



# WOODGROVE ASSET MANAGEMENT

Prospective of Asset Management funds

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**JUNE 2023 | VERSION 1.0**

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**PROSPECTUS**

**OF**

**WOODGROVE ASSET MANAGEMENT FUNDS**

**THIS IS A NON-VALID DOCUMENT FOR DEMO-PURPOSES ONLY**

**This document constitutes the Prospectus for WOODGROVE ASSET MANAGEMENT Funds and has been prepared in accordance with The Collective Investment Schemes Sourcebook (“COLL”).**

WOODGROVE Investment Services Limited, the Authorised Corporate Director of the Company, is the person responsible for the information contained in this Prospectus and accepts responsibility accordingly. It has taken all reasonable care to ensure that, to the best of its knowledge and belief, the information in this document does not contain any untrue or misleading statement or omit any matters required by The Collective Investment Schemes Sourcebook to be included in it.

This Prospectus is dated and is valid as of 20 May 2023.

## Prospectus of WOODGROVE ASSET MANAGEMENT Funds

No person has been authorised by the Company to give any information or to make any representations concerning the Company or 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 given or made by the Company.

Any purchase of Shares made by any person on the basis of information or representations not contained in or inconsistent with the information and representations contained in this Prospectus will be solely at the risk of the purchaser.

The Company's Funds are designed and managed to support longer-term investment, and frequent trading is discouraged. The Company is not intended to serve as a vehicle for active trading which seeks to take advantage of short-term fluctuations in securities markets. This type of short-term or excessive trading is often described as "market timing" and may harm a Fund's performance by disrupting portfolio management strategies and by increasing expenses. WOODGROVE Investment Services Limited is committed to disallowing transactions which it knows or reasonably believes to represent a pattern of market timing activity involving the Funds. Accordingly, WOODGROVE Investment Services Limited and other distributors may reject any purchase or switch of Shares from persons who are considered to have a history of short-term or excessive trading in the Funds or in other funds managed by WOODGROVE or by other funds managers, or whose trading activity has been or may be disruptive.

The delivery of this Prospectus (whether or not accompanied by any reports) or the issue of Shares shall not, under any circumstances, create any implication that the affairs of the Company have not changed since the date hereof.

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

The Company's Funds are designed principally for institutional investors such as pension funds and local government bodies. However, potential investors should not treat the contents of this Prospectus as advice relating to legal, taxation, investment or any other matters and are recommended to consult their own professional advisers concerning the acquisition, holding or disposal of Shares.

Investors in the Company agree that data relating to them may be stored or used for legitimate purposes by WOODGROVE Investment Services Limited and associated companies, who may be based outside of the European Economic Area. Data provided by investors will be used for a number of different purposes, including to develop and

process the business relationship and to comply with legal and regulatory requirements. Data may be shared with associated companies, wherever located, with intermediaries and other parties in the business relationship, and with other third parties for the purposes mentioned above. Information about investors may also be passed to financial and other organisations for the purpose of fraud prevention and where it is suspected that the relevant investor is or has been engaging in short-term, excessive or disruptive trading in the Company's Funds or other funds, so that appropriate steps may be taken in order to protect the Company and its Shareholders. If data is transferred outside of the UK, WOODGROVE will ensure that the recipient agrees to hold it securely in accordance with the requirements of the Data Protection Act 1998.

The provisions of the Company's Instrument of Incorporation are binding on each of its Shareholders (who are taken to have notice of them).

This Prospectus has been issued for the purpose of section 21 of the Financial Services and Markets Act 2000 by WOODGROVE Investment Services 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 WOODGROVE Investment Services Limited that this is the most recently published Prospectus.

## TABLE OF CONTENTS

THE COMPANY AND ITS FUNDS	10
The Company	10
The Funds	10
Investment Objectives and Policies of the Funds	11
Risk Factors	12
Investment Powers and Restrictions	22
SHARES	22
Classes of Shares	22
Register of Shareholders and Statements	23
BUYING, SELLING AND SWITCHING SHARES	24
General	24
Prevention of Money Laundering	24
Minimum Holdings	25
Buying and Selling Shares	25
Switching Between Funds	26
SHARE PRICES	27
Price of a Share	27
Price Adjustment Policy (Swing Pricing)	27
FEES AND EXPENSES	29
ACD's Fees and Expenses	29
Depository's Charges and Expenses	30
Other Expenses	32
Foreign Exchange Transactions	34
Formation Costs	34
Allocation of Fees and Expenses Between Funds	34
INCOME	35
Accounting Periods	35
Income Allocations	35
Income Equalisation	36
UK TAXATION	36

The Company	37
Shareholders	37
Income	38
Interest distributing Funds	38
Dividend distributing Funds	39
Capital Gains	39
EU Savings Tax Directive	40
Stamp Duty Reserve Tax	40
APPENDIX 1: THE FUNDS	43
America Fund	43
Emerging Markets Fund	46
Europe (ex-UK) Fund	50
Global Focus Fund	54
Index-Linked Bond Fund	58
International Bond Fund	62
Japan Fund	66
Long Bond Fund	69
MoneyBuilder Income Reduced Duration Fund	73
Pacific (ex-Japan) Fund	76
Pan European Fund	80
<u>Reduced Duration UK Corporate Bond Fund</u>	
Select Emerging Markets Equities Fund	83
Select European Equities Fund	89
Select Global Equities Fund	92
South East Asia Fund	95
Sterling Core Plus Bond Fund	98
UK Aggregate Bond Fund	102
UK Corporate Bond Fund	106
UK Fund	110
UK Gilt Fund	113
UK Long Corporate Bond Fund	117



UK Specialist Fund 121

## APPENDIX 2: INVESTMENT POWERS AND RESTRICTIONS 124

General 124

Transferable Securities 125

Collective Investment Schemes 129

Money Market Instruments 131

Derivatives and Forward Transactions 132

Spread Requirements 145

Concentration Restrictions 148

Prohibition on Acquiring Significant Influence in a Company 149

Warrants and Nil-Paid and Partly-Paid Securities 149

Power to Underwrite or Accept Placings 150

Stocklending 151

Repurchase Agreement Transactions 151

Borrowing 152

Cash and Near Cash 152

Breaches of the Investment and Borrowing Powers and Limits 153

## APPENDIX 3: MANAGEMENT, DISTRIBUTION AND ADMINISTRATION 154

Authorised Corporate Director 154

The Depositary 156

The Investment Manager for Certain Investments 157

The Auditors 159

General 159

## APPENDIX 4: GENERAL INFORMATION 163

Register of Shareholders 163

Calculation of Net Asset Value 163

Transfers 166

Restrictions and Compulsory Transfer or Redemption of Shares 166

US Persons 167

Issue of Shares in Exchange for In Specie Assets 169

In Specie Redemptions 169

Suspension of Dealings in Shares	170
Deferred Redemption of Shares	170
Limited Issue	171
Reports	171
Shareholder Meetings and Voting Rights	172
Winding Up of the Company or a Fund	174
Documents of the Company <sup>1</sup>	
Material Contracts	177
Complaints	177
APPENDIX 5: IMPORTANT INFORMATION FOR INVESTORS	178
DENMARK	178
FINLAND	183
IRELAND	189
THE NETHERLANDS	195
NORWAY	198
SOUTH AFRICA	206
SWEDEN	218

## TERMS USED IN THIS DOCUMENT

“ACD”	WOODGROVE Investment Services Limited, the authorised corporate director of the Company
“Approved Bank”	An approved bank as defined in the Glossary to the FCA Handbook
“Class”	All of the Shares relating to a single Fund or a particular class of Shares relating to a single Fund
“COLL”	Refers to the appropriate chapter or rule in the COLL Sourcebook
“COLL Sourcebook”	The Collective Investment Schemes Sourcebook issued by the FCA as amended or re-enacted from time to time
“Company”	WOODGROVE ASSET MANAGEMENT Funds
“Depository”	J.P.Milliman Trustee and Depository Company Limited, the depository of the Company
“EEA State”	A member state of the European Economic Area
“Efficient Portfolio Management”	Relates to transactions which are economically appropriate (they are realised in a cost effective way) and which are permitted by the COLL Sourcebook to be effected in order to achieve a reduction in certain risks or costs or the generation of additional capital or income for the Funds with a risk level which is consistent with the risk profile of the Fund and the risk diversification rules laid down in COLL.
“Eligible Institution”	One of certain eligible institutions as defined in the glossary to the FCA Handbook
“FCA”	The Financial Conduct Authority
“FCA Handbook”	The FCA Handbook of Rules and Guidance
“Funds”	Sub-funds of the Company, details of which are set out in Appendix 1
“OEIC Regulations”	The Open-Ended Investment Companies Regulations 2001 as amended
“Scheme Property”	The property of the Company
“Shareholders”	Holders of registered Shares

**“Shares”**

**Shares in the capital of the Company, being shares which relate to a particular class of share of a Fund (including fractions of one hundredth of a share)**

## **DIRECTORY**

**The Company:**

**WOODGROVE ASSET MANAGEMENT**

**Head Office**

**and address for service of notices:**

**88 Canada Square**

**Canary Wharf**

**London E14 5HQ**

**United Kingdom**

**Authorised Corporate Director, General Distributor, Administrator  
and Registrar:**

**WOODGROVE Investment Services Limited**

**88 Canada Square**

**Canary Wharf**

**London E14 5HQ**

**United Kingdom**

**Investment Advisers:**

**For Funds managed wholly or principally in the United Kingdom:**

**WOODGROVE Investment Services Limited**

**88 Canada Square**

**Canary Wharf**

**London E14 5HQ**

**United Kingdom**

**For other Funds:**

**WOODGROVE Fund Management Limited**

**50 Front Street**

**Hamilton HM19**

**Bermuda**

**Depository:**

**J.P.Milliman Trustee and Depositary Company Limited**

**60 Bank Street**

**Canary Wharf**

**London E14 5JP**

**United Kingdom**

**Auditors:**

**PricewaterhouseCoopers LLP**

**12 More London Riverside**

**London SE1 2RT**

**United Kingdom**

## THE COMPANY AND ITS FUNDS

### The Company

WOODGROVE ASSET MANAGEMENT Funds is an open-ended investment company with variable capital incorporated in England and Wales under number IC88 and authorised by the FCA on 15 July 1997.

The Company qualifies as an undertaking for collective investment in transferable securities (a UCITS) and has obtained recognition under the EC Council Directive 85/611 (as amended and replaced by EC Council Directive 2009/65/EC) for marketing in certain member states of the European Economic Area. The Company has converted into a “UCITS scheme” under the COLL Sourcebook and so has adopted the revised UCITS Directive provisions (known as UCITS III) (as amended) on the basis set out in this Prospectus as from 1 November 2005.

Information for investors in certain countries is contained in Appendix 5 of this Prospectus. The Company has unlimited duration. Shareholders are not liable for the debts of the Company.

#### Share Capital:

The maximum share capital of the Company is £200 billion and the minimum share capital of the Company is £20 million.

Base Currency: The currency of the Company is United Kingdom Pounds Sterling.

### The Funds

The Company is itself authorised as a UCITS scheme. It is structured as an umbrella company comprising various Funds each of which is operated as a distinct fund, with its own portfolio of investments. All the Funds are constituted as UCITS schemes.

The Funds in which Shares are currently available are:

#### Equity Funds:

America Fund

Emerging Markets Fund  
Europe (ex-UK) Fund  
Global Focus Fund  
Japan Fund  
Pacific (ex-Japan) Fund  
Pan European Fund  
Select Emerging Markets Equities Fund  
Select European Equities Fund  
Select Global Equities Fund  
South East Asia Fund  
UK Fund  
UK Specialist Fund

**Bond Funds:**

Index-Linked Bond Fund  
International Bond Fund  
Long Bond Fund  
MoneyBuilder Income Reduced Duration Fund  
Reduced Duration UK Corporate Bond  
Sterling Core Plus Bond Fund  
UK Aggregate Bond Fund  
UK Corporate Bond Fund  
UK Gilt Fund  
UK Long Corporate Bond Fund

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

Investment Objectives and Policies of the Funds



WOODGROVE ASSET MANAGEMENT Funds provides access to the global research resources and stockpicking skills of WOODGROVE 's investment management teams throughout the world.

Equity and bond Funds are offered. Each Fund provides investment in professionally managed pools of securities and other financial instruments in different geographical areas and currencies, with the aim of achieving capital growth, an attractive level of income, or a balance between growth and income as described below.

The aim of the equity Funds is to provide investors with long term capital growth from diversified and actively managed portfolios of securities in a wide range of stock markets. The income from these Funds is expected to be low. The equity Funds will invest principally in equities in the markets reflected in the title of each individual Fund and in companies established outside those markets but which derive a significant proportion of their earnings from those markets.

The aim of the bond Funds is to provide investors with relatively high income with the possibility of capital gains. With the exception of International Bond Fund, UK Corporate Bond Fund and UK Long Corporate Bond Fund, power is reserved to invest up to 100% of the assets of any bond Fund in securities issued or guaranteed by the Government of the United Kingdom.

The investment objective and policy of each Fund is set out in Appendix 1, and details of the investment powers and restrictions prescribed by the COLL Sourcebook are provided in Appendix 2.

#### Risk Factors

The level of risk varies between Funds. Risk is about how likely an investment is to fluctuate in value over time. While historically, over the longer term, shares and bonds have been seen to outstrip the returns expected from a bank or building society account, potential investors should consider the risk factors described below before investing in a Fund.

#### Past Performance

Past performance information relating to each Fund is set out in Appendix 1. Potential investors are warned that past performance should not be seen as an indication of how a Fund will perform in the future and cannot in any way provide a guarantee of future returns. Your attention is drawn to the additional notes and warnings given in Appendix 1.

#### Fluctuations in Value

The investments of the Company are subject to normal market fluctuations and other risks inherent in investing in securities and other financial instruments. There can be no assurance that any appreciation in 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 a Fund will actually be achieved.

#### Equities

For Funds investing in the shares of companies (equities), the value of those equities may fluctuate, sometimes dramatically, in response to the activities and results of individual companies or because of general market and economic conditions or other events. Currency exchange rate movements will also cause changes in value when the currency of the investment is other than the base currency of the Fund holding that investment.

#### Bonds, Debt Instruments & Fixed Income (including High Yielding Securities)

For Funds which invest in bonds or other debt instruments, the value of those investments will depend on market interest rates, the credit quality of the issuer and liquidity considerations. The net asset value of a Fund invested in debt instruments will change in response to fluctuations in interest rates, perceived credit quality of the issuer, market liquidity and also currency exchange rates (when the currency of the investment is other than the base currency of the Fund holding that investment). Some Funds

may invest in high yielding debt instruments where the level of income may be relatively high (compared to investment grade debt instruments); however the risk of depreciation and realisation of capital losses on such debt instruments held will be significantly higher than on lower yielding debt instruments.

#### Lower Rated/Unrated Securities

The credit quality of debt instruments is often assessed by rating agencies. Medium and lower rated securities and unrated securities of comparable quality may be subject to wider fluctuations in yield, wider bid-offer spreads, greater liquidity premium and accentuated market expectations, and consequently greater fluctuations in market values, than higher rated securities. Changes in such ratings, or expectation of changes, will be likely to cause changes in yield and market values, at times significantly so.

#### Country concentration

Funds which invest in essentially only one country will have greater exposure to market, political, legal, economic and social risks of that country than a Fund which diversifies country risk across a number of countries. There is a risk that a particular country may impose foreign exchange and/or conversion controls or regulate in such a way as to disrupt the way the markets in that country operate. The consequences of these actions, and others such as confiscation of assets, could be to hinder the normal operation of the Fund with regard to the purchase and sale of investments and possibly the ability to meet redemptions. Dealing in the Fund may be suspended and investors may not be able to acquire or redeem units in the Fund. These and other actions could also adversely affect the ability to price investments in the Fund which could affect the net asset value of the Fund in a material way. However, diversification across a number of countries could introduce other risks such as currency risk. In certain countries, and for certain types of investments, transaction costs are higher and liquidity is lower than elsewhere.

#### Legal and tax risks

In some jurisdictions the interpretation and implementation of laws and regulations and the enforcement of shareholders' rights under such laws and regulations may involve significant uncertainties. Furthermore, there may be differences between accounting and auditing standards, reporting practices and disclosure requirements and those generally accepted internationally. Some of the Funds may be subject to withholding and other taxes. Tax law and regulations of any country are constantly changing, and they may be changed with retrospective effect. The interpretation and applicability of the tax law and regulations by tax authorities in some jurisdictions are not as consistent and transparent as those of more developed nations, and may vary from region to region.

#### Holdings concentration

Some Funds may invest in a relatively small number of investments and the net asset value of the Fund may be more volatile as a result of this concentration of holdings relative to a Fund which diversifies across a larger number of investments.

#### Investments in Medium and Small sized firms

There may be limited opportunities to find alternative ways of managing cash flows especially where the focus of investment is on small and medium sized firms. For Funds specialising in such firms, transactions, particularly those large in size, are likely to have a greater impact on the costs of running a Fund than similar transactions in larger Funds or similar transactions in large sized firms because of the relatively illiquid nature of markets in small and medium sized companies' shares.

#### Liquidity risk

In normal market conditions a Fund's assets comprise mainly realisable investments which can be readily sold. A Fund's main liability is the redemption of any shares that investors wish to sell. In general the Fund manages its investments, including cash, such that it can meet its liabilities. Investments held may need to be sold if insufficient cash is available to finance such redemptions. If the size of the disposals are sufficiently large,

or the market is illiquid, then there is a risk that either the investments might not be sold or the price at which they are sold may adversely affect the net asset value of the Fund.

#### Foreign Currency risk

A Fund's total return and balance sheet can be significantly affected by foreign exchange rate movements if the Fund's assets and income are denominated in currencies other than the base currency of the Fund and this means that currency movements may significantly affect the value of a Fund's Share price. The three principal areas of foreign currency risk are where movements in exchange rates affect the value of investments, short term timing differences or income received. A Fund may, or may not, hedge these risks using either spot or forward foreign exchange contracts and the associated risks are explained below in the section on Financial Derivative Instruments.

#### Pricing and Valuation risk

For quoted investments a valuation price can be obtained from an exchange or similarly verifiable source. However, investment in unquoted and/or illiquid investments may increase the risk of mispricing. Furthermore, the Fund will compute net asset values when some markets are closed for holidays or other reasons. In these and similar cases an objective verifiable source of market prices will not be available and the investment manager will invoke its Fair Value process which will determine a fair value price for the relevant investments; this Fair Value process involves assumptions and subjectivity.

#### Credit risk

Investments may be adversely affected if any of the institutions with which money is deposited suffers insolvency or other financial difficulties (default). Credit risk also arises from the uncertainty about the ultimate repayment of principal and interest for bond or other debt instrument investments. The entire deposit or purchase price of the debt instrument is at risk of loss if there is no recovery after default. The risk of default is

usually greatest with bonds and debt instruments that are classed as 'sub-investment' grade. As explained further below, in Appendix 2, under Derivatives, a credit default swap where a Fund has sold protection will involve very similar credit risks to those arising from holding the actual underlying bond, debt instrument or basket of instruments.

#### Counterparty Credit & Settlement risk

All security investments are transacted through brokers who have been approved by the investment manager as an acceptable counterparty. The list of approved brokers is reviewed regularly. There is a risk of loss if a counterparty fails to perform its financial or other obligations to the Funds, for example, the possibility that a counterparty may default, by failing to make payments due, or make payments in a timely manner. If settlement never occurs the loss incurred by the Fund will be the difference between the price of the original contract and the price of the replacement contract, or, in the case where the contract is not replaced the absolute value of the contract at the time it is voided. Furthermore, in some markets 'Delivery versus Payment' may not be possible in which case the absolute value of the contract is at risk if the Fund meets its settlement obligations but the counterparty fails before meeting its obligations.

#### Overseas Investments

If you choose a Fund which invests overseas you should note that, as they are sterling based and contain foreign investments, they will be affected by fluctuations in rates of currency exchange, in addition to the usual stock market fluctuations.

#### Emerging Markets including Russia

Several of the Funds invest, in part or in whole, in emerging market securities. The price of these securities may be more volatile than those of securities in more developed markets. As a result there may be a greater risk of price fluctuation or of the suspension of redemptions in such Funds, compared to Funds investing in more mature markets. This volatility may stem from political and economic factors and be exacerbated by legal,

trading liquidity, settlement, transfer of securities and currency factors. Some emerging market countries have relatively prosperous economies but may be sensitive to world commodity prices and/or volatile inflation rates. Others are especially vulnerable to economic conditions. Although care is taken to understand and manage these risks, the respective Funds and accordingly the Shareholders in those Funds will ultimately bear the risks associated with investing in these markets.

Some of the Funds may invest a portion of their net assets in Russia. There are specific risks linked to investing in Russia. Investors should be aware that the Russian market presents specific risks in relation to the settlement and safekeeping of securities as well as regarding the registration of assets where registrars are not always subject to effective government or other supervision. Russian securities are not on physical deposit with the Custodian or its local agents in Russia. Therefore, neither the Custodian nor its local agents in Russia can be considered to be performing a physical safekeeping or custody function in accordance with recognised international standards. The Custodian's liability only extends to its own negligence and/or wilful default and to negligence and wilful misconduct of its local agents in Russia and does not extend to losses due to the liquidation, bankruptcy, negligence and wilful default of any registrar. In the event of such losses, the Fund will have to pursue its rights against the issuer and/or the appointed registrar of the securities.

Some, or all, of the risks attributed to investing in Russia may also apply in other emerging markets.

#### Securitised or Structured Debt Instruments

Funds may invest in securitised or structured debt instruments (collectively referred to as structured products). Such instruments include asset-backed securities, mortgage-backed securities, collateralised debt instruments and collateralised loan obligations. Structured products provide exposure, synthetically or otherwise, to underlying assets and the risk/return profile is determined by the cash flows derived from such assets. Some of such products involve multiple instruments and cash flow profiles such that it is

not possible to predict with certainty the outcome from all market scenarios. Also the price of such an investment could be contingent on, or highly sensitive to, changes in the underlying components of the structured instrument. The underlying assets can take many forms including, but not limited to, credit card receivables, residential mortgages, corporate loans, manufactured housing loans or any type of receivables from a company or structured vehicle that has regular cash flows from its customers. Some structured products may employ leverage which can cause the price of the instruments to be more volatile than if they had not employed leverage. In addition investments in structured products may be less liquid than other securities. The lack of liquidity may cause the current market price of assets to become disconnected from the underlying assets' value and consequently Funds investing in securitised products may be more susceptible to liquidity risk. The liquidity of a structured product can be less than a regular bond or debt instrument and this may adversely affect either the ability to sell the position or the price at which such a sale is transacted.

#### **Mortgage-Related Securities**

Generally, rising interest rates tend to extend the duration of fixed rate mortgage-related securities making them more sensitive to changes in interest rates. As a result, in a period of rising interest rates a Fund holding mortgage-related securities may exhibit additional volatility (extension risk). In addition, adjustable and fixed rate mortgage-related securities are subject to prepayment risk. When interest rates decline, borrowers may pay off their mortgages sooner than expected. This can reduce the returns of a Fund because the Fund may have to reinvest that money at the lower prevailing interest rates. In addition investments in securitised products may be less liquid than other securities. The lack of liquidity may cause the current market price of assets to become disconnected from the underlying assets value and consequently Funds investing in securitised products may be more susceptible to liquidity risk. The liquidity of a securitised product can be less than a regular bond or debt instrument and this may adversely affect either the ability to sell the position or the price at which such a sale is transacted.



### Equity Linked Notes (Structured Notes)

Equity Linked Notes (ELNs) and similar structured notes involve a counterparty structuring a note whose value is intended to move in line with the underlying security specified in the note. Unlike Financial Derivative Instruments, cash is transferred from the buyer to the seller of the note. In the event that the counterparty (structurer of the note) defaults the risk to the Fund is to that of the counterparty, irrespective of the value of the underlying security within the note. Additional risks result from the fact that the documentation of such notes programmes tends to be highly customised. The liquidity of an ELN or similar notes can be less than that for the underlying security, a regular bond or debt instrument and this may adversely affect either the ability to sell the position or the price at which such a sale is transacted.

### Securities Lending

Securities Lending involves risks in that (a) if the borrower of securities lent by a Fund fails to return them there is a risk that the collateral received may realise less than the value of the securities lent out, whether due to inaccurate pricing, adverse market movements, a deterioration in the credit rating of issuers of the collateral, or the illiquidity of the market in which the collateral is traded and that (b) delays in the return of securities on loans may restrict the ability of a Fund to meet delivery obligations under security sales.

### Repurchase Transactions

Repurchase Transactions involve risks in that (a) in the event of the failure of the counterparty with which cash of a Fund has been placed there is the risk that collateral received may realise less than the cash placed out, whether because of inaccurate pricing of the collateral, adverse market movements, a deterioration in the credit rating of issuers of the collateral, or the illiquidity of the market in which the collateral is traded; that (b) (i) locking cash in transactions of excessive size or duration, (ii) delays in recovering cash placed out, or (iii) difficulty in realising collateral may restrict the ability of the Fund to meet redemption requests, security

purchases or, more generally, reinvestment; and that (c) repurchase transactions will, as the case may be, further expose a Fund to risks similar to those associated with optional or forward derivative financial instruments.

#### Derivatives and Forward Transactions

The purposes and extent of the use of derivatives and forwards by the Funds, together with some more detailed and specific risks associated with these activities, are detailed in Appendix 2.

Derivatives and forwards may be used for the efficient portfolio management of all Funds. In the case of Sterling Core Plus Bond Fund only, derivatives may also be used in order to achieve the investment objective of the Fund (i.e. for specific investment purposes), in addition to being used for efficient portfolio management purposes. Although the ACD does not expect to use derivatives aggressively, their use may lead to higher volatility in the Share prices of Sterling Core Plus Bond Fund.

The ACD employs a risk management process to oversee and manage derivative exposures within the Funds. The use of derivatives has the overall intention of reducing the volatility of returns, although this outcome is not guaranteed.

The ACD may use one or more separate counterparties to undertake derivative transactions on behalf of the Funds and may be required to pledge collateral paid out of the property of a Fund in order to secure such contracts. There may be a risk that the counterparty will wholly or partially fail to honour its contractual obligations regarding the return of collateral and any other payments due to the Fund. The ACD assesses the creditworthiness of counterparties as part of its risk management process.

#### Dealing Arrangements

In certain circumstances, the investor's right to redeem Shares may be suspended or redemption requests may be deferred (see Appendix 4, Deferred Redemption of Shares).

#### No "ring-fencing" of Funds

Each Fund, in usual circumstances, is treated as having its own assets and liabilities. However, the assets of each Fund are not 'ring fenced' and, if the Company is unable to meet liabilities attributable to any particular Fund out of the assets attributable to that Fund, the excess liabilities may have to be met out of the assets attributable to the other Funds. Assets may be transferred between Funds if it is necessary to do so to satisfy any creditor proceeding against certain of the assets of the Company.

Shareholders are not liable for the debts of the Company. A Shareholder is not liable to make any further payment to the Company after he has paid the purchase price of the Shares.

#### Investment Powers and Restrictions

The assets of each Fund will be invested with the aim of achieving the investment objective and 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 COLL Sourcebook, the Instrument of Incorporation and this Prospectus.

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

#### SHARES

##### Classes of Shares

The Classes of Shares currently available in each Fund are set out in the details of the Funds in Appendix 1.

##### Income Shares or Accumulation Shares

Income attributable to Accumulation Shares is automatically added to (and retained as part of) the capital assets of the relevant Fund at the end of each accounting period and is reflected in the Share price.

Income attributable to Income Shares is distributed to Income Shareholders in respect of each accounting period. Income is reinvested by the purchase of further Income Shares unless the Shareholder instructs the ACD that he wishes to receive the income.

### Gross Paying Shares

In certain Funds, gross paying Shares may be available to be held by or on behalf of certain eligible categories of UK resident investors. In accordance with UK tax law, the income allocated to such Shares is distributed periodically to the Shareholders (in the case of gross paying Income Shares) or added periodically to capital (in the case of gross paying Accumulation Shares) without deduction of any income tax.

### Retail Shares

The above types of Share may also be available as Retail Shares to which different charging structures and minimum investment levels will apply. At present such Shares are only available in the Emerging Markets Fund and the Europe (ex-UK) Fund.

### W Shares

In certain Funds W Class Accumulation and W Class Income Shares may be offered. These are Shares to which different qualifying eligibility criteria apply in that they are designed to be available only to business organisations (such as wealth managers) which provide fee based investment advisory services to underlying investors under a separate investment management agreement and which are pre-approved by WOODGROVE or, to regulated distributors pre-approved by WOODGROVE .

### Y Shares

In certain Funds, Y Class Accumulation and Y Class Income Shares may be offered. These are Shares to which different qualifying eligibility criteria apply in that they are designed to be available only to wealth managers (such as stockbrokers) who provide their underlying clients with a fee based investment advisory service and who are pre-approved by WOODGROVE or, direct investors to WOODGROVE who qualify under the WOODGROVE Direct Wealth Manager channel or, WOODGROVE Life.

### Register of Shareholders and Statements

All Shares are in registered form.

Certificates will not be issued in respect of Shares. Ownership of Shares will be evidenced by an entry on the Company's Register of Shareholders. The Company has the power to issue bearer Shares but there are no present plans to do so.

At least once each year the ACD will send a statement to each person who holds or has held Shares since the time of issue of the last statement. In the case of joint shareholdings, statements are sent to the first named Shareholder. The statement will describe any current holding of Shares in the Company at the date of the statement and any transactions in Shares in the Company carried out by or on behalf of that person since the date of the last statement. Individual statements will also be issued at any time on request by the registered Shareholder.

#### BUYING, SELLING AND SWITCHING SHARES

##### General

Applications to buy, sell or switch Shares may be made by post or telephone between 9.00 a.m. and 5.00 p.m. UK time to the ACD on any weekday excluding UK public holidays (dealing day). The ACD may from time to time make arrangements to allow dealings in Shares or communications with Shareholders to be made online or through other communication media. The Shares will be bought, sold or switched at a forward price. A forward price is the price determined after the next valuation of the property of the relevant Fund after the receipt by the ACD of the investor's instructions.

The most recent share prices may be published in one or more national newspapers. For reasons beyond the ACD's control, a published price may not be the current price. In addition, share prices (except for Retail Share Classes) are made available online at [www.WOODGROVEpensions.co.uk](http://www.WOODGROVEpensions.co.uk).

