costs incurred in respect of meetings of Shareholders convened for any purpose including those convened by the Shareholders;
- (f) liabilities on amalgamation or reconstruction arising after the transfer of property to the Company in consideration for the issue of Shares as more fully described in the FCA Rules;
- (g) the audit fees and any proper expenses of the auditors and of tax, legal and other professional advisers to the Company;
- (h) the fees of the FCA under Schedule 1, Part III of the Act and any corresponding periodic fees of any regulatory authority in a country or territory outside the UK in which Shares in that Fund are, or may, be marketed;
- (i) any expenses or disbursements of the Depositary incurred in exercising any powers conferred upon the Depositary, or in performing any of the duties imposed upon it by the OEIC Regulations, the FCA Rules, the Instrument of Incorporation or by law, which duties may include:-
  - (i) delivery of stock to the Depositary or custodian;
  - (ii) custody of assets;
  - (iii) collection of income and capital;
  - (iv) submission of tax returns;
  - (v) handling tax claims;



- (vi) preparation of the Depositary's annual report; and
- (vii) such other duties as the Depositary is required by the OEIC Regulations, the FCA Rules, the Instrument of Incorporation or by law to perform;
- (j) the fees and expenses payable by the ACD to JP Morgan Europe Limited in respect of:-
  - (i) preparation of financial statements for the Funds;
  - (ii) preparation of tax returns;
  - (ii) any expenses incurred by the Company in connection with the maintenance of its accounting and other books and records;
- (k) any costs arising in connection with the publication and despatch of the price of Shares;
- (l) all costs arising from despatch of the half-yearly and other reports of the Company;
- (m) such other expenses as the ACD resolves are properly payable out of the Scheme Property including, without limitation and for the avoidance of doubt, the legal costs and other expenses incurred by the ACD in establishing and maintaining the Company and each Fund;
- (n) any sum due or payable by virtue of any provision of the FCA Rules; value added tax payable on these expenses where appropriate;
- (o) fees and expenses in respect of establishing and maintaining the register of Shareholders, including any sub-registers kept for the purpose of the administration of (when applicable) Individual Savings Accounts, are payable quarterly out of the property of the Funds;
- (p) any costs incurred in taking out and maintaining an insurance policy in relation to the Company;
- (q) any payment permitted by Rules 6.7.15R of the FCA Rules;
- (r) any payments otherwise due by virtue of a change to the OEIC Regulations;
- (s) any costs incurred which are associated with independent risk monitoring or daily "value at risk" or "VaR" calculations (part of the risk monitoring process);
- (t) any costs incurred in preparing, translating, producing (including printing), distributing and modifying the Instrument of Incorporation, the Prospectus and Key Investor Information Document (apart from the costs of distributing the Key Investor Information Document) or reports, accounts, statements, contract notes and other like documentation, or any other relevant document required under the OEIC Regulations;
- (u) any costs incurred in qualifying the Company for the sale of Shares in any jurisdiction and any ongoing costs relating to such registration for sale;
- (v) 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; and
- (w) such other expenses as the ACD resolves are properly payable out of the Fund's property.

The ACD is also entitled to be paid by the Company out of the Scheme Property any expenses incurred by the ACD or its delegates of the kinds described above. Payments will be charged to the capital or income of the Fund in accordance with the FCA Rules.

## INITIAL EXPENSES AND PROMOTION COSTS

The costs and expenses relating to the authorisation of the Company, the offer of Shares, the preparation and the production and printing of the Instrument of Incorporation, this Prospectus and Key Investor Information Document and the fees of the professional advisers to the Company in connection with the offer may be borne by the Company. Each Fund may bear its own direct establishment costs.

## ALLOCATION OF CHARGES AND EXPENSES BETWEEN FUNDS

All charges and expenses will be charged to a Fund in respect of which they were incurred (and, within a Fund, charges and expenses will be allocated between Classes in accordance with the terms of issue of Shares of those Classes). Any charges and expenses not attributable to any one Fund will normally be allocated by the ACD to all Funds pro rata to the Net Asset Value of each Fund, although the ACD has discretion to allocate such charges and expenses in a different manner which it considers fair to Shareholders generally.

The net proceeds from subscriptions to a Fund will be invested in the specific pool of assets constituting that Fund. The Company will maintain for each current Fund a separate pool of assets, each invested for the exclusive benefit of the relevant Fund. The Company as a whole will be responsible for all obligations, whichever Fund such liabilities are attributable to, unless otherwise agreed with specific creditors.

To the extent that any Scheme Property, or any assets to be received as part of the Scheme Property, or any costs, charges or expenses to be paid out of the Scheme Property, are not attributable to one Fund only, the ACD will allocate such Scheme Property, assets, costs, charges or expenses between Funds in a manner which it considers to be fair to all Shareholders of the Company.

Where a Fund has different Classes, each Class may attract different charges and so monies may be deducted from the Scheme Property attributable to such Classes in unequal proportions. In these circumstances, the proportionate interests of the Classes within a Fund will be adjusted accordingly.

## ALLOCATION OF EXPENSES BETWEEN CAPITAL AND INCOME

Expenses (including charges payable to the ACD) are allocated between capital and income in accordance with the Regulations. However, the approach for a given Fund is set out in Appendix 1. Where expenses are deducted in the first instance from income, if and only if this is insufficient, deductions will be made from capital (save for any charge made in respect of SDRT). If deductions are made from capital, this will result in capital erosion and constrain growth.



# INCOME

## ACCOUNTING PERIODS

The annual accounting period of the Company ends each year on the last day of September (the accounting reference date). The Company's first accounting period ended on 30 September 2008. The interim accounting period ends each year on 31 March.

## INCOME ALLOCATIONS

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

Distributions of income for each Fund are paid on or before the annual income allocation date of 30 November. In the case of Funds with income Shares in issue, interim distributions will be paid on the interim allocation dates set out in Appendix 1.

The amount available for allocation in an accounting period is calculated by:

- (a) taking the aggregate of the income received or receivable for the account of the relevant Fund for the accounting period;
- (b) deducting the charges and expenses of the Fund paid or payable out of income where appropriate for that accounting period; and
- (c) making such adjustments as the ACD considers appropriate (and after consulting the auditors as appropriate) in relation to tax and certain other issues.

If a distribution remains unclaimed for a period of six years after it has become due, it will be forfeited and become part of the capital property of the Company.

The ACD and the Depositary may agree a de minimis amount in respect of which a distribution of income is not required, and how any such amounts are to be treated. Notice of such a decision will be dealt with in accordance with the FCA Rules.

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).

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 FCA Rules.

## INCOME EQUALISATION

The purchase price of a Share reflects the entitlement to share in the accrued income of the relevant Fund since the previous allocation. This capital sum, known as "income equalisation", is returned to Shareholders with the first allocation of income in respect of a Share issued during an accounting period.

The amount of income equalisation is calculated by dividing the aggregate of the amounts of income included in the price of Shares of the relevant Class issued in an annual or interim accounting period by the number of those Shares and applying the resultant average to each of the Shares in question.

## UK TAXATION

The taxation of income and capital gains of both the Funds and Shareholders is subject to the fiscal law and practice of the UK and of the jurisdictions in which Shareholders are resident or otherwise subject to tax. The following summary of the anticipated tax treatment in the UK does not constitute legal or tax advice and applies only to persons holding Shares as an investment.

Prospective investors should consult their own professional advisers on the tax implications of making an investment in, holding or disposing of Shares and the receipt of distributions and deemed distributions with respect to such Shares under the laws of the countries in which they may be liable to taxation.

This summary is based on the taxation law and practice in force at the date of this document, but prospective investors should be aware that the relevant fiscal rules and practice or their interpretation might change. The following tax summary is not a guarantee to any investor of the tax results of investing in the Funds.

## THE COMPANY

As the Funds are sub-Funds of an open-ended investment company to which the Authorised Investment Funds (Tax) Regulations 2006 apply, the Company and its Funds are generally exempt from UK tax on capital gains realised on the disposal of investments (including interest paying securities and derivatives) held within the Funds. Each of the Funds will be treated as a separate entity for UK tax purposes.

The Funds are liable to UK corporation tax at a current rate of 20 per cent. on certain categories of income after the deduction of expenses of management. The Funds are generally exempt from UK corporation tax on the receipt of dividends and other distributions (including dividend distributions received from non-UK companies) subject to certain exclusions and specific anti-avoidance rules. Credit is given for all or part of any foreign tax paid on the Company's income.

A Fund will make dividend distributions except where over 60 per cent. of its property has been invested throughout the distribution period in interest-paying investments, in which case it will make interest distributions. It is currently anticipated that, if any distributions are made, the Funds will make dividend distributions rather than interest distributions.

Funds that pay out available income in the form of interest distributions will do so generally after deduction of income tax at the lower rate, currently 20 per cent. Shareholders who are not ordinarily resident in the UK may receive interest distributions gross by providing a declaration of non-residence to the Company.

## SHAREHOLDERS

Each Fund will be treated for tax purposes as distributing to its Shareholders for each distribution period the whole of the income shown in its accounts as being income available for payment to Shareholders or for reinvestment, regardless of the amount actually distributed. Accordingly, any excess of the amount so shown over the income actually distributed will be deemed to be distributed to Shareholders in proportion to their respective interests in the Fund. The date of any such deemed distribution will be determined by the Fund's relevant interim or annual income allocation date (details of which are given above).

Interest and dividend distributions and deemed distributions comprise income for UK tax purposes. Except for Shareholders within the charge to corporation tax, (as explained below), dividend distributions and deemed dividend distributions carry a tax credit currently equivalent to 10 per cent. of the aggregate of the distribution or deemed distribution and the tax credit (i.e. an amount equal to one ninth of the amount distributed or deemed to have been distributed).

UK resident individuals and certain trusts liable to UK income tax will be taxable on the sum of their distributions and deemed distributions and associated tax credits but will be entitled to set the tax credits against their UK income tax liability. Associated tax credits will satisfy the liability to income tax of lower and basic rate taxpayers. Higher rate taxpayers will be liable to income tax and the additional tax will be equivalent to 22.5 per cent. of the gross amount of the dividend distribution or deemed distribution. Additional rate taxpayers will be liable to income tax (at the dividend additional rate) and the additional tax will be equivalent to 27.5 per cent. of the gross amount of the dividend distribution or deemed distribution. If the total income of the

Shareholder is less than his or her personal allowances, the associated tax credits applicable to dividend distributions and deemed distributions, cannot be the subject of a tax repayment claim.

Dividend distributions or deemed distributions made on behalf of Shareholders within the charge to UK corporation tax are not subject to UK withholding tax. Such distributions or deemed distributions may be split into two parts, namely a franked and an unfranked part. In general terms, the franked part will correspond to that part of the distribution or deemed distribution as derives from franked investment income (such as dividends) and the unfranked part will correspond to that part of the distribution or deemed distribution as derives from other income (such as interest). In the hands of a UK corporate Shareholder the franked part will be treated as a distribution from a UK company and the Shareholder will, as a consequence, have no additional tax to pay in respect of this distribution. The unfranked part will be treated as an annual payment treated as paid after deduction of tax at the lower rate (currently 20%) and corporate Shareholders may accordingly have additional tax to pay in respect of that part of the distribution or deemed distribution, subject to credit for the tax deemed deducted. The percentages to be used to calculate the allocation between franked investment income and unfranked income received will be set out on the tax voucher.

The corporate streaming rules also limit the maximum amount of income tax that may be reclaimed from HMRC on the unfranked stream. The maximum amount reclaimable by a corporate Shareholder is the corporate Shareholder's portion of the Company's net liability to corporation tax in respect of gross income. The tax voucher will state the Company's net liability to corporation tax in respect of the gross income.

Non-UK resident Shareholders will not generally be entitled to reclaim any part of the tax credit on distributions from HM Revenue & Customs although it will usually satisfy their UK tax liability on that income. They may be able to utilise the tax credit against a liability to tax in their own country of residence.

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.

### **Gains**

Shareholders who are resident or ordinarily resident in the UK may be liable to UK taxation on capital gains arising from the sale or other disposal, including redemption, of Shares. Each individual has an annual exemption, £10,900 for the tax year 2013/2014, such that capital gains tax is chargeable only on net gains arising during the tax year in excess of this figure.

### **EU SAVINGS DIRECTIVE**

The EU Council Directive 2003/48/EC on taxation of savings income (the "Directive") 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 (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 (or certain "residual entities") resident for the purposes of the Directive in another Member State. However, Austria, Belgium and Luxembourg have instead imposed a system of withholding tax for a transitional period unless during such period they elect otherwise.

## APPENDIX 1: THE FUNDS

### THE CAZENOVE UK ABSOLUTE TARGET FUND

#### INVESTMENT OBJECTIVE AND POLICY

The objective of the Fund is to achieve absolute returns through targeted investment strategies independent of UK market conditions or indices. The ACD will seek to achieve its investment objective by investing predominantly in companies incorporated in the UK or in companies which derive a significant proportion of their revenues or profits from this country or which are primarily operating in this jurisdiction. Investments will be made predominantly in the equities of large or mid-sized companies and other equity related transferable securities, such as preferred shares, debentures, warrants (not exceeding 5 per cent of the total assets of the Fund) and convertible securities or in derivatives thereof. This does not, however, preclude investment in a limited way in smaller companies. As the Fund has an absolute return objective it will not be managed against any index.

Whilst the Fund will mainly invest in equities, it may also invest in debt securities (such as bonds and notes of any maturity which are transferable securities), where this is deemed appropriate in the market conditions prevailing at that time. Any such securities will be rated investment grade by Moody's or S&P, or if not rated, deemed by the investment manager to have at least an equivalent rating and will be issued by the UK government or companies incorporated in the UK or in companies which derive a predominant proportion of their revenues or profits from this country or which are principally operating in that jurisdiction. The Fund may also invest in short-term securities which are rated investment grade (such as certificates of deposit, bankers' acceptances and commercial paper) for temporary defensive purposes.

The Fund will seek to achieve its investment objective and policy through the use of various investment strategies including the use of derivatives to obtain long and synthetic short positions principally through contracts for differences. The Fund may also use forward foreign exchange transactions, interest rate and government bond futures, and other exchange traded and off exchange traded derivative contracts for the purposes of efficient portfolio management and/or meeting the investment objectives of the Fund. Such derivative contracts have the potential to significantly increase the Fund's risk profile.

The ACD employs a risk management process that seeks to control the volatility of Fund returns.

The Fund may at any time have substantial holdings in ancillary liquid assets.

<b><u>Valuation point</u></b>	Every Business Day
<b><u>Valuation time</u></b>	12.00 noon
<b><u>Price published</u></b>	www.cazenovecapital.com

<b><u>Classes of Shares</u></b>	<b><u>Class P1</u></b>	<b><u>Class P1</u></b>	<b><u>Class P2</u></b>	<b><u>Class P2</u></b>
	<b><u>Accumulation</u></b>	<b><u>Euro Hedged Accumulation</u></b>	<b><u>Accumulation</u></b>	<b><u>Euro Hedged Accumulation</u></b>
<b>Initial Offer Price</b>	£1.00	€1.00	£1.00	€1.00
<b>Currency of Denomination</b>	Pounds sterling	Euro	Pounds sterling	Euro
<b>Minimum Investment</b>	£1,000	€1,000	£500,000	€500,000
<b>Minimum Subsequent Investment</b>	£500	€500	£100,000	€100,000
<b>Minimum Withdrawal</b>	£500	€500	£10,000	€10,000
<b>Minimum Holding</b>	£1,000	€1,000	£500,000	€500,000
<b>ACD's Preliminary Charge</b>	5%	5%	0%	0%
<b>Investment Management Charge</b>				
	<b>Rate</b>	1.25%	1.25%	0.75%
	<b>Charged to</b>	Income	Income	Income
<b>Performance Charge</b>				
	<b>Rate</b>	20%	20%	20%
	<b>Charged to</b>	Income	Income	Income
<b>Redemption Charge</b>	0%	0%	0%	0%
<b>Annual Income Allocation Date</b>	30 Nov	30 Nov	30 Nov	30 Nov
	Accumulated	Accumulated	Accumulated	Accumulated
<b>Interim Income Allocation Date</b>	31 May	31 May	31 May	31 May
	Accumulated	Accumulated	Accumulated	Accumulated
<b>ISA Qualifying</b>	Yes	Yes	Yes	Yes
<b>Annual Accounting Period</b>	30 Sept	30 Sept	30 Sept	30 Sept
<b>Interim Accounting Period</b>	31March	31March	31March	31March
<b>Grouping Periods for Income Equalisation</b>	Interim Accounting Periods			

The currency of the Fund is pounds sterling

## THE CAZENOVE ABSOLUTE UK DYNAMIC FUND

### INVESTMENT OBJECTIVE AND POLICY

The objective of the Fund is to achieve absolute returns through targeted investment strategies independent of UK market conditions or indices. The ACD will seek to achieve its investment objective by investing in a concentrated portfolio of companies (usually between 30 to 60 companies both on the long side and the short side of the portfolio) predominantly incorporated in the United Kingdom or in companies which derive a significant proportion of their revenues or profits from this country or which are primarily operating in this jurisdiction. Investments will be made primarily in companies and other securities which are constituents of the FTSE All-Share Index with a bias towards medium sized and smaller companies. The Fund may also invest in securities listed on the Alternative Investment Market and in equity related transferable securities, such as preferred shares, debentures, warrants (warrants may not exceed more than 5 per cent of the total assets of the Fund) and convertible securities or in derivatives thereof. As the Fund has an absolute return objective it will not be managed against any index.

Whilst the Fund will mainly invest in equities, it may also invest in debt securities (such as bonds and notes of any maturity which are transferable securities), where this is deemed appropriate in the market conditions prevailing at that time. Any such securities will be rated investment grade by Moody's or S&P, or if not rated, deemed by the investment manager to have at least an equivalent rating and will be issued by the UK government or companies incorporated in the UK or in companies which derive a predominant proportion of their revenues or profits from this country or which are principally operating in that jurisdiction. The Fund may also invest in short-term securities which are rated investment grade (such as certificates of deposit, bankers' acceptances and commercial paper) for temporary defensive purposes.

The Fund will seek to achieve its investment objective and policy through the use of various investment strategies including the use of derivatives to obtain long and synthetic short positions principally through contracts for differences. The Fund may also use forward foreign exchange transactions, interest rate and government bond futures, and other exchange traded and off exchange traded derivative contracts for the purposes of efficient portfolio management and/or meeting the investment objectives of the Fund. Such derivative contracts have the potential to significantly increase the Fund's risk profile.

The ACD employs a risk management process that seeks to control the volatility of Fund returns.

The Fund may at any time have substantial holdings in ancillary liquid assets.

#### **Limited Issue**

In addition to the circumstances specified on page 14 of this Prospectus, the ACD reserves the right to limit the issue of Shares in the Cazenove Absolute UK Dynamic Fund where the total number of Shares that are in issue for P1 and P2 in the Fund exceeds, or is anticipated to exceed, 225 million Shares. The ACD also reserves the right to increase this limit in its absolute discretion. In the event the ACD decides to exercise its right to limit the issue of Shares in the Fund, the issue of Shares will cease from the time and date determined by the ACD. In such circumstances, the ACD may scale back applications by investors to purchase Shares as provided under the section "Buying, Selling and Switching Shares" and will return any relevant subscription money sent, or the balance of such monies, at the risk of the applicant and without interest. Thereafter, the ACD may still issue Shares in the Fund where the proceeds of that issue can be invested without compromising the Fund's investment objective or materially prejudicing existing Shareholders. The ACD may also issue additional Shares in the Fund where, as a result of cancellations, the number of Shares in issue falls below, or is anticipated to fall below, the current limit. After imposing such a limitation, the ACD may, in its absolute discretion, arrange for the resumption of the issue of Shares in the Fund, subject to such limits (if any) as the ACD may determine, where the proceeds of that subsequent issue can be invested without compromising the Fund's investment objective or materially prejudicing existing Shareholders.