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

##### Prevention of Money Laundering

Under legislation to prevent money laundering in the United Kingdom, persons conducting investment business are responsible for compliance with money laundering regulations. Investors may be asked to provide proof of identity when buying, selling or switching Shares, and, in certain circumstances, it may be necessary for the ACD to re-verify an investor's identity and obtain any missing or additional information for this purpose. Until satisfactory proof of identity is provided, the ACD reserves the right to refuse to issue Shares, to switch Shares or pay the proceeds of sale of Shares. The ACD will not be liable for any share price movements occurring during delays while money laundering checks are carried out.

#### Minimum Holdings

The minimum investment amounts (except as otherwise stated in Appendix 1) are as follows:

Minimum initial or subsequent subscription for Shares in a Fund	£100,000
Minimum withdrawal amount for Shares in a Fund	£100,000 (unless all Shares are redeemed, a minimum value of £100,000 in Shares must be maintained in that Fund)

The minimum holdings, minimum withdrawal amounts and minimum purchase amounts referred to above may be waived by the ACD.

#### Buying and Selling Shares

Applications to purchase Shares may be made by telephone or in writing. Application forms may be obtained from the ACD if required. Completed applications with cleared moneys received on a dealing day before the valuation point (12.00 noon UK time) will normally be fulfilled that day at the next calculated net asset value.

A contract note will be sent normally by the close of the next business day. This will show the number of Shares purchased and the price. As Share certificates will not be issued, a renunciation form will also be sent with the

applicant's contract note. A notice of the applicant's right to cancel the deal will be sent separately within 7 days of the receipt by the ACD of the application for Shares, if appropriate. Subscriptions monies representing less than the purchase price of a whole Share will not be returned to the applicant. Fractions of Shares (known as smaller denomination Shares) will be issued in such circumstances to the nearest whole hundredth of a Share. Shares are normally issued to an applicant only once settlement in cleared funds has been received.

Instructions to redeem Shares may be made in writing or by telephone confirmed in writing. A contract note will be issued giving details of the Shares sold and the price used. Payments to satisfy a redemption request will be issued at the latest by the close of the fourth Business Day after the later of the day of the calculation of the price and receipt by the ACD of a properly completed and signed Renunciation Form in respect of the appropriate number of Shares.

Once a request to redeem Shares has been given it cannot subsequently be withdrawn.

Generally, subscriptions and redemptions must be made in Pounds Sterling. Exceptionally on application, WOODGROVE Distributors, Bermuda or another associated or affiliated company of the ACD acting as principal may execute foreign exchange transactions for investors in certain other major currencies, but cannot give advice.

#### Switching Between Funds

A Shareholder in a Fund may switch all or some of his Shares in a Fund for Shares in another Fund or another Class in the same Fund at any time.

A switch involves a sale of the original Shares held and a purchase of the new Shares.

The ACD may make a switch charge (instead of a preliminary charge on the purchase of the new Shares). It is not currently intended to make such a charge except in relation to Retail Shares. The charge will not exceed an

amount equal to the then prevailing preliminary charge (if any) for the new Shares.

If the switch would result in the Shareholder holding a number of original or new Shares of a value which is less than the minimum holding in the Funds concerned, the ACD may, if it thinks fit, convert the whole of the applicant's holding of original Shares to new Shares or refuse to effect any switch of the original Shares.

Investors subject to UK tax on capital gains should note that a switch between Funds (but not between Classes of Shares within a Fund) is treated as a disposal for the purposes of tax on capital gains. A gain realised on such transaction may give rise to liability to tax on capital gains for UK resident or ordinarily resident Shareholders.

A Shareholder who switches Shares in one Fund for Shares in any other Fund (or who switches between Classes of Shares) will not be given a right by law to withdraw from or cancel the transaction.

## **SHARE PRICES**

### **Price of a Share**

Shares are priced on a single mid-market pricing basis in accordance with the COLL Sourcebook.

The price of a Share is the net asset value of the relevant Fund attributable to the relevant Share Class of that Fund divided by the number of Shares of that Class in issue.

The net asset values attributable to the Share Class(es) of each Fund will normally be calculated at 12.00 noon UK time (valuation point) on each dealing day. The ACD may at any time during a dealing day carry out an additional valuation if the ACD considers it desirable to do so. The price of a Share may be impacted by a price adjustment – see Price Adjustment Policy section below.

### **Price Adjustment Policy (Swing Pricing)**



Large transactions in or out of a fund can create “dilution” of a Fund’s assets because the price at which an investor buys or sells Shares in a Fund may not entirely reflect the dealing and other costs that arise when the manager has to trade in underlying investments to accommodate large cash inflows or outflows. In order to counter this and enhance the protection of existing Shareholders there may be a Share price adjustment as part of the regular daily valuation process to counter the impact of dealing and other costs on occasions when these are deemed to be significant.

On any dealing day the asset value of a Fund may be adjusted upwards or downwards as applicable to reflect the costs that may be deemed to be incurred in liquidating or purchasing investments to satisfy net daily transactions at Fund level. The ACD reserves the right to make such an adjustment taking into account factors such as the estimated dilution costs (such as underlying dealing spreads, commissions and other trading expenses) and the size of the Funds. In deciding whether to make such an adjustment the ACD will have regard to the interests of existing, continuing and potential shareholders in the Fund.

The adjustment will be upwards when the net aggregate transactions result in an increase of the number of Shares and will be downwards when the net aggregate transactions result in a decrease of the number of Shares. The adjusted asset value will be applicable to all transactions on that day.

Where a dilution adjustment is not applied to a Fund there may be dilution of the assets of that Fund which may constrain or reduce the future growth of that Fund.

The price of each class of share in a Fund is calculated separately and any dilution adjustment will in percentage terms affect the price of the Shares of each Class of that Fund to the same degree.

Any such price adjustment will be in response to significant cash flows rather than normal volumes and therefore it is not possible to accurately predict whether a price adjustment will occur at any future point in time.

Consequently it is also not possible to accurately predict how frequently such price adjustments will need to be made. Whilst any price adjustment is not expected to exceed 2% of the net asset value of a Fund the ACD may exceed this figure in exceptional market circumstances.

## FEES AND EXPENSES

### ACD's Fees and Expenses

#### **Preliminary Charge**

The ACD may make a preliminary charge on a sale of Shares based on the amount subscribed. Details of the current preliminary charge (if any) for Shares of each Fund are set out in Appendix 1. The maximum preliminary charge permitted in every case is 7% of the amount subscribed.

The preliminary charge is payable to the ACD.

#### **Redemption Charge**

The ACD currently makes no charge on a cancellation or redemption of Shares.

#### **Switch Fee**

The ACD currently makes no charge on a switch of Shares for Shares in another Fund or of another Class in the same Fund (save as otherwise stated in Buying, Selling and Switching Shares – Switching Between Funds).

#### **Investment Management Charges**

In payment for carrying out its duties and responsibilities, the ACD is entitled to make an annual charge out of each Fund not exceeding 2% of the net asset value of the Fund. The charges subject to this maximum are the investment management charges and service fees described below.

The current rate of the investment management charge for each Fund is set out in the details of the Funds in Appendix 1. It is payable to the ACD in respect of the management of those Funds whose investments are managed wholly or principally in the United Kingdom and to WOODGROVE Fund Management Limited for the management of all other Funds.

The charges accrue daily and are payable monthly. The daily calculation is based on the net asset value of the scheme property of the relevant Fund at 12.00 noon on the previous dealing day.

#### Service Fee

The ACD charges a fee of 0.05% p.a. for each Fund for its services as registrar and transfer agent and for providing all necessary administration and fund accounting services to the Company.

The fees accrue daily and are payable monthly. The daily calculation is based on the value of the scheme property of the relevant Fund at 12.00 noon UK time on the previous dealing day.

#### Registrar Charge

The ACD may make a charge for its services as registrar and transfer agent as set out in the details of any relevant Fund in Appendix 1. The registrar charges accrue and are payable on the same basis as the annual charges above.

#### Expenses

The ACD is also entitled to recover out of the Scheme Property of the Company all reasonable and properly evidenced out of pocket expenses incurred as the authorised corporate director of the Company.

#### Depository's Charges and Expenses

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

<u>Band Range</u>	<u>Fee</u>
-------------------	------------

On the first £250 million	0.010 per cent per annum
On the next £750 million	0.005 per cent per annum
On the remainder	0.001 per cent per annum

The Depositary is also entitled to receive out of the property of each Fund, remuneration for such services in performing or arranging for the performance of the functions conferred on the Depositary by the Instrument of Incorporation or the COLL Sourcebook. Currently the Depositary does not receive any remuneration or service charges under this paragraph. The introduction of or increase in any such charge is subject to obtaining the requisite consent from Shareholders. Any such charges shall be on terms no less favourable than would be applicable to a comparable customer of the Depositary. Service charges 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.

The Depositary's remuneration may not exceed 0.50% per annum of the net asset value of the Fund.

#### Depositary's Expenses

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 JPMilliman Bank as the Custodian of the property of the Fund and is entitled to receive reimbursement of the Custodian's fees as an expense of the Fund. JPMilliman 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 Fund are

held. Currently, the lowest rate is 0.005 per cent and the highest rate is 0.35 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 US\$1 to US\$75 per transaction.

The Depositary is also entitled to be reimbursed out of the property of each Fund in respect of remuneration charged by the Custodian for such services, 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 COLL Sourcebook. Currently the Depositary does not receive any remuneration or service charges under this paragraph. The introduction of or increase in any such charge is subject to obtaining the requisite consent from Shareholders. Any such charges shall be on terms no less favourable than would be applicable to a comparable customer of the Custodian. Service charges shall accrue when the relevant transaction or other dealing is effected and shall be paid in arrears.

The Custodian's *ad valorem* remuneration may not exceed 1% per annum of the net asset value of the Fund, and its transaction charges may not exceed US\$750 per transaction.

The following further expenses may also be paid out of the property of the Fund:

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;

all charges and expenses incurred in relation to stocklending.

#### Other Expenses

The Company may pay out of the Scheme Property the following expenses:

- (a) charges and expenses payable to the ACD, the Depositary and WOODGROVE Limited described above;

stamp duties, taxes, brokerage or other expenses incurred in acquiring and disposing of investments;

fees in respect of the publication and circulation of details of the net asset value and Share prices;

fees and expenses of the auditors and of tax, legal and other professional advisers of the Company;

brokers' bond and errors and omissions insurance, sub-fund guarantee protection insurance;

costs of convening and holding Shareholder meetings (including Class meetings);

costs of printing and distributing reports, accounts and notices to Shareholders (including notices of general meetings), and costs incurred as a result of periodic updates of the Prospectus (and the Key Investor Information Document) or amendment of the Instrument of Incorporation of the Company and any other administrative expenses;

expenses incurred in distributing income to Shareholders and related notifications;

interest on borrowings and charges incurred in negotiating borrowings;

taxation and duties payable by the Company;

any amount payable by the Company under any indemnity provisions contained in the Instrument of Incorporation of the Company or any agreement with a functionary of the Company;

fees of the FCA under the Financial Services and Markets Act 2000 and the corresponding periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which Shares are or may be marketed, and any related costs incurred in relation to obtaining and/or

maintaining a regulatory status in a country or territory outside the United Kingdom;

any payments otherwise due by virtue of the COLL Sourcebook;

charges payable in respect of foreign exchange transactions as described below; and

such other expenses as the ACD resolves are properly payable out of the Scheme Property.

Subject to current HM Customs & Excise regulations, Value Added Tax at the prevailing rate may be payable in addition to the Depositary's remuneration, the Custodian's remuneration and the above expenses.

It is not currently proposed to seek a listing for the Shares on any stock exchange, but if a listing is sought in the future the fees connected with the listing will be payable by the Company.

Expenses are allocated between capital and income in accordance with the COLL Sourcebook.

#### Foreign Exchange Transactions

Foreign exchange transactions for the Company are carried out through associates or affiliates of WOODGROVE Limited (an associated company of the ACD) as agent and at rates approved by the ACD.

Foreign exchange transactions for investors are carried out by associates or affiliates of WOODGROVE Limited (an associated company of the ACD) acting as principal and may be aggregated. Such associates or affiliates will derive and retain a benefit from such transactions.

#### Formation Costs

The costs of authorisation and incorporation of the Company were paid by the ACD and its associates.

Each Fund formed after 22 July 1997 may bear its own direct establishment costs.

#### Allocation of Fees and Expenses Between Funds

All the above fees and expenses will be charged as follows:

Fees and expenses which are directly attributable to a particular Share Class of a Fund will be charged to that Class;

Fees and expenses which are attributable to a particular Fund will be charged to that Fund. If there is more than one Class of Share in issue in the Fund, they will normally be allocated pro rata to the value of the scheme property attributable to those Share Classes;

Fees and expenses which are attributable to the Company generally will normally be charged to each of the Funds (and its Share Classes) pro rata to the value of the scheme property attributable to those Funds (and its Share Classes).

The ACD has discretion to allocate these fees and expenses in a different manner which they consider fair to Shareholders.

## INCOME

### Accounting Periods

The annual accounting period of the Company ends each year on 30 June. Details of the accounting periods and income allocation dates for each of the Funds are set out in Appendix 1.

### Income Allocations

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

Distributions of income for each Fund are paid on or before the annual income allocation date of 31 August. In the case of certain Funds with Income Shares in issue, interim distributions will be paid on or before the interim income allocation dates set out in Appendix 1. If a holder of Income Shares instructs the ACD that he wishes to receive the income, this is normally paid into the Shareholder's bank or building society.

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



taking the aggregate of the income property received or receivable for the account of the relevant Fund for that period;

deducting the charges and expenses of that Fund paid or payable out of income property for that accounting period;

adding the ACD's best estimate of tax relief on these expenses and charges; and

making certain other adjustments which the ACD considers appropriate in relation to tax and other issues.

Where there is more than one Class of Share in issue income available for allocation will be allocated between the Share Classes based on the respective values of the property of those Share Classes on a daily basis.

Where the income amount calculated to be distributed is less than £250 per unit class per accounting period, the Manager reserves the right to withhold the income and to carry it forward to the next accounting period.

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

#### Income Equalisation

Part of the purchase price of a Share in a Fund reflects the relevant share of accrued income of the Fund. The first allocation of income in respect of a Share issued during an accounting period includes a capital sum by way of income equalisation.

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

#### UK TAXATION

The information given below does not constitute legal or tax advice and prospective investors should consult their own professional advisers as to

the implications of their subscribing for, purchasing, holding, switching or disposing of shares under the laws of the jurisdiction in which they may be subject to tax.

#### The Company

The Funds are sub-funds of an open-ended investment company and, as such, fall within the scope of The Authorised Investment Funds (Tax) Regulations 2006 (as amended). Under these Regulations, capital profits and losses derived from “investment transactions” will be exempt from UK tax provided that the Funds satisfy the “genuine diversity of ownership condition”.

The list of “investment transactions” currently defined in the Regulations includes any transactions in shares or securities, and any transactions in which a Fund is a debtor or creditor in a loan relationship. It also specifically covers derivative contracts such as options, futures and CFDs. It is the understanding of the Board that the Funds satisfy the genuine diversity of ownership condition and therefore the Funds are generally exempt from UK tax on capital gains realised on the disposal of investments held within them.

The Funds are generally not subject to UK corporation tax on dividends received from UK and overseas companies. Capital profits or losses on derivative contracts are also generally exempt from tax, although the income element of the transaction will be chargeable to UK corporation tax.

The Funds will be subject to corporation tax at 20% on other types of income after deducting allowable expenses, which include the gross amount of any interest distributions made. In addition, the Funds may be entitled to relief for any overseas tax suffered in the form of a credit against their UK corporation tax liability.

#### Shareholders

ISA investments are not accepted into the Funds and so the tax consequences of such investments are not considered below.

## Income

The type of distribution made by a Fund will depend on its investments.

### Interest distributing Funds

Funds with more than 60% of their assets invested throughout an accounting period in interest-bearing securities and other economically similar assets are treated for UK tax purposes as making “interest distributions” to Shareholders. These distributions are paid after deduction of UK income tax at the basic rate (currently 20%). This income tax deducted at source will satisfy the tax liability of Shareholders who are basic rate taxpayers. Shareholders liable to income tax at the higher rate (40%) or, since 1 April 2010, the additional rate (50%) of UK income tax will be liable to pay further tax on the gross interest payment. UK residents not liable to tax on some or all of their income may be able to reclaim the appropriate part of any income tax withheld at source on interest distributions from HM Revenue & Customs.

Certain categories of Shareholders, including UK pension funds, UK charities and companies resident in the UK, may, if they demonstrate to the ACD’s satisfaction that they fall within one of the specified categories, hold gross paying Shares in the relevant Fund, if available. The specified categories are those referred to in sections 933 to 938 of the Income Tax Act 2007. In addition, individuals who are not ordinarily resident in the UK and companies that are not UK resident may apply to receive payment of interest distributions to which they are entitled to be paid without deduction of UK income tax at source.

Details of interest distributions paid to individuals with addresses in the UK and other specified countries (including all EU countries, UK dependencies, the USA, Australia, Canada, Japan, South Korea, New Zealand and Norway) must be reported to the UK HM Revenue & Customs by the ACD along with the names and addresses of those individuals. Should a payment be reportable under the EU Savings Tax Directive (discussed below), that payment will not be reportable under these provisions.

The attention of Shareholders within the charge to UK corporation tax is drawn to the provisions of Chapter 3, Part 7 of the Corporation Tax Act 2009. Under these provisions, holdings in a Fund that at any time during an accounting period holds more than 60% of its investments in interest-bearing securities and other economically similar assets will be taxed as creditor relationships of the Shareholder.

#### Dividend distributing Funds

All other Funds will pay dividend distributions which carry a tax credit equal to 10% of the dividend plus the tax credit (1/9<sup>th</sup> of the cash dividend). UK resident Shareholders other than higher rate taxpayers will have no further tax to pay. Shareholders subject to the higher rate or additional rate of income tax (40% or 50% respectively) will be liable to further tax on the gross dividend. UK residents not liable to income tax will not be able to reclaim any part of the tax credit.

Shareholders within the charge to UK corporation tax will receive dividend distributions “streamed” into franked and unfranked components depending on the underlying income of the Fund. The franked stream is treated as franked investment income in the hands of the corporate Shareholder. The unfranked stream is treated as an annual payment received after deduction of tax at the lower rate. This tax is repayable only to the extent of the Shareholder’s proportion of the Fund’s net UK corporation tax liability although all of it is available for offset against the Shareholder’s UK corporation tax liabilities. Both the proportions of a dividend distribution that are to be treated as franked and unfranked investment income and the Shareholder’s proportion of the Fund’s net UK corporation tax liability will be shown on tax vouchers accompanying dividend distributions.

#### Capital Gains

Shareholders who are resident in the UK for tax purposes may be liable to capital gains tax or, if a company, corporation tax in respect of gains arising from the sale, switch or other disposal of Shares (but not on switches between Classes of Shares within a Fund).

When the first income allocation is made to Shares purchased during an accounting period, the amount representing the income equalisation in the price of the Shares is a return of capital and is not taxable as income in the hands of Shareholders. This amount should be deducted from the cost of Shares in computing any capital gain realised on a subsequent disposal.

#### EU Savings Tax Directive

The EU Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments (hereinafter the “Directive”) provides that, from 1 July 2005, paying agents established in a member state of the EU or certain dependent or associated territories of member states who make savings income payments to individuals resident in another member state (and, depending on the home state of the paying agent, possibly also to individuals resident in certain dependent or associated territories of member states) will be obliged, depending on the jurisdiction of establishment of the paying agent, either to report details of the payment and payee to fiscal authorities or to withhold tax from it.

In the context of a UK authorised open-ended investment company and a UK established paying agent, a distribution will be a savings income payment if the Fund holds more than 15% of its assets either directly or indirectly (e.g. via other collective investment schemes) in “money debts”; the payment of sale, redemption or refund proceeds will be a savings income payment if the Fund holds more than 25% of its assets either directly or indirectly in “money debts”.

The identity of the relevant paying agent is dependent on how each Shareholder purchases and holds their Shares in the Fund. For investors that purchase their Shares direct the paying agents is the ACD.

The Directive also requires that certain additional information is gathered from investors who are subject to the Directive.

#### Stamp Duty Reserve Tax

##### General

In accordance with the Stamp Duty and Stamp Duty Reserve Tax (Open-Ended Investment Companies) Regulations 1997 as amended by the Stamp Duty and Stamp Duty Reserve Tax (Open-Ended Investment Companies) (Amendment No. 2) Regulations 1999, SDRT is chargeable on the surrender (i.e. the redemption or switching of Shares) and on certain transfers of Shares in the Funds. The rate of SDRT is 0.5%.

SDRT is chargeable on the value of surrenders and transfers in a Fund in each weekly charging period, but is reduced proportionately for the Fund to the extent that:

- (1) investments held by the Fund are exempt assets which means essentially any assets, other than United Kingdom equities and any investments in Collective Investment Schemes unless specific conditions are met (any Fund which holds no United Kingdom equities and no Collective Investment Schemes will normally be wholly exempt); and
- (2) during that week and the following week the purchases of Shares by number are less than surrenders of Shares.

#### Possible Ways of Funding SDRT

The COLL Sourcebook allows a provision for SDRT in respect of a Fund to be recovered out of the property of that Fund. This will reduce the value of the Fund in question, but, given the percentage amount of SDRT, should be of minimal significance.

The COLL Sourcebook also permits the ACD to require from an incoming or outgoing Shareholder a separate payment, or deduction, of a provision against SDRT (“SDRT provision”) when Shares are surrendered or transferred by a Shareholder or issued to an incoming Shareholder. The SDRT provision can be up to 0.5% of the value of the transaction and is a provision against the SDRT owed by the Company. The SDRT provision, if imposed on an incoming Shareholder, would increase the payment required on the purchase of Shares by that Shareholder, and if on an outgoing Shareholder would decrease the redemption proceeds received

by that Shareholder, and must be paid to the Company and become part of the property of the Fund in question.

#### **The ACD's Policy for Funding SDRT on Surrenders of Shares**

It is the current intention of the ACD that any SDRT chargeable on surrenders of Shares in a Fund will in general be paid out of the property of that Fund and an SDRT provision will not be levied directly on the redeeming Shareholder whatever the size of the deal. However, the ACD reserves the right to impose an SDRT provision on a redeeming Shareholder where to not do so would have a material impact on the Fund.

#### **The ACD's Policy for Funding SDRT on Third Party Transfers of Shares**

The Company is entitled not to register a transfer of Shares in a Fund unless (a) an SDRT provision of 0.5% of the value transferred has been paid to the Company for the account of the Fund in question or (b) the Company has received all documentation required to provide evidence that the transfer is exempt from SDRT. As the value transferred is calculated at the valuation point immediately following the Company's receipt of the instrument of transfer the transferring Shareholder (being either of the transferor or the transferee) will be contacted after this point and advised of the amount of the SDRT provision due, which amount must be paid immediately.

Notwithstanding this, the ACD has the discretion, and reserves the right, to charge to the Fund in question SDRT incurred on third party transfers of Shares in that Fund.

These statements are based on UK law and HM Revenue & Customs' practice as known at the date of this document. Shareholders are recommended to consult their professional advisers if they are in any doubt about their tax position.

## APPENDIX 1: THE FUNDS

### America Fund

#### Investment Objective and Policy

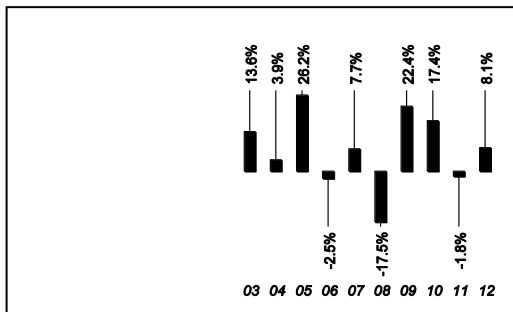
The Fund's investment objective is to achieve long term capital appreciation. The Fund will invest primarily in the shares of companies in the United States of America. There is no policy to restrict investment to particular economic sectors.

Class of Shares	Accumulation Shares
Currency of Denomination	Pounds Sterling
Minimum Initial Investment	£100,000
Minimum Subsequent Investment	£100,000
Minimum Withdrawal	£100,000
Minimum Holding	£100,000
ACD's Preliminary Charge	See Fees and Expenses, ACD's Fees and Expenses, Preliminary Charge
ACD's Service Charge	0.05% per annum
Investment Management Charge	0.8% per annum
Annual Accounting Date	30 June
Interim Accounting Period	31 December
Annual Income Allocation Date	31 August
Interim Income Allocation Dates	None
Grouping Periods for Income Equalisation	Annual accounting periods
Annual Report published by	31 October
Interim Report published by	Last day of February (for period ending 31 December)



## Past Performance of the Fund

Annual total return (full calendar years) 2003 to 2012



Average annual return to 31.12.12 (3Y, 5Y, 10Y)



## Notes

- 1) The graphs above show the past performance of the America Fund in the Fund's reference currency. Past performance information is available from 1997. More current performance information is available from the ACD on request.
- 2) Basis of calculation: NAV to NAV with income reinvested, net of tax and annual charges but excluding any preliminary charges.
- 3) The Fund performance data is shown for information purposes only.
- 4) The Fund performance data in these graphs is not a guide to future returns. The value of investments may go down as well as up and you may not get back the amount invested.

- 5) The Fund performance data does not take into account commissions and costs (if any) incurred on the issue and redemption of Shares.

## Emerging Markets Fund

### Investment Objective and Policy

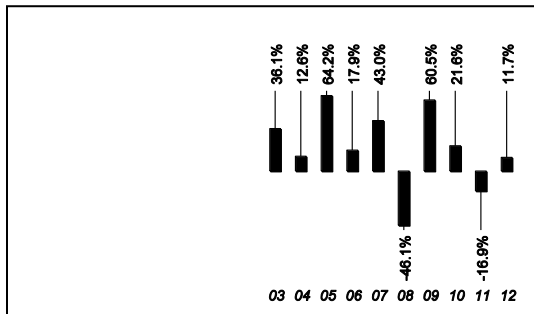
The Fund's investment objective is to achieve long term capital appreciation. The Fund will invest primarily in securities of countries experiencing rapid economic growth including, without limitation, Africa, the Indian sub-continent, Latin America, South East Asia, Europe and the Middle East. There is no policy to restrict investment to particular economic sectors.

Class of Shares	Accumulation Shares Retail Accumulation Shares W Accumulation Shares
Currency of Denomination	Pounds Sterling
Minimum Initial Investment	£100,000 – Accumulation Shares £1,000 (or £50 per month under regular savings plan) – Retail Accumulation Shares £5,000,000 - W Accumulation Shares
Minimum Subsequent Investment	£100,000 – Accumulation Shares £250 – Retail Accumulation Shares £1,000,000 - W Accumulation Shares
Minimum Withdrawal	£100,000 None – Retail Accumulation Shares £1,000,000 - W Accumulation Shares
Minimum Holding	£100,000 £1,000 (except for regular savings plans – no minimum holding) – Retail Accumulation Shares W Accumulation Shares

ACD's Preliminary Charge	See Fees and Expenses, ACD's Fees and Expenses, Preliminary Charge 3.50% – Retail Accumulation Shares None - W Accumulation Shares
ACD's Service Charge	0.05% per annum
ACD's Registrar Charge	0% – Accumulation Shares 0.13% – Retail Accumulation Shares, W Accumulation Shares
Investment Management Charge	1% per annum 1.50% per annum – Retail Accumulation Shares 0.75% per annum - W Accumulation Shares
Annual Accounting Date	30 June
Interim Accounting Period	31 December
Annual Income Allocation Date	31 August
Interim Income Allocation Dates	None
Grouping Periods for Income Equalisation	Annual accounting periods
Annual Report published by	31 October
Interim Annual Report published by	Last day of February (for period ending 31 December)

## Past Performance of the Fund

Annual total return (full calendar years) 2003 to 2012



Average annual return to 31.12.12 (3Y, 5Y, 10Y)



## Notes

- 1) The graphs above show the past performance of the Emerging Markets Fund in the Fund's reference currency. Past performance information is available from 1997. More current performance information is available from the ACD on request.
- 2) Basis of calculation: NAV to NAV with income, net of tax and annual charges but excluding any preliminary charges.
- 3) The Fund performance data is shown for information purposes only.
- 4) The Fund performance data in these graphs is not a guide to future returns. The value of investments may go down as well as up and you may not get back the amount invested.

- 5) The Fund performance data does not take into account commissions and costs (if any) incurred on the issue and redemption of Shares.

## Europe (ex-UK) Fund

### Investment Objective and Policy

The Fund's investment objective is to achieve long term capital appreciation. The Fund will invest primarily in the shares of European companies excluding those in the United Kingdom. There is no policy to restrict investment to particular economic sectors.

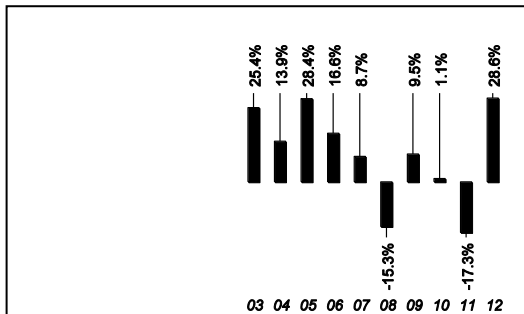
Class of Shares	Accumulation Shares Retail Accumulation Shares
Currency of Denomination	Pounds Sterling
Minimum Initial Investment	£100,000 – Accumulation Shares £1,000 (or £50 per month under regular savings plan) – Retail Accumulation Shares
Minimum Subsequent Investment	£100,000 – Accumulation Shares £250 – Retail Accumulation Shares
Minimum Withdrawal	£100,000 None – Retail Accumulation Shares
Minimum Holding	£100,000 £1,000 (except for regular savings plans – no minimum holding) – Retail Accumulation Shares
ACD's Preliminary Charge	See Fees and Expenses, ACD's Fees and Expenses, Preliminary Charge 3.50% – Retail Accumulation Shares
ACD's Service Charge	0.05% per annum
ACD's Registrar Charge	0% – Accumulation Shares 0.13% – Retail Accumulation Shares

Investment Management Charge	0.8% per annum 1.50% per annum – Retail Accumulation Shares
Annual Accounting Date	30 June
Interim Accounting Period	31 December
Annual Income Allocation Date	31 August
Interim Income Allocation Dates	None
Grouping Periods for Income Equalisation	Annual accounting periods
Annual Report published by	31 October
Interim Report published by	Last day of February (for period ending 31 December)



## Past Performance of the Fund

Annual total return (full calendar years) 2003 to 2012



Average annual return to 31.12.12 (3Y, 5Y, 10Y)



## Notes

- 1) The graphs above show the past performance of the Europe (ex-UK) Fund in the Fund's reference currency. Past performance information is available from 1997. More current performance information is available from the ACD on request.
- 2) Basis of calculation: NAV to NAV with income reinvested, net of tax and annual charges but excluding any preliminary charges.
- 3) The Fund performance data is shown for information purposes only.
- 4) The Fund performance data in these graphs is not a guide to future returns. The value of investments may go down as well as up and you may not get back the amount invested.