These limited issue arrangements are without prejudice to the ability of the ACD to sell Shares which it holds for its own account as a result either of a redemption of Shares or an issue of Shares to the ACD when Shares were available for issue.

<b><u>Valuation point</u></b>	Every Business Day
<b><u>Valuation time</u></b>	12.00 noon
<b><u>Price published</u></b>	www.cazenovecapital.com

<b><u>Classes of Shares</u></b>	<b><u>Class P1</u></b>	<b><u>Class P1</u></b>	<b><u>Class P2</u></b>	<b><u>Class P2</u></b>
	<b><u>Accumulation</u></b>	<b><u>Euro Hedged Accumulation</u></b>	<b><u>Accumulation</u></b>	<b><u>Euro Hedged Accumulation</u></b>
<b>Initial Offer Price</b>	£1.00	€1.00	£1.00	€1.00
<b>Currency of Denomination</b>	Pounds sterling	Euro	Pounds sterling	Euro
<b>Minimum Investment</b>	£1,000	€1,000	£500,000	€500,000
<b>Minimum Subsequent Investment</b>	£500	€500	£100,000	€100,000
<b>Minimum Withdrawal</b>	£500	€500	£100,000	€10,000
<b>Minimum Holding</b>	£1,000	€1,000	£500,000	€500,000
<b>ACD's Preliminary Charge</b>	5%*	5%*	0%	0%
<b>Investment Management Charge</b>				
<b>Rate</b>	1.5%	1.5%	1.0%	1.0%
<b>Charged to</b>	Income	Income	Income	Income
<b>Performance Charge</b>				
<b>Rate</b>	20%	20%	20%	20%
<b>Charged to</b>	Income	Income	Income	Income
<b>Redemption Charge</b>	0%	0%	0%	0%
<b>Annual Income Allocation Date</b>	30 Nov Accumulated	30 Nov Accumulated	30 Nov Accumulated	30 Nov Accumulated
<b>ISA Qualifying</b>	Yes	Yes	Yes	Yes
<b>Annual Accounting Period</b>	30 Sept	30 Sept	30 Sept	30 Sept
<b>Interim Accounting Period</b>	31 March	31 March	31 March	31 March
<b>Grouping Periods for Income Equalisation</b>	Interim Accounting Periods			

\* The ACD may on giving Shareholders 60 days' notice increase the initial charge for P1 Class Shares from 5% to 7% and may introduce an initial charge of 7% for P2 Class Shares.

The currency of the Fund is pounds sterling

# APPENDIX 2: INVESTMENT POWERS AND RESTRICTIONS

## INVESTMENT RESTRICTIONS

The investment objectives and policies of each Fund, set out in Appendix 1, are subject to the limits on investment for UCITS Schemes under Chapter 5 of the FCA Rules, relevant parts of which are summarised below.

### 1 Transferable Securities

Each Fund may invest without limitation, except where otherwise specifically stated, in transferable securities and approved money market instruments (as defined for the purposes of the FCA Rules) that are:

- (i) admitted to or dealt in on an eligible market as described under Eligible Markets below; or
- (ii) recently issued transferable securities provided that the terms of the issue include an undertaking that application will be made to be admitted to an eligible market and such admission is secured within a year of issue; or
- (iii) approved money market instruments not admitted to or dealt in on an eligible market described under "Approved Money Market Instruments" below.

Each Fund may invest up to 10 per cent. of its net asset value in aggregate in transferable securities and approved money market instruments that are not admitted to or dealt in on an eligible market (as described in (1) above) or are not recently issued transferable securities as described in (ii) above) or are approved money market instruments within (iii) above.

The property of each Fund may be invested in a transferable security only to the extent that the transferable security fulfils the following criteria:

- (i) the potential loss which the Fund may incur with respect to holding the transferable security is limited to the amount paid for it;
- (ii) 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;
- (iii) reliable valuation is available for it as follows:
  - (a) 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;
  - (b) 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;
- (iv) appropriate information is available for it as follows:
  - (a) 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;
  - (b) 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 authorised fund manager on the transferable security or, where relevant, on the portfolio of the transferable security;
- (v) it is negotiable; and
- (vi) its risks are adequately captured by the risk management process of the ACD.



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 not to compromise the ability of the ACD to comply with its obligation to redeem Shares at the request of any qualifying Shareholder and to be negotiable.

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

- (i) where the closed end fund is constituted as an investment company or a unit trust, it is subject to corporate governance mechanisms applied to companies, and 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
- (ii) where the closed end fund is constituted under the law of contract, it is subject to corporate governance mechanisms equivalent to those applied to companies, and it is managed by a person who is subject to national regulation for the purpose of investor protection.

Eligible markets for the Funds are explained and set out under the heading “Eligible Markets for Funds” below.

## 2 Government and Public Securities

Each Fund may invest without limitation in transferable securities that are defined by the FCA as government and public securities (GAPS).

Each Fund may invest more than 35 per cent. in value of its property in GAPS issued by or on behalf of or guaranteed by any one body provided that such securities have been issued by the following bodies:-

- (a) the government of the UK; or
- (b) the Scottish Administration; or
- (c) the Executive Committee of the Northern Ireland Assembly; or
- (d) the National Assembly for Wales; or
- (e) the European Investment Bank; or
- (f) the government of any of the following countries or territories outside the UK:-
  - (i) each member State of the European Economic Area (an “EEA State”) other than the UK, which are Austria, Belgium, Bulgaria, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, the Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden; or
  - (ii) Australia, Canada, Japan, New Zealand, Switzerland and the United States of America.

Moreover, before investing more than 35 per cent. in value of the Fund’s property in such securities, the ACD will also consult with the Depositary and as a result considers that the issuer of such securities is one which is appropriate in accordance with the objectives of the Fund.

If a Fund invests more than 35 per cent. in value of its property in GAPS issued by any one body, no more than 30 per cent. in value of that Fund’s property may be invested in such securities of any one issue. Moreover, a Fund’s property must include such securities issued by that or another issuer, of at least six different issues.

In relation to such securities: issue, issued and issuer include guarantee, guaranteed and guarantor; and an issue differs from another if there is a difference as to repayment date, rate of interest, guarantor or other material terms of the issue.

### 3 Risk Management

The ACD applies a risk management process enabling it to monitor and measure at any time the risk of a Fund's positions and their contribution to the overall risk profile of the property of a Fund and to the Scheme Property. This is described more fully in the Risk section of the Prospectus.

An investor may obtain on request from the ACD details of the quantitative limits and methods used in applying the risk management of each Fund as well as any recent developments in the risks and yields of the main categories of investment of those Funds.

### 4 Nil/Partly Paid

A transferable security or an approved money market instrument (as defined in the FCA Rules) on which any sum is unpaid may be invested in only if it is reasonable foreseeable that the amount of any existing and potential call for any sum unpaid could be paid by the Fund, at the time when payment is required, without contravening the other investment restrictions in this Appendix 2 and the FCA Rules.

### 5 Collective Investment Schemes

5.1 Each Fund may invest in units or shares of any other collective investment schemes which are:

- (a) UCITS Schemes;
- (b) Schemes recognised under section 270 of the Financial Services and Markets Act 2000;
- (c) non-UCITS retail schemes as defined in the FCA Rules; or
- (d) Schemes authorised in an EEA State provided the restrictions in Article 19(1)(e) of the UCITS Directive are met, or
- (e) authorised by the competent authority or an OECD member country (other than another EEA State) which has:
  - (i) signed the IOSCO Multilateral Memorandum of Understanding; and
  - (ii) approved the scheme's management company, rules and depositary/custody arrangements.

(provided the schemes invested in cannot themselves invest more than 10 per cent. in other collective investment schemes.)

No more than 30 per cent. of the value of a Fund may be invested in other collective investment schemes within (b) to (e) above.

**Each Fund may invest in units or shares of a fund managed or operated by the ACD or an associate of the ACD including an investment in another Fund of the Company.** However, a Fund may only invest in or dispose of Shares of another Fund of the Company if:

- (i) the second Fund does not hold Shares in any other Fund of the Company;
- (ii) the conditions in COLL 5.2.15R (Investment in associated collective investment schemes) and COLL 5.2.16R (Investment in other group schemes) are complied with,
- (iii) the investing or disposing Fund must not be a feeder fund to the second Fund.

Where a Fund invests in or disposes of Shares in another Fund of the Company, the scheme property attributable to the investing or disposing Fund may include Shares in another Fund of the Company.

Each Fund may not invest more than 10 per cent. of their respective Net Asset Value in units or shares of collective investment schemes.

Any collective investment scheme into which a Fund buys units or shares must have terms that prohibit more than 10 per cent. in value of the property of that scheme consisting of units or shares in collective investment schemes.

Where a substantial proportion of a Fund's Net Asset Value is invested in underlying funds, the maximum level of management fee that may be charged to the Fund for these underlying funds is an annual percentage rate of 3 per cent. of their Net Asset Value (plus value added tax, if any).

## 6 Approved Money Market Instruments

Each Fund may invest without limitation, where this is specifically stated in its investment objective and policy, in approved money market instruments (as defined for the purposes of the FCA Rules). Money market instruments admitted to or dealt in on an eligible market (approved securities) are generally presumed to be approved money market instruments. Other approved money market instruments include:

- (a) money market instruments issued or guaranteed by:
  - (i) a central, regional or local authority or central bank of an EEA State, the European Central Bank, the EU or the European Investment Bank, a non-EEA State or, in the case of a federal state, by one of the members making up the federation, or by a public international body to which one or more EEA States belong; or
  - (ii) an establishment subject to prudential supervision in accordance with criteria defined by EU law or by an establishment which is subject to and complies with prudential rules considered by the FCA to be at least as stringent as those laid down by EU law;

and

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

Each Fund may invest up to 10 per cent. of its Net Asset Value in aggregate in approved money market instruments not falling within (ii) above.

Eligible markets for the Funds are explained and set out under the heading "Eligible Markets for Funds" below.

## 7 Deposits

Each Fund may invest in deposits without limitation, only with an approved bank and which are repayable on demand or has the right to withdraw and maturing in no more than 12 months.

## 8 Cash and Near Cash

The property of each Fund may consist of cash and near cash where this may reasonably be regarded as necessary in order to enable the pursuit of each Fund's investment objective, redemption of shares, efficient portfolio management of the Fund in question in accordance with the its investment objective or other purposes which may reasonably be regarded as ancillary to the investment objective of that Fund.

## 9 Derivatives and Forwards

The ACD has the power to buy and sell derivatives and forwards both on exchange and off exchange, in each Fund to the extent permitted by the Regulations and as set out below in sections 9.1 and 9.2 below. Where a Fund invests in derivatives, the exposure to the underlying assets must not exceed the limits set out below in section 10: Spread limits.

The limits do not apply to index based derivatives where, provided the relevant indices composition is sufficiently diversified, the index represents an adequate benchmark for the market to which it refers and the index is published in an appropriate manner. The underlying constituents of the index do not have to be taken into account for the purposes of the spread limits. The ACD must continue to ensure a prudent spread of risk.

A derivative or forward transaction must have an underlying consisting of any one or more of the investments permitted in this Appendix 2 of the Prospectus but may also include financial indices, interest rates, foreign exchange rates, currencies and credit default swaps.

A derivative or forward transaction which will or may lead to the delivery of the underlying asset for the account of the Fund may be entered into only if that property can be held for the account of the Fund, and the ACD having taken reasonable care determines that delivery of the asset under the transaction will not occur or will not lead to a breach the FCA Rules.

Where a transferable security or approved money market instrument embeds a derivative, this must be taken into account for the purposes of complying with the FCA Rules on derivatives and forward transactions.

When using derivatives the ACD will employ its risk management process set out in section 3.

An investor may obtain on request from the ACD details of the quantitative limits and methods used in applying the risk management of each Fund as well as any recent developments in the risks and yields of the main categories of investment of those Funds.

#### 9.1 Derivatives and forward use: Efficient Portfolio Management

Funds may use derivatives and forwards for efficient portfolio management. The aim of any derivative or forward used for such reasons is not to materially alter the risk profile of the Fund, rather their use is to assist the ACD in meeting the investment objectives of each Fund as set out in Appendix 1. Efficient portfolio management involves techniques and instruments which relate to transferable securities and approved money-market instruments and which fulfil the following criteria:

- (a) they are economically appropriate in that they are realised in a cost effective way;
- (b) they are entered into for one or more of the following specific aims:
  - (i) reduction of risk;
  - (ii) reduction of cost;
  - (iii) 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 FCA COLL.

The aim of reducing risks or costs will allow the ACD to enter into exposures on permissible assets or currencies using derivatives or forwards as an alternative to selling or purchasing underlying assets or currencies. These exposures may continue for as long as the ACD considers that the use of derivatives continues to meet the original aim.

The aim of generating additional capital or income allows the ACD to write options on existing assets where it considers the transaction will result in the Fund deriving a benefit, even if the benefit obtained results in surrendering the chance of greater benefit in the future.

The aim of generating additional capital allows the ACD to take advantage of any pricing imperfections in relation to the acquisition and disposal (or disposal and acquisition) of rights relating to assets the same as, or equivalent to which the Fund holds or may hold.

#### 9.2 Using derivatives for specific investment

Where permitted pursuant to the investment objective and policy of a Fund, each Fund may use derivatives and forward transactions for specific investment purposes in accordance with the rules summarised in section 9 above in addition to being used for efficient portfolio management. This may lead to a higher volatility in the Share price of those Funds.

#### 9.3. Derivatives dealt on exchange

Any derivative transaction entered into on-exchange must be effected on or under the rules of an eligible derivatives market and must not cause the Fund to diverge from its investment objectives as stated in this Prospectus.

#### 9.4. OTC derivative transactions

The Company, may, subject to the FCA Rules, enter into off exchange (referred to as the over-the-counter market ("OTC")) derivative transactions.

Off-exchange derivatives (being a future, option or contract for differences) and forwards transactions must only be entered into if they are with a counterparty which is an eligible institution or an approved bank or which is authorised by the FCA or its home state regulator to enter into transactions as principal off exchange. Such transactions must be on approved terms, in that the ACD:

- (a) carries out at least daily and at any other time at the request of the ACD a reliable and verifiable valuation in respect of that transaction corresponding to its fair value (being the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction) and which does not rely only on market quotations by the counterparty; and
- (b) can enter into further transactions to sell. Liquidate or close out the transaction at any time, at a fair value;

A transaction in a OTC derivative must be:

- (i) capable of reliable and verifiable valuation in that the ACD having taken reasonable care determines that, throughout the life of the derivative, it will be able to value the investment concerned with reasonable accuracy (a) on the basis of an up-to-date value which the ACD and the Depositary have agreed is reliable or (b) if the value referred to in (a) is not available, on the basis of a pricing model which the ACD and the Depositary have agreed uses an adequate recognised methodology; and
- (ii) subject to verifiable valuation in that, throughout the life of the derivative (if the transaction is entered into) verification of the valuation is carried out by (a) an appropriate third party which is independent from the counterparty of the derivative, at an adequate frequency and in such a way that the authorised fund manager is able to check it; or (b) a department within the ACD which is independent from the department in charge of managing the scheme property and which is adequately equipped for such a purpose.

The maximum exposure under an OTC derivative contract to any one counterparty is 5 percent. of a Fund's assets (10 percent where the counterparty is an Approved Bank).

## 9.5 Daily calculation of global exposure

The ACD must calculate the global exposure of a Fund on at least adaily basis. 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.

The ACD must calculate the global exposure of any Fund it manages either as:

- (i) the incremental exposure and leverage generated through the use of derivatives and forward transactions (including embedded derivatives as referred toin COLL 5.2.19R(3A)), which may not exceed 100% of the net value of the scheme property; or
- (ii) the market risk of the scheme property of the Fund.

The ACD must calculate the global exposure of a Fund by using:

- (i) commitment approach; or
- (ii) the VaR approach.

The ACD must ensure that the method selected to calculate global exposure is appropriate, taking into account: the investment strategy pursued by the Fund; thetypes and complexities of the derivatives and forward transactionsused; andthe proportion of the scheme property comprising derivatives and forward transactions.

Where a Fund employs techniques and instruments including repo contracts or stock lending transactions (if permitted)in order to generate additional leverage or exposure to market risk, the ACD must take those transactions into consideration when calculating global exposure.

#### 9.6. Cover for investment in derivative and forward transactions

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

The ACD must ensure that its global exposure relating to derivatives and forward transactions held in a Fund does not exceed the net value of the Scheme Property. The Fund must therefore hold Scheme Property sufficient in value or amount to match the exposure arising from a derivative obligation to which the Fund is committed. Cover used in respect of one transaction should not be used for cover in respect of another transaction in derivatives or a forward transaction.

#### 9.7. Valuation of OTC derivatives

The ACD must:

- (a) establish, implement and maintain arrangements and procedures which ensure appropriate, transparent and fair valuation of the exposures of a Fund to OTC derivatives; and
- (b) ensure that the fair value of OTC derivatives is subject to adequate accurate and independent assessment.

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

The arrangements and procedures referred to above must be:

- (a) adequate and proportionate to the nature and complexity of the OTC derivative concerned; and
- (b) adequately documented.

#### 9.8. Counterparty risk and issuer concentration

The ACD must ensure that counterparty risk arising from an OTC derivative is subject to the limits set out above. When calculating the exposure of a Fund to a counterparty, the ACD must use the positive mark-to-market value of the OTC derivative contract with that counterparty.

The ACD may net the OTC derivative positions of a Fund with the same counterparty, provided they are able legally to enforce netting agreements with the counterparty on behalf of the Fund and those netting agreements do not apply to any other exposures the Fund may have with that same counterparty.

The ACD may reduce the exposure of Scheme Property to a counterparty of an OTC derivative through the receipt of collateral. The ACD must take collateral into account in calculating exposure to counterparty risk in accordance with the limits in the paragraph below when it passes collateral to an OTC counterparty on behalf of a Fund. Collateral passed in accordance with the above can be taken into account on a net basis only if the ACD is able legally to enforce netting arrangements with this counterparty on behalf of a Fund. In relation to the exposure arising from OTC derivatives the ACD must include any exposure to OTC derivative counterparty risk in the calculation.

The ACD must calculate the issuer concentration limits as set out in the section "Spread limits" below on the basis of the underlying exposure created through the use of OTC derivatives pursuant to the commitment approach.

## 10 Spread Limits

10.1 The following spread limits apply to each Fund:

- (a) For the purposes of this section 10, companies included in the same group for the purposes of consolidated accounts as defined in accordance with the Seventh Council Directive 82/349/EEC of 13 June 1983 based on Article 54(3)(g) of the Treaty on consolidated accounts or, of companies



included in the same group in accordance with international accounting standards, are regarded as a single body.