- 5) The Fund performance data does not take into account commissions and costs (if any) incurred on the issue and redemption of Shares.

## Global Focus Fund

### Investment Objective and Policy

The Fund aims to achieve long-term growth from a portfolio primarily invested in stocks across the world's stock markets. The manager is free to select any company regardless of size, industry or location and will concentrate its investments in a more limited number of companies and therefore the resulting portfolio will be less diversified. The Fund will typically hold between 100 and 150 stocks.

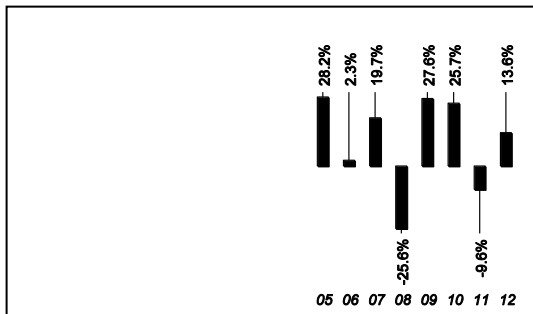
Class of Shares	Accumulation Shares
Currency of Denomination	Pounds Sterling
Minimum Initial Investment	£100,000
Minimum Subsequent Investment	£100,000
Minimum Withdrawal	£100,000
Minimum Holding	£100,000
ACD's Preliminary Charge	See Fees and Expenses, ACD's Fees and Expenses, Preliminary Charge
ACD's Service Charge	0.05% per annum
Investment Management Charge	0.8% per annum
Annual Accounting Date	30 June
Interim Accounting Period	31 December
Annual Income Allocation Date	31 August
Interim Income Allocation Dates	None
Grouping Periods for Income Equalisation	Annual accounting periods
Annual Report published by	31 October

Interim Report published by

Last day of February (for period ending  
31 December)

## Past Performance of the Fund

Annual total return (full calendar years) 2005 to 2012



Average annual return to 31.12.12 (3Y, 5Y)



## Notes

- 1) The graphs above show the past performance of the Global Focus Fund in the Fund's reference currency. Past performance information is available from 2005. More current performance information is available from the ACD on request.
- 2) Basis of calculation: NAV to NAV with income reinvested, net of tax and annual charges but excluding any preliminary charges.
- 3) The Fund performance data is shown for information purposes only.
- 4) The Fund performance data in these graphs is not a guide to future returns. The value of investments may go down as well as up and you may not get back the amount invested.

- 5) The Fund performance data does not take into account commissions and costs (if any) incurred on the issue and redemption of Shares.

### Index-Linked Bond Fund

*(formerly UK Index-Linked Bond Fund)*

#### Investment Objective and Policy

The Fund's investment objective is to achieve income and capital growth. The Fund will invest primarily in UK and overseas index-linked gilts and other index-linked fixed interest securities.

Classes of Shares	Income Shares
	Gross paying Income Shares (eligible investors only)
	Gross paying Accumulation Shares (eligible investors only)
Currency of Denomination	Pounds Sterling
Minimum Initial Investment	£100,000
Minimum Subsequent Investment	£100,000
Minimum Withdrawal	£100,000
Minimum Holding	£100,000
ACD's Preliminary Charge	See Fees and Expenses, ACD's Fees and Expenses, Preliminary Charge
ACD's Service Charge	0.05% per annum
Investment Management Charge	0.25% per annum
Annual Accounting Date (and date of reinvestment of income for Income Shares and for Gross paying Accumulation Shares)	30 June
Interim Accounting Period end (and date of reinvestment of income for	31 December

**Income Shares and for Gross paying  
Accumulation Shares)**

**Annual Distribution Payment  
Date for Income Shares**

**31 August**

**Interim Distribution Payment  
Date for Income Shares**

**Last day of February**

**Grouping Periods for Income  
Equalisation**

**Biannual accounting periods**

**Annual Report published by**

**31 October**

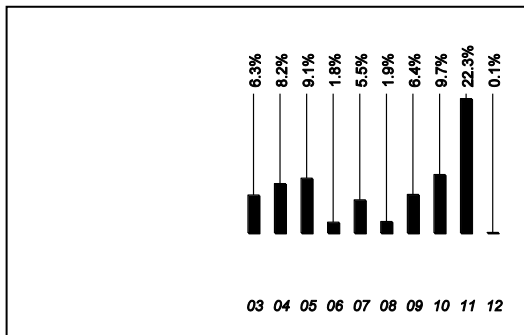
**Interim Report published by**

**Last day of February (for period ending  
31 December)**



## Past Performance of the Fund

Annual total return (full calendar years) 2003 to 2012



Average annual return to 31.12.12 (3Y, 5Y, 10Y)



## Notes

- 1) The graphs above show the past performance of the Index-Linked Bond Fund in the Fund's reference currency. Past performance information is available from 1999. More current performance information is available from the ACD on request.
- 2) Basis of calculation: NAV to NAV with income reinvested, net of tax and annual charges but excluding any preliminary charges.
- 3) The Fund performance data is shown for information purposes only.

- 4) The Fund performance data in these graphs is not a guide to future returns. The value of investments may go down as well as up and you may not get back the amount invested.
- 5) The Fund performance data does not take into account commissions and costs (if any) incurred on the issue and redemption of Shares.

### International Bond Fund

*(closed from 23 September 2011 and to be wound up)*

#### Investment Objective and Policy

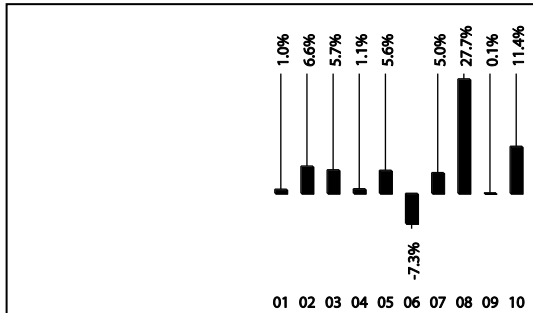
The Fund's investment objective is to achieve income and capital growth. The Fund will invest primarily in government bonds and fixed interest securities without any limitation as to the geographical areas in which those investments are made.

Classes of Shares	Income Shares
	Gross paying Accumulation Shares (eligible investors only)
Currency of Denomination	Pounds Sterling
Minimum Initial Investment	£100,000
Minimum Subsequent Investment	£100,000
Minimum Withdrawal	£100,000
Minimum Holding	£100,000
ACD's Preliminary Charge	See Fees and Expenses, ACD's Fees and Expenses, Preliminary Charge
ACD's Service Charge	0.05% per annum
Investment Management Charge	0.35% per annum
Annual Accounting Date (and date of reinvestment of income for Income Shares and for Gross paying Accumulation Shares)	30 June
Interim Accounting Period end (and date of reinvestment of income for Income Shares and for Gross paying Accumulation Shares)	30 September, 31 December and 31 March

Annual Distribution Payment Date for Income Shares	31 August
Interim Distribution Payment Dates for Income Shares	30 November, last day of February and 31 May
Grouping Periods for Income Equalisation	Quarterly accounting periods
Annual Report published by	31 October
Interim Report published by	Last day of February (for period ending 31 December)

## Past Performance of the Fund

Annual total return (full calendar years) 2001 to 2010



Average annual return to 31.12.10 (3Y, 5Y, 10Y)



## Notes

- 1) The graphs above show the past performance of the International Bond Fund in the Fund's reference currency. More current performance information is available from the ACD on request.
- 2) Basis of calculation: NAV to NAV with income reinvested, net of tax and annual charges but excluding any preliminary charges.
- 3) The Fund performance data is shown for information purposes only.
- 4) The Fund performance data in these graphs is not a guide to future returns. The value of investments may go down as well as up and you may not get back the amount invested.

- 5) The Fund performance data does not take into account commissions and costs (if any) incurred on the issue and redemption of Shares.

## Japan Fund

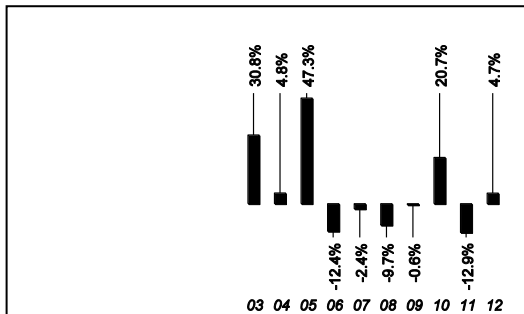
### Investment Objective and Policy

The Fund's investment objective is to achieve long term capital appreciation. The Fund will invest primarily in the shares of companies in Japan. There is no policy to restrict investment to particular economic sectors.

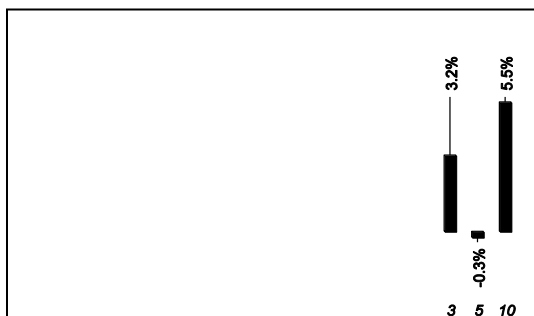
Class of Shares	Accumulation Shares
Currency of Denomination	Pounds Sterling
Minimum Initial Investment	£100,000
Minimum Subsequent Investment	£100,000
Minimum Withdrawal	£100,000
Minimum Holding	£100,000
ACD's Preliminary Charge	See Fees and Expenses, ACD's Fees and Expenses, Preliminary Charge
ACD's Service Charge	0.05% per annum
Investment Management Charge	0.8% per annum
Annual Accounting Date	30 June
Interim Accounting Period	31 December
Annual Income Allocation Date	31 August
Interim Income Allocation Dates	None
Grouping Periods for Income Equalisation	Annual accounting periods
Annual Report published by	31 October
Interim Report published by	Last day of February (for period ending 31 December)

## Past Performance of the Fund

Annual total return (full calendar years) 2003 to 2012



Average annual return to 31.12.12 (3Y, 5Y, 10Y)



## Notes

- 1) The graphs above show the past performance of the Japan Fund in the Fund's reference currency. Past performance information is available from 1997. More current performance information is available from the ACD on request.
- 2) Basis of calculation: NAV to NAV with income reinvested, net of tax and annual charges but excluding any preliminary charges.
- 3) The Fund performance data is shown for information purposes only.
- 4) The Fund performance data in these graphs is not a guide to future returns. The value of investments may go down as well as up and you may not get back the amount invested.



- 5) The Fund performance data does not take into account commissions and costs (if any) incurred on the issue and redemption of Shares.

## Long Bond Fund

*(formerly Long Gilt Fund)*

### Investment Objective and Policy

The Fund's investment objective is to achieve both capital growth and income. At least half of the portfolio will be invested in UK and overseas gilts and other fixed interest securities with a remaining maturity of at least 15 years. The Fund may also invest in other UK and overseas gilts and fixed interest securities.

#### Classes of Shares

#### Income Shares

Gross paying Income Shares  
(eligible investors only)

Gross paying Accumulation Shares  
(eligible investors only)

#### Currency of Denomination

Pounds Sterling

#### Minimum Initial Investment

£100,000

#### Minimum Subsequent Investment

£100,000

#### Minimum Withdrawal

£100,000

#### Minimum Holding

£100,000

#### ACD's Preliminary Charge

See Fees and Expenses, ACD's Fees and Expenses, Preliminary Charge

#### ACD's Service Charge

0.05% per annum

#### Investment Management Charge

0.25% per annum

#### Annual Accounting Date (and date of reinvestment of income for Income Shares and for Gross paying Accumulation Shares)

30 June

#### Interim Accounting Period end (and date of reinvestment of income for

30 September, 31 December and 31 March

**Income Shares and for Gross paying  
Accumulation Shares)**

**Annual Distribution Payment** 31 August  
**Date for Income Shares**

**Interim Distribution Payment** 30 November, last day of February and 31 May  
**Dates for Income Shares**

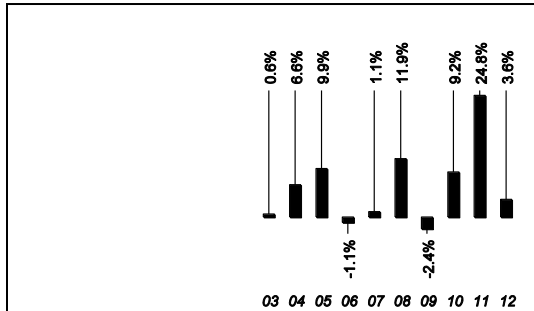
**Grouping Periods for Income** Quarterly accounting periods  
**Equalisation**

**Annual Report published by** 31 October

**Interim Report published by** Last day of February (for period ending  
31 December)

## Past Performance of the Fund

Annual total return (full calendar years) 2003 to 2012



Average annual return to 31.12.12 (3Y, 5Y, 10Y)



## Notes

- 1) The graphs above show the past performance of the Long Bond Fund in the Fund's reference currency. Past performance information is available from 1996. More current performance information is available from the ACD on request.
- 2) Basis of calculation: NAV to NAV with income reinvested, net of tax and annual charges but excluding any preliminary charges.
- 3) The Fund performance data is shown for information purposes only.
- 4) The Fund performance data in these graphs is not a guide to future returns. The value of investments may go down as well as up and you may not get back the amount invested.

- 5) The Fund performance data does not take into account commissions and costs (if any) incurred on the issue and redemption of Shares.

### MoneyBuilder Income Reduced Duration Fund

#### Investment Objective and Policy

The Fund's investment objective is to achieve an attractive level of income from a portfolio providing exposure primarily to sterling-denominated fixed interest securities. While the Fund will be substantially invested in the WOODGROVE MoneyBuilder Income Fund, it is the intention through the use of derivatives to hedge interest rate risk, such that the returns achieved may be substantially different to those of the WOODGROVE MoneyBuilder Income Fund.

Class of Shares	Y Accumulation Shares
	Gross paying Y Accumulation Shares (eligible investors only)
Currency of Denomination	Pounds Sterling
Minimum Initial Investment	£1,000,000
Minimum Subsequent Investment	£100,000
Minimum Withdrawal	£100,000
Minimum Holding	£100,000
ACD's Preliminary Charge	See Fees and Expenses, ACD's Fees and Expenses, Preliminary Charge
ACD's Service Charge	0.05% per annum
ACD's Registrar Charge	None
Investment Management Charge	0.4% per annum
Annual Accounting Date	30 June
Interim Accounting Period	31 December
Annual Income Allocation Date	31 August
Interim Income Allocation Dates	None

**Grouping Periods for Income  
Equalisation**

**Annual Report published by**

**Interim Report published by**

**Annual accounting periods**

**31 October**

**Last day of February (for period ending  
31 December)**

### Past Performance of the Fund

Past performance will be available from the ACD in future and will be included in later versions of the Prospectus.

### Further Details on the Fund

The Fund is a feeder fund which is at least 85% permanently invested directly into a Master Fund, (the WOODGROVE MoneyBuilder Income Fund - Gross paying Y Accumulation Share Class) which is a sub-fund of the WOODGROVE Investment Funds OEIC which is operated by the same ACD as the Fund. The remainder of the scheme property will be held in derivatives for hedging purposes and cash or near cash.

The investment objective of the Master Fund is:

*“The Fund’s investment objective is to achieve an attractive level of income from a portfolio primarily invested in sterling-denominated fixed interest securities.”*

The risk profile of the Fund and the Master Fund are set out in the respective Key Investor Information Documents of each fund.

Global Risk Exposure - The Fund employs the relative Value-at-Risk (VaR) approach to measure its global risk exposure. The VaR benchmark is BofA / ML Euro Sterling Index (EoLo) Hedged to 2 Years of Interest Rate Duration \*. The expected leverage is 200%. The expected level of leverage may be higher when volatility decreases sustainably, when interest rates are expected to change or when credit spreads are expected to widen or tighten.

\*More information on the calculation of this index can be provided upon request.

**Fees payable to the ACD of the Master Fund** – In respect of the Fund’s investment into the Master Fund the ACD’s charges (Registrar charge, Service charge and Investment Management charge) as set out in the Prospectus of the Master Fund are waived.



The Fund may have to pay other charges in respect of its investment into the Master Fund such as dilution levy of the Master Fund as set out in the Prospectus of the Master Fund.

The performance of the Fund will differ from that of its Master Fund as a result of the waiver of the Master Fund management charges and the differing level of management charges and may also differ as a result of the operation of the derivatives hedge.

Further details on the WOODGROVE MoneyBuilder Income Fund (Master Fund) including its Prospectus and the conduct of business procedures as between it and the Fund may be obtained from the ACD.

The relationship between the Fund and the Master Fund is subject WOODGROVE 's conflict of interests policy which is designed to avoid or mitigate the possibilities of conflicts of interests between the funds. Voting rights will be exercised in the interests of the specific fund in question as per WOODGROVE 's policy on voting.

The conflicts of interest and voting policies are available at [www.WOODGROVE .co.uk](http://www.WOODGROVE.co.uk) or from the ACD on request.

The taxation of the investment of the Feeder into the Master is as set out in the UK Taxation Section.

#### Pacific (ex-Japan) Fund

##### Investment Objective and Policy

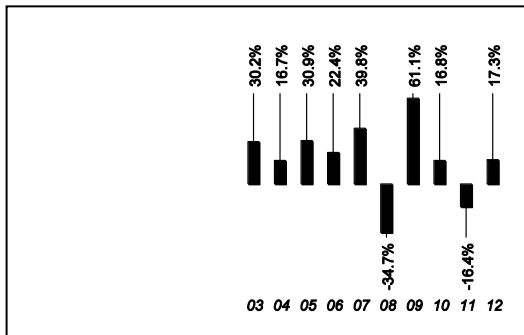
The Fund's investment objective is to achieve long term capital appreciation. The Fund will invest primarily in the shares of companies in Australia, Hong Kong, Malaysia, New Zealand and Singapore. The Fund may not invest in Japan. There is no policy to restrict investment to particular economic sectors.

Class of Shares	Accumulation Shares
Currency of Denomination	Pounds Sterling
Minimum Initial Investment	£100,000

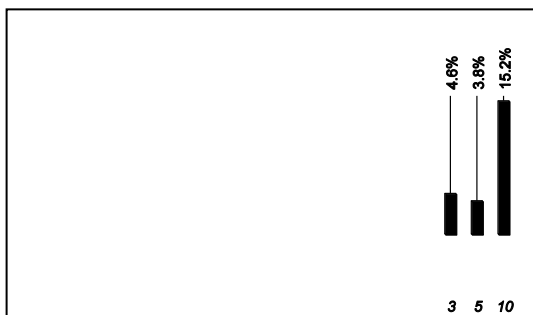
Minimum Subsequent Investment	£100,000
Minimum Withdrawal	£100,000
Minimum Holding	£100,000
ACD's Preliminary Charge	See Fees and Expenses, ACD's Fees and Expenses, Preliminary Charge
ACD's Service Charge	0.05% per annum
Investment Management Charge	0.8% per annum
Annual Accounting Date	30 June
Interim Accounting Period	31 December
Annual Income Allocation Date	31 August
Interim Income Allocation Dates	None
Grouping Periods for Income Equalisation	Annual accounting periods
Annual Report published by	31 October
Interim Report published by	Last day of February (for period ending 31 December)

## Past Performance of the Fund

Annual total return (full calendar years) 2003 to 2012



Average annual return to 31.12.12 (3Y, 5Y, 10Y)



## Notes

- 1) The graphs above show the past performance of the Pacific (ex-Japan) Fund in the Fund's reference currency. Past performance information is available from 2001. More current performance information is available from the ACD on request.
- 2) Basis of calculation: NAV to NAV with income reinvested, net of tax and annual charges but excluding any preliminary charges.
- 3) The Fund performance data is shown for information purposes only.

- 4) The Fund performance data in these graphs is not a guide to future returns. The value of investments may go down as well as up and you may not get back the amount invested.
- 5) The Fund performance data does not take into account commissions and costs (if any) incurred on the issue and redemption of Shares.

### Pan European Fund

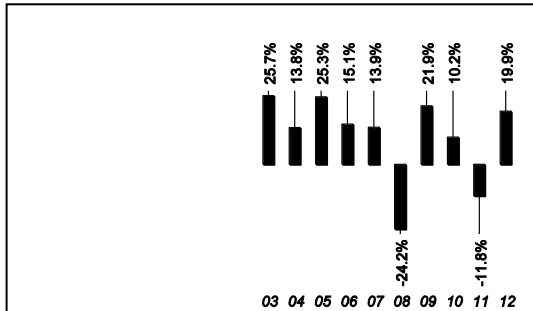
#### Investment Objective and Policy

The Fund's investment objective is to achieve long term capital appreciation. The Fund will invest primarily in the shares of European companies, including those in the United Kingdom. There is no policy to restrict investment to particular economic sectors.

Class of Shares	Accumulation Shares
Currency of Denomination	Pounds Sterling
Minimum Initial Investment	£100,000
Minimum Subsequent Investment	£100,000
Minimum Withdrawal	£100,000
Minimum Holding	£100,000
ACD's Preliminary Charge	See Fees and Expenses, ACD's Fees and Expenses, Preliminary Charge
ACD's Service Charge	0.05% per annum
Investment Management Charge	0.8% per annum
Annual Accounting Date	30 June
Interim Accounting Period	31 December
Annual Income Allocation Date	31 August
Interim Income Allocation Dates	None
Grouping Periods for Income Equalisation	Annual accounting periods
Annual Report published by	31 October
Interim Report published by	Last day of February (for period ending 31 December)

## Past Performance of the Fund

Annual total return (full calendar years) 2003 to 2012



Average annual return to 31.12.12 (3Y, 5Y, 10Y)



## Notes

- 1) The graphs above show the past performance of the Pan European Fund in the Fund's reference currency. Past performance information is available from 2002. More current performance information is available from the ACD on request.
- 2) Basis of calculation: NAV to NAV with income reinvested, net of tax and annual charges but excluding any preliminary charges.
- 3) The Fund performance data is shown for information purposes only.
- 4) The Fund performance data in the graphs is not a guide to future returns. The value of investments may go down as well as up and you may not get back the amount invested.

- 5) The Fund performance data does not take into account commissions and costs (if any) incurred on the issue and redemption of Shares.

## Reduced Duration UK Corporate Bond Fund

(to be available from 16 May 2013)

### Investment Objective and Policy

The Fund's investment objective is to achieve both capital growth and income. The Fund will invest primarily in non-gilt fixed interest securities. It is the intention through the use of derivatives to reduce interest rate risk on the portfolio.

#### Class of Shares

#### Accumulation Shares

Gross paying Accumulation Shares  
(eligible investors only)

Income shares

Gross paying Income Shares  
(eligible investors only)

#### Currency of Denomination

Pounds Sterling

#### Minimum Initial Investment

£100,000

#### Minimum Subsequent Investment

£100,000

#### Minimum Withdrawal

£100,000

#### Minimum Holding

£100,000

#### ACD's Preliminary Charge

See Fees and Expenses, ACD's Fees and Expenses, Preliminary Charge

#### ACD's Service Charge

0.05% per annum

#### Investment Management Charge

0.30% per annum

#### Annual Accounting Date

30 June

#### Interim Accounting Period

31 December

#### Annual Income Allocation Date

31 August



Interim Income Allocation Dates	None
Grouping Periods for Income Equalisation	Annual accounting periods
Annual Report published by	31 October
Interim Report published by	Last day of February (for period ending 31 December)

#### Past Performance of the Fund

Past performance will be available from the ACD in future and will be included in later versions of the prospectus.

### Select Emerging Markets Equities Fund

#### Investment Objective and Policy

The Fund's investment objective is to achieve long term capital appreciation. The Fund will invest primarily in the shares of companies in developing countries, including those in Africa, the Indian sub-continent, Latin America, South East Asia, Europe and the Middle East. There is no policy to restrict investment to particular economic sectors.

Class of Shares	Accumulation Shares
Currency of Denomination	Pounds Sterling
Minimum Initial Investment	£100,000
Minimum Subsequent Investment	£100,000
Minimum Withdrawal	£100,000
Minimum Holding	£100,000
ACD's Preliminary Charge	See Fees and Expenses, ACD's Fees and Expenses, Preliminary Charge
ACD's Service Charge	0.05% per annum
Investment Management Charge	1.0% per annum
Annual Accounting Date	30 June
Interim Accounting Period	31 December
Annual Income Allocation Date	31 August
Interim Income Allocation Dates	None

**Grouping Periods for Income  
Equalisation**

**Annual Report published by**

**Interim Report published by**

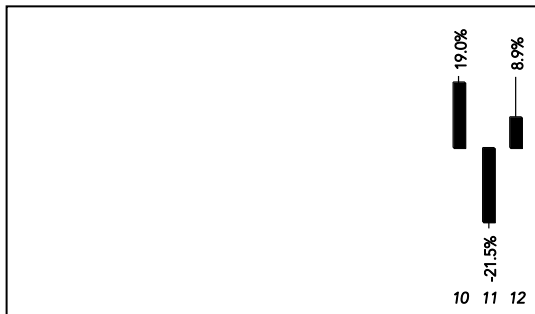
**Annual accounting periods**

**31 October**

**Last day of February (for period ending  
31 December)**

## Past Performance of the Fund

Annual total return (full calendar years) 2010 to 2012



Average annual return to 31.12.12 (3Y)



## Notes

- 1) The graph above shows the past performance of the Select Emerging Markets Equities Fund in the Fund's reference currency. Past performance information is available from 2010. More current performance information is available from the ACD on request.
- 2) Basis of calculation: NAV to NAV with income reinvested, net of tax and annual charges but excluding any preliminary charges.
- 3) The Fund performance data is shown for information purposes only.
- 4) The Fund performance data in the graphs is not a guide to future returns. The value of investments may go down as well as up and you may not get back the amount invested.

- 5) The Fund performance data does not take into account commissions and costs (if any) incurred on the issue and redemption of Shares.

### Select European Equities Fund

*(closed from 11 January 2012 and to be wound up)*

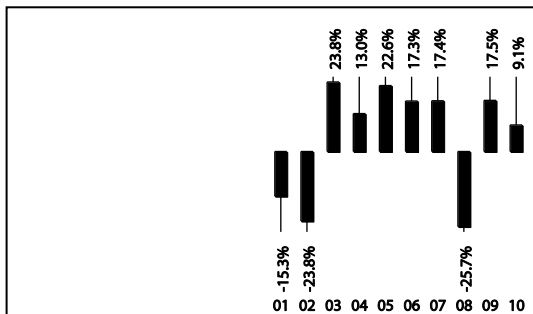
#### Investment Objective and Policy

The Fund's investment objective is to achieve long term capital appreciation. The Fund will invest primarily in the shares of European companies, including those in the United Kingdom. There is no policy to restrict investment to particular economic sectors.

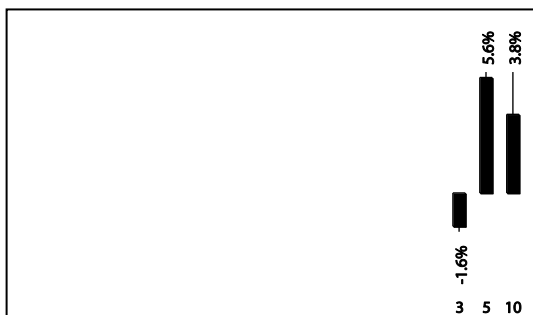
Class of Shares	Accumulation Shares
Currency of Denomination	Pounds Sterling
Minimum Initial Investment	£100,000
Minimum Subsequent Investment	£100,000
Minimum Withdrawal	£100,000
Minimum Holding	£100,000
ACD's Preliminary Charge	See Fees and Expenses, ACD's Fees and Expenses, Preliminary Charge
ACD's Service Charge	0.05% per annum
Investment Management Charge	0.8% per annum
Annual Accounting Date	30 June
Interim Accounting Period	31 December
Annual Income Allocation Date	31 August
Interim Income Allocation Dates	None
Grouping Periods for Income Equalisation	Annual accounting periods
Annual Report published by	31 October
Interim Report published by	Last day of February (for period ending 31 December)

## Past Performance of the Fund

Annual total return (full calendar years) 2001 to 2010



Average annual return to 31.12.10 (3Y, 5Y, 10Y)



## Notes

- 1) The graphs above show the past performance of the Select European Equities Fund in the Fund's reference currency. Past performance information is available from 2000. More current performance information is available from the ACD on request.
- 2) Basis of calculation: NAV to NAV with income reinvested, net of tax and annual charges but excluding any preliminary charges.
- 3) The Fund performance data is shown for information purposes only.
- 4) The Fund performance data in these graphs is not a guide to future returns. The value of investments may go down as well as up and you may not get back the amount invested.

- 5) The Fund performance data does not take into account commissions and costs (if any) incurred on the issue and redemption of Shares.



### Select Global Equities Fund

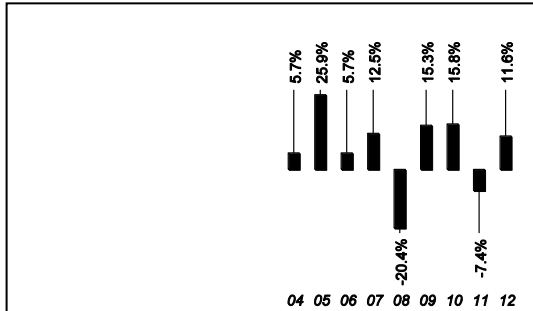
#### Investment Objective and Policy

The Fund's investment objective is to achieve long term capital appreciation. The Fund will invest primarily in the shares of companies in markets throughout the world. There is no policy to restrict investments to particular economic sectors.

Class of Shares	Accumulation Shares
Currency of Denomination	Pounds Sterling
Minimum Initial Investment	£100,000
Minimum Subsequent Investment	£100,000
Minimum Withdrawal	£100,000
Minimum Holding	£100,000
ACD's Preliminary Charge	See Fees and Expenses, ACD's Fees and Expenses, Preliminary Charge
ACD's Service Charge	0.05% per annum
Investment Management Charge	0.8% per annum
Annual Accounting Date and Annual Income Allocation Date	30 June
Interim Accounting Period	31 December
Interim Income Allocation Dates	None
Grouping Periods for Income Equalisation	Annual accounting periods
Annual Report published by	31 October
Interim Report published by	Last day of February (for period ending 31 December)

## Past Performance of the Fund

Annual total return (full calendar years) 2004 to 2012



Average annual return to 31.12.12 (3Y, 5Y)



## Notes

- 1) The graphs above show the past performance of the Select Global Equities Fund in the Fund's reference currency. The Fund was launched on 28 February 2002, but did not receive investment until March 2003. More current performance information is available from the ACD on request.
- 2) Basis of calculation: NAV to NAV with income reinvested, net of tax and annual charges but excluding any preliminary charges.
- 3) The Fund performance data is shown for information purposes only.