- (b) Not more than 20 per cent. in value of the property of each Fund is to consist of deposits with a single body.
- (c) Not more than 5 per cent. in value of the property of each Fund is to consist of transferable securities (as defined in the FCA Rules) or approved money-market instruments issued by any single body.
- (d) The limit of 5 per cent. in (c) is raised to 10 per cent. in respect of up to 40 per cent. in value of the property of each Fund. Covered bonds need not be taken into account for the purpose of applying the limit of 40 per cent.
- (e) The limit of 5 per cent. in (c) is raised to 25 per cent. in value of the property of each Fund in respect of covered bonds, provided that when a Fund invests more than 5 per cent. in covered bonds issued by a single body, the total value of covered bonds held must not exceed 80 per cent. in value of the property of the Fund.
- (f) In applying (c) and (e), certificates representing certain securities (as defined in the FCA Rules) are to be treated as equivalent to the underlying security.
- (g) The combined exposure to any one counterparty in OTC derivatives transactions, repurchase transactions and stock lending transactions must not exceed 5 per cent. in value of the property of each Fund; this limit being raised to 10 per cent. where the counterparty is an approved bank (as defined in the FCA Rules).
- (h) Not more than 20 per cent. in value of the property of each Fund is to consist of transferable securities and money-market instruments issued by the same group (as referred to in (a)).
- (i) Not more than 20 per cent. in value of each Fund is to consist of the units or shares of any one collective investment scheme (as defined in the FCA Rules).
- (j) In applying the limits in (b), (c), (d), (f) and (g), and subject to (e) not more than 20 per cent. in value of the property of a Fund is to consist of any combination of two or more of the following:
  - (i) transferable securities (including covered bonds) or approved money-market instruments issued by a single body; or
  - (ii) deposits made with a single body; or
  - (iii) exposures from OTC derivatives transactions, repurchase transactions and stock lending transactions made with a single body; In applying the limits in (g) and (h) above, the exposure in respect of OTC derivative transactions, repurchase transactions and stock lending transactions may be reduced to the extent that collateral is held in respect of it if the collateral meets the relevant conditions set out in COLL.

These limits do not apply to government and public securities, as to which see paragraph 2 “Government and Public Securities” *above*.

None of the limits above apply to government and public securities, as to which see section 2 above.

## 11 Significant Influence

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

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 per

cent. 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).

## 12 Concentration

Each Fund must not acquire:

- transferable securities (other than debt securities) which do not carry a right to vote on any matter at a general meeting of the body corporate that issued them and represent more than 10 per cent. of those securities issued by that body corporate;
- more than 10 per cent. of the debt securities issued by any single body;
- more than 25 per cent. of the units or shares of a single collective investment scheme;
- more than 10 per cent. of the approved money market instruments issued by any single body.

However, the Company need not comply with the above stated limits if, at the time of acquisition, the net amount in issue of the relevant investment cannot be calculated.

No Fund will have an interest in any immovable or tangible movable property.

## 13 Borrowing

The Company may, subject to the FCA Rules, borrow money from an eligible institution or an approved bank for the use of each Fund on terms that the borrowing is to be repayable out of the property of the Fund.

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. The ACD must ensure that borrowing does not, on any Business Day, exceed 10 per cent. of the value of the property of each Fund.

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.

## 14 Stocklending

The ACD does not at this stage intend to engage in stocklending or repurchase agreements Shareholders will be provided with at least 60 days' prior notice before engaging in stocklending.

There are certain risks involved in entering into repurchase transactions and stock lending transactions. Please see in particular those set out in the risk section of this Prospectus. These risks may expose investors to an increased risk of loss. Please also note that certain potential conflicts of interests may arise in relation to efficient portfolio management techniques as detailed under “Conflicts of Interest” section in Appendix 3.

All the revenues arising from repurchase transactions and stock lending transactions shall be returned to the relevant Fund following the deduction of any direct and indirect operational costs and fees arising. Such direct and indirect operational costs and fees, which shall not include hidden revenue, shall include fees and expenses payable to counterparties and/or stock lending agents and will be at normal commercial rates (including any applicable VAT).

To the extent permitted by and within the limits prescribed by COLL relating to the use of financial techniques and instruments (as may be amended, supplemented or replaced from time to time) and the ESMA Guidelines on ETFs and other UCITS issues, each Fund may enter as buyer or seller into repurchase transactions and engage in securities lending transactions for the purpose of generating additional capital or income or for reducing its costs or risks.

In respect of repurchase transactions, a Fund will, on a daily basis, receive from or post to, its counterparty collateral of a type and market value sufficient to satisfy the requirements of the Regulations.

In respect of securities loans, a Fund will ensure that on a daily basis it receives or posts to its counterparty collateral of at least the market value of the securities lent. Such collateral must be in the form of cash or securities that satisfy the requirements of the Regulations.



A Fund must have the right at any time to require the return of any security it has lent out or to terminate any securities lending agreement it has entered into.

A Fund that enters into a repurchase transaction as buyer shall ensure that it is able to recall the full amount of cash or to terminate the reverse repurchase transaction at any time.

A Fund that enters into a repurchase transaction as seller shall ensure that it is able to recall any securities sold under the transaction or to terminate the transaction at any time.

Fixed-term repurchase transactions that do not exceed seven days shall be considered as arrangements on terms that allow the assets to be recalled at any time by the Fund.

Each Fund shall ensure that the level of its exposure to repurchase transactions are such that it is able to comply at all times with its redemption obligations.

## 15 ACD's Policy on Collateral and Management of Collateral

Where a Fund enters into OTC financial derivative transactions, stock lending or repurchase transactions (whether as buyer or seller), all collateral used to reduce counterparty risk exposure should comply with the following criteria:

- (a) Liquidity: Any collateral received other than cash shall be liquid and traded on a regulated market or multilateral trading facility with transparent pricing in order that it can be sold quickly at a price that is close to pre-sale valuation. Collateral received shall also comply with the provisions set out in paragraph 12 "Concentration" below.
- (b) Valuation: Collateral received shall be valued in accordance with the rules described under the section "Calculation of Net Asset Value" on at least a daily basis. Assets that exhibit high price volatility shall not be accepted as collateral unless suitably conservative haircuts are in place.
- (c) Issuer credit quality: The collateral received shall be of a high credit quality.
- (d) Correlation: Collateral should be issued by an entity that is independent from the counterparty and is expected not to display a high correlation with the performance of the counterparty.
- (e) Diversification: Collateral should be sufficiently diversified in terms of country, markets and issuers.
- (f) Immediately available: Collateral received must be capable of being fully enforced by the Fund at any time without reference to or approval from the counterparty.

In accordance with the collateral policy of the Funds, and subject to the above criteria, collateral received by the Funds must be in the form of one of or more of the following:

- (a) cash;
- (b) a certificate of deposit;
- (c) a letter of credit;
- (d) a readily realisable security;
- (e) commercial paper with no embedded derivative content; and
- (f) a short-term money-market fund (as defined in ESMA's "guidelines on a common definition of European money market funds") or a qualifying money market fund.

Without limiting the above, it is anticipated that collateral received by the Funds shall predominantly be in cash and government bonds.

Where there is a title transfer, the collateral received shall be held by the Depositary, or its agent. For other types of collateral arrangement (ie where there is no title transfer), the collateral can be held by a third party custodian which is subject to prudential supervision, and which is unrelated to the provider of the collateral.

Non-cash collateral received cannot be sold, re-invested or pledged.

Cash collateral shall only be:

- placed on deposit with entities as prescribed in paragraph 7 “Deposits” above;
- invested in high-quality government bonds;
- used for the purpose of reverse repurchase transactions provided the transactions are with credit institutions subject to prudential supervision and the Fund is able to recall at any time the full amount of cash on accrued basis;
- invested in short-term money market funds as defined in the "ESMA Guidelines on a Common Definition of European Money Market Funds".

Re-invested cash collateral shall be diversified in accordance with the diversification requirements applicable to non-cash collateral.

While re-invested cash is required to be diversified and may only be re-invested in the manner set out above, there remains a risk that the value of the asset invested in using cash collateral received by the Fund falls below the amount required to be returned to the cash collateral provider. Any shortfall will be borne by the Fund causing loss to the Fund and consequently investors.

## 16. Haircut Policy

The ACD, on behalf of each Fund, has established a haircut policy in respect of each class of assets received as collateral. A haircut is a discount applied to the market value of a collateral asset to account for the fact that its valuation, or liquidity profile, may deteriorate over time. The haircut, therefore, provides a ‘risk cushion’. The haircut policy takes account of the characteristics of the relevant asset class, including the credit standing of the issuer of the collateral, the price volatility of the collateral and the results of any stress tests which may be performed in accordance with the collateral management policy. Subject to the framework of agreements in place with the relevant counterparty, which may or may not include minimum transfer amounts, it is the intention of the ACD in respect of the Funds that any collateral received shall have a value, adjusted in light of the haircut policy, which equals or exceeds the relevant counterparty exposure where appropriate.

Eligible Collateral	Remaining Maturity	Haircut
Cash	N/A	0%
Government Bonds	One year or under	2%
	More than one year up to and including five years	3%
	More than five years up to and including ten years	5%
	More than ten years up to and including thirty years	7%
	More than thirty years up to and including forty years	10%
	More than forty years up to and including fifty years	13%

## 17 Exchange Traded Funds

Investment may be made by each Fund in exchange traded funds. The ACD will consider each investment in exchange traded funds on an individual basis to determine how the investment should be categorised. Generally, an investment in open ended exchange traded funds will be categorised as an investment in collective investment schemes and any investment in closed ended exchange traded funds will be categorised as an investment in transferable securities.

## 18 Other Investment Restrictions

In the event that one of the Funds invests in or disposes of shares or units in another collective investment scheme managed or operated by the ACD or an associate of the ACD, the ACD shall be under a duty to make the payments referred to in Rule 5.2.16 of the FCA Rules.

## 19 Interests in Immovable and Tangible Movable Property

The Company will not have any direct interest in any immovable property (for example its office) or tangible movable property (for example its office equipment).