- 4) The Fund performance data in these graphs is not a guide to future returns. The value of investments may go down as well as up and you may not get back the amount invested.
- 5) The Fund performance data does not take into account commissions and costs (if any) incurred on the issue and redemption of Shares.

## South East Asia Fund

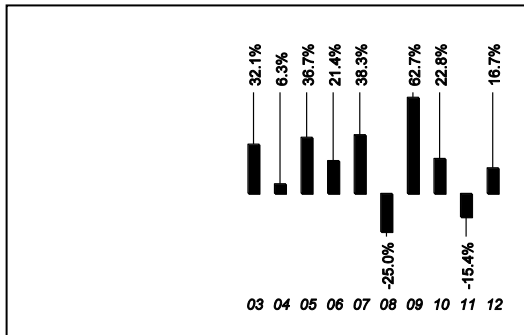
### Investment Objective and Policy

The Fund's investment objective is to achieve long term capital appreciation. The Fund will invest primarily in the shares of companies in South East Asia excluding those in Japan. There is no policy to restrict investment to particular economic sectors.

Class of Shares	Accumulation Shares
Currency of Denomination	Pounds Sterling
Minimum Initial Investment	£100,000
Minimum Subsequent Investment	£100,000
Minimum Withdrawal	£100,000
Minimum Holding	£100,000
ACD's Preliminary Charge	See Fees and Expenses, ACD's Fees and Expenses, Preliminary Charge
ACD's Service Charge	0.05% per annum
Investment Management Charge	0.8% per annum
Annual Accounting Date	30 June
Interim Accounting Period	31 December
Annual Income Allocation Date	31 August
Interim Income Allocation Dates	None
Grouping Periods for Income Equalisation	Annual accounting periods
Annual Report published by	31 October
Interim Report published by	Last day of February (for period ending 31 December)

## Past Performance of the Fund

Annual total return (full calendar years) 2003 to 2012



Average annual return to 31.12.12 (3Y, 5Y, 10Y)



## Notes

- 1) The graphs above show the past performance of the South East Asia Fund in the Fund's reference currency. Past performance information is available from 1997. More current performance information is available from the ACD on request.
- 2) Basis of calculation: NAV to NAV with income reinvested, net of tax and annual charges but excluding any preliminary charges.
- 3) The Fund performance data is shown for information purposes only.

- 4) The Fund performance data in these graphs is not a guide to future returns. The value of investments may go down as well as up and you may not get back the amount invested.
- 5) The Fund performance data does not take into account commissions and costs (if any) incurred on the issue and redemption of Shares.

## Sterling Core Plus Bond Fund

### Investment Objective and Policy

The Fund's investment objective is to achieve both capital growth and income. The Fund will invest primarily in UK and international government and corporate bonds. The Fund may also invest in emerging market debt and high yield securities. Derivatives and forward transactions may be used for investment purposes. The strategies attempt to maintain at least 90% of currency exposure in UK Sterling.

#### Classes of Shares

#### Income Shares

Gross paying Income Shares  
(eligible investors only) – to be available at a future date.

Gross paying Accumulation Shares  
(eligible investors only)

#### Currency of Denomination

Pounds Sterling

#### Minimum Initial Investment

£100,000

#### Minimum Subsequent Investment

£100,000

#### Minimum Withdrawal

£100,000

#### Minimum Holding

£100,000

#### ACD's Preliminary Charge

See Fees and Expenses, ACD's Fees and Expenses, Preliminary Charge

#### ACD's Service Charge

0.05% per annum

#### Investment Management Charge

0.40% per annum

#### Annual Accounting Date (and date of reinvestment of income for Income Shares and for Gross paying Accumulation Shares)

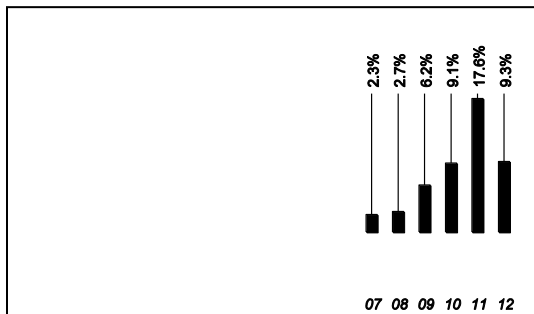
30 June

Interim Accounting Period end (and date of reinvestment of income for Income Shares and for Gross paying Accumulation Shares)	31 December
Annual Distribution Payment Date for Income Shares	31 August
Interim Distribution Payment Dates for Income Shares	Last day of February
Grouping Periods for Income Equalisation	Biannual accounting periods
Annual Report published by	31 October
Interim Report published by	Last day of February (for period ending 31 December)



## Past Performance of the Fund

Annual total return (full calendar year) 2007 to 2012



Average annual return to 31.12.12 (3Y, 5Y)



## Notes

- 1) The graphs above show the past performance of the Sterling Core Plus Bond Fund in the Fund's reference currency. Past performance information is available from 2007. More current performance information is available from the ACD on request.
- 2) Basis of calculation: NAV to NAV with income reinvested, net of tax and annual charges but excluding any preliminary charges.
- 3) The Fund performance data is shown for information purposes only.
- 4) The Fund performance data in the graphs is not a guide to future returns. The value of investments may go down as well as up and you may not get back the amount invested.

- 5) The Fund performance data does not take into account commissions and costs (if any) incurred on the issue and redemption of Shares.
- 6) Global Risk Exposure: The Fund employs the relative Value-at-Risk (VaR) approach to measure its global risk exposure. The VaR benchmark is 50% £ Gilt over 15 years and 50% £ non Gilt over 15 years using iBoxx indices. The expected leverage is 100%. The expected level of leverage may be higher when volatility decreases sustainably, when interest rates are expected to change or when credit spreads are expected to widen or tighten.

## UK Aggregate Bond Fund

### Investment Objective and Policy

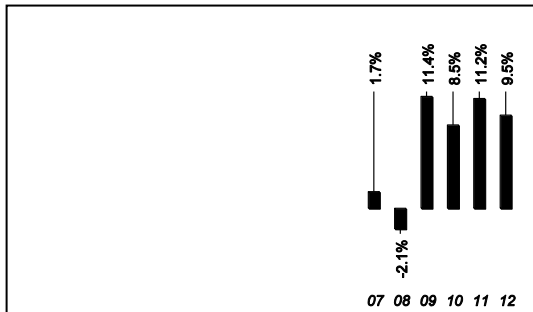
The Fund's investment objective is to achieve both capital growth and income. The Fund will invest primarily in UK gilts and non-gilt fixed interest securities.

Classes of Shares	Income Shares
	Gross paying Income Shares (eligible investors only) – to be available at a future date.
	Gross paying Accumulation Shares (eligible investors only)
Currency of Denomination	Pounds Sterling
Minimum Initial Investment	£100,000
Minimum Subsequent Investment	£100,000
Minimum Withdrawal	£100,000
Minimum Holding	£100,000
ACD's Preliminary Charge	See Fees and Expenses, ACD's Fees and Expenses, Preliminary Charge
ACD's Service Charge	0.05% per annum
Investment Management Charge	0.35% per annum
Annual Accounting Date (and date of reinvestment of income for Income Shares and for Gross paying Accumulation Shares)	30 June
Interim Accounting Period end (and date of reinvestment of income for Income Shares and for Gross paying Accumulation Shares)	31 December

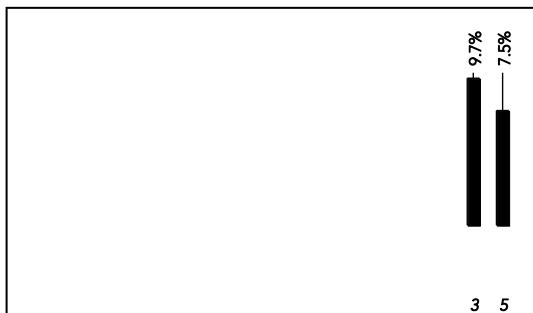
Annual Distribution Payment Date for Income Shares	31 August
Interim Distribution Payment Dates for Income Shares	Last day of February
Grouping Periods for Income Equalisation	Biannual accounting periods
Annual Report published by	31 October
Interim Report published by	Last day of February (for period ending 31 December)

## Past Performance of the Fund

Annual total return (full calendar year) 2007 to 2012



Average annual return to 31.12.12 (3Y, 5Y)



## Notes

- 1) The graphs above show the past performance of the UK Aggregate Bond Fund in the Fund's reference currency. Past performance information is available from 2007. More current performance information is available from the ACD on request.
- 2) Basis of calculation: NAV to NAV with income reinvested, net of tax and annual charges but excluding any preliminary charges.
- 3) The Fund performance data is shown for information purposes only.
- 4) The Fund performance data in the graphs is not a guide to future returns. The value of investments may go down as well as up and you may not get back the amount invested.

- 5) The Fund performance data does not take into account commissions and costs (if any) incurred on the issue and redemption of Shares.

## UK Corporate Bond Fund

### Investment Objective and Policy

The Fund's investment objective is to achieve both capital growth and income. The Fund will invest primarily in non-gilt fixed interest securities.

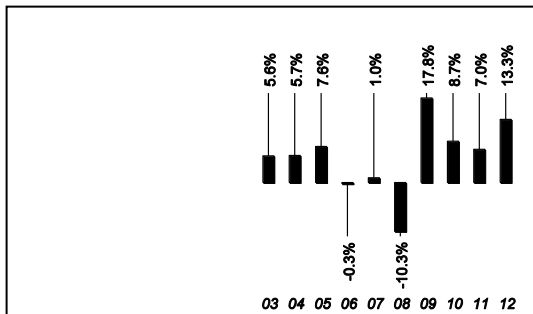
Classes of Shares	Income Shares
	Gross paying Income Shares (eligible investors only)
	Gross paying Accumulation Shares (eligible investors only)
Currency of Denomination	Pounds Sterling
Minimum Initial Investment	£100,000
Minimum Subsequent Investment	£100,000
Minimum Withdrawal	£100,000
Minimum Holding	£100,000
ACD's Preliminary Charge	See Fees and Expenses, ACD's Fees and Expenses, Preliminary Charge
ACD's Service Charge	0.05% per annum
Investment Management Charge	0.35% per annum
Annual Accounting Date (and date of reinvestment of income for Income Shares and for Gross paying Accumulation Shares)	30 June
Interim Accounting Period end (and date of reinvestment of income for Income Shares and for Gross paying Accumulation Shares)	31 December

Annual Distribution Payment Date for Income Shares	31 August
Interim Distribution Payment Dates for Income Shares	Last day of February
Grouping Periods for Income Equalisation	Biannual accounting periods
Annual Report published by	31 October
Interim Report published by	Last day of February (for period ending 31 December)

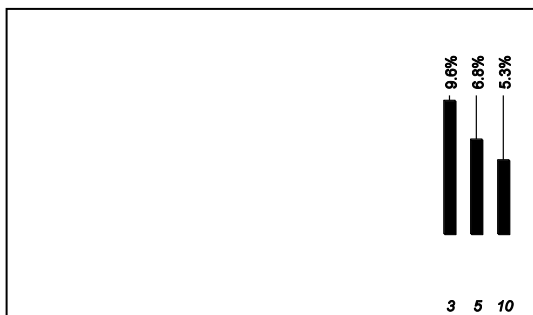


## Past Performance of the Fund

Annual total return (full calendar years) 2003 to 2012



Average annual return to 31.12.12 (3Y, 5Y, 10Y)



## Notes

- 1) The graphs above show the past performance of the UK Corporate Bond Fund in the Fund's reference currency. Past performance information is available from 2001. More current performance information is available from the ACD on request.
- 2) Basis of calculation: NAV to NAV with income reinvested, net of tax and annual charges but excluding any preliminary charges.
- 3) The Fund performance data is shown for information purposes only.
- 4) The Fund performance data in these graphs is not a guide to future returns. The value of investments may go down as well as up and you may not get back the amount invested.

- 5) The Fund performance data does not take into account commissions and costs (if any) incurred on the issue and redemption of Shares.

## UK Fund

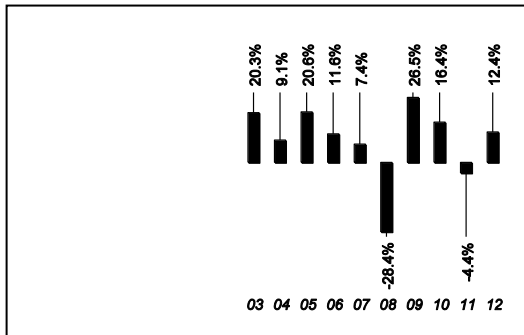
### Investment Objective and Policy

The Fund's investment objective is to achieve long term capital appreciation. The Fund will invest primarily in the shares of companies in the United Kingdom. There is no policy to restrict investment to particular economic sectors.

Class of Shares	Accumulation Shares
Currency of Denomination	Pounds Sterling
Minimum Initial Investment	£100,000
Minimum Subsequent Investment	£100,000
Minimum Withdrawal	£100,000
Minimum Holding	£100,000
ACD's Preliminary Charge	See Fees and Expenses, ACD's Fees and Expenses, Preliminary Charge
ACD's Service Charge	0.05% per annum
Investment Management Charge	0.8% per annum
Annual Accounting Date	30 June
Interim Accounting Period	31 December
Annual Income Allocation Date	31 August
Interim Income Allocation Dates	None
Grouping Periods for Income Equalisation	Annual accounting periods
Annual Report published by	31 October
Interim Report published by	Last day of February (for period ending 31 December)

## Past Performance of the Fund

Annual total return (full calendar years) 2003 to 2012



Average annual return to 31.12.12 (3Y, 5Y, 10Y)



## Notes

- 1) The graphs above show the past performance of the UK Fund in the Fund's reference currency. Past performance information is available from 1997. More current performance information is available from the ACD on request.
- 2) Basis of calculation: NAV to NAV with income reinvested, net of tax and annual charges but excluding any preliminary charges.
- 3) The Fund performance data is shown for information purposes only.

- 4) The Fund performance data in these graphs is not a guide to future returns. The value of investments may go down as well as up and you may not get back the amount invested.
- 5) The Fund performance data does not take into account commissions and costs (if any) incurred on the issue and redemption of Shares.

## UK Gilt Fund

### Investment Objective and Policy

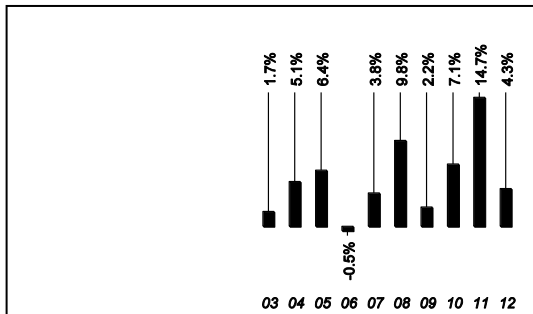
The Fund's investment objective is to achieve both capital growth and income. The Fund will invest primarily in UK gilts. The Fund may also invest in other fixed interest securities.

Classes of Shares	Income Shares
	Gross paying Income Shares (eligible investors only) – to be available at a future date.
	Gross paying Accumulation Shares (eligible investors only)
Currency of Denomination	Pounds Sterling
Minimum Initial Investment	£100,000
Minimum Subsequent Investment	£100,000
Minimum Withdrawal	£100,000
Minimum Holding	£100,000
ACD's Preliminary Charge	See Fees and Expenses, ACD's Fees and Expenses, Preliminary Charge
ACD's Service Charge	0.05% per annum
Investment Management Charge	0.25% per annum
Annual Accounting Date (and date of reinvestment of income for Income Shares and for Gross paying Accumulation Shares)	30 June
Interim Accounting Period end (and date of reinvestment of income for Income Shares and for Gross paying Accumulation Shares)	31 December

<b>Annual Distribution Payment Date for Income Shares</b>	<b>31 August</b>
<b>Interim Distribution Payment Dates for Income Shares</b>	<b>Last day of February</b>
<b>Grouping Periods for Income Equalisation</b>	<b>Biannual accounting periods</b>
<b>Annual Report published by</b>	<b>31 October</b>
<b>Interim Report published by</b>	<b>Last day of February (for period ending 31 December)</b>

## Past Performance of the Fund

Annual total return (full calendar years) 2003 to 2012



Average annual return to 31.12.12 (3Y, 5Y, 10Y)



## Notes

- 1) The graphs above show the past performance of the UK Gilt Fund in the Fund's reference currency. Past performance information is available from 2001. More current performance information is available from the ACD on request.
- 2) Basis of calculation: NAV to NAV with income reinvested, net of tax and annual charges but excluding any preliminary charges.
- 3) The Fund performance data is shown for information purposes only.
- 4) The Fund performance data in these graphs is not a guide to future returns. The value of investments may go down as well as up and you may not get back the amount invested.



- 5) The Fund performance data does not take into account commissions and costs (if any) incurred on the issue and redemption of Shares.

## UK Long Corporate Bond Fund

### Investment Objective and Policy

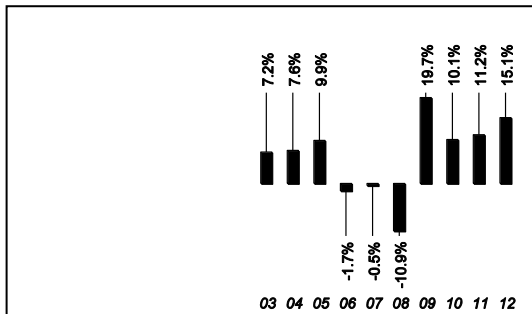
The Fund's investment objective is to achieve both capital growth and income. The Fund will invest primarily in non-gilt fixed interest securities, at least half of which will have a remaining maturity of at least 10 years.

Classes of Shares	Income Shares
	Gross paying Income Shares (eligible investors only) – to be available at a future date.
	Gross paying Accumulation Shares (eligible investors only)
Currency of Denomination	Pounds Sterling
Minimum Initial Investment	£100,000
Minimum Subsequent Investment	£100,000
Minimum Withdrawal	£100,000
Minimum Holding	£100,000
ACD's Preliminary Charge	See Fees and Expenses, ACD's Fees and Expenses, Preliminary Charge
ACD's Service Charge	0.05% per annum
Investment Management Charge	0.35% per annum
Annual Accounting Date (and Date of reinvestment of income for Income Shares and for Gross paying Accumulation Shares)	30 June
Interim Accounting Period end (and Date of reinvestment of income for Income Shares and for Gross paying Accumulation Shares)	31 December

Annual Distribution Payment Date for Income Shares	31 August
Interim Distribution Payment Dates for Income Shares	Last day of February
Grouping Periods for Income Equalisation	Biannual accounting periods
Annual Report published by	31 October
Interim Report published by	Last day of February (for period ending 31 December)

## Past Performance of the Fund

Annual total return (full calendar years) 2003 to 2012



Average annual return to 31.12.12 (3Y, 5Y, 10Y)



## Notes

- 1) The graphs above show the past performance of the UK Long Corporate Bond Fund in the Fund's reference currency. Past performance information is available from 2003. More current performance information is available from the ACD on request.
- 2) Basis of calculation: NAV to NAV with income reinvested, net of tax and annual charges but excluding any preliminary charges.
- 3) The Fund performance data is shown for information purposes only.
- 4) The Fund performance data in these graphs is not a guide to future returns. The value of investments may go down as well as up and you may not get back the amount invested.

- 5) The Fund performance data does not take into account commissions and costs (if any) incurred on the issue and redemption of Shares.

### UK Specialist Fund

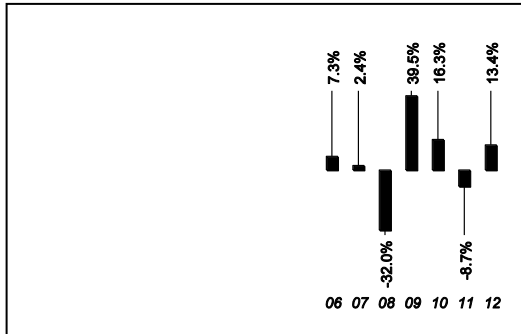
#### Investment Objective and Policy

The Fund's investment objective is to achieve long term capital appreciation. The Fund will invest primarily in the shares of United Kingdom companies. There is no policy to restrict investment to particular economic sectors.

Class of Shares	Accumulation Shares
Currency of Denomination	Pounds Sterling
Minimum Initial Investment	£100,000
Minimum Subsequent Investment	£100,000
Minimum Withdrawal	£100,000
Minimum Holding	£100,000
ACD's Preliminary Charge	See Fees and Expenses, ACD's Fees and Expenses, Preliminary Charge
ACD's Service Charge	0.05% per annum
Investment Management Charge	0.8% per annum
Annual Accounting Date	30 June
Interim Accounting Period	31 December
Annual Income Allocation Date	31 August
Interim Income Allocation Dates	None
Grouping Periods for Income Equalisation	Annual accounting periods
Annual Report published by	31 October
Interim Report published by	Last day of February (for period ending 31 December)

## Past Performance of the Fund

Annual total return (full calendar years) 2006 to 2012



Average annual return to 31.12.12 (3Y, 5Y)



## Notes

- 1) The graphs above show the past performance of the UK Specialist Fund in the Fund's reference currency. Past performance information is available from 2006. More current performance information is available from the ACD on request.
- 2) Basis of calculation: NAV to NAV with income reinvested, net of tax and annual charges but excluding any preliminary charges.
- 3) The Fund performance data is shown for information purposes only.

- 4) The Fund performance data in the graphs is not a guide to future returns. The value of investments may go down as well as up and you may not get back the amount invested
- 5) The Fund performance data does not take into account commissions and costs (if any) incurred on the issue and redemption of Shares.



## **APPENDIX 2: INVESTMENT POWERS AND RESTRICTIONS**

*Each Fund is categorised as a UCITS scheme. Although the ACD does not necessarily intend to market the Funds in other EU member states pursuant to the passport which is available under the EU UCITS Directive, each Fund has the investment powers permitted for schemes which comply with that Directive.*

### **General**

Authorised funds, such as the Funds of the Company, are required to comply with a number of investment rules that require the spreading of risk. The ACD must ensure that, taking account of the investment objective and policy of each Fund, the scheme property of each Fund aims to provide a prudent spread of risk. An aim of the restrictions on investment and borrowing powers set out in the COLL Sourcebook (which are summarised below) is to help protect Shareholders by laying down minimum standards for the investments that may be held. In particular, the restrictions on the proportion of transferable securities and derivatives which are not listed on eligible markets are intended to restrict investment in transferable securities and derivatives that cannot accurately be valued and readily disposed of.

The ACD will, on a Shareholder's request, provide supplementary information to that set out in this Prospectus relating to the quantitative limits applying in the risk management of each Fund, the methods used in this connection, and any recent development of the risk and yields of the main categories of investment of each Fund.

The property of a Fund must only consist of any or all of:

- (a) transferable securities;
- (b) units in collective investment schemes;
- (c) money market instruments which are normally dealt in on the money markets, are liquid, whose values can accurately be determined at any time, and provided they meet one of certain criteria;

- (d) derivatives and forward transactions;
- (e) deposits with an Approved Bank which are repayable on demand or have the right to be withdrawn and maturing in no more than twelve months; and
- (f) cash and near cash.

The Scheme Property of the Company may also include movable and immovable property that is necessary for the direct pursuit of the Company's business, but it is not intended that the Company will hold any such property.

*Note: In accordance with each Fund's investment objective and policy, the Funds will invest primarily in transferable securities but other investments may also be made. The following paragraphs therefore summarise the restrictions for UCITS schemes generally under the COLL Sourcebook.*

#### Transferable Securities

A Fund may invest in "approved securities", which are transferable securities traded on eligible securities markets (as defined below), otherwise than by the specific permission of the market authority. Not more than 10% in value of a Fund's property may consist of transferable securities which are not approved securities.

Transferable securities are essentially shares, instruments creating or acknowledging indebtedness, government and public securities, instruments giving entitlement to such investments, and certificates representing certain securities, in each case which are transferable without the consent of a third party.

"Eligible securities markets" are regulated markets, which are defined by reference to provisions of the Investment Services Directive; markets established in EEA member states on which transferable securities admitted to official listing in those states are dealt in or traded; and other markets which the ACD, after consultation with the Depositary, has decided are appropriate for the purpose of investment of the property of the relevant Fund. In accordance with the relevant criteria in the

COLL Sourcebook and formal guidance from the FCA, such markets must operate regularly and be regulated, recognised and open to the public.

The eligible markets for each Fund are as follows:

Member States of EEA and EC (except those below)	All primary and secondary stock exchanges
Bulgaria	Bulgarian Stock Exchange
Czech Republic	Prague Stock Exchange (PSE)
Estonia	Tallinn Stock Exchange (TSE)
Hungary	Budapest Stock Exchange (BSE)
Latvia	Riga Stock Exchange
Lithuania	Vilnius Stock Exchange
Romania	Bucharest Stock Exchange
Other countries	
Australia	Australia Stock Exchange (ASX)
Bahrain	Bahrain Stock Exchange (BSE)
Bangladesh	Dhaka Stock Exchange (DSE)
Brazil	Bolsa de Valores de Sao Paulo (BOVESPA) Bolsa de Valores do Rio de Janeiro (BVRJ)
Canada	Alberta Stock Exchange (ASE) Montreal Exchange Toronto Stock Exchange (TSX) TSX Ventures
Chile	Bolsa de Comercio de Santiago (BCS)
China	Hong Kong Stock Exchange GEM

Colombia	Bolsa de Valores de Colombia
Croatia	Zagreb Stock Exchange
Cyprus	Cyprus Stock Exchange
Egypt	Cairo and Alexandria Stock Exchange (CASE)
Ghana	Ghana Stock Exchange (GSE)
Iceland	OTC market
India	Bombay Stock Exchange (BSE) National Stock Exchange (NSE)
Indonesia	Jakarta Stock Exchange (JSE)
Israel	Tel Aviv Stock Exchange
Japan	Tokyo Stock Exchange (TSE) Fukuoka SE (KANEX) JASDAQ Nagoya SE Osaka SE Sapporo SE Tokyo OTC market
Jordan	Amman Stock Exchange (ASE)
Kazakhstan	Kazakhstan OTC Market
Kenya	Nairobi Stock Exchange
Korea	Korea Stock Exchange (KSE) KOSDAQ
Kuwait	Kuwait Stock Exchange (KSE)
Other countries	
Lebanon	Beirut Stock Exchange
Malaysia	Kuala Lumpur Stock Exchange (KLSE)

Mauritius	Stock Exchange of Mauritius
Mexico	Bolsa Mexicana de Valores (BMV)
Morocco	Casablanca Stock Exchange
New Zealand	New Zealand Stock Exchange
Nigeria	Nigerian Stock Exchange
Oman	Muscat Securities Market (MSM)
Pakistan	Karachi Stock Exchange
Peru	Bolsa de Valores de Lima (BBL)
Philippines	Philippine Stock Exchange (PSE)
Qatar	Doha Securities Market (DSM)
Romania	Bucharest stock Exchange
Russia	RTS MICEX OTC
Singapore	Singapore Stock Exchange (SGX)
Slovakia	Bratislava Stock Exchange
Slovenia	Ljubljana Stock Exchange
South Africa	Johannesburg Stock Exchange Bond Exchange of South Africa (BESA)
Sri Lanka	Colombo Stock Exchange (CSE)
Switzerland	Swiss Stock Exchange (SIX) Virt-x
Taiwan	Taiwan Stock Exchange (TSE) GRE-Tai
Thailand	Stock Exchange of Thailand (SET) Bond Electronic Exchange (BEX)

Turkey	Istanbul Stock Exchange (ISE)
United Arab Emirates	Dubai Financial Market (DFM) Abu Dhabi Securities Exchange (ADX) Dubai International Financial exchange (DIFX)
Uruguay	Bolsa de Valores de Montivideo (BVM)
USA	American Stock Exchange Boston Stock Exchange Chicago Stock Exchange Cincinnati Stock Exchange NASDAQ New York Stock Exchange Pacific Exchange Philadelphia Exchange US Govt Securities Market US Fixed Income Market
Vietnam	HOSE
Zambia	Lusaka Stock Exchange (LuSE)

### Collective Investment Schemes

Investment by a Fund in units in collective investment schemes is subject to the following restrictions:

- A Fund may invest in any of the following types of collective investment scheme:
  - (a) a scheme which complies with the conditions necessary for it to enjoy the rights conferred by the UCITS Directive. A UCITS scheme for this purpose also includes, in addition to qualifying UK authorized unit trusts and open-ended investment companies, UCITS schemes established in other EEA member states which are recognised under section 264 of the Financial Services and Markets Act 2000 to meet the UCITS Directive requirements;

a scheme which is recognised under the provisions of section 270 of the Financial Services and Markets Act 2000 (schemes authorised in designated countries or territories);

a scheme which is a UK authorised scheme which is classified as a non-UCITS retail scheme, if the requirements set out in Article 19(1)(e) of the UCITS Directive are met; or

a scheme which is authorised in another EEA State, if the requirements set out in Article 19(1)(e) of the UCITS Directive are met.

- In relation to the schemes mentioned at paragraphs (c) and (d) above, the requirements of Article 19(1)(e) of the UCITS Directive are as follows:

- the scheme is authorised under laws which provide that it is subject to supervision considered by UCITS competent authorities to be equivalent to that laid down in community law and that co-operation between authorities is sufficiently assured;

- the level of protection for unitholders in the scheme is equivalent to that provided for unitholders in the UCITS and, in particular, the rules on asset segregation, borrowing, lending and uncovered sales of transferable securities and money market instruments are equivalent to the requirements of the UCITS Directive;

- the business of the scheme is reported in half-yearly and annual reports to enable an assessment to be made of the assets and liabilities, income and operations over the reporting period;

- no more than 10% of the scheme's assets, whose acquisition is contemplated, can, according to its fund rules or instrument of incorporation, be invested in aggregate units of other UCITS or other collective investment undertakings; and

- the object of the scheme must be to invest solely in UCITS eligible assets.

UK non-UCITS retail schemes are therefore possible investments, subject to their being restricted to investment in UCITS eligible assets only.