### ELIGIBLE MARKETS FOR FUNDS

To protect Shareholders, markets on which certain investments of each Fund are admitted to or dealt in on must be of an adequate quality (“eligible”) at the time of acquisition of the investment and until it is sold. If a market ceases to be eligible, investments on that market cease to fall within (a) or (b) below and the 10 per cent. restriction will apply to them.

Eligible markets are:-

- (a) markets established in member states of the EU or in any other state within the EEA, excluding Cyprus and Malta, on which transferable securities admitted to official listing in these states are dealt or traded: and
- (b) those securities and derivatives markets, as set out below, which the ACD, after consultation with the Depositary, has decided are appropriate for the purpose of investment of or dealing in the property of the Fund concerned having regard to the relevant criteria in the FCA Rules. These markets must operate regularly and be regulated, recognised and open to the public.

The classification of each market (that is, securities and/or derivatives) is denoted by “\*”. “✓” indicates that it is an eligible market for that Fund.

	Eligible. Securities Markets	Eligible Derivatives Markets	UK Absolute Target	Absolute UK Dynamic
SWX Swiss Exch.	*	*	✓	✓
New York Stock Exch.	*	*	✓	✓
NASDAQ	*	*	✓	✓
American Stock Exch.	*	*	✓	✓
New York Futures Exchange		*	✓	✓
Euronext (Paris, Brussels, Amsterdam)		*	✓	✓
Eurex Deutschland		*	✓	✓
Euronext Liffe		*	✓	✓
The Alternative Investment Market (“AIM”) of the UK	*		✓	✓
Eurex Zurich		*	✓	✓
Note 1	*		✓	✓
Note 2	*		✓	✓
Note 3	*		✓	✓
Note 4	*		✓	✓

### Notes to Eligible Markets Table

1. The ‘When Issued Market’ is to be regarded as an eligible securities market.
2. The market in transferable securities issued by or on behalf of the Government of the United States of America conducted through those persons for the time being recognised and supervised by the Federal Reserve Bank of New York and known as primary dealers is to be regarded as an eligible securities market.

3. The market in transferable securities issued by or on behalf of the Government of France conducted through those persons for the time being recognised and supervised by the French Treasury and known as “Specialistes en Valeurs du Tresor”.
4. The market in transferable securities issued by or on behalf of the Government of Sweden, conducted through those persons for the time being recognised and supervised by the Riksbank (Central Bank of Sweden) and known as primary distributors.

### Additions to Eligible Markets List

Further eligible markets may be added for a Fund (by appearing in a supplement to, or an updated version of this Prospectus) if:

- (a) the ACD, after consultation with and notification to the Depositary, decides that market is appropriate for investment of, or dealing in, the Scheme Property of the relevant Fund and the Depositary agrees in writing that the addition is of minimal significance to the investment strategy of the Fund; and
- (b) the Depositary has taken all reasonable care to determine that: (i) adequate custody arrangements can be provided for the investment dealt in on that market; and (ii) the ACD has taken all reasonable steps in considering the eligibility of that market.

Notice of any changes to the eligible markets in relation to a Fund will be dealt with in accordance with the FCA Rules.

However, a market will not be considered appropriate unless it:

- (a) is regulated;
- (b) operates regularly;
- (c) is recognised as a market or exchange or as a self-regulating organisation by an overseas regulator;
- (d) is open to the public;
- (e) is adequately liquid; and
- (f) has adequate arrangements for unimpeded transmission of income and capital to or to the order of investors.

## APPENDIX 3: MANAGEMENT, DISTRIBUTION AND ADMINISTRATION

### AUTHORISED CORPORATE DIRECTOR

The ACD of the Company is Cazenove Investment Fund Management Limited, a private company limited by shares incorporated in England and Wales on 27 May 1987 with registered number 2134680. The ACD is ultimately a wholly owned subsidiary of Schroders plc.

The ACD acts as Manager for the following authorised unit trusts:

- Bowdon General Fund
- Gresham General Fund
- Caversham Fund
- The Mount Diston Fund
- Star Hill Fund
- Pilot Hill Fund
- Winding Wood Fund
- Thornton Fund
- Betton Fund
- The Little Acorn Fund
- Anla Fund
- The Pondtail Fund
- The Capital Trust
- The Global Growth Fund
- The Second Managed Growth Fund
- The Blair Fund
- The Cutty Fund
- The Milton Fund
- The Springfield Trust
- Cazenove Multi-Manager UK Growth Fund
- Cazenove Multi-Manager Diversity fund
- Cazenove Multi-Manager Global (ex UK) Fund
- Cazenove Multi-Manager Diversity Tactical Fund
- Cazenove Multi-Manager Diversity Balanced Fund
- Cazenove Diversity Income Fund

The ACD is also the ACD of the following authorised Investment Companies with Variable Capital:

- The Wakefield Fund
- The Arcadia Fund
- The Clarkston Fund

The ACD acts for the Cazenove Investment Fund Company, an umbrella investment company with variable capital authorised in the UK by the FCA on 6 May 1999 and which currently has the following sub-Funds:

- Cazenove Managed Portfolio Fund
- Cazenove UK Opportunities Fund
- Cazenove UK Smaller Companies Fund
- Cazenove UK Corporate Bond Fund
- Cazenove Strategic Bond Fund
- Cazenove European Fund
- Cazenove UK Growth and Income Fund
- Cazenove UK Equity Income Fund
- Cazenove European Income Fund

### Share Capital

Share Capital: The issued share capital of the ACD is £5,000,000 made up of 5,000,000 Ordinary £1 shares all of which are fully paid.

### Regulatory Status

The ACD is authorised and regulated by the FCA. It is also a member of the Investment Management Association (IMA).

### Terms of Appointment

The ACD is responsible for managing and administering the Company's affairs. Under the terms of the ACD agreement (the "ACD Agreement"), the ACD is to provide investment management services, administrative, accounting and secretarial services to the Company. The ACD may provide similar services for other clients, but will endeavour to ensure fair treatment as between the Company and other clients whose funds are managed or advised by the ACD.

The ACD has delegated to JP Morgan Europe Limited the maintenance of the Register of Shareholders, the maintenance of accounting records for the Funds, the preparation of financial statements for the Funds and the calculation of the prices of Shares and the preparation of tax returns..

The ACD Agreement provides that the ACD's appointment is for an initial period of 3 years and thereafter may be terminated upon 12 months written notice by either the ACD or the Company, although in certain circumstances the agreement may be terminated forthwith by written notice. Termination cannot take effect until the FCA has approved the change of director. The ACD Agreement terminates automatically if the ACD ceases to be director of the Company or, in relation to any Fund, if that Fund is wound up.

The ACD Agreement includes an indemnity from the Company to the ACD in respect of liabilities incurred by the ACD by reason of the ACD's performance of its duties in accordance with the terms of the ACD Agreement.

Details of the remuneration provisions under the ACD Agreement are summarised under the heading "ACD's Charges and Expenses" above.

### THE CURRENCY OVERLAY MANAGER

The ACD and the Company have entered into an agreement (the "Currency Overlay Agreement") with JPMorgan Chase Bank, N.A. (the "Currency Overlay Manager"), which is authorised and regulated by the FCA, in which the Currency Overlay Manager will execute forward currency transactions on a passive currency overlay basis in respect of Cazenove UK Absolute Target Fund, and Cazenove UK Dynamic Absolute Fundeuro Class Shares. The purpose of these transactions is to neutralise the Euro Share Classes currency exposure to Sterling. The Currency Overlay Manager acts on a non-discretionary basis.

The Currency Overlay Manager is in the same group of companies as the Depositary. In addition to providing services to the Company, the Currency Overlay Manager acts as Custodian to the Company.

## THE DEPOSITARY

The Company's depositary is J.P. Morgan Trustee and Depositary Company Limited, a private company limited by shares, incorporated in England and Wales on 7 May 1986. Its registered office is at 25 Bank Street, Canary Wharf, London E14 5JP and its principal place of business is at Chaseside, Bournemouth BH7 7DA. The ultimate holding company of the Depositary is JP Morgan Chase & Co which is incorporated in Delaware, USA.

### Regulatory Status

The principal business activity of the Depositary is acting as depositary and trustee of collective investment schemes. The Depositary is authorised and regulated by FCA.

### Terms of Appointment

The Depositary provides its services under the terms of a Depositary Agreement between the Company and the Depositary (the "Depositary Agreement") which may be terminated by six months' notice given by either the Company or the Depositary, provided that if the Depositary serves notice to retire, the Company shall use its best endeavours to find a duly qualified replacement for the Depositary until which time the Depositary shall continue as Depositary and the effective date of termination shall be extended accordingly. If no such person has been appointed to replace the Depositary within nine months of the date of such notice the Company shall be wound up in accordance with the provisions of its Instrument of Incorporation. Subject to the FCA Rules, the Depositary has full power to delegate (and authorise its sub-delegates to sub-delegate) all or any part of its duties as Depositary. The Depositary has delegated to JPMorgan Chase Bank, N.A. the custody of the Scheme Property. The Depositary is entitled to the fees, charges and expenses detailed under "Depositary's Charges and Expenses".

The Depositary Agreement contains indemnities by the Company in favour of the Depositary and its affiliated companies against (other than in certain circumstances) all costs (including without limitation, all reasonable legal, professional and other expenses), charges, losses and liabilities brought against, suffered or incurred by the Depositary or its affiliated companies in the execution or exercise of the Depositary's duties, powers, authorities and discretions under the Depositary Agreement.

## PROVISION OF FUND ACCOUNTING AND ADMINISTRATIVE SERVICES

The ACD employs JP Morgan Europe Limited to provide fund accounting and certain administration services to each Fund.

## THE AUDITORS

The auditors of the Company are PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT.