- Whilst investment is possible in schemes in any of the categories mentioned in paragraphs (a) to (d) above, not more than 30% in value of a Fund may be invested in schemes which are within paragraphs (b), (c) and (d) above.
- Any scheme in which a Fund invests must have terms which prohibit more than 10% in value of the scheme property consisting of units in collective investment schemes.
- As mentioned below (see “Spread Requirements”), under COLL except in relation to a feeder fund no more than 20% in value of a Fund is to consist of units in any one collective investment scheme. However, in order that each Fund is available as an underlying investment of another UCITS scheme operating under the COLL Sourcebook, the Company’s Instrument of Incorporation provides that no more than 10% in value of the Scheme Property of a Fund may consist of units in collective investment schemes.
- Also as mentioned below (see “Concentration Restrictions”), the Company’s Funds must not together acquire more than 25% of the units in any single collective investment scheme.
- No Fund may invest in another Fund in the Company. However, a Fund may invest in associated collective investment schemes (other collective investment schemes which are managed or operated by the ACD or an associate of the ACD) provided there is no double charging of the preliminary charge on investment, or of the redemption charge on disinvestment, on the basis set out in the COLL Sourcebook.

#### Money Market Instruments

A Fund may invest in money market instruments including those which are normally dealt in on the money markets, are liquid and whose value can be accurately determined at any time, provided that:



- (a) the instrument is listed on or normally dealt in on an eligible market; or
- (b) the money market instrument is (i) issued or guaranteed by a central, regional or local authority, a central bank of an EEA state, the European Central Bank of the European Union 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) issued by a body any securities of which are dealt in on an eligible market; or (iii) issued or guaranteed by 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.

Not more than 10% in value of the scheme property of a Fund may consist of money market instruments which do not satisfy the above conditions.

#### Derivatives and Forward Transactions

Under the COLL Sourcebook, derivatives may be used by UCITS schemes for efficient portfolio management purposes (such as hedging) or for achieving a scheme's investment objectives, or for both.

The power to use derivatives for specific investment purposes is currently available to the Sterling Core Plus Bond Fund only. Whilst the ACD does not expect to use derivatives aggressively in the management of Sterling Core Plus Bond Fund, their use may lead to a higher volatility in the Share prices of the Fund. For all other existing Funds, any use of derivatives for more than efficient portfolio management purposes in the future would first have to be approved by a resolution of the relevant Shareholders.

The use of derivatives and forward transactions for the Company's Funds is currently governed as follows:

- (i) by the COLL Sourcebook provisions explained in sections (a) to (e) below, which apply to all Funds generally; and

- (ii) in addition, by the terms set out in section (f) below, which explain the extent of the possible use of derivatives for the Funds (and which, in particular, confirm that, for all Funds other than Sterling Core Plus Bond Fund, derivatives and forward transactions may only be used for limited purposes of efficient portfolio management).
- (a) Subject to certain detailed restrictions, a transaction in a derivative or a forward transaction may be effected for a Fund if it is a permitted transaction and the transaction is covered, on the basis explained below. A transaction in a derivative must not cause a Fund to diverge from its investment objectives. For any derivative transactions, there are requirements if that transaction will or could lead to the delivery of property, and there must be an appropriate risk management process in place.
- (b) To be a permitted transaction, the following constraints must be complied with.

The underlying property of any transaction in a derivative must consist of property to which the Fund is dedicated.

A transaction in a derivative must be in an approved derivative, (i.e. a transaction effected on or under the rules of an eligible derivatives market) or, subject to restrictions, an OTC derivative transaction.

Eligible derivatives markets are those which are regulated as defined in the FCA Handbook or markets in EEA states which are regulated, operate regularly and are open to the public. Markets not falling within either of these definitions are eligible if the ACD, after consultation with the Depositary, has decided that such markets are appropriate for the purposes of investment of or dealing in the property of a Fund with regard to the relevant criteria set out in the COLL Sourcebook and the formal guidance on eligible markets issued by the FCA as amended from time to time. The eligible derivatives markets for the Funds as at the date of this Prospectus are as follows:

- (i) For all Funds:

American Stock Exchange  
Athens Derivatives Exchange  
BOVESPA  
Bolsa Mexicana De Valores (BMV)  
Chicago Board of Trade  
Chicago Mercantile Exchange  
Chicago Board Options Exchange  
China Financial Futures Exchange  
EDX  
Eurex (Germany; Zurich)  
Euronext (Amsterdam; Brussels; Paris-MATIF; Paris-MONEP;  
LIFFE)  
Korean Futures Exchange (KOFEX)  
Malaysia Derivatives Exchange (MDEX)  
MEFF Renta Variable  
Montreal Exchange  
NASDAQ  
National Stock Exchange (NSE)  
New York Futures Exchange  
New York Stock Exchange  
New Zealand Futures and Options Exchange  
Osaka Securities Exchange  
Oslo Bors  
Philadelphia Exchange  
Singapore Exchange

South African Futures Exchange (SAFEX)

Swiss Stock Exchange (SWX)

Sydney Futures Exchange

Thailand Futures Exchange (TAIFEX)

Tokyo International Financial Futures Exchange

Tokyo Stock Exchange

Turkish Derivatives Exchange

- (ii) Additionally for Emerging Markets Fund, Global Focus Fund, Pacific (ex-Japan) Fund, Select Global Equities Fund, and South East Asia Fund only: Hong Kong Futures Exchange.

A transaction in a derivative must not be entered into if the intended effect is to create the potential for an uncovered sale of one or more transferable securities, money market instruments, units in a collective investment scheme or derivatives.

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

A transaction in derivatives or a forward transaction may only be entered into if the maximum exposure, in terms of the principal or notional principal created by the transaction to which a Fund is or may be committed by another person is covered globally. Exposure is covered globally if adequate cover from within the scheme property of the Fund is available to meet the Fund's total exposure, taking into account the value of the underlying assets and any reasonably foreseeable market movement, counterparty risk, and the time available to liquidate any positions.

The global exposure relating to derivatives held in the Fund may not exceed the net value of the Fund. Global exposure calculations for all Funds – unless otherwise indicated – are using the commitment approach as part of their risk management process, measures and limits.

Funds applying a Value-at-Risk (VaR) approach to calculate their global exposure will contain an indication thereof in Appendix 1. VaR will be calculated based on the following criteria:

- 1 month holding period;
- 99% unilateral confidence interval;
- at least a one year effective historical observation period (250 business days) unless market conditions require a shorter observation period; and
- parameters used in the model are updated at least quarterly.

Stress testing will also be applied at a minimum of once per month. VaR limits are set using an absolute or relative approach.

- **Absolute VaR approach** – The absolute VaR approach is generally appropriate in the absence of an identifiable reference portfolio or benchmark, for example with absolute return funds. Under the absolute VaR approach a limit is set as a percentage of the Net Asset Value of the Fund. The absolute VaR limit of a Fund has to be set at or below 20% of its Net Asset Value. This limit is based upon a 1 month holding period and a 99% unilateral confidence interval.
- **Relative VaR approach** – The relative VaR approach is used for Funds where a VaR benchmark reflecting the investment strategy which the Fund is pursuing is defined. Under the relative VaR approach a limit is set as a multiple of the VaR of a benchmark or reference portfolio. The relative VaR limit of a fund has to be set at or below twice the VaR of the Fund's VaR benchmark. Information on the specific VaR benchmark used are disclosed in Appendix 1.

Funds quantifying global exposure using a Value-at-Risk (VaR) approach disclose their expected level of leverage. The leverage is a measure of (i) the derivative usage and (ii) any leverage generated by the reinvestment if the cash is received as collateral when using efficient portfolio management techniques, and therefore does not take into account other

physical assets directly held in the portfolio of the relevant Funds. The level of leverage is calculated by using the commitment conversion methodology (as detailed in the ESMA Guidelines 10-788) and takes into account the market value of the equivalent position in the underlying asset of the financial derivative instruments or the financial derivative instruments' notional value, as appropriate. This commitment conversion methodology allows in certain circumstances and in accordance with the provisions of the ESMA Guidelines 10- 788 (i) the exclusion of certain types of non-leveraged swap transactions or certain risk free or leverage free transactions and (ii) the consideration of netting and hedging transactions. The expected level of leverage is an indicator and not a regulatory limit. The Fund's levels of leverage may be higher than this expected level as long as the Fund remains in line with its risk proWOODGROVE e and complies with its VaR limit. The annual report will provide the actual level of leverage over the past period and additional explanations on this figure.

A derivative or forward transaction which will or could lead to the delivery of property for the account of a Fund, may be entered into only if at the time of execution:

- (i) that property can be held for the account of the relevant Fund; and
- (ii) the ACD, having taken reasonable care, determines that delivery of the property under that transaction will not occur or will not lead to a breach of the applicable restrictions.

The ACD must use a risk management process enabling it to monitor and measure as frequently as appropriate the risk of each Fund's derivatives positions and their contribution to the overall risk proWOODGROVE e of the Fund. This process must take into account the investment objectives and policy of the Fund and the creditworthiness of counterparties used to undertake derivative transactions. The use of derivatives has the overall intention of reducing the volatility of returns, although this outcome is not guaranteed and derivatives held may at times lead to increased price volatility. The Depositary is obliged to take reasonable care to review the appropriateness of the risk management process in line with its duties.

Before using the process, the ACD will notify the FCA of the details of the risk management process.

For the time being, except in relation to the Sterling Core Plus Bond Fund, the ACD will not enter into derivative and forward transactions for a Fund except for limited purposes of efficient portfolio management of the Fund, as explained below. In the case of the Sterling Core Plus Bond Fund only, derivatives and forwards may also be used for specific investment purposes (i.e. in order to achieve the investment objective of the Fund). Although the ACD does not expect to use derivatives aggressively, their use may lead to higher volatility in the Share prices of Sterling Core Plus Bond Fund.

Unless otherwise stated, the following provisions apply generally to all of the Funds.

The ACD may utilise the property of a Fund to enter into transactions for the purposes of efficient portfolio management of that Fund, i.e. transactions which relate to transferable securities or money market instruments, are economically appropriate (they are realised in a cost effective way) and which are permitted by the COLL Sourcebook to be effected in order to achieve a reduction in certain risks or costs or the generation of additional capital or income for the Funds with a risk level which is consistent with the risk profile of the Fund and the risk diversification rules laid down in COLL. There is no limit on the amount or value of the property of a Fund which may be used for such efficient portfolio management purposes, but the ACD will only enter into the transaction if it reasonably believes the transaction to be economically appropriate.

A Fund may use various Financial Derivative Instruments to reduce risks or costs or to generate additional capital or income in order to meet the investment objectives of that Fund. Certain Funds may use derivatives extensively and/or for more complex strategies (i.e. have extended derivative powers) as referred to in their investment objective and policy. In this section and others that refer to derivatives, privately negotiated or

non-exchange traded derivatives are referred to as being “Over The Counter”, or “OTC”.

Investors may wish to consult their financial adviser about the suitability of a particular Fund for their investment needs bearing in mind its powers with regard to the use of derivatives.

While the judicious use of derivative instruments by experienced investment managers can be beneficial, derivative instruments also involve risks different from, and, in certain cases, greater than, the risks associated with more traditional investments. The use of derivatives may give rise to a form of leverage, which may cause the net asset values of these Funds to be more volatile and/or change by greater amounts than if they had not been leveraged. This is because leverage tends to exaggerate the effect of any increase or decrease in the value of the respective Funds’ portfolio of securities and other instruments.

The following types of risks are amongst those relevant in relation to the use of derivatives and forwards by the Funds:

- **Market Risk** – which is the general risk applicable to all investments that the value of a particular investment may fluctuate. Where the value of the underlying asset (either security or reference benchmark) of a derivative instrument changes, the value of the instrument will become positive or negative, depending on the performance of the underlying asset. For non-option derivatives the absolute size of the fluctuation in value of a derivative will be very similar to the fluctuation in value of the underlying security or reference benchmark. In the case of options, the absolute change in value of an option will not necessarily be similar to the change in value of the underlying because, as explained further below, changes in options values are dependent on a number of other variables.
- **Liquidity Risk** – Liquidity risk exists when a particular instrument is difficult to purchase or sell. If a derivative instrument transaction is particularly large or if the relevant market is illiquid (as can be the case



with OTC derivative instruments), it may not be possible to initiate a transaction or liquidate a position at an advantageous price.

- **Counterparty Credit Risk** – which is the risk that a loss may be sustained by a Fund as a result of the failure of the other party to a derivative instrument (usually referred to as a 'counterparty') to comply with the terms of the derivative instrument contract. The counterparty credit risk for an exchange-traded derivative instrument is generally less than for an OTC derivative instrument, since the clearing firm, which is the issuer or counterparty to each exchange-traded derivative instrument, provides a guarantee of clearing. This guarantee is supported by a daily payment system (i.e. margin requirements) operated by the clearing firm in order to reduce overall counterparty credit risk. Assets deposited as margin with the brokers and/or exchanges may not be held in segregated accounts by these counterparties and may therefore become available to the creditors of such counterparties in the event of default by them. For privately negotiated OTC derivative instruments, there is no similar clearing firm guarantee. Therefore, the investment manager adopts a counterparty risk management framework which measures, monitors and manages counterparty credit risk, taking into account both current and potential future credit exposure, through the use of internal credit assessments and external credit agency ratings. Privately negotiated OTC derivative instruments are not standardised. They are an agreement between two parties and can therefore be tailored to the requirements of the parties involved. The documentation risk is reduced by adhering to standard ISDA documentation.

A Fund's exposure to an individual counterparty may not exceed 10% of the relevant Fund's net assets. Counterparty credit risk may be further mitigated through the use of collateral agreements. However, collateral arrangements are still subject to the insolvency risk and credit risk of the issuers or depository of the collateral. Further, collateral thresholds exist below which collateral is not called for and timing differences between calculating the need for collateral and its receipt by the Fund from the

counterparty will both mean that not all the current exposure will be collateralized.

- **Settlement risk** – Settlement risk exists when futures, forwards, contracts for differences, options and swaps (of any type) are not settled in a timely manner, thereby increasing counterparty credit risk prior to settlement and potentially incurring Funding costs that would otherwise not be experienced. If settlement never occurs the loss incurred by the Fund will be the same as it is for any other such situation involving a security namely the difference between the price of the original contract and the price of the replacement contract, or, in the case where the contract is not replaced the absolute value of the contract at the time it is voided.
- **Fund Management Risk** – Derivative products are highly specialised instruments that require investment techniques and risk analysis different from those associated with stocks and bonds. The use of a derivative instrument requires an understanding not only of the underlying asset but also of the derivative instrument itself, without necessarily the benefit of observing the performance of the derivative instrument under all possible market conditions. Further, the price of an OTC derivative might not move in line with the price of the underlying instrument in some market conditions.
- **Other Risks** – Other risks in using derivative instruments include the risk of mispricing or improper valuation. Some derivative instruments, in particular privately negotiated OTC derivative instruments, do not have prices observable on an exchange and so involve the use of formulae, with prices of underlying securities or reference benchmarks obtained from other sources of market price data. OTC options involve the use of models, with assumptions, which increases the risk of pricing errors. Improper valuations could result in increased cash payment requirements to counterparties or a loss of value to the Funds. Derivative instruments do not always perfectly or even highly correlate with or track the value of the assets, rates or indices they are designed to track. Consequently, a Fund's

use of derivative instruments may not always be an effective means of, and sometimes could be counterproductive to, furthering that Fund's investment objective.

#### Risks in relation to specific derivative instruments

For Funds using one or a combination of the following instruments the following are among the risks which should be considered as relevant:

- **Security Forward Contracts and Contracts for Difference** – the risk to the buyer or seller of such contracts is the change in value of the underlying security. When the value of the underlying security changes, the value of the contract becomes positive or negative. Unlike futures contracts (which are settled through a clearing firm), OTC forward contracts and contracts for difference are privately negotiated between two parties and are not standardised. Furthermore, the two parties must bear each other's credit risk, which is not the case with a futures contract and collateral is arranged to mitigate this risk. Also, since these contracts are not exchange traded, there is no marked-to-market margin requirement, which allows a buyer to avoid almost all capital outflow initially.
- **Equity Index, Single Stock, Interest Rate and Bond Futures** – the risk to the buyer or seller of an exchange-traded future is the change in value of the underlying reference index/security/contract/bond. Futures contracts are forward contracts, meaning they represent a pledge to make a certain economic transfer at a future date. The exchange of value occurs by the date specified in the contract; the majority of contracts have to be cash settled and where physical delivery is an option the underlying instrument is rarely exchanged. Futures are distinguished from generic forward contracts in that they contain standardised terms, trade on a formal exchange, are regulated by overseeing agencies, and are guaranteed by clearing firms. Also, in order to ensure that payment will occur, futures have both an initial margin and a daily margin requirement which moves in line with the market value of the underlying asset.

- **Exchange-traded and OTC Options** – Options are complex instruments whose value depends on many variables including the strike price of the underlying (versus the spot price both at the time the option is transacted and subsequently), the time to maturity of the option, the type of option (European or American or other type) and volatility among others. The most significant contributor to market risk resulting from options is the market risk associated with the underlying when the option has an intrinsic value (i.e. it is ‘in-the-money’), or the strike price is near the price of the underlying (‘near-the-money’). In these circumstances the change in value of the underlying will have a significant influence on the change in value of the option. The other variables will also have an influence, which will likely to be greater the further away the strike price is from the price of the underlying. Unlike exchange traded option contracts (which are settled through a clearing firm), OTC option contracts are privately negotiated between two parties and are not standardised. Further, the two parties must bear each other’s credit risk and collateral is arranged to mitigate this risk. The liquidity of an OTC option can be less than that of an exchange traded option and this may adversely affect the ability to close out the option position, or the price at which the close out is effected.
- **Interest Rate Swaps** – an interest rate swap normally involves exchanging a fixed interest amount per payment period for a payment that is based on a floating rate benchmark. The notional principal of an interest rate swap is never exchanged, only the fixed and floating amounts. Where the payment dates of the two interest amounts coincide there is normally one net settlement. The market risk of this type of instrument is driven by the change in the reference benchmarks used for the fixed and floating legs. An interest rate swap is an OTC agreement between two parties and so can be tailored to the requirements of the parties involved. Consequently each party bears the other’s credit risk and collateral is arranged to mitigate this risk.
- **Foreign Exchange contracts** – these involve the exchange of an amount in one currency for an amount in a different currency on a specific date.

Once a contract has been transacted the value of the contract will change depending on foreign exchange rate movements and, in the case of forwards, interest rate differentials. To the extent that such contracts are used to hedge non-base currency foreign currency exposures back to the base currency of the Fund, there is a risk that the hedge may not be perfect and movements in its value may not exactly offset the change in value of the currency exposure being hedged. Since the gross amounts of the contract are exchanged on the specified date, there is a risk that if the counterparty with whom the contract has been agreed goes into default between the time of payment by the Fund but before receipt by the Fund of the amount due from the counterparty, then the Fund will be exposed to the counterparty credit risk of the amount not received and the entire principal of a transaction could be lost.

- **Credit Default Swaps (CDS)** – these contracts represent a credit derivative, whose market value will change in line with the perceived credit standing of the underlying security or basket of securities. Where protection has been sold, the Fund has a similar credit exposure to the underlying security or basket of securities as if they had actually been bought. Where protection has been bought, the Fund will receive a payment from the counterparty to the swap if the underlying security (or one in the basket of securities) defaults, based on the difference between the notional principal of the swap and the expected recovery value, as determined by the market at the time of default. The swap contract is an agreement between two parties and therefore each party bears the other's counterparty credit risk. Collateral is arranged to mitigate this risk. The documentation risk for CDS is reduced by adhering to standard ISDA documentation. The liquidity of a CDS may be worse than the liquidity of the underlying security or securities in the basket and this may adversely affect the ability to close out a CDS position or the price at which close out is effected.
- **Total Return Swaps (TRS)** – these contracts represent a combined market and credit default derivative and their value will change as a result

of fluctuations in interest rates as well as credit events and credit outlook. A TRS which involves the Fund receiving the total return is similar in risk profile to actually owning the underlying reference security. These transactions may be less liquid than interest rate swaps as there is no standardisation of the underlying reference benchmark and this may adversely affect the ability to close out a TRS position or the price at which close out is effected. The swap contract is an agreement between two parties and therefore each party bears the other's counterparty credit risk and collateral is arranged to mitigate this risk. The documentation risk for TRS is reduced by adhering to standard ISDA documentation.

- **Inflation Index Swaps** – the market risk of this type of instrument is driven by the change in the reference benchmarks used for the two legs of the transaction, one of which will be an inflation benchmark. This is an agreement between two parties and so can be tailored to the requirements of the parties involved. Consequently each party bears the other's credit risk and collateral is arranged to mitigate this risk. An inflation index swap normally involves exchanging a fixed final amount for a payment that is not fixed (the floating side of the swap would usually be linked to an inflation index in one of the major currencies).

Please note that the above is an indicative list of risks. For Funds using other instruments, different/additional risks may have to be considered.

#### Spread Requirements

There are limitations on the proportion of the value of a Fund which may be held in certain forms of investment. The general spread requirements are as set out below.

- (a) Not more than 5% in value of a Fund's property may consist of transferable securities or money market instruments issued by a single body, except that the 5% limit is increased to 10% in respect of up to 40% in value of the Fund's property (and, in applying these limits, certificates representing certain securities are treated as equivalent to the underlying security).

Under COLL, except in relation to a feeder fund not more than 20% in value of a Fund may consist of units in any one collective investment scheme (but see additional restrictions under “Collective Investment Schemes” above). For a feeder fund at least 85% of the Fund must consist of the Master fund and in addition the property of the Fund may also include, cash and near cash, derivatives for the purposes of hedging and movable and immovable property that is necessary for the direct pursuit of the Company’s business. Not more than 20% in value of a Fund’s property may consist of deposits with a single body.

The exposure to any one counterparty in an over-the counter (OTC) derivative transaction must not exceed 5% in value of a Fund’s property, although this limit is raised to 10% where the counterparty is an Approved Bank.

Not more than 20% in value of a Fund may consist of transferable securities or money market instruments issued by the same group (meaning companies included for the same group for the purposes of consolidated accounts as defined in accordance with EU Directive 83/349/EEC or in the same group in accordance with international accounting standards).

In applying the limits in (a), (c) and (d) above, not more than 20% in value of a Fund’s property may consist of any combination of any two or more of the following:

- transferable securities or money market instruments issued by a single body; or
- deposits made with a single body; or
- exposure from OTC derivatives transactions made with a single body.

For the purpose of calculating the limits in (d) and (f) above, the exposure in respect of an OTC derivative may be reduced to the extent that collateral is held in respect of it if the collateral meets each of the following conditions:

- it is marked-to-market on a daily basis and exceeds the value of the amount at risk;
- it is exposed only to negligible risks (e.g. government bonds of first credit rating or cash);
- it is held by a third party custodian not related to the provider or is legally secured from the consequences of a failure of a related party; and
- can be fully enforced by the UCITS scheme at any time.

For the purposes of calculating the limits in (d) and (f) above, OTC derivative positions with the same counterparty may be netted provided that the netting procedures:

- comply with the conditions set out in Section 3 (Contractual netting (Contracts for novation and other netting agreements)) of Annex III to the Banking Consolidation Directive; and
- are based on legally binding agreements.

In applying these spread limits, all derivatives transactions are deemed to be free of counterparty risk if they are performed on an exchange where the clearing house meets each of the following conditions:

- it is backed by an appropriate performance guarantee; and
- it is characterised by a daily mark-to-market valuation of the derivative positions and at least daily margining.

The above restrictions do not apply to government and public securities. Government and public securities are, essentially, securities issued by certain governments, local authorities and public international bodies.

For each Fund other than Index-Linked Bond Fund, Long Bond Fund, Sterling Core Plus Bond Fund, UK Aggregate Bond Fund, UK Corporate Bond Fund, UK Gilt Fund and UK Long Corporate Bond Fund, no more than 35% of the Fund's property may be invested in Government and public securities issued by any one issuer. Apart from this restriction, there is no



limit on the amount which may be invested in such securities or in such securities issued by any one issuer or of any one issue.

In the case of Index-Linked Bond Fund, Long Bond Fund, Sterling Core Plus Bond Fund, UK Aggregate Bond Fund and UK Gilt Fund only, up to 100% of the property of each Fund may be invested in Government and public securities issued by or on behalf of or guaranteed by the Government of the UK.

In the case of Sterling Core Plus Bond Fund, UK Aggregate Bond Fund, UK Corporate Bond Fund and UK Long Corporate Bond Fund only, up to 100% of the property of each Fund may be invested in Government and public securities issued by or on behalf of or guaranteed by any of the following international organisations, namely Asian Development Bank (ADB), Council of Europe Development Bank, Deutsche Ausgleichsbank (DTA), Eurofima, European Bank for Reconciliation and Development (EBRD), European Investment Bank (EIB), Inter-American Development Bank (IADB), International Bank for Reconstruction & Development (IBRD), International Finance Corporation (IFC), Kreditanstalt fuer Wiederaufbau (KfW), LCR Finance PLC, and the Nordic Investment Bank (NIB).

If more than 35% in value of the property of a Fund is invested in Government and public securities issued by any one issuer, up to 30% in value of the property of the Fund may consist of such securities of any one issue and the Fund's property must include at least six different issues whether of that issuer or another issuer.

The spread requirements above do not apply until the expiry of six months after the launch of a Fund, although the ACD must still aim to maintain a prudent spread of risk during this initial period.

#### Concentration Restrictions

The Company must not acquire:

- (a) transferable securities (other than debt securities) issued by a company which do not carry rights to vote at a general meeting of

that company and which represent more than 10% of the securities issued by that company; or

- (b) more than 10% of the debt securities (which are debentures, government and public securities, and warrants which confer rights of investment in these) issued by a single body; or
- (c) more than 25% of the units in a collective investment scheme; or
- (d) more than 10% of the money market instruments issued by any single body,

but need not comply with the limits in (b), (c) and (d) if, at the time of acquisition, the net amount in issue of the relevant investment cannot be calculated.

#### Prohibition on Acquiring Significant Influence in a Company

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:

- (a) immediately before the acquisition, the aggregate of such securities held by the Company gives the Company power significantly to influence the conduct of business of that body corporate; or
- (b) the acquisition will give the Company such power.

The power significantly to influence is assumed if the securities held by the Company allow it to exercise or control the exercise of 20% or more of the voting rights in the body corporate.

#### Warrants and Nil-Paid and Partly-Paid Securities

A warrant is an instrument giving entitlements to investments (a warrant or other instrument entitling the holder to subscribe for a share, debenture or government and public security) and any other transferable security (not being a nil-paid or partly-paid security) which is listed on an eligible securities market; and akin to an investment which is an instrument giving entitlements to investments, in that it involves a down payment by the then

holder and a right later to surrender the instrument and pay more money in return for a further transferable security.

Where a Fund invests in a warrant, the exposure created by the exercise of the right conferred by that warrant must not exceed the spread requirements set out above.

A warrant falls within any power of investment if it is reasonably foreseeable that the right conferred by the proposed warrant could be exercised without contravening the investment restrictions in the COLL Sourcebook (assuming that there is no change in a Fund's property between the acquisition of the proposed warrant and its exercise and that the rights conferred by the proposed warrant and all other warrants forming part of the Fund's property at the time of acquisition of the proposed warrant will be exercised, whether or not it is intended that they will be).

No more than 5% of each Fund will consist of warrants.

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

#### Power to Underwrite or Accept Placings

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

Neither the Company (nor the Depositary on account of the Company) must provide any guarantee or indemnity in respect of the obligation of any person. None of the property of a Fund may be used to discharge any obligation arising under any guarantee or indemnity with respect to the obligation of any person. This is subject to exceptions in the case of an indemnity or guarantee given for margin requirements where derivatives

or forward transactions are being used in accordance with the COLL Sourcebook provisions (summarised above) and an indemnity of an officer, auditor or depositary of the Company from liability as permitted by the OEIC Regulations or an indemnity given to a person winding-up the scheme.

### Stocklending

Stocklending involves a lender transferring securities to a borrower otherwise than by way of sale and the borrower is to transfer those securities, or securities of the same type and amount, back to the lender at a later date. In accordance with good market practice, a separate transaction by way of transfer of assets is also involved for the purposes of providing collateral to the “lender”, to cover it against the risk that the future transfer back of the securities may not be satisfactorily completed.

Stocklending may be entered into in respect of a Fund when it is appropriate with a view to generating additional income with an acceptable degree of risk. The Depositary, at the ACD’s request, may enter into stocklending transactions in respect of a Fund of a kind described in section 263B of the Taxation of Chargeable Gains Act 1992 (without extension by section 263C) on certain terms specified in the COLL Sourcebook. There is no limit on the value of the property of a Fund which may be the subject of stocklending transactions.

### Repurchase Agreement Transactions

A Fund may, on an ancillary basis, enter into repurchase agreement transactions which consist of the purchase and sale of securities with a clause reserving the seller the right or the obligation to repurchase from the acquirer the securities sold at a price and on terms specified by the two parties in their contractual arrangement. A Fund can act either as purchaser or seller in repurchase agreement transactions. Its involvement in such transactions is, however, subject to the following rules:

- (a) A Fund may not buy or sell securities using a repurchase agreement transaction unless the counterparty in such transactions is a first class financial institution specialising in this type of transaction.
- (b) During the life of a repurchase agreement contract, a Fund cannot sell the securities which are the object of the contract, either before the right to repurchase these securities has been exercised by the counterparty, or the repurchase term has expired.
- (c) Where a Fund is exposed to redemptions of its own Shares, it must ensure that the level of its exposure to repurchase agreement transactions is such that it is able, at all times, to meet its redemption.

#### Borrowing

The Company (on the instruction of the ACD) may borrow money from an Eligible Institution or an Approved Bank (for example, a bank or building society) for the use of a Fund on terms that the borrowing is to be repayable out of the property of the Fund. The ACD must ensure that any such borrowings comply with the COLL Sourcebook.

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. The Depositary's consent may be given only on conditions which appear appropriate to the Depositary to ensure that the borrowing remains on a temporary basis.

The ACD must ensure that borrowing does not, on any business day, exceed 10% of the value of a 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).

#### Cash and Near Cash

The investment manager's policy may mean that at times it is appropriate for the property of a Fund not to be fully invested and for cash or "near cash" (meaning, essentially, certain types of deposits) to be held. A Fund

may hold cash or near cash where this may reasonably be regarded as necessary in order to enable:

(a) the pursuit of the Fund's investment objectives; or  
redemption of Shares; or

efficient management of the Fund in accordance with its investment objectives; or

other purposes which may reasonably be regarded as ancillary to the investment objectives of the Fund.

During the initial offer period for any new Fund, the scheme property of that Fund may consist of cash and near cash without limitation.

#### Breaches of the Investment and Borrowing Powers and Limits

Generally the ACD must, at its own expense, take action to rectify a breach of the investment and borrowing powers and limits as soon as it becomes aware of it. However,

- (a) if the reason for the breach is beyond the control of the ACD and the Depositary, the ACD must take the steps necessary to rectify a breach as soon as is reasonably practicable, having regard to the interests of Shareholders and, in any event, within six months or, if it is a transaction in derivatives or a forward transaction, generally within five business days; and
- (b) if the exercise of rights conferred by investments held by a Fund would involve a breach, those rights may still be exercised if the prior written consent of the Depositary is obtained and the ACD must then take steps necessary to rectify the breach as soon as is reasonably practicable having regard to the interest of Shareholders and, in any event, within six months or, if it is a transaction in derivatives or a forward transaction, generally within five business days.

Immediately upon the Depositary becoming aware of any breach of any of the investment and borrowing powers and limits, it must ensure that the ACD takes such appropriate action.

### APPENDIX 3: MANAGEMENT, DISTRIBUTION AND ADMINISTRATION

#### Authorised Corporate Director

The authorised corporate director (“ACD”) of the Company is WOODGROVE Investment Services Limited. It is the sole director of the Company.

WOODGROVE Investment Services Limited is a private limited liability company incorporated in England and Wales on 2 May 1986 under number 1234567. The ultimate holding company of the ACD is WOODGROVE Limited, a company incorporated in Bermuda on 6 January 1969. The ACD is the sole director of the Company.

The Directors of the ACD are:

John Doe

Peter Public

Hugh Meyer

Petra Morris

Richard Robinson

Patrick Sunshine

Share Capital:

The authorised share capital of the ACD is £30,000,000 made up of 100,000 ordinary £1 shares and 300,000 redeemable preference shares of £100 each, of which all of the ordinary shares and 100,000 of the preference shares are issued and fully paid up.

Terms of Appointment:

The appointment of the ACD was made under an Agreement dated 25 July 1997 between the Company and the ACD (as amended and restated by a Management and Administration Agreement and separate Investment Management Agreement, both dated 21 July 2003).

The ACD is responsible for managing and administering the Company's affairs in compliance with the COLL Sourcebook. Under the terms of the Agreements, the ACD is to provide investment management services; administrative, accounting and secretarial services; and registrar 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 customers whose funds are managed or advised by the ACD.

The Agreements may be terminated by the Company in general meeting on giving 12 months' written notice to the ACD or by the ACD on giving 12 months' written notice to the Depositary. They terminate automatically if the ACD ceases to be the authorised corporate director of the Company or if the Company is wound up.

Each Agreement includes an indemnity from the ACD to the Company in respect of liabilities incurred by the Company by reason of the acts or omissions of the ACD. However, the Company indemnifies 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 Agreements.

#### Distribution:

By a General Distributor's Agreement dated 13 July 2001, the Company has appointed the ACD to assist in the promotion of Shares. The ACD, as general distributor, is authorised to appoint other companies in the WOODGROVE Limited group to distribute the Shares as sub-distributors. The ACD acts as principal in the purchase and sale of Shares via sub-distributors, and Shares are issued to and redeemed by the Company to the ACD on the terms of this Prospectus. A sub-distributor acts as the agent for the ACD. By a Sub-Distribution Agreement dated 13 July 2001, the ACD has appointed WOODGROVE Pensions Management to distribute Shares in certain jurisdictions as agreed between the parties from time to time. By a separate Sub-Distribution Agreement dated 1 March 2004, the ACD has appointed WOODGROVE Gestion to distribute Shares in France.



#### Other Schemes Managed/Operated by the ACD:

The ACD is also the authorised corporate director of WOODGROVE Investment Funds, WOODGROVE Investment Funds III and WOODGROVE Investment Funds IV, all UK umbrella open-ended investment companies.

In addition, the ACD is the manager of the following authorised unit trust schemes:

WOODGROVE Cash Fund

WOODGROVE Flexible Managed Fund

WOODGROVE Gross Accumulating Cash Fund

WOODGROVE Group Personal Pension Trust

WOODGROVE MoneyBuilder Cash ISA Fund

WOODGROVE MoneyBuilder Global

#### The Depositary

J.P.Milliman Trustee and Depositary Company Limited is the depositary of the Company. The Depositary is responsible for the safekeeping of all the Scheme Property of the Company and has a duty to take reasonable care to ensure that the Company is managed in accordance with the provisions of the COLL Sourcebook relating to the pricing of, and dealing in, Shares and relating to the income of the Funds. It is a private company limited by shares incorporated in England and Wales on 7 May 1986.

The ultimate holding company of the Depositary is JPMilliman & Co, incorporated in Delaware, USA.

The Depositary's principal business activity is acting as trustee and depositary of collective investment schemes.

The appointment of the Depositary has been made under an agreement dated 4 May 2001 (as amended) between the Company, the ACD and the Depositary ("the Depositary Agreement").

Subject to the COLL Sourcebook, the Depositary has full power under the Depositary Agreement to delegate (and authorise its sub-delegates to sub-delegate) all or any part of its duties as Depositary.

The Depositary Agreement may be terminated by three months notice given by either the Company or the Depositary, provided that the Depositary may not voluntarily retire except on the appointment of a new Depositary.

The Depositary Agreement contains indemnities by the Company in favour of the Depositary against (other than in certain circumstances) any liability incurred by the Depositary as a consequence of its safe keeping of any of the Scheme Property or incurred by it as a consequence of the safe keeping of any of the Scheme Property by anyone retained by it to assist it to perform its functions of the safe keeping of the Scheme Property and also (in certain circumstances) exempts the Depositary from liability.

The Depositary has appointed JPMilliman Bank to assist the Depositary in performing its functions of custodian of the documents of title or documents evidencing title to the property of the Company. The relevant arrangements prohibit JPMilliman Bank as such custodian from releasing the documents into the possession of a third party without the consent of the Depositary. The Depositary has appointed WOODGROVE Investment Services Limited in its capacity as registrar to assist the Depositary in performing its functions in relation to the distribution of income.

#### The Investment Manager for Certain Investments

The ACD provides full investment management and advisory services to the Company in respect of those Funds whose securities are managed wholly or principally in the United Kingdom, under the terms of the Investment Management Agreement between the Company and the ACD mentioned above.

WOODGROVE Fund Management Limited, which is an associated company of the ACD, provides investment management and advisory services to the Company in respect of all other Funds. References in this Prospectus to the

ACD shall include WOODGROVE Fund Management Limited in the context of the Funds for which WOODGROVE Fund Management Limited provides such services.

**Principal Activity:**

The principal business activity of WOODGROVE Fund Management Limited is investment management. WOODGROVE Fund Management Limited is not authorised by the FCA.

**Terms of Appointment:**

The Company has appointed WOODGROVE Fund Management Limited by an assignment of the Investment Management Agreement dated 25 July 1997 (as amended) between the Company, WOODGROVE Limited and the ACD.

WOODGROVE Fund Management Limited has full discretionary investment management powers in respect of those Funds whose securities are managed wholly or principally outside the United Kingdom. It may delegate all or some of its duties to another WOODGROVE group company.

WOODGROVE Fund Management Limited may provide similar services for other clients but will endeavour to ensure fair treatment as between the Company and other customers whose funds are managed or advised by it.

The Agreement may be terminated by either the Company or WOODGROVE Fund Management Limited on 12 months' written notice. It terminates automatically if the ACD ceases to be the authorised corporate director of the Company or, in relation to any Fund, if that Fund is wound up.

WOODGROVE Fund Management Limited accepts responsibility for loss suffered by the Company resulting from the fraud, negligence, willful default or bad faith of WOODGROVE Fund Management Limited or any delegate. However the Company indemnifies WOODGROVE Fund Management Limited in respect of liabilities incurred by WOODGROVE Fund Management Limited by reason of its proper performance of its duties in accordance with the terms of Agreement.

### 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 COLL Sourcebook in a timely manner unless delay is lawful and also in the interests of the Company.

The ACD may retain the services of third parties to assist it in the performance of its duties. Subject to the OEIC Regulations the ACD remains responsible for any function delegated.

A mandate to manage investments in the Scheme Property:

- (a) must not be given to the Depositary or to any party whose interests may conflict with those of the ACD or the Shareholders;

may only be given to a party authorised or registered to manage investments, provided that, if such a party is outside the UK there should be a cooperation agreement in place between the FCA and the relevant overseas regulator;

must be such that the ACD ensures it can effectively monitor the delegate's activities at all times;

must permit the ACD to give further instructions to the delegate and enable the mandate to be withdrawn immediately when in the best interests of Shareholders; and

must not prevent effective supervision of the ACD and it must not prevent the ACD from acting in or the Company from being managed in the best interests of Shareholders.

The Depositary must not delegate:

- (a) to the Company or the ACD any function of oversight of the Company or the ACD;

to the Company or the ACD any function of custody or control of Scheme Property;

to an associate of the Company or the ACD to assist the Depositary to perform any function of oversight of the Company or the ACD; or

to any party to assist it in being custodian of documents evidencing title to Scheme Property unless the arrangements prohibit release of those documents into possession of a third party without consent of the Depositary.

The Depositary remains responsible under the rules in the COLL Sourcebook for any act or omission of a delegate retained by it but will not be responsible where it can show:

- (a) that it was reasonable for it to obtain assistance to perform that function;

that the delegate was and remained competent to provide that function; and

that the Depositary took reasonable care to ensure that the function was provided in a competent manner.

The COLL Sourcebook contains 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, WOODGROVE Fund Management Limited and other companies within the WOODGROVE Limited group and the affiliated ABC LLC group based in the United States may, from time to time, act as investment managers or advisers to other funds or sub-funds which follow similar investment objectives to those of the Funds of the Company. It is therefore possible that the ACD and/or WOODGROVE Fund Management Limited may in the course of their business have potential conflicts of interest with the

Company or a particular Fund. Each of the ACD and WOODGROVE Fund Management Limited 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 practicable, having regard to its obligations to other clients when undertaking any investment where potential conflicts of interest may arise.

Each of the ACD and WOODGROVE Fund Management Limited may aggregate orders for Funds of the Company with orders for other funds or sub-funds, accounts of other clients, other companies within the WOODGROVE Limited group and the affiliated ABC LLC group or its or their employees. Such transactions will be allocated on a fair and reasonable basis in accordance with the requirements of the FCA rules as applicable. The effect of aggregation may operate to the client's advantage or disadvantage in relation to an individual aggregated transaction.

For certain Funds, as part of providing investment management and advisory services, the Investment Manager may from time to time enter into commission sharing arrangements with brokers, under which the broker will provide or procure services or other benefits (at present these relate to investment research) which can be reasonably expected to assist in the provision of investment services. The Funds make no direct payment for these services. Any transactions conducted under these arrangements are done so in accordance with FCA rules.

The Company and each of the Funds from time to time may place orders for the purchase or sale of securities in which the Funds may invest with affiliates of WOODGROVE Fund Management Limited and other affiliates of ABC LLC, Boston, Massachusetts, provided that, among other conditions, they can reasonably be expected to execute the transaction on terms as favourable as could be expected to be obtained from other brokers qualified to execute the transaction and at commission rates comparable to those which would have been charged by such other brokers. Details of the policy on execution are contained in the WOODGROVE Client Terms which can be accessed at [www.WOODGROVE.co.uk](http://www.WOODGROVE.co.uk).

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 of Shareholders is maintained by the ACD at Oakhill House, 130 Tonbridge Road, Hildenborough, Kent TN11 9DZ, United Kingdom. It may be inspected by any Shareholder or his duly authorised agent during normal business hours at that address, without charge.

Copies of the entries on 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 such periods not exceeding 30 days in any one year.

### Calculation of Net Asset Value

The value of the Scheme Property (or scheme property attributable to a particular Fund or Class, as the case may be) 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.

Property which is not a contingent liability transaction shall be valued as follows:

- (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 price; or

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

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 value which in the opinion of the ACD is fair and reasonable;

(c) property other than that described in (a) and (b) above: at a value which, in the opinion of the ACD, is fair and reasonable.

Cash and amounts held in current and deposit accounts and in other time-related deposits shall be valued at their nominal values.

Property which is a contingent liability transaction shall be valued 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 premium receivable shall be deducted;
- (b) if the property is an off-exchange derivative, the method of valuation shall be agreed between the ACD and the Depositary;
- (c) if it is an off-exchange future, it will be included at the net value of closing out in accordance with a valuation method agreed between the ACD and the Depositary;
- (d) 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).

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.

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.

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.

All agreements are to be included under paragraph 6 which are, or ought reasonably to have been, known to the person valuing the property.

An estimated amount for anticipated tax liabilities at that point in time, including (as applicable and without limitation) capital gains tax, income tax, corporation tax, value added tax, stamp duty, stamp duty reserve tax and any foreign taxes or duties, will be deducted.

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.

The principal amount of any outstanding borrowings (whenever repayable) and any accrued but unpaid interest on borrowings will be deducted.

An estimated amount for accrued claims for tax of whatever nature which may be recoverable will be added.

Any other credits or amounts received or receivable will be added.

Currencies or values in currencies other than sterling 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 interest of the Shareholders or potential Shareholders.

A sum representing any interest or any income accrued due or deemed to have accrued but not received will be added.

Adjustments will be made for tax, outstanding borrowings and dealing expenses.

#### Transfers

Shareholders are entitled to transfer their Shares to another person or body. All transfers must be in writing in the form of an instrument of transfer approved by the ACD for this purpose. Completed instruments of transfer must be returned to the ACD in order for the transfer to be registered by the ACD. The ACD may refuse to register a transfer unless an amount equivalent to the applicable SDRT has been paid.

#### Restrictions and Compulsory Transfer or Redemption of Shares

The ACD may impose the restrictions it thinks necessary to ensure that no Shares in the Company are acquired or held by any person in breach of 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 any application for, or sale of, Shares or any exchange notice given.

If the ACD becomes aware that:

any Shares are owned directly or beneficially in breach of any law or governmental regulation; or

the Shareholder in question is not eligible to hold such Shares or if it reasonably believes this to be the case,

then the ACD may give notice requiring the transfer or repurchase of such Shares. If any person does not take those steps within 30 days, he shall then be deemed to have given a written request for the redemption of all of his Shares.

A person who becomes aware that he is holding or owning Shares in breach of any law or governmental regulation or is not eligible to hold those Shares must either:

transfer all those Shares to a person qualified to own them; or

give a request in writing for the redemption of all such Shares unless he has already received such a notice from the ACD to transfer the Shares or for them to be repurchased.

#### 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, subject to certain exceptions, may not be offered or sold in the United States of America, 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 Advisers Act of 1940.

“US Person” means:

- (a) a citizen or resident of the United States of America;
- (b) a partnership, limited liability company, corporation or similar entity organised or incorporated under the laws of the United States of America, or an entity taxed as such or subject to filing a tax return as such under the United States federal income tax laws;

any estate or trust the executor, administrator or trustee of which is a US Person unless, in the case of trusts of which any professional fiduciary acting as trustee is a US Person, a trustee who is not a US Person has sole or shared investment discretion with respect to trust assets and no beneficiary of the trust (and no settlor if the trust is revocable) is a US Person;

any estate or trust whose income from sources outside the United States of America is includable in gross income for purposes of computing United States income tax payable by it;

any agency or branch of a foreign entity located in the United States of America;

any discretionary or non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary located within or outside the United States of America for the benefit or account of a US Person;

any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organised, incorporated or (if an individual) resident in the United States of America, except that any discretionary account or similar account (other than an estate or trust) held for the benefit or account of a non-US Person by a dealer or other professional fiduciary organised, incorporated or (if an individual) resident in the United States of America shall not be deemed a US Person;

any firm, corporation or other entity, regardless of citizenship, domicile, situs or residence if under the income tax laws of the United States of America from time to time in effect, any portion of the income thereof would be taxable to a US Person even if not distributed other than as a passive foreign investment company;

any partnership, corporation or other entity if (A) organised or incorporated under the laws of any foreign jurisdiction and (B) owned or formed by a US Person or Persons principally for the purpose of investing in securities not registered under the US Securities Act of 1933 (including but not limited to Shares of the Company); or

any employee benefit plan unless such employee benefit plan is established and administered in accordance with the laws of a country other than the United States of America and customary practices and documentation of such country and is maintained primarily for the benefit of persons

substantially all of whom are non-resident aliens with respect to the United States of America; and

any other person or entity whose ownership of Shares or solicitation for ownership of Shares the ACD through its officers or Directors, shall determine may violate any securities law of the United States of America or any state or other jurisdiction thereof.

*(Except that “US Person” shall not include any eligible investor or any person or entity, notwithstanding the fact that such person or entity may come within any of the categories referred to above, as to whom the ACD or the Fund shall determine that ownership of Shares or solicitation for ownership of Shares shall not violate any securities law of the United States of America or any state or other jurisdiction thereof.)*

United States of America includes its territories and possessions.

#### 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 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 Redemptions

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 the Shares and transfer scheme property to the Shareholder instead of paying the price of the Shares in cash, or, if required by the Shareholder, pay the net proceeds

of sale of the relevant scheme property to the Shareholder. A deal involving Shares representing 5% or more in value of a Fund will normally be considered substantial, although the ACD may in its discretion agree an in specie redemption with a Shareholder whose Shares represent less than 5% in value of the Fund concerned.

Before the proceeds of cancellation of the Shares become payable, the ACD will give written notice to the Shareholder that scheme property (or the proceeds of sale of that scheme property) will be transferred to that Shareholder.

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

#### Suspension of Dealings in Shares

If the ACD or the Depositary is of the opinion that there is good and sufficient reason to suspend the issue, cancellation, sale and redemption of Shares in any or all of the Funds of the Company having regard to the interests of Shareholders or potential Shareholders, then if the Depositary agrees, the ACD may, or, if the Depositary requires, the ACD will suspend dealings for a period of up to 28 days.

Re-calculation of the Share price will commence on the next relevant valuation point after the period of suspension.

#### Deferred Redemption of Shares

If requested redemptions of Shares on a particular dealing day exceed 10% of a Fund's value, redemptions of Shares of that Fund may be deferred to the next valuation point. Any such deferral would only be undertaken in such manner as to ensure consistent treatment of all Shareholders who had sought to redeem Shares at the valuation point at which redemptions were deferred. Deferral would be pro-rata based on the value of Shares being

redeemed (provided that the ACD may determine in its discretion a value threshold below which all redemptions will be effected and above which the pro-rata deferral will apply), and so that all deals relating to the earlier valuation point were completed before those relating to a later valuation point were considered. The intention of the deferred redemption power is to reduce the impact of dilution on the scheme. In times of high levels of redemption, deferred redemption provisions would enable the ACD to protect the interests of continuing Shareholders by allowing it to match the sale of property of a Fund to the level of redemptions of Shares in that Fund.

#### Limited Issue

A Fund or a Class of Shares may be closed to purchases or switches in (but not to redemptions or switches out) if, in the opinion of the ACD, this is necessary to protect the interests of existing Shareholders. One such circumstance would be where a Fund or Class of Shares has reached a size such that the capacity of the market and/or of the Investment Manager have been reached, and where to permit further inflows would be detrimental to the performance of that Fund or Class of Shares. Any Fund or Class of Shares which, in the opinion of the ACD, is materially capacity constrained may be closed to purchases or switches in without notice to Shareholders. A Share issue closure will not apply (in the circumstances above) to Shareholders who are acquiring Shares through regular savings plans. During the period of closure, the ACD may in its discretion agree to the purchase of Shares redeemed to investors. Following closure, a Fund or a Class of Shares will not be re-opened until, in the opinion of the ACD, the circumstances which required closure no longer apply, significant capacity is available within the Fund or Class of Shares for new investment, and the issue of Shares can be made without materially prejudicing existing Shareholders.

#### Reports

Annual reports of the Company will be published on or before 31 October and half yearly reports will be published on or before the last day of



February. Both short reports and long versions will be produced. Copies of reports may be obtained from the ACD or inspected at the ACD's offices at Oakhill House, 130 Tonbridge Road, Hildenborough, Kent TN11 9DZ, United Kingdom.

The short reports published in respect of each annual accounting period and half-yearly accounting period will be sent to each Shareholder (or to the first named of joint Shareholders) entered in the register at the end of the relevant period.

### Shareholder Meetings and Voting Rights

#### General Meetings

Following an amendment to the OEIC Regulations in April 2005, Shareholders have been notified that an annual general meeting of Shareholders will no longer be held.

General meetings of Shareholders may be held from time to time as necessary. Notice of the date, place and time of general meetings will be given to Shareholders.

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

A meeting of all Shareholders in the Company, in a Fund or in a Class of Shares of a Fund may be convened. All references below to a meeting apply equally to Company, Fund and Class meetings.

#### Requisitions of Meetings

The Directors may convene a meeting at any time.

Shareholders registered as holding at least 1/10th in value of all the relevant Shares then in issue may require that a meeting be convened. A requisition by Shareholders must state the objects of the meeting, be dated and be signed by those Shareholders. The ACD must convene a meeting no later

than eight weeks after receipt of such requisition at the head office of the Company.

#### Notice and Quorum

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

#### Voting Rights

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

A Shareholder may vote in person or by proxy or in any other manner permitted by the Company's Instrument of Incorporation on a poll vote.

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

For some resolutions, for example to approve certain amendments to the Instrument of Incorporation of the Company, an extraordinary resolution is required. For an extraordinary resolution to be passed, at least 75% of the votes cast at the meeting must be in favour.

For other resolutions an ordinary resolution is required. For an ordinary resolution to be passed, more than 50% of the votes cast at the meeting must be in favour.

The rights attached to a Class of Share will not be varied and a conversion of Shares of a particular Class of Shares into Shares of another Class will not be effected without the sanction of an ordinary resolution passed at a Class meeting of the holders of that Class of Share.

The ACD will not be counted in the quorum for a meeting. The ACD and associates of them are not entitled to vote at any meeting, except in respect of Shares which the ACD or an associate hold on behalf of or jointly with a person who, if himself the registered Shareholder, would be entitled

to vote and from whom the ACD or associate has received voting instructions.

“Shareholder” or “Shareholders”, for the purposes of attending and voting at a meeting, means Shareholders on the date seven days before the notice of the relevant meeting was sent out but excludes holders who are known to the ACD not to be Shareholders at the time of the meeting.

#### 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 Chapter 7 of the COLL Sourcebook. A Fund may only be wound up under the COLL Sourcebook.

Where the Company or a Fund is to be wound up under the COLL Sourcebook, such winding up may only be commenced following approval by the FCA. The FCA will only give such approval if the ACD provides a statement (following an investigation into the affairs of the Company) either that the Company will be able to meet its liabilities within 12 months of the date of the statement or that the Company will be unable to do so. The Company may not be wound up under the COLL Sourcebook 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 COLL Sourcebook if:

- (a) an extraordinary resolution to that effect is passed by 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 (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 £30 million or the equivalent in the currency of

denomination, or if in the ACD's opinion, it is desirable to terminate the Fund); or

- (c) on the effective date of an agreement by the FCA to a request by the ACD for the revocation of the authorisation order in respect of the Company or for the termination of the 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:

- (a) COLL 5 (relating to investment and borrowing powers) and COLL 6.2 and 6.3 (relating to dealing and pricing) will cease to apply to the Company or the relevant Fund;

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 for the Company or the Fund;

no transfer of a Share shall be registered and no other change to the register shall be made without the sanction of the ACD;

where the Company is being wound-up, the Company shall cease to carry on its business except in so far as it is beneficial for the winding up of the Company; and

the corporate status and powers of the Company and, subject to the provisions of paragraphs (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 Company or a Fund falls to be wound up, realise the assets and meet the liabilities of the Company or Fund and, after paying out or retaining adequate provision for all liabilities properly payable and retaining provision for the costs of winding up, arrange for the Depositary to make one or more interim distributions out of the proceeds to Shareholders proportionately to their rights to

participate in the property of the Company or the Fund. In the case of the Company, the ACD shall also publish notice of the commencement of the winding up of the Company. If the ACD has not previously notified Shareholders of its proposal to wind up the Company or terminate the Fund, the ACD shall, as soon as practicable, after the commencement of winding up of the Company, or the termination of the Fund, give written notice of the commencement of winding-up or termination to Shareholders. When the ACD has caused all of the scheme property to be realised and all of the liabilities of the Company or the particular Fund to be realised, 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 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, the Company will be dissolved and any money (including unclaimed distributions) standing to the account of the Company will be paid into court within one month of dissolution.

Following the completion of the winding up of the Company or of a Fund, the ACD shall notify the FCA that the winding up has been completed.

Following the completion of a winding up of either the Company or a Fund, the ACD must prepare a final account showing 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. This final account and the auditors' report must be sent to the FCA, to each relevant Shareholder and, in the case of the winding up of the Company, to the Registrar of Companies within two months of the termination of the winding up. On completion of a winding up of the Company, the Company will be dissolved and any money (including unclaimed distribution still standing to the account of the Company) will be paid into court.

As the Company is an umbrella company, any liabilities attributable or allocated to a particular Fund under the COLL Sourcebook shall be met first

out of the scheme property attributable or allocated to that Fund. If the liabilities of a Fund are greater than the proceeds of the realisation of the scheme property attributable or allocated to the Fund, the deficit shall be met out of the scheme property attributable or allocated to Funds in respect of which the proceeds of realisation exceed liabilities and will be divided between the Funds in a manner which is fair to Shareholders in those Funds.

#### 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 Management and Administration Agreement dated 21 July 2003 between the Company and the ACD;
- (b) the Investment Management Agreement dated 21 July 2003 between the Company and the ACD;
- (c) the Depositary Agreement dated 4 May 2001 between the Company, the ACD and the Depositary; and
- (d) the Investment Management Agreement dated 25 July 1997 between the Company, WOODGROVE Limited and the ACD (as amended and assigned to WOODGROVE Fund Management Limited).

Details of the above contracts are given in Appendix 3 (Management, Distribution and Administration).

#### Complaints

Complaints concerning the operation or marketing of the Company may be referred to the Compliance Officer of the ACD. If an investor is dissatisfied with the response received, complaints may also (where the investor is eligible under FCA rules) be made direct to The Financial Ombudsman Service, South Quay Plaza, 183 Marsh Wall, London, E14 9SR.

## APPENDIX 5: IMPORTANT INFORMATION FOR INVESTORS

### DENMARK

#### Taxation

##### *Taxation of WOODGROVE ASSET MANAGEMENT Funds*

WOODGROVE ASSET MANAGEMENT Funds is subject to taxation in the UK, cf. the section about taxation in the Prospectus, under “UK Taxation”.

As a consequence thereof the UK is entitled to claim tax on income earned by WOODGROVE ASSET MANAGEMENT Funds. A description hereof can be found in the section about taxation in the Prospectus, under “UK Taxation”.

##### *Taxation in Denmark of Danish Investors*

The following is an account of taxation in Denmark of Danish investors in WOODGROVE ASSET MANAGEMENT Funds.

The target group of investors in Denmark are institutional investors, especially including banks, insurance companies, pension insurance companies, pension funds, etc.

It will not be possible to describe all tax questions, which may arise when investing in WOODGROVE ASSET MANAGEMENT Funds and therefore, this account is not exhaustive. It is under all circumstances recommended for potential investors to contact their own tax advisor, e.g. attorney or auditor, on the consequences of investment into WOODGROVE ASSET MANAGEMENT Funds.

The following description applies to investors resident in Denmark and the description below is based on Danish tax law as in place in June 2012.

Life insurance companies, pension funds and deposits in pension accounts

##### **The Pension Savings Tax Regime**

Yield from the investment is taxed at a flat rate of 15.30% according to a mark-to-market principle, i.e. on an unrealised basis. Dividends, unrealised as well as realised capital gains and losses on shares are included in the tax base.

In general, the tax liability rests with the individual account holder, but yield allocated to the equity of the pension fund or Life Insurance Company is taxed with the 15.30% flat rate at the level of the institutional investor in question. Certain pension funds and life insurance companies are still subject to tax both on yield paid out to the insured as well as yield allocated to the equity.

Life insurance companies are taxed under the Pension Savings Tax Regime as well as the tax rules for companies, described below. Due to special rules on limitation of deductibility, life insurance companies are taxed on gains or losses on shares on a mark-to-market basis, i.e. on an unrealised basis. Taxation under the corporate income tax rules should cover the part of the income, which is not related to pure life insurance activity. The Pension Savings Tax Regime, on the other hand, aims at taxing the yield paid out to the insured. Special rules ensure that no actual double taxation takes place.

#### Companies and individuals

##### Classification of a fund under Danish tax rules

Danish tax law makes a distinction between so called “distributing funds” and “investment companies”, definitions set up for tax purposes only.

A distributing fund is a fund that notifies the Danish tax authorities that it wants to be treated under the rules applicable to distributing funds and that it intends to meet the specific Danish tax reporting requirements.

An investment company is inter alia an investment institution comprehended by the UCITS Directive 2009/65 that has not elected to be treated under the rules applicable to distributing funds.

A foreign UCITS can elect to be classified as a distributing fund instead of an investment company provided the requirements hereof are fulfilled. The foreign UCITS must submit information of the election before 31 December of the first year the fund wants to be categorized as a distributing fund. Subsequently, the fund must follow the Danish rules for distributing funds in order to keep the status. If information or documentation is not submitted in due time, investors would be taxed as investing in an



investment company for a period of the following five years. The change of status affects the year in which the reporting requirements were not complied with as well as the subsequent four years.

The tax treatment for a Danish investor in WOODGROVE ASSET MANAGEMENT Funds (the Fund) depends on whether the Fund has elected the status as a distributing fund or is an investment company from a Danish tax perspective.

#### Individuals

#### Investment companies

Gains and losses are taxed as capital income, at a rate up to 45.50% (for income year 2012). The applicable rate will gradually be reduced to 42% as follows: 43.50% in 2013 and 42% in 2014 and onwards. Gains and losses are calculated according to a mark-to-market principle, i.e. on an unrealised basis.

Dividends are taxed as capital income at the rates described above.

#### Distributing funds

For individual investors, distributing funds are classified as either:

- share based funds (an average of 50% or more of the assets of the fund are invested in shares during an income year), or
- bond based funds (an average of less than 50% of the assets of the fund are invested in shares during an income year).

If a share based fund does not observe the asset criteria mentioned above and the classification of the fund would shift from share based to bond based, the individual investor would be taxed as if the units have been sold. Gains or losses would be taxed as share income at the rates mentioned below under “Distributing share based funds”,

If a bond based fund does not observe the asset criteria mentioned above and the classification of the fund would shift from bond based to share based, the individual investor would not be taxed as if the units have been

sold. The individual investor would instead be taxed based on the rules for investments in sharebased funds.

A shift of tax classification of a fund will have effect from the income year following the year the classification shifted.