## GENERAL

The Company, the ACD and the Depositary must each comply with the relevant requirements of the FCA Rules in a timely manner unless delay is lawful and also in the interests of the Company.

The ACD and the Depositary may retain the services of the other, or of third parties, to assist them in fulfilling their respective roles. However:

- (a) the Depositary may not delegate oversight of the Company to the Company, the ACD or any associate of the Company or of the ACD, or custody or control of the Scheme Property to the Company or the ACD; and
- (b) any delegation of custody of the Scheme Property must be under arrangements which allow the custodian to release documents into the possession of a third party only with the Depositary's consent.

Where functions are performed by third parties, the ACD remains responsible for the management of the Scheme Property and if the third party is an associate, any other functions which are within the role of the ACD.

The FCA Rules contain various requirements relating to transactions entered into between the Company and the ACD, any investment adviser or any associate of them which may involve a conflict of interest. These are designed to protect the interests of the Company. Certain transactions between the Company and the ACD, or an associate of the ACD, may be voidable at the instance of the Company in certain circumstances.

The ACD, and other companies connected with Cazenove Capital Holdings Limited may, from time to time, act as investment managers or advisers to other funds which follow similar investment objectives to those of the Funds of the Company. It is therefore possible that the ACD and/or other companies connected with Cazenove Capital Holdings Limited may, in the course of their business, have potential conflicts of interest with the Company or a particular Fund. The ACD will, however, have regard in such event to its obligations under its Agreement with the Company and, in particular, to its obligation to act in the best interests of the Company so far as is practicable, having regard to its obligations to other clients when undertaking any investment where potential conflicts of interest may arise.

The ACD executes transactions on behalf of clients with a number of selected brokers. In the normal course of business, the ACD enters or may enter into arrangements ("Commission Sharing Arrangements") whereby the broker agrees to set aside a proportion of the commission earned on transactions and to use this to discharge the cost of the provision of investment research received by the ACD. The services received under such arrangements are directly relevant to and assist in the cost-effective provision of management services generally by the ACD to its clients and are consistent with practices in the markets in which the ACD does business. In accordance with the Regulations, the ACD will not enter into such Commission Sharing Arrangements unless the types of goods and services provided to it are related to the provision of research and do not constitute goods or services which the FCA has specified do not satisfy the requirements of the rules in respect of such arrangements and will reasonably assist the ACD in the provision of its services to clients on whose behalf orders are being executed. Information on Commission Sharing Arrangements will be given in the Company's annual report to Shareholders.

The ACD effects transactions, on which commissions or other charges are payable, through unconnected brokers. Information will be given in the Company's annual report to Shareholders

The ACD as part of providing investment management and advisory services to the Company in respect of each Fund, may from time to time enter into arrangements with brokers, under which the broker will provide or procure services or other benefits which can be reasonably expected to assist in the provision of investment services. These services may only relate to research or execution. Any transactions conducted under these arrangements are done so on a best execution basis as required by the FCA. Further information on the ACD's policies in relation to commission sharing arrangements is available upon request.

The ACD is under no obligation to account to the Depositary or to the participants in any of the Funds for any profits or benefits it makes or receives that are derived from or in connection with dealing in Shares, any transaction in the Property of a Fund or the supply of services to the Company, and accordingly will not do so.

The Depositary may, from time to time, act as the depositary of other investment companies with variable capital.



## APPENDIX 4: GENERAL INFORMATION

### REGISTER OF SHAREHOLDERS

The Register may be inspected without charge any Shareholder or his duly authorised agent during normal business hours at that administrative address of the Registrar as given in the Directory.

Copies of the entries in the Register relating to a Shareholder are available on request by that Shareholder without charge. The Company has the power to close the Register for any period or periods not exceeding 30 days in any one year.

### RESTRICTIONS AND COMPULSORY TRANSFER AND REDEMPTION OF SHARES

The ACD may from time to time impose such restrictions as it may think necessary to ensure 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. In this connection, the ACD may reject in its discretion any application for the purchase, sale or switching of Shares.

If it comes to the notice of the ACD that any Shares are or may be owned or held legally or beneficially by a Non-Qualified Person (“affected Shares”) the ACD may give notice to the registered holder(s) of the affected Shares requiring either the transfer of such Shares to a person who is not a Non-Qualified Person or a request in writing for the redemption or cancellation of such Shares in accordance with the FCA Rules. If any person upon whom such a notice is served does not, within 30 days after the date of such notice, transfer the affected Shares to a person who is not a Non-Qualified Person or establish to the satisfaction of the ACD (whose judgement is final and binding) that he and the beneficial owner are not Non-Qualified Persons, he shall be deemed upon the expiration of that 30 day period to have given a request in writing for the redemption or cancellation (at the discretion of the ACD) of all the affected Shares pursuant to the FCA Rules.

A person who becomes aware that he has acquired or holds affected Shares as described above shall forthwith, unless he has already received a notice from the ACD as above, either transfer the affected Shares to a person qualified to own them or give a request in writing for the redemption or cancellation of such Shares pursuant to the FCA Rules.

The Company may refuse to register a transfer of Shares unless it has received an amount determined by the ACD as being the SDRT payable by the Company on the transfer, or such lesser sum as the ACD may determine.

### US PERSONS

The Shares have not been and will not be registered under the United States Securities Act of 1933 as amended (“Securities Act”) and may not be offered or sold in the United States of America, in its territories and possessions, any state of the United States of America and the District of Columbia (“United States of America”) or offered or sold to US Persons (as defined below). The Company has not been and will not be registered under the United States Investment Company Act of 1940, as amended. The ACD has not been and will not be registered under the United States Investment Advisors Act of 1940.

Applicants will be required to certify that they are not acquiring Shares for the benefit of directly or indirectly any US Person and that such applicants will not transfer or sell or offer to transfer or sell Shares to a US Person unless the Company gives its prior approval.

“US Person” means a United States person within the meaning of Regulation S under the Securities Act.

### ANNUAL REPORTS

Annual short reports of the Company in respect of the Company’s annual accounting period will be published not later than 30 November and half-yearly short reports in respect of the Company’s half yearly accounting period will be published on or before 31 May.

A full annual and half yearly long report for each period will be available to shareholders, free of charge, on request. The Annual Accounting date will be 30 September and the Interim Accounting date will be 31 March.

Copies of annual and interim reports may be obtained from the ACD or inspected at the ACD's offices at 12 Moorgate, London EC2R 6DA.

## STRATEGY FOR THE EXERCISE OF VOTING RIGHTS

The ACD has a clear policy for promoting best corporate governance practice among the companies in which the Funds invest and, in particular, for establishing the exercise of voting rights attached to the ownership of this Scheme Property so as to benefit each Fund. The policy is available on request from the ACD as are the details of the actions taken on the basis of this strategy in relation to each Fund.

## BEST EXECUTION

The ACD must ensure that Shareholders' best interests are met when placing dealing instructions with sharebroking and securities dealings firms. The ACD scrutinises the quality of the execution arrangements maintained with the brokers used and promptly makes changes where this is considered to be necessary. Further details of the ACD's best execution policy is available on request from the ACD.

## SHAREHOLDER MEETING AND VOTING RIGHTS

### Annual General Meeting

The Company will not hold an Annual General Meeting in relation to the Company's year-end, unless the ACD notifies Shareholders otherwise.

Shareholders have the right to request copies of the ACD's service contracts.

### General Meetings

Notice of the date, place and time of general meetings will be given to Shareholders.

The convening and conduct of Shareholders' meetings and the voting rights of Shareholders at those meetings are governed by the Company's Instrument of Incorporation and the FCA Rules, which are summarised below.

Where Shareholders are corporations rather than individuals, the following will apply:-

- (a) Any corporation which is a Shareholder may by resolution of its Directors or other governing body and in respect of any Share or Shares of which it is the holder authorise such individual as it thinks fit to act as its representative at any general meeting of the Shareholders or of any Class meeting or Fund meeting. The individual so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise in respect of such Share or Shares if it were an individual Shareholder.
- (b) Any corporation which is a Director of the Company may by resolution of its directors or other governing body authorise such individual as it thinks fit to act as its representative at any general meeting of the Shareholders, or of any Class meeting or Fund meeting or at any meeting of the Directors. The person so authorised shall be entitled to exercise the same powers at such meeting on behalf of such corporation as the corporation could exercise if it were an individual Director.
- (c) A corporation which holds Shares as nominee may appoint more than one such representative, each in respect of a specified number of Shares which the corporation holds, and each such representative shall be entitled to exercise such powers aforesaid only in respect of the Shares concerned.

### Requisitions of Meetings

The ACD may convene a general meeting at any time.

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

## Notice and Quorum

Shareholders will receive at least 14 days' written notice of a general meeting. They are entitled to be counted in the quorum and to vote at a meeting either in person or by proxy. The quorum for a meeting is two Shareholders, present in person or by proxy. Notice convening a general meeting of Shareholders will be given in accordance with the Regulations.

An instrument of proxy may be in the usual common form or in any other form which the ACD shall approve executed under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the common seal or under the hand of an officer or attorney so authorised. A person appointed to act as a proxy need not be a holder. For the appointment of a proxy to be effective, the instrument of proxy must be received as provided pursuant to the FCA Rules not less than 48 hours before the relevant meeting or adjourned meeting.

## Voting Rights

At a meeting of Shareholders, on a show of hands every Shareholder who (being an individual) is present in person or (being a corporation) is present by its properly authorised representative shall have one vote.

On a poll vote, Shareholders may vote in person or by proxy. The voting rights attaching to each Share are such proportion of the voting rights attached to all Shares in issue that the price of the Share bears to the aggregate prices(s) of all the Shares in issue on the date seven days before the notice of meeting is deemed to have been served. Shareholders who are entitled to more than one vote need not, if they vote, use all of their votes or cast all the votes used in the same way.