#### Distributing share based funds

Individuals investing in a share based distributing fund are taxed as share income on any distributions and capital gains. The tax rate is 27% for an amount up to DKK 48,300 and 42% for the excess amount above DKK 48,300 (the amounts are applicable for 2012 and are double for spouses).

The treatment of a loss will depend on whether the shares are listed. A share in the Fund is in this context considered to be listed for Danish tax purposes. Losses on listed shares can be set off against dividends and gains on listed shares in subsequent years or set off a spouse's dividends and gains on such shares.

#### Distributing bond based funds

Individuals investing in a bond based distributing fund are taxed on any distributions and capital gains as capital income at a rate of up to 45.50% in 2012. The applicable rate will gradually be reduced to 42% as follows: 43.50% in 2013 and 42% in 2014 and onwards.

Losses are deductible in capital income.

#### Companies and Banks

Companies investing in investment companies or distributing funds are taxed on gains, losses and dividends at a rate of 25% according to a mark-to-market principle, i.e. on an unrealised basis.

#### Documents Available for Inspection

The following documents are available for inspection free of charge during normal business hours on weekdays (Saturdays, Sundays and other public holiday excepted) at the registered office of the Company. These documents, together with a translation of the Open-Ended Investment

Companies Regulations 2001 made under Section 262 of the Financial Services and Markets Act 2000, may also be inspected, free of charge, at the offices of the Distributors.

Instruments of Incorporation of the Company.

The Reports of the Company.

The agreements listed above may be amended from time to time by agreement between the parties thereto.

Copies of this Prospectus and the latest financial reports of the Company may be obtained, free of charge, upon request at the registered office of the Company and the office of the Distributor or may be downloaded from the internet on [www.WOODGROVEinstitutional.com/denmarkoeic](http://www.WOODGROVEinstitutional.com/denmarkoeic).

Information about the Company and the relevant dealing procedures may be obtained from the ACD, from the Distributor of the Company in the UK or from the internet on [www.WOODGROVEinstitutional.com/denmarkoeic](http://www.WOODGROVEinstitutional.com/denmarkoeic).

Danish representative

The Fund has entered into an agent agreement with the BankNord, CVR-No. 12 34 56 78, Heymans Alle 15, 5000 Hovedstaden, Denmark (the “Agent”).

The Agent will act as intermediary in relation to requests from Danish investors to the Fund, including Danish investors’ requests for subscription and requests for redemption of Shares and the Agent will pass on information which the Fund is required to supply under the laws of the United Kingdom, insofar and as long there is no prohibition from selling and distributing Shares of the Fund or any of its sub-funds in the territory of the Kingdom of Denmark. The Agent will not act as a paying agent but solely as an intermediary between the Danish investors and the Fund.

Procedure in the Event of Termination

Should the Fund cease to be registered in Denmark, the investors in Denmark will be informed thereof. The investors in Denmark will be informed that information and documents available upon written request to the distributors will still be available to the investors in Denmark.

However, it will be stressed that information and documents will no longer be available in Danish. Furthermore, it will be ensured that the procedure for the payment of dividend and redemption proceeds will continue unchanged for the Danish investors, including Danish retail investors, unless the general procedure of the Fund is changed.

## FINLAND

### Registration and Supervision

WOODGROVE ASSET MANAGEMENT Funds (the “Company”) is an open-ended investment company incorporated in England and Wales on 22 July 1997. The Company qualifies as an undertaking for collective investment in transferable securities (a UCITS) and has obtained recognition under the EC Council Directive 85/611 (as amended and replaced by EC Council Directive 2009/65/EC) for marketing in certain member states of the European Economic Area.

By virtue of the registration with the Finnish Financial Supervisory Authority, the Company is authorised to sell its Shares to investors in Finland. It should be noted that the Global Focus Fund and the MoneyBuilder Income Reduced Duration Fund are not approved for distribution in Finland.

The following sub-funds are available to Finnish investors under the Company:

America Fund, Emerging Markets Fund, Europe (ex-UK) Fund, Index-Linked Bond Fund, Japan Fund, Long Bond Fund, Pacific (ex-Japan) Fund, Pan European Fund, Select Global Equities Fund, South East Asia Fund, Sterling Core Plus Bond Fund, UK Aggregate Bond Fund, UK Corporate Bond Fund, UK Fund, UK Gilt Fund, UK Long Corporate Bond Fund and UK Specialist Fund.

The information below describes the facilities available to investors resident in Finland and the procedures which apply to dealing in Shares in the Company. This information must be read in conjunction with the current Prospectus of the Company, the Key Investor Information

Documents, the most recent annual report and, if published thereafter, the most recent semi-annual report. Amendments to the Prospectus, the Key Investor Information Documents, the Company's regulations or to the Instrument of Incorporation, or any other information will be held available at the Distributor's office. Material amendments to the Prospectus, the Company's regulations or to the Instruments of Incorporation will be filed with the Finnish Financial Supervisory Authority. Investors are notified of any changes in accordance with the requirements of the FCA rules; they will be given at least 60 days notice of a significant change to the scheme and where a change is fundamental to the scheme, it first has to be passed by a special resolution of the affected Shareholders.

The Company's regulations, Instrument of Incorporation, Prospectus, the (semi-) annual reports and Application Forms can be obtained free of charge from the Distributor's office.

#### Dealing procedures

The Shares in the Company may be marketed publicly in Finland by using mass media or direct marketing, or by any other appropriate method as permitted by Finnish law and regulation.

Applications to buy, sell or switch Shares may be made by post or telephone between 9.00 a.m. and 5.00 p.m. UK time to the ACD on any weekday excluding UK public holidays (dealing day). The ACD may from time to time make arrangements to allow dealings in Shares or communications with Shareholders to be made online or through other communication media. The Shares will be bought, sold or switched at a forward price. A forward price is the price determined after the next valuation of the property of the relevant Fund after the receipt by the ACD of the investor's instructions. The ACD may make a preliminary charge of 5.25% on a sale of Shares in each Fund. The charge is calculated as a percentage of the price of a Share and is added to the purchase price. The maximum preliminary charge permitted in every case is 7% of the purchase price of a Share.

The price of a Share is the net asset value of the relevant Fund attributable to the relevant Share Class of that Fund divided by the number of Shares of that Class in issue.

The net asset values attributable to the Share Class(es) of each Fund will normally be calculated at 12.00 noon UK time (valuation point) on each dealing day. The ACD may at any time during a dealing day carry out an additional valuation if the ACD considers it desirable to do so.

WOODGROVE Pensions Management is the Distributor for Finland and acts as agent for the ACD, WOODGROVE Investments Services Limited.

All payments arising from the subscription of Shares are made to the Distributor, normally by bank transfer.

Investors may also apply to redeem Shares and obtain payment through the ACD, or the Distributor.

Instructions to redeem Shares may be made in writing or by telephone confirmed in writing. A contract note will be issued giving details of the Shares sold and the price used. Payments to satisfy a redemption request will be issued at the latest by the close of the fourth Business Day after the later of the day of the calculation of the price and receipt by the ACD of a properly completed and signed Renunciation Form in respect of the appropriate number of Shares. The redemption price is the Share price of the Fund calculated from the net asset value of the relevant Fund. The Fund is single priced so there is one Share price for purchases and redemptions.

Investors should bear in mind that applications for the acquisition of Shares or instructions to change from one category of Share to another should be delivered in writing to the ACD, or Distributor in the form prescribed by the ACD or Distributor.

Application forms may be obtained in Finland on request from the ACD or the Distributor. Generally, subscriptions, redemptions and distributions must be made in Pounds Sterling. Exceptionally, on application, WOODGROVE Distributors, Bermuda or another associated or affiliated company of the ACD, acting as principal may execute foreign exchange

transactions for investors in certain other major currencies but cannot give advice. Foreign exchange transactions for investors are carried out by associates or affiliates of WOODGROVE Limited (an associated company of the ACD) acting as principal and may be aggregated. Such associates or affiliates will derive and retain a benefit from such transactions for which charges and expenses may be levied made at up to a reasonable current market rate for such transactions. The currency conversion will be at rates last quoted by any major bank. If such quotations are not available, the rate of exchange will be determined in good faith by or under procedures established by the ACD.

Distributions of income for each Fund are paid on or before the annual income allocation date of 31 August. In the case of certain Funds with Income Shares in issue, interim distributions will be paid on or before the interim income allocation dates set out in Appendix 1 in this Prospectus. If a holder of Income Shares instructs the ACD that he wishes to receive the income, this is normally paid into the Shareholder's bank.

#### Safekeeping of units

The Depositary of the Company, J.P. Morgan Trustee and Depositary Company Limited, has appointed JPMilliman Bank as the Custodian of the property of the Fund.

#### Publication of prices

Prices for Shares of the Company may be obtained from the Distributor. The net asset value of the appropriate Funds will generally be published daily in the Financial Times.

#### Taxation

The Directors of the Company are informed of the following taxation consequences for Finnish resident individuals ("Individuals") and corporates ("Corporates"):

- (a) In a precedent issued by the Finnish Supreme Administrative Court on 12 March 2010, distributions from a Luxembourg SICAV were treated as dividend for Finnish tax purposes. In this light, an OEIC being

comparable to a SICAV in many respects, it can be argued that distributions made by the Company in respect of Shares could be regarded – for Finnish tax purposes – as dividend income.

- Should the distributions be regarded as dividend income for Finnish tax purposes then
  - i. for Individuals, of such dividends annually a portion equivalent to 9% of the total fair market value of the Shares, as defined in Finnish law, should be tax exempt. However, of the dividend amount exceeding 60,000 Euro annually (including certain other dividends from other companies) should 70% be capital income and 30% tax exempt. In addition, of dividends exceeding 9% of the total fair market value of the Shares, 70% should be taxed as earned income and 30% should be tax exempt and
  - ii. or Corporates, of such dividends 75% should be taxable and 25% tax exempt.

Nonetheless, in case the distributions made by the Company would not be regarded as dividend for Finnish tax purposes, but rather as profit distribution from an investment fund, such distributions would, for Individuals, be treated as taxable capital income and, for Corporates, as fully taxable income.

- (b) The capital income of Individuals is currently taxable at 30% or at 32% if the capital income exceeds 50,000 Euro per year, and earned income is taxable at progressive rates. The corporate income tax rate is currently 24.50%. Capital gains upon the disposal or redemption of Shares should be generally fully taxable income for Corporates. Capital losses upon the disposal or redemption of Shares should be deductible from business income, if the Shares are considered part of the business income source. If the Shares are considered part of the other income source, capital losses may only be set off against capital



gains, which are in the other income source, in the same tax year and five following tax years.

- (c) Capital gains made upon the disposal or redemption of Shares should be fully taxable income for Individuals (current tax rate for capital income 30%, and 32% for capital income exceeding 50,000 Euro per year). When calculating the amount of taxable capital gain realised by an Individual, the acquisition cost is presumed to be 20% of the alienation price (if the acquisition cost is lower than 20% of the alienation price) and 40% of the alienation price (if the acquisition cost is lower than 40% of the alienation price) in case the period of ownership of the assigned Shares is at least 10 years. A capital gain shall not be subject to taxation for Individuals in case the aggregate amount of alienation prices in that tax year does not exceed 1,000 Euro.
- (d) Capital losses made upon the disposal or redemption of Shares may be set off only against capital gains in the same tax year and five following years.

A capital loss shall not be deductible for Individuals in case the aggregate amount of acquisition costs of the assigned assets in that tax year do not exceed 1,000 Euro.

Capital losses are hence treated differently from ordinary capital expenditures. If the capital expenditures of an Individual in a tax year exceed the capital income, the Individual may claim a deduction in the tax levied on earned income for the same tax year (“tax credit for the capital loss”). The tax deduction that may be claimed is equal to 30% of such excess expenditures and its maximum amount is 1,400 Euro. The maximum amount will be increased by 400 Euro if the Individual alone or together with his/her spouse has maintained one child during the year. The increase is 800 Euro in the same situation if there has been more than one child.

If the Shares are considered part of the business income source, capital gains made upon the disposal or redemption of Shares should be taxable

business income, and capital losses made upon the disposal or redemption of Shares should be deductible from business income;

(e) In the light of current legal practice it seems that a switch of Shares from one Fund to another Fund is generally treated as a taxable event, irrespective of the fact that the switch of Shares is made within the same Company. However, a switch of Shares in one Class to another Class within one single Fund should not in the light of current tax practice be treated as taxable event. The above mentioned cannot however be stated with certainty.

It should be noted that the above-mentioned analysis of tax consequences is based on the current tax legislation and practice. The tax law and practices, and the levels of taxation, are subject to future alteration.

Investors should seek their own professional advice as to the tax consequences before investing in Shares of the Company. The tax treatment of an investment in the Shares may vary depending on the income source that the Shares are allocated to. Further, the tax treatment may vary depending on the asset class (fixed assets, non-fixed assets) that the Shares are allocated to. Each investor should also seek to find out whether or not the investment will be subject to CFC taxation.

Further information concerning the Company and procedures for application and redemption may be obtained from the Distributor or the ACD.

## IRELAND

### Registration and Supervision

The Company is an open-ended investment company with variable capital incorporated in England and Wales on 22 July 1997.

While the Company has fulfilled the notification requirements of the Central Bank of Ireland ('Central Bank') to market its Shares to the public and Institutions in Ireland, the Company is not supervised or authorised in Ireland by the Central Bank. It is incorporated in and subject to the laws of England and Wales. It should be noted that the Global Focus Fund and the

MoneyBuilder Income Reduced Duration Fund are not approved for distribution in Ireland.

The information below describes the facilities available to investors and the procedures which apply to dealing in Shares in the Company. This information must be read in conjunction with the current Prospectus of the Company, the most recent annual report and, if published thereafter, the most recent semi-annual report. Terms defined in the Prospectus have the same meaning in the following information.

#### Facilities Agent in Ireland

The Company has appointed WOODGROVE Fund Management (Ireland) Limited, Delmont Lane, Dublin, as its Facilities Agent in Ireland. Orders for the redemption of Shares may be placed through the Facilities Agent and payment on redemption may be received there. Complaints concerning the Company or the Distributor may also be lodged with the Facilities Agent for forwarding to the relevant company.

#### Dealing Procedures

Investors may place dealing instructions with the Distributor or alternatively may deal directly with the Company.

WOODGROVE Pensions Management is the Distributor for Ireland. All instructions can be addressed to the Facilities Agent, the ACD or the Distributor WOODGROVE Pensions Management.

Investors must ensure that subscriptions for Shares or dealing instructions are provided to the Distributor in writing, in the form prescribed by the Distributor.

Application forms may be obtained in Ireland on request from the Facilities Agent, the ACD, or the Distributor. Generally, subscriptions and redemptions must be made in Pounds Sterling. Exceptionally, on application, WOODGROVE Distributors, Bermuda or another associated or affiliated company of the ACD, acting as principal may execute foreign exchange transactions for investors in certain other major currencies but cannot give advice.

Contract notes will be issued, usually within 24 hours of the determination of the relevant prices and foreign exchange rates. Applications are normally processed on receipt of cleared funds. Full details are set out on the application form and in the Prospectus.

#### Publication of Prices

Details of the most recent dealing prices of Shares in the Company may be obtained from the Distributor or the Facilities Agent. The net asset values of the appropriate Funds will also be generally published daily in the Financial Times.

#### Taxation

The ACD intends to conduct the affairs of the Company so that it does not become resident in Ireland for taxation purposes. Accordingly, provided the Company does not exercise a trade within Ireland or carry on a trade in Ireland through a branch or agency, the Company will not be subject to Irish tax on its income and gains other than on certain Irish source income and gains.

*Irish pension funds within the meaning of Section 774, 784 and 785 of the Taxes Consolidation Act, 1997.*

On the basis that the pension funds are wholly approved under the aforementioned sections, they are exempt from Irish income tax in respect of income derived from their investments or deposits. Similarly, all gains arising to these approved Irish pension funds are exempt from capital gains tax in Ireland under Section 608(2) of the Taxes Consolidation Act, 1997.

#### *Other Irish Shareholders*

Subject to personal circumstances, Shareholders resident in Ireland for taxation purposes will be liable to Irish income tax or corporation tax in respect of any income distributions of the Company (whether distributed or reinvested in new Shares).

The attention of individuals resident or ordinarily resident in Ireland for tax purposes is drawn to Chapter 1 of Part 33 of the Taxes Consolidation Act

1997 (as amended), which may render them liable to income tax in respect of undistributed income or profits of the Company. These provisions are aimed at preventing the avoidance of income tax by individuals through a transaction resulting in the transfer of assets or income to persons (including companies) resident or domiciled abroad and may render them liable to income or corporation tax in respect of undistributed income or profits of the Company on an annual basis.

The attention of persons resident or ordinarily resident in Ireland (and who, if they are individuals, are domiciled in Ireland) is drawn to the fact that the provisions of Chapter 4 (Section 590) of Part 19 of the Taxes Consolidation Act, 1997 (as amended) could be material to any person who holds 5% or more of the Shares in the Company if, at the same time, the Company is controlled in such a manner as to render it a company that would, were it to have been resident in Ireland, be a “close” company for Irish taxation purposes. These provisions could, if applied, result in a person being treated, for the purposes of the Irish taxation of chargeable gains, as if part of any gain accruing to the Company (such as on a disposal of its investments that constitute a chargeable gain for those purposes) had accrued to that person directly; that part being equal to the proportion of the assets of the Company to which that person would be entitled to on the winding up of the Company at the time when the chargeable gain accrued to the Company.

The Shares in the Company will constitute a “material interest” in an offshore fund located in a qualifying location for the purposes of Chapter 4 (Sections 747B to 747E) of Part 27 of the Taxes Consolidation Act, 1997 (as amended). This Chapter provides that if an investor resident or ordinarily resident in Ireland for taxation purposes holds a “material interest” in an offshore fund and that fund is located in a “qualifying location” (including a member state of the European Community, a member state of the European Economic Area or a member of the OECD with which Ireland has a double taxation treaty) then, dividends or other distributions made annually or more frequently by the fund to such investor that is not a company will be taxed currently at the rate of 30%. Any other dividends or

any other distributions or any gain (calculated without the benefit of indexation relief) accruing to the investor upon the sale or on the disposal of the interest will be charged to tax at the rate of 33%. These rates will only apply if certain details relating to the disposal of and the receipt of income from such investment are included in the tax return(s) made on time by the investor. Failure of a non-corporate investor to meet the necessary requirements under Chapter 4 will result in the income and gains arising from the investment being taxed at the investor's marginal income tax rate up to 52% (inclusive of social insurance and universal social charges). Dividends or other distributions made by the Company to an investor that is a company that is resident in Ireland will be taxed at 25% where the payment is not taken into account as a receipt of a trade carried on by the company. Any gain (calculated without the benefit of indexation relief) accruing to such investor upon the sale or on the disposal of their interest in the Company will be taxed at the rate of 25% where the gain is not taken into account in computing the profits or gains of a trade carried on by the company. Where any computation would produce a loss the gain shall be treated as nil and no loss shall be treated as occurring on such disposal. An Irish resident corporate investor whose shares are held in connection with a trade will be taxable on any income or gains as part of that trade.

Following legislative changes in the Finance Act 2006, the holding of shares at the end of a period of 8 years from acquisition (and thereafter on each 8 year anniversary) will constitute a deemed disposal and reacquisition at market value by the Shareholder of the relevant Shares. This shall apply to Shares acquired on or after 1 January 2001. The tax payable on the deemed disposal will be equivalent to that of a disposal of a "material interest" in an offshore fund (i.e. the appropriate gain is subject to tax currently at the rate of 33%). To the extent that any tax arises on such a deemed disposal, such tax will be taken into account to ensure that any tax payable on the subsequent encashment, redemption, cancellation or transfer of the relevant Shares does not exceed the tax that would have been paid had the deemed disposal not taken place.

The Finance Act 2007 introduced new provisions regarding the taxation of Irish Resident individuals or individuals Ordinarily Resident in Ireland who hold Shares in certain offshore funds. The new provisions introduce the concept of a personal portfolio investment undertaking (“PPIU”). Essentially, an offshore fund will be considered a PPIU in relation to a specific investor where that investor has influence over the selection of some or all of the property held by the offshore fund, either directly or through persons acting on behalf of or connected with the investor. Any gain arising on a chargeable event in relation to an offshore fund which is a PPIU in respect of an individual, will be taxed at the standard rate of income tax plus 33% (currently 53%). Higher rate taxes may apply where the individual fails to meet the necessary filing requirements under Chapter 4. Specific exemptions apply where the property invested has been clearly identified in the offshore fund’s marketing and promotional literature and the investment is widely marketed to the public. Further restrictions may be required in the case of investments in land or unquoted shares deriving their value from land.

For the purposes of Irish taxation a conversion of Shares in the Company from one Class of Shares to another Class of Shares will not constitute a disposal. The replacement Shares shall be treated as if they had been acquired at the same time for the same amount as the holding of Shares to which they relate. There are special rules relating to situations where additional consideration is paid in respect of the conversion of Shares, or if a Shareholder receives consideration other than the replacement Shares in a fund. Special rules may also apply when a fund operates equalisation arrangements.

Attention is drawn to the fact that the above rules may not be relevant to particular types of Shareholders (such as financial institutions), which may be subject to special rules. Investors should seek their own professional advice as to the tax consequences before investing in Shares in the Company. Taxation law and practice, and the levels of taxation may change from time to time.

Further information about the Company and the relevant dealing procedures may be obtained from the Distributor or the Facilities Agent.

#### Documents Available For Inspection

The following documents are available for inspection free of charge during normal business hours on weekdays (Saturdays, Sundays and other public holidays excepted) at the office of the Facilities Agent:

- i) Instruments of Incorporation of the Company;
- ii) the material contracts referred to in the Prospectus; and
- iii) the most recent annual and half-yearly reports of the Company.

Copies of the Instrument of Incorporation of the Company, this Prospectus and the Key Investor Information Documents (each as amended from time to time) and the most recent annual and half-yearly reports of the Company may be obtained, free of charge, upon request at the office of the Facilities Agent.

#### THE NETHERLANDS

The information below describes the facilities available to investors who are resident in the Netherlands, and the procedures which apply to dealing in Shares in the Company. This information must be read in conjunction with the current Prospectus of the Company, the most recent annual report, and, if published thereafter, the most recent semi-annual report. Terms defined in the Prospectus have the same meaning in the following information. It should be noted that the Global Focus Fund and the MoneyBuilder Income Reduced Duration Fund are not approved for distribution in the Netherlands.

#### Dealing Procedures

Dutch investors may only place dealing instructions (either directly, or through their bank or intermediary) with WOODGROVE Pensions Management, or alternatively with the Company at its registered address.



WOODGROVE Pensions Management (the Distributor) is the distributor for the Netherlands.

All instructions can be addressed to WOODGROVE Pensions Management, London.

Investors should note that applications for the purchase of and subscription for Shares or dealing instructions are provided to the Distributor in writing, in the form prescribed by the Distributor. Application forms are available from the Distributor on request.

The Instrument of Incorporation of the Company together with other material documents listed in the Prospectus may be inspected, free of charge, at the branch and copies obtained at a reasonable charge.

#### Taxation

The Directors of the Company are informed of the following taxation consequences for investors resident in the Netherlands:

- (a) Corporate Shareholders resident in the Netherlands subject to Dutch corporate income tax, will in principle be liable to tax in respect of income derived from the Shares in the Company at a rate of 25%, with a step up rate of 20% on the first 200,000 Euro of taxable income (rates 2012). This income includes dividends and other profit distributions made by the Company, capital gains realised upon disposal or redemption of the Shares in the Company as well as the income resulting from any change in the fair market value of the Shares in the Company.
- (b) Certain institutional investors resident in the Netherlands (such as qualifying pension funds, charities, family foundations and tax exempt investment institution (“VBI”)) are, in principle, fully exempt from Dutch corporate income tax in respect of dividends and other profit distributions received from the Shares in the Company and capital gains realised upon disposal or redemption of Shares in the Company.

- (c) Dutch investment institutions (“FBI”) are subject to 0% Dutch corporate income tax and are obliged to value the Shares in the Company at fair market value.
- (d) Unless the situations mentioned under (e) and (f) apply, the Shares in the Company held by an individual Shareholder resident in the Netherlands will be deemed to generate an income of 4% of the fair market value of the Shares at the beginning of the calendar year. This deemed income will be taxed at a rate of 30% (rate 2012). Actual income, such as dividends and capital gains, will as such not be subject to Dutch income tax.
- (e) As an exception to the situation described under (d) above, individual Shareholders resident in the Netherlands who own (either alone or together with their partner as defined in the Dutch Income Tax Act 2001) Shares in the Company which represent 5% or more of the issued and outstanding capital of (i) the Company, (ii) a fund, or (iii) a separate class of Shares of a fund (a so called “substantial interest”) will be liable to tax at a rate of 25% (rate 2012) in respect of dividends and other profit distributions received from the Company and capital gains realised upon disposal or redemption of the Shares in the Company. In addition, owners of a substantial interest in the Company are deemed to generate an income of 4% of the fair market value of the Shares in the Company (at the beginning of the calendar year), which will be taxed at the rate of 25% (rate 2012). Capital gains realised upon disposal or redemption of the Shares in the Company will be reduced with any deemed income that was taxed previously. Investors owning a “substantial interest” are advised to seek professional advice as to the tax consequences related to their shareholding in the Company.
- (f) As an exception to the situations described under (d) and (e) above, individual Shareholders resident in the Netherlands who carry on an enterprise or an independent activity to which the Shares in the Company are attributable, will be liable to tax at progressive rates of

up to 52% (rate 2012) in respect of dividends and other profit distributions made by the Company, capital gains realised upon disposal or redemption of the Shares in the Company, as well as the income resulting from any change in the fair market value of the Shares in the Company.

- (g) Investors should also read the UK taxation section in the Prospectus which describes additional tax consequences for investors. Investors should seek their own professional advice as to the tax consequences before investing in Shares in the Company.

It should be noted that this information does not constitute legal or tax advice and investors and prospective investors are urged to seek professional advice as regards tax legislation applicable to the acquisition, holding and disposal of Shares as well as that applicable to distributions made by the Company. The tax treatment as described in this section refers to the current law and practice as valid at the date of this Prospectus. Both, taxation law and practice, and the levels of taxation, are subject to future alteration, with or without retro-active effect.

#### Publication of Prices

Details of the most recent dealing prices of Shares in the Company may be obtained from the Distributor or the branch.

Further information about the Company and the relevant dealing procedures may be obtained from WOODGROVE Pensions Management, London, United Kingdom.

#### NORWAY

##### Registration and Supervision

The Company is an open-ended investment company with variable capital incorporated in England and Wales on 22 July 1997.

The Company qualifies as an undertaking for collective investment in transferable securities (a UCITS) and has obtained recognition under the EC Council Directive 85/611 for marketing in certain member states of the

European Economic Area. The Council Directive 85/611 for marketing in certain member states of the European Union has been implemented in Norway by Act No. 52 of 12 June 1981 on securities funds and regulation No. 799 of 8 July 2002 on marketing of foreign securities funds. The Company was registered on 12 November 2002, and the circulation of this Prospectus has been notified to the Financial Supervisory Authority of Norway (Finanstilsynet). It should be noted that the Global Focus Fund and the MoneyBuilder Income Reduced Duration Fund are not approved for distribution in Norway.

The information below describes the facilities available to investors in Norway, and the procedures that apply to dealing in Shares in the Company. Further information is also provided as to the consequences of purchasing or holding and disposing of Shares. This information must be read in conjunction with the current Prospectus of the Company. Terms defined in the Prospectus have the same meaning in the following information.

#### Representative

The Company has appointed WOODGROVE Pensions Management at the address below as a Distributor of Shares and as Representative of the Company WOODGROVE Pensions Management, London, United Kingdom.

#### Dealing Procedures

Application forms are available on request from the Representative, the Company or the Distributor. Generally, subscriptions and redemptions must be made in Pounds Sterling. Exceptionally, on application, WOODGROVE Distributors, Bermuda or another associated or affiliated company of the ACD, acting as principal may execute foreign exchange transactions for investors in certain other major currencies but cannot give advice.

Further information about the Company and the relevant dealing procedures may be obtained from the Distributor.

### Publication of Prices

Details of the most recent prices of Shares in the Company may be obtained from the Representative in the UK. The net asset value of the appropriate Funds will generally be published daily in the Financial Times and on Oslo Stock Exchange's website: <http://www.ose.no/asp/fund.asp>.

### Taxation

The information given below does not constitute legal or tax advice and is not exhaustive. Existing or prospective investors should consult their own professional advisers as to the implications of their subscribing for acquisition, on holding, switching, redemption or disposal of shares under the laws of the jurisdiction in which they may be subject to tax. Furthermore, taxation laws and practices as well as the level of taxation are subject to future alteration.

The Directors of the Company are informed of the following taxation consequences for individuals ("individuals") and companies ("companies") resident in Norway.

On condition that the Company is regarded as tax resident in the UK, investments in the Company should be comprised by the Norwegian tax exemption rules. Each Norwegian investor should however seek to find out whether or not the investment will be subject to Norwegian tax.

- (a) Capital gains made by Norwegian resident corporate shareholders (defined as limited liability companies, savings banks and other self owned finance enterprises, mutual insurance companies, co-operatives, equity funds, associations, foundations, certain bankrupt estates and estates under administration, municipalities, county municipalities, intermunicipal companies, companies 100% owned by the Government, SE-companies and SE-co-operatives) on disposal, conversion or redemption of shares should be comprised by the Norwegian tax exemption method. Shares, etc. covered by the tax exemption method are shares in Norwegian limited liability companies, savings banks, mutual insurance companies,

co-operatives, equity funds and intermunicipal companies as well as shares in similar foreign companies. Thus, shares in bond funds and currency funds are for instance not covered by the tax exemption rules. Such income is taxed at 28%. Capital gains on shares in companies resident in the EEA are comprised by the tax exemption if the company is not regarded as resident in a low-tax country. If the company is resident in a low-tax country, it would still qualify for the tax exemption if the foreign company invested into is actually established in an EEA State and carries out genuine economic business activity there. The requirements mentioned must be documented.

- (b) Corporate shareholders as defined under (a) will not be allowed a deduction for losses if capital gains would be exempt.
- (c) Capital gains on shares in companies resident in low tax countries outside the EEA, including (but not limited to) NOKUS companies (i.e. CFC companies), are, however, not covered by the tax rules mentioned under (a) and are therefore taxable (tax rate is 28%). Consequently, any losses on such shares will be deductible. The same applies for capital gains and losses on portfolio investments in companies outside the EEA. For capital gains, a portfolio investment exists if the tax payer has not continuously in the last two years owned 10% or more of the capital and 10% or more of the voting rights in the General Meeting. For losses, a portfolio investment exists if the taxpayer alone or together with any closely related persons has not owned 10% or more of the capital or 10% or more of the voting rights in the General Meeting during the last two years.
- (d) Capital gains for other bodies corporate than defined under (a), if taxable, are calculated as the difference between the cost price of the shares, (including costs related to the acquisition of the shares), and the sales price (tax rate is 28%).
- (e) Capital gains for individuals on disposal, conversion or redemption of shares (including shares in equity funds) are taxable (tax rate is 28%).