Except where the FCA Rules or the Instrument of Incorporation of the Company require an extraordinary resolution (which needs 75 per cent. of the votes cast at the meeting to be in favour if the resolution is to be passed), any resolution required by the FCA Rules will be passed by a simple majority of the votes validly cast for and against the resolution (an ordinary resolution).

The ACD may not be counted in the quorum for a general meeting, and neither the ACD nor any associate of the ACD is entitled to vote at any general meeting except in respect of Shares which the ACD or associate holds on behalf of or jointly with a person who, if the registered Shareholder, would be entitled to vote and from whom the ACD or associate has received voting instructions.

"Shareholders" in this context means Shareholders on the date seven days before the notice of meeting is deemed to have been served, but excluding persons who are known to the ACD not to be Shareholders at the time of the meeting.

## Class Meetings

The above provisions apply to meetings of Shareholders of a Fund or Class as they apply to general meetings of Shareholders, but by reference to the Fund or Class concerned.

## NOTIFICATIONS OF CHANGES TO THE COMPANY AND/OR A FUND

The ACD will notify all Shareholders of the Company and/or the relevant Fund, as applicable, of any changes to the Company and/or a Fund. The nature of the notice given to Shareholders by the ACD will depend on the nature of the changes proposed, as deemed by the ACD. Changes may be fundamental, significant or notifiable.

Where the ACD deems changes to the Company and/or the relevant Fund to be fundamental, Shareholders of the Company and/or the relevant Fund, as applicable, will be required to approve the change by way of an extraordinary resolution prior to implementation.

Where the ACD deems changes to the Company and/or the relevant Fund to be significant, Shareholders of the Company and/or the relevant Fund, as applicable, will be provided with at least 60 days' prior notice before implementation of the change.

Where the ACD deems changes to the Company and/or the relevant Fund to be notifiable, Shareholders of the Company and/or the relevant Fund, as applicable, will be informed at or after the date the implementation of the change.

## WINDING UP OF THE COMPANY OR A FUND

The Company may not be wound up except as an unregistered company under part V of the Insolvency Act 1986 or, if the Company is solvent, under the FCA Rules. A Fund may be terminated under the FCA Rules provided it is solvent, or if insolvent wound up under part V of the Insolvency Act 1986 (as an unregistered company).

Where the Company is to be wound up or a Fund is to be terminated under the FCA Rules, such winding up or termination may only be commenced following approval by the FCA. The FCA will only give approval if the ACD provides a statement (following an investigation into the affairs, business and property of the Company, or in the case of the termination of a Fund, the affairs, business and property of the Fund) either that the Company or the Fund, as the case may be, will be able to meet its liabilities within 12 months of the date of the statement or that the Company will be unable to do so. The Company may not be wound up or a Fund terminated under the FCA Rules if there is a vacancy in the position of authorised corporate director at the relevant time.

The Company may be wound up or a Fund terminated under the FCA Rules if:-

- (a) an extraordinary resolution to that effect is passed by the Shareholders; or
- (b) the period (if any) fixed for the duration of the Company or the Fund by the Instrument of Incorporation of the Company expires, or an event (if any) occurs on the occurrence of which the Instrument of Incorporation provides that the Company or Fund is to be wound up or terminated (for example, if the share capital of the Company is below its prescribed minimum or (in relation to any Fund) if the Net Asset Value of the Fund is less than £5 million or the equivalent in the currency of denomination, or if a change in the laws or regulations of any country means that, in the ACD's opinion, it is desirable to terminate the Fund); or
- (c) on the effective date of an agreement by the FCA in response to a request by the ACD for the winding up of the Company or the termination of a Fund.

A Fund may also be terminated in accordance with the terms of a scheme of amalgamation or reconstruction, in which case Shareholders in the Fund will become entitled to receive shares or units in another regulated collective investment scheme in exchange for their Shares in the Fund.

On the occurrence of any of the events in paragraphs (a) to (c) above and provided the FCA has given its approval:-

- (a) Sections 6.2 (Dealing), 6.3 (Valuation and Pricing) and 5 (Investment and borrowing Powers) of the FCA Rules will cease to apply to the Company or the Fund;
- (b) the Company will cease to issue and cancel Shares in the Company or the Fund, and the ACD shall cease to sell or redeem Shares or arrange for the Company to issue or cancel them (except in respect of a final cancellation);
- (c) no transfer of a Share shall be registered and no other change to the Register shall be made without the sanction of the ACD;
- (d) where the Company is being wound up, the Company shall cease to carry on its business except for its beneficial winding up; and
- (e) the corporate status and powers of the Company and, subject to the provisions of paragraph (a) and (d) above, the powers of the ACD shall remain until the Company is dissolved.

The ACD shall, as soon as practicable after the winding up or termination has commenced causes the scheme property to be realised and the liabilities of the Company or Fund to be met out of the proceeds. Where sufficient liquid funds are available after making provision for the expenses of the winding up or termination

and the discharge of the Company's or the Fund's remaining liabilities, the ACD may arrange for the Depositary to make one or more interim distributions out of the proceeds to Shareholders proportionately to the rights of their Shares to participate in the scheme property at the commencement of the winding up or termination. The ACD shall arrange for the Depositary to make a final distribution to Shareholders, on or prior to the date on which the final account or termination account is sent to Shareholders, of any balance remaining in proportion to their holdings in the Company or the particular Fund.

On completion of a winding up of the Company or the termination of a Fund, the Company or the Fund will be dissolved and the ACD will arrange for the Depositary to pay or lodge any money standing to the account of the Company or the Fund in accordance with the OEIC Regulations and t within one month of dissolution.

The ACD shall notify the FCA that it has completed a winding up of the Company or a termination of a Fund.

Following the completion of a winding up of the Company or of a Fund, the ACD must prepare a final account showing the date on which the Company's affairs were fully wound up, how the winding up took place and how the Scheme Property was distributed. The auditors of the Company shall make a report in respect of the final account, stating their opinion as to whether the final account has been properly prepared. Following the completion of a the termination of a Fund, the ACD must prepare a termination account showing the date on which the Fund's affairs were fully terminated, how the winding up took place and how the Scheme Property was distributed. The auditors of the Company shall make a report in respect of the final account or termination account, stating their opinion as to whether the final account or termination account has been properly prepared.

This final account or termination account and the auditors' report must be sent to the FCA, to each relevant Shareholder within four months of the date of the completion of the winding up of the Company or the termination of the Fund.

The Company is an umbrella company, and its Funds are segregated portfolios of assets. Accordingly, the assets of a Fund belong exclusively to that Fund and shall be used to discharge directly or indirectly the liabilities of, or claims against, any other person or body, including the umbrella company, or any other Fund, and shall not be available for any such purpose.

While the provisions of the OEIC Regulations provide for segregated liability between Funds, the concept of segregated liability is relatively new. Accordingly, where claims are brought by local creditors in foreign courts or under foreign law contracts, it is not yet known how those foreign courts will react to regulations 11A and 11B of the OEIC Regulations.

## DOCUMENTS OF THE COMPANY

The following documents may be inspected free of charge between 9.00 a.m. and 5.00 p.m. on every Business Day at the head office of the ACD, 12 Moorgate, London EC2R 6DA.

- (a) the most recent annual and half-yearly long reports of the Company;
- (b) the Instrument of Incorporation (and any amending instrument);
- (c) the Prospectus and Key Investor Information Document for each Share Class of each Fund; and
- (d) the material contracts referred to below.

The most recent copies of the documents referred to at (a), (b) and (c) above and the Prospectus may also be requested free of charge from the head office of the ACD either by writing to us at 12 Moorgate, London EC2R 6DA or by calling 020 3479 1000. These documents may be downloaded from the ACD's website: [www.cazenovecapital.com](http://www.cazenovecapital.com). The ACD may make a charge at its discretion for providing printed copies of documents.

## MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company and are, or may be, material:

- (a) the ACD Agreement dated 16 July 2008 between the Company and the ACD; and

(b) the Depositary Agreement dated 16 July 2008 between the Company, the ACD and the Depositary; Details of the above contracts are given in Appendix 3 (Management, Distribution and Administration).

### The Paying Agents and Local Representatives

The Company has appointed various paying agents in connection with the public distribution of its shares in Switzerland, Germany, Austria, Luxembourg, the Netherlands, France, Denmark, Ireland and Sweden.

NPB New Private Bank Limited has been appointed to act as the paying agent and First Independent Fund Services AG Zurich as the local representative of the Company in Switzerland.

Marcard, Stein & Co. AG has been appointed as the paying agent and information agent for the Company in Germany.

RaiffeisenZentralbankÖsterreichAktiengesellschaft has been appointed as the paying and information agent in Austria.

BNP Paribas Securities Services, Luxembourg branch has been appointed as the representation and paying agent in Luxembourg.

BNP Paribas Securities Services, Paris Branch has been appointed as the French centralising agent.

SkandinaviskaEnskildaBanken AB (publ) has been appointed as the paying agent in Sweden.

### COMPLAINTS

If you have any complaints, please write in the first instance to the Head of Compliance at the ACD's address below. A copy of the ACD's Complaint Handling Procedures is available on request from the Manager. You may also contact us via your financial adviser. You may also complain directly to the Financial Ombudsman Service:

Financial Ombudsman Service

South Quay Plaza

183 Marsh Wall

London E14 9SR

Tel: 0845 080 1800

Website: [www.financial-ombudsman.org.uk](http://www.financial-ombudsman.org.uk)

Details of your right to lodge a claim with the Financial Services Compensation Scheme are available from the ACD on request.

### NOTICE TO SHAREHOLDERS

A notice is duly served if it is delivered to the Shareholder's address as appearing in the register or is delivered by electronic means in accordance with the FCA Rules. Any notice or document served by post is deemed to have been served on the second Business Day following the day on which it is posted. Any document left at a registered address or delivered other than by post is deemed to have been served on that day.