- (f) For individuals tax resident in Norway, the taxable capital gain will be the difference between the cost price of the shares (including costs related to the acquisition of the shares) and the sales price. Any unused shield deduction (calculated as the arithmetic average interest on Norwegian three months exchequer bills, after tax, and explained in more detail under (k) below) will be deductible when calculating the taxable gain. Any unused shield deduction cannot be used to create or increase a taxable loss. The taxable gain/tax deductible loss is calculated on a share-by-share.
- (g) Individuals, and any entity not covered by the tax exemption rules mentioned under (a), suffering a net loss from capital, e.g. as a result of a capital loss upon sale, switch, redemption etc. of shares, may claim a deduction in ordinary income (which is taxed at the rate of 28%), but not for gross tax purposes (gross tax applies only to individuals on income classified as salary).
- (h) An exchange of shares from one sub-fund/class of shares to another should be tax exempt if the transaction is covered by the tax exemption rules mentioned under (a) above. Otherwise, such transfer will most likely be regarded as a taxable disposal (tax rate of 28%).
- (i) If a capital gain is taxable, the applicable tax rate is 28% and relates to all taxable persons (i.e. all types of companies and individuals).
- (j) Lawful dividends on shares (as defined under (a) above) received by Norwegian resident corporate shareholders from Norwegian resident entities (as referred to under (a) above) are 97% tax exempt. All portfolio management expenses, etc. related to exempt income from shares are fully tax deductible. In order to limit the benefit of these deductions, the tax exemption method is limited to 97% of the dividend income, with the remaining 3% taxable for Norwegian corporate shareholders (0.84% effective tax rate). An exemption from the 3% rule applies for dividends distributed within a tax group (i.e. where a parent company owns more than 90% of the shares and the voting rights, directly or indirectly, in the company). For investments

in EEA companies the 97% tax exemption for lawful dividends on shares will only apply if the foreign company invested into is not resident in a low-tax country. However, if the company is resident in a low-tax country, the 97% tax exemption will still apply if the Company is actually established in an EEA State and carries out genuine economic business activity there. The requirements mentioned must be documented. However, dividends on shares paid by Norwegian companies to taxpayers resident outside the EEA or taxpayers resident within the EEA not comprised by the tax exemption method, are subject to 25% withholding tax (WHT) if not exempted or reduced under an applicable Tax Treaty. If not covered by the tax exemption rules mentioned under (a), dividends from a foreign company to Norwegian resident corporate shareholders would be taxable at the rate of 28%. Dividends on shares as mentioned under (b) to Norwegian corporate shareholders will consequently be taxable in Norway. Dividends received by Norwegian resident corporate shareholders on shares in NOKUS companies are not subject to taxation as long as the dividends paid fall within the relevant NOKUS company's already taxed income, see under (m) below for further details.

- (k) For individuals resident in Norway, only dividends received in excess of a calculated shield deduction (equal to the arithmetic average interest on Norwegian three months exchequer bills, after tax) multiplied with the cost price of the shares, previous years unused shield deduction included, will be taxable at a tax rate of 28%. It is a condition for deduction of shield deduction that the dividends are paid out in accordance with the rules and regulations of the applicable corporate and accounting laws/regulations. The shield deduction is tied to the individual share. A distribution from a bond fund does not entitle the shareholder to a shield deduction.
- (l) Most Norwegian institutional investors are taxed as corporate shareholders (see above) with respect to dividends and capital gains on the disposal of shares. Some institutional and governmental investors are tax-exempt. In addition to be comprised by the



Norwegian tax exemption method, Norwegian equity funds are also comprised by a special tax rule whereby all capital gains on shares in non-EEA companies are tax exempt. Norwegian equity funds do not have the right to deduct losses on disposal of shares in companies resident in countries outside the EEA.

- (m) Each Norwegian investor should seek to find out whether the investment will be subject to Norwegian NOKUS taxation (CFC taxation). Norwegian residents (individual or company) will be taxed directly for their part in the foreign Company's/Fund's income if the company is located in a low-tax country, irrespective of whether any funds, etc. are distributed to the investor. A low-tax country in this respect is a country where the assessed income tax on the company's profits is less than two-thirds of assessed taxes calculated according to Norwegian tax rules as if the company had been located (resident) in Norway. A condition for such taxation is that 50% or more of the foreign company's shares or capital are owned or controlled, directly or indirectly, by Norwegian taxpayers (alone or together), based on ownership status at the beginning and end of the income year. Furthermore, if Norwegian taxpayers own or control more than 60% of the shares or capital at the end of the income year, Norwegian control exists irrespective of the level of control at the beginning of the year. Norwegian control ceases to exist if Norwegian taxpayers own or control less than 50% of the shares or capital at both the beginning and end of the income year or less than 40% of the shares or capital at the end of the income year. In relation to umbrella funds it should be noted that the ownership requirement is calculated based on ownership at the level of the different sub-funds. On condition that Norway has signed a Tax Treaty with the country involved and the entity in question is covered by that tax treaty, the NOKUS rules will only be applicable if the income of the company in question is mainly of a passive nature. Furthermore, NOKUS taxation is prohibited if the company in question is actually established and actually carrying out business activity in an EEA State. The Norwegian

rules in this respect are more or less in accordance with the “wholly artificial arrangement” statement of the ECJ’s judgment in the Cadbury Schweppes case.

- (n) Individuals (and estates of deceased persons) will have to pay net wealth tax based on their ownership in the company. The maximum tax rate is 1.10% (i.e. 0.40% state tax and 0.70% municipal tax). There is no net wealth tax for limited liability companies, securities funds, state-owned enterprises according to the state-owned enterprise act, intermunicipal companies and companies in which somebody owns a part in or receives income from, when the responsibility for the companies’ liabilities are limited to the companies’ capital. Some institutional investors such as mutual insurance companies, savings banks, co-operatives, taxable pension funds, self-owned finance institutions and mortgage credit associations pay 0.30% net wealth tax. Otherwise the maximum net wealth tax rate for a corporate body is 1.00%. Shares in limited liability companies and equity funds are valued at 100% of quoted value for net wealth tax purposes as of 1 January of the year after the relevant income year. If quoted both on Norwegian and foreign stock exchanges, the Norwegian quoted value will be applicable. If not quoted, the basis for taxation is the company’s net assets for wealth tax purposes as per 1 January of the income year in question. The basis for taxation of not quoted shares in foreign companies is as a starting point the shares assumed market value as per 1 January of the assessment year.
- (o) Investors should also read the UK taxation section of this Prospectus which describes additional tax consequences for the Company and its investors.

#### Documents Available for Inspection

The following documents are available for inspection free of charge during normal business hours on weekdays (Saturdays, Sundays and other public holiday excepted) at the registered office of the Company. These documents, together with a translation of the Open-Ended Investment

Companies Regulations 2001 made under Section 262 of the Financial Services and Markets Act 2000, may also be inspected, free of charge, at the offices of the Distributors.

(a) Instruments of Incorporation of the Company.

The Reports of the Company.

The agreements listed above may be amended from time to time by agreement between the parties thereto.

The Instrument of Incorporation (as amended from time to time) may also be inspected at the local representative's offices.

Copies of this Prospectus and the latest financial reports of the Company may be obtained, free of charge, upon request at the registered office of the Company and the office of the Distributor.

Information about the Company and the relevant dealing procedures may be obtained from the Representative in the UK and from Oslo Finans ASA, PO Box 1543 Vika, N-0117 Oslo, Norway (Telephone (+47) 22 47 95 80, Fax (+47) 22 42 42 89).

## **SOUTH AFRICA**

### **Registration and Supervision**

WOODGROVE ASSET MANAGEMENT Funds ("the Company") is an open-ended investment company incorporated in England and Wales and authorised by the Financial Services Authority ("the FCA") on 22 July 1997.

On 9 March 2004 the Financial Services Board in South Africa ("the FSB") duly approved the following sub-fund of the Company for marketing in South Africa:

WOODGROVE ASSET MANAGEMENT Funds – Select Global Equities Fund ("the Fund").

Switching to another United Kingdom-based open-ended investment company (OEIC) scheme or to an "unapproved" fund (including a sub-fund of the Company other than the approved Fund) is prohibited by the FSB.

### Representative Office

- ABC Collective Investments Limited, (Reg No: 1969/003468/06), of 17 Melrose Boulevard, Melrose Arch, Johannesburg, 2196, South Africa is the representative of the Fund in South Africa.

### Share Class of the Fund

The Instrument of Incorporation of the Company -in relation to the Fund- provides only for Accumulation Shares to be issued. Income attributable to “Accumulation Shares” is automatically added to (and retained as part of) the capital assets of the Fund at the end of each accounting period and is reflected in the Share price.

### Minimum Subscription Holding

The minimum initial or subsequent subscription for Shares in the Fund is £100,000.

### General

Notwithstanding anything in this Prospectus, the current policy of the Company in respect of the Fund is as follows:

1. No equity, derivative or fixed income instrument will be purchased or sold unless it is traded on an exchange which has been granted full membership of the World Federation of Exchanges or to which the Fund has applied the due diligence guidelines prescribed by the Registrar of Collective Investment Schemes, provided that up to 10% of the net asset value of the Fund may be invested in markets which do not meet this criteria.
2. The Fund will utilise derivative instruments, including option contracts and futures contracts, only for the purposes of efficient portfolio management. Derivative products may not be used for purposes of gearing, leveraging or margining or for the purposes of producing, enhancing or generating income. All derivatives utilised must be exchange-traded derivatives and derivative products will be traded over-the-counter only for purposes of effecting forward

currency, interest rate swap and exchange rate swap transactions. No uncovered positions will be permitted.

3. If there is any contradiction between this paragraph 2. and the paragraph headed “Efficient Portfolio Management” in the Prospectus, the prescription of this paragraph 2. shall prevail.
4. No fixed income securities will be purchased unless they are investment grade (BBB or above), provided that up to 10% of fixed income securities may be non investment grade. Such rating will emanate from Standard & Poor’s, Moody’s or Firth Ratings Limited. If the rating between these agencies differ, the lower will apply.<sup>1</sup>
5. The Fund may only borrow money for purposes of redemptions. The borrowing on any business day may not exceed 10% of the value of the Fund.
6. The Fund will not engage in scrip borrowing.
7. The Fund may include participatory interests of other collective investment schemes only if such participatory interests have a risk profile which is not significantly higher than the risk profile of other underlying securities which may be included in the Fund.
8. The Fund may not invest in a fund of funds or a feeder fund.

**Important differences between South African collective investment schemes and the Company**

#### **Structure**

South African collective investment schemes take the form of a trust or an open-ended investment company.

#### **Ring-fencing of sub-funds**

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<sup>1</sup> Footnote to 4: Normally no fixed income securities will be purchased. However there may be occasions where the Fund will buy convertible bonds. Although these provide a “fixed income” and on a literal interpretation may be referred to as “fixed income securities”, these convertible bonds are directly linked to an underlying equity referred to in 1 above and are acquired for the purpose of ultimately acquiring the underlying equity. Usually any such bonds will not be rated and accordingly no confirmation can be given as to how they are rated. The positions represented by convertible bonds as a percentage of the total net assets of the Fund, are immaterial.

In terms of the Republic of South Africa (“the RSA”) legislation, the sub-funds of a South African collective investment scheme are ring-fenced. If the collective investment scheme is unable to meet liabilities attributable to any particular sub-fund out of the assets attributable to that sub-fund, the excess liabilities may not be met out of the assets attributable to the other sub-funds.

Each of the Company’s sub-funds, in usual circumstances, is treated as having its own assets and liabilities. However, the assets of each sub-fund are not “ring-fenced” and, if the Company is unable to meet liabilities attributable to any particular sub-fund out of the assets attributable to that sub-fund, the excess liabilities may have to be met out of the assets attributable to the other sub-funds. Assets may be transferred between sub-funds if it is necessary to do so to satisfy any creditor proceeding against certain of the assets of the Company.

#### Repurchases of units/shares

In terms of RSA legislation and deeds, a South African collective investment scheme is required to repurchase units from the public at a price that has been calculated not more than 24 hours preceding the receipt of the application. Participatory interests are priced daily. Unit certificates are issued to investors on request.

The Company is required to repurchase the Shares on request. The net asset values attributable to the Share Class(es) of the Fund will normally be calculated at 12.00 noon UK time on each valuation date as disclosed under “Share Prices” in the Prospectus.

The Company may only suspend trading under limited conditions and for a period of up to 28 days as disclosed in Appendix 4: General Information (Suspension of Dealings in Shares) of the Prospectus.

#### Company expenses

In terms of RSA legislation, South African collective investment schemes are only allowed to deduct certain amounts from a portfolio, namely charges payable on the buying and selling of assets for the portfolio (such

as brokerage, marketable securities tax, value-added tax or stamp duties), auditor's fees, bank charges, trustee and custodian fees and other levies and taxes, share creation fees payable to the Registrar of Companies, and the agreed and disclosed service charges of the manager. The deed of a collective investment scheme must contain full disclosure of the charges (managers' charges and service charges) that may be levied by the manager and the method of calculation of such charges. The manager must give investors not less than three months' written notice of any change in the existing charges or the introduction of an additional charge that could result in an increase of charges for investors.

The Company may pay out of the scheme property all the expenses mentioned under "Fees and Expenses" in the Prospectus. Expenses are allocated between capital and income in accordance with the FCA's Handbook on Collective Investment Schemes ("the COLL Sourcebook").

#### **Borrowing powers**

In terms of RSA legislation, South African collective investment schemes may only borrow funds for purposes of the redemption of participatory interests, where insufficient liquidity exists in a portfolio or where assets cannot be realised to repurchase or cancel participatory interests, in which event the manager may borrow the necessary funds for such repurchase or cancellation on security of the assets and for the account of the portfolio in question from a registered financial institution at the best commercial terms available and until assets can be realised to repay such a loan, provided that the maximum amount so borrowed may not exceed 10% of the market value of such portfolio at the time of borrowing and is limited to 61 days.

Subject to the COLL Sourcebook, the ACD may, on the instructions of the Company, borrow money from an "eligible institution" – as defined in the glossary to the FCA Handbook of Rules and Guidance – for the use of the Company on terms that the borrowing is to be repayable out of the scheme property.

The ACD may only borrow money for redemptions and timing problems for settlement. Borrowing must be on a temporary basis, must not be persistent, and in any event must not exceed 3 months without the prior consent of 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% of the value of the Fund.

These borrowing restrictions do not apply to “back to back” borrowing for currency hedging purposes (i.e. borrowing permitted in order to reduce risk arising by reason of fluctuations in exchange rates).

Please see Appendix 2 (Investment Powers and Restrictions) of the Prospectus.

#### Reporting

In terms of RSA legislation, South African collective investment schemes report to investors on an annual basis.

#### Distributions

In terms of RSA legislation, the income of South African collective investment schemes is distributed regularly and may be reinvested at the option of the investor by the issue of additional participatory interests.

#### Investment restrictions

The laws governing the investment guidelines of South African collective investment schemes are clearly set out in the Collective Investment Schemes Control Act 45 of 2002 (“the CISC Act”), the various regulations promulgated thereunder and the relevant deeds.

In terms of the CISC Act, a maximum of 10% of a fund may be invested in securities listed on an exchange which is not a full member of the World Federation of Exchanges or to which the due diligence guidelines prescribed by the Registrar have not been applied. Unlisted securities must be listed within 12 months of the purchase date or be disposed of. The Company may not invest more than 10% of its assets in securities that are



not traded on securities markets in EEA member states, or securities markets in non-EEA member states or derivative markets to which due diligence guidelines (which have not been prescribed) are applied.

In terms of the CISC Act, the investment restriction on an individual security in respect of equity funds is a maximum of 5% of fund if market capitalisation of company is less than R2 billion, otherwise it is 10%, or 120% of free float weighting in appropriate exchange index with an overall limit of 20% for general funds and 35% for specialist funds.

In terms of the CISC Act, the investment in non-equity securities (other than government issued and listed securities) is limited. Such non-equity securities must be included subject to the conditions prescribed in terms of the CISC Act (which includes requirements as to the rating of the securities).

The investment restrictions of the Company are set out in full in Appendix 2 (Investment Powers and Restrictions) of the Prospectus. The investment restrictions set out the maximum exposure limits allowed in the Company in relation to transferable securities (both equity and fixed income securities), debt, warrants, unlisted shares, futures, options, forward contracts and stocklending and repurchase agreements. Investors are advised to refer to Appendix 2 of the Prospectus, for full details of the applicable investment restrictions. The Company is also required to meet all the requirements set out in the COLL Sourcebook. This sets out in great detail the minimum requirements regarding investment restrictions with which the Company must comply. These restrictions are comparable to RSA legislation, and in some cases are more restrictive.

#### Derivatives

The RSA legislation in relation to techniques for efficient portfolio management techniques and derivative investments is fairly stringent. Derivatives may only be used for efficient portfolio management (i.e. no gearing, leveraging or margining is allowed). No unlisted derivative instruments or uncovered exposures may be included in the Fund, save that

the Fund may include forward currency, interest rate or exchange rate swap transactions for efficient portfolio management.

For the purpose of efficient portfolio management, the Company may use various techniques, instruments and derivatives in managing portfolios. These are used for hedging purposes in managing the Fund. Details are set out in Appendix 2 (Investment Powers and Restrictions) of the Prospectus.

#### Stocklending

Currently scrip borrowing is not permitted in terms of the CISC Act. Scrip lending is permitted up to 50% with limits on single borrower and subject to 105% collateral.

The Company or the Depositary at the request of the Company may enter into certain stocklending arrangements in respect of the Fund. The ACD does not currently intend to enter into stocklending arrangements.

Stocklending arrangements must always comply with the requirements of the Taxation of Chargeable Gains Act 1992 and the requirements of the COLL Sourcebook and the Guidance on Stocklending issued by the FCA as amended from time to time.

The pledging of securities is not permitted in terms of the CISC Act.

#### Taxation

##### Investment in an offshore investment company

South African residents are taxed on their worldwide income at the earliest of the receipt or the accrual of the income. South African residents include individuals that are ordinarily resident in South Africa or are physically present in South Africa for a minimum aggregate period of time over a period of six years, and any trust, company or any other entity that is incorporated, established or formed in South Africa or that has its place of effective management in South Africa. A person exclusively resident in another jurisdiction in terms of a valid double tax convention between that state and South Africa is not a resident.

##### Dividend and interest income

With effect from 1 January 2011, distributions by foreign companies are recognised as foreign dividends where such amounts are treated as dividends or similar payments in terms of the tax laws of the country in which the foreign company has its place of effective management or, in the absence of tax laws, the distribution is a foreign dividend if treated as such by the company law of the jurisdiction in which the company is incorporated (unless such amount constitutes the redemption of a participatory interest in a foreign collective investment scheme or is deductible by that foreign company in the determination of any tax on income on companies of the country in which that foreign company has its place of effective management).

Foreign dividends (save for limited exemptions) are generally taxable in South Africa as part of a South African resident's taxable income. A foreign dividend should qualify for an exemption under the general participation exemption if the recipient of the dividend, together with any company forming part of the same group of companies, holds at least 10% of the equity shares and voting rights in the foreign company declaring the dividend. Foreign dividends received or accrued to any person in relation to any participatory interest in a "collective investment scheme" carried on outside of South Africa are denied exemption under the general participation exemption available to persons holding not less than 10% in a non-South African resident company. Foreign dividends not qualifying for the general participation exemption should however qualify for the general dividend exemption that is available to individuals and companies, whereby the effective tax rate on dividends is reduced to a maximum of 15%.

Dividends from South African resident companies are exempt from tax in the hands of South African recipients, subject to specific exceptions.

Foreign dividends received or accrued from hybrid equity instruments (as defined) on or after 1 April 2012, or which became such an instrument after such date, shall be deemed to be interest from a South African source in the recipient's hands and therefore be included in the recipient's gross income.

Any interest received by or accrued to a South African resident or which is deemed to have accrued to a South African resident, is likely to be taxable in South Africa, subject to limited exemptions.

#### Accumulation of income

Where the underlying income of the Company is rolled up and not distributed, the South African resident investor will not be in receipt of any foreign dividends. Accordingly, no South African income tax liability will arise in the hands of a South African resident until such time as a distribution or deemed distribution takes place.

#### Sale of Shares to third parties

The “gross income” definition contained in the South African Income Tax Act provides a starting point for the determination of any person’s taxable income. The definition of “gross income” for South African tax residents refers to the total amount, whether in cash or otherwise, received by or accrued to or in favour of any resident, excluding any receipt or accrual of a capital nature. The definition of “gross income” for non South African tax residents refers to the total amount, whether in cash or otherwise, received by or accrued to or in favour of such person from a source or deemed source within South Africa, excluding any receipt or accruals of a capital nature.

Accordingly, each individual investor would be required to determine whether the receipt or accrual arising from a disposal or redemption is of a capital nature or not. This cannot be determined without reference to the individual circumstances of the resident.

Any amount received or accrued to an investor as a result of the disposal by that investor of a qualifying share (as defined) on or after 1 October 2007 will, subject to certain exemptions, be deemed to be of a capital nature.

Capital gains on disposal of shares in a “foreign company” to a non-South African tax resident by a person who holds (whether alone or together with any other person forming part of the same group of companies as that person) at least 10% of the equity share capital and voting

rights and has held such an interest for a period of not less than 18 months are exempt from capital gains tax (save for limited exemptions), provided that the disposal is not to a company which is a controlled foreign company (as defined) (save for limited exemptions). This exemption from capital gains tax shall not apply to *inter alia* the disposal of any interest in the equity share capital of a “collective investment scheme” carried on outside of South Africa.

If the proceeds on disposal are of a revenue nature, the investor will be taxed on the total amount at the rate of taxation applicable to that investor. If the receipt is of a capital nature, individual investors will pay normal income tax on 33.30% of the net capital gain (being the amount by which their aggregate capital gains exceed their aggregate capital losses) and corporate investors and trust investors will pay normal income tax on 66.60% of the net capital gain on disposal (provided no exemptions apply).

The capital gain or loss arising on the disposal of an asset is calculated by deducting the base cost of the asset from the proceeds received or which accrued in respect of the disposal. Where, for years of assessment commencing on or after 24 January 2005, an asset is disposed of and the consideration includes an amount that cannot be quantified, then so much of the consideration that cannot be quantified will be treated as not having accrued to the investor until such date that the amount is quantifiable.

Similarly, when determining the capital gains or losses (if any) in respect of assets disposed of during years of assessment commencing on or after 24 January 2005, where all the proceeds do not accrue to the seller in the same year of assessment, capital losses on such disposals will be deferred until the proceeds accrue. Capital losses may be deducted from subsequent capital gains on the disposal of assets when the proceeds in relation to that asset accrue or when it can be shown that no further proceeds will accrue.

The investment falls within the definition of a foreign equity instrument with the result that any exchange gain in respect of such an investment will be taxable as part of the capital gain on disposal.

### Redemption of Shares and Share buy backs

With effect from 1 January 2011, any amount that is paid or payable by a foreign company in respect of any share, is recognised as a foreign return of capital where such amount is treated as a distribution or similar payment other than a foreign dividend in terms of the tax laws of the country in which the foreign company has its place of effective management, or where there are no tax laws, by the company law of the country in which the company is incorporated. An amount cannot be regarded as a foreign return of capital if it is deductible by a foreign company in terms of its foreign tax law.

Where a foreign return of capital takes place on or after 1 April 2012, the amount accruing to the shareholder must be applied in reduction of the base cost of the investment. In the event that the return of capital exceeds the expenditure in respect of the shares to which the return relates, the excess must be treated as a capital gain during the year of assessment in which the return of capital is received or accrued (whichever is earlier).

A foreign return of capital arising from a full redemption of an investor's shares is likely to be regarded as a disposal event, and should qualify for a participation exemption provided that the investor holds at least 10% of the equity share capital and voting rights of the Company, and that the foreign company is not a foreign financial instrument holding company (as defined). This exemption from capital gains tax shall not apply to inter alia the disposal of any interest in the equity share capital of a "collective investment scheme" carried on outside of South Africa.

Receipts or accruals which do not constitute foreign returns of capital (as defined) or foreign dividends (as defined) are not specifically dealt with in the South African Income Tax Act, 58 of 1962. The general rules pertaining to receipts and accruals will therefore apply to such amounts.

Share buy backs should qualify for a participation exemption provided that the investor holds at least 10% of the equity share capital and voting rights of the Company, has held such interest for a period of 18 months and that the foreign company is not a foreign financial instrument holding company

(as defined). This exemption from capital gains tax shall not apply to inter alia the disposal of any interest in the equity share capital of a “collective investment scheme” carried on outside of South Africa.

NOTE: This summary of the tax consequences for investors in South Africa briefly sets out the tax position as at 18 June 2012 and is for information purposes only. It should be noted that no proposed amendments to the South Africa Income Tax Act have been included in the above description of the South African tax position. Investors should consult their own tax advisors in relation to an investment in the Company as the individual circumstances of each investor will determine the full tax consequences of any investment in the Company.

#### SWEDEN

The Company is an open-ended investment company with variable capital incorporated in England and Wales on 22 July 1997.

By virtue of rulings of Finansinspektionen (the Swedish Financial Supervisory Authority) dated 1 July 2003 and 13 December 2005, the Company is authorised to sell its Shares to members of the public in Sweden. It should be noted that the Global Focus Fund and the MoneyBuilder Income Reduced Duration Fund are not approved for distribution in Sweden.

The information below describes the facilities available to investors resident in Sweden and the procedures which apply to dealing in Shares in the Company. This information must be read in conjunction with the current Prospectus of the Company, the most recent annual report and, if published thereafter, the most recent semi-annual report. Amendments to the Prospectus, the Instrument of Incorporation, or any other information will be held available at the offices of Skandinaviska Enskilda Banken AB (publ.) (the “Paying Agent”). Material amendments to the Prospectus and the Instrument of Incorporation will be filed with the Swedish Financial Supervisory Authority.

Paying Agent in Sweden

The Company has appointed Skandinian Embedded Banken AB (publ.), Halle 2, SE-108 50, Stockholm, Sweden, as the Paying Agent for the Company in Sweden.

The Instrument of Incorporation, Prospectus and the (semi-) annual report can be obtained free of charge from the Paying Agent's office.

Investors may also apply to redeem Shares and obtain payment through the Paying Agent.

Conditions applying to subscription, purchase, sale and redemption

Investors may give instructions (directly, or through their bank or other financial representative) to the ACD or to the Distributor of the Company, WOODGROVE Pensions Management.

WOODGROVE Pensions Management is the Distributor for Sweden and acts as agent for the ACD, WOODGROVE Investment Services Limited. All instructions can be addressed to the ACD or WOODGROVE Pensions Management, London, United Kingdom.

Investors should bear in mind that applications for the acquisition of Shares or instructions to switch Shares in a Company to Shares in another Company or another Class of Shares in the same Company should be delivered in writing to the ACD or Distributor in the form prescribed by the ACD or Distributor.

Application forms may be obtained in Sweden on request from the Paying Agent, the ACD, or the Distributor. Generally, subscriptions and redemptions must be made in Pounds Sterling. Exceptionally, on application, WOODGROVE Corporate Treasury may be able to arrange foreign exchange on a principal basis in certain other major currencies but cannot give advice.

Publication of prices

Details of the most recent prices of Shares of the Company may be obtained from the ACD, or from the Distributor. The net asset values of the



appropriate Funds will generally be published daily in the Financial Times in the UK.

#### Taxation

The directors are informed of the following summary of certain Swedish tax consequences related to the holding of Shares for individuals and limited liability companies resident in Sweden for tax purposes. The summary is intended to provide general information only. The summary does not cover income tax issues in cases where the Shares are held as current assets in business operations or by a partnership. The tax treatment for investors depends in part on their particular situation. Before investing in Shares in the Company, each investor should consult a professional tax adviser as to the tax consequences relating to their particular circumstances resulting from holding the Shares.

- (a) For individuals, dividends and capital gains realised on sale, switch or redemption of Shares are classified as capital income and are taxed at a rate of 30 per cent. It should be noted that switch of Shares in one fund into another fund is treated as a sale of Shares.
- (b) For individuals capital losses on listed securities that are taxed as shares of stock may as a general rule be fully deducted from capital gains on all listed securities that are taxed as shares of stock and from capital gains on unlisted shares of stock. 70 per cent of a loss in excess of such gains may be deducted from other capital income. If a net loss should arise in the capital income category in a given year, such net loss may reduce the tax on income from employment and business operations, as well as property tax. This tax reduction is granted at 30 per cent of the net loss that does not exceed SEK 100,000 and at 21 per cent of the net loss for any remaining part. Net loss not absorbed by these tax reductions cannot be carried forward to future tax years.
- (c) For limited liability companies all income is attributable to the category of business operations and is taxed at a rate of 26.3 per cent. See (a) above regarding taxable events.

- (d) For limited liability companies capital losses on Shares, which are held as capital investments, may only be deducted from capital gains on securities that are taxed as shares of stock. Capital losses not deducted from such gains may be carried forward to offset such capital gains in future tax years, without limitations in time.
- (e) Specific tax consequences may be applicable to certain categories of companies, e.g. investment companies.
- (f) In addition to the above described Swedish tax consequences, the following applies to Swedish resident investors in Swedish and foreign investment funds:
  - i) Individuals will have to include a notional income in their tax returns based on the value of their fund investments. The notional income is 0.40% of the value of the fund units at the beginning of the calendar year. The notional income will be taxed at the investment income rate of 30%.

For fund units deposited in an investment savings account (“*investeringsparkonto*”) the notional income described above will not apply. Instead, the specific notional income for investment savings accounts, based on the official interest rate, will apply.

- ii) Legal entities such as limited liability companies and other legal entities will have to include a notional income in their tax returns based on the value of their fund investments. The notional income is 0.40% of the value of the fund units at the beginning of the calendar year. The notional income will be taxed at the investment income rate of 26.30%.

For such legal entities (banks and insurance companies) which mark their investments to market for tax purposes the notional income is not to be calculated and included in taxable income.

- (g) Investors should also read the taxation section under “UK Taxation”, which describes additional tax consequences for investors. Taxation law and practices, and the levels of taxation, are subject to future alteration.

