



**PROSPECTUS**

**OF**

**TM Neuberger Berman Investment Funds**

**(An open-ended investment company with variable  
capital incorporated with limited liability and  
registered in England and Wales  
under registered number IC003108)**

This document constitutes the Prospectus for TM Neuberger Berman Investment Funds (the "**Company**") which has been prepared in accordance with the Collective Investment Schemes Sourcebook.

This Prospectus is dated, and is valid, as at 30 March 2022. This document replaces any previous prospectuses issued by the Company.

Copies of this Prospectus have been sent to the Financial Conduct Authority and the Depositary.

**IMPORTANT INFORMATION****IF YOU ARE IN ANY DOUBT ABOUT THE CONTENTS OF THIS PROSPECTUS YOU SHOULD CONSULT YOUR FINANCIAL ADVISER**

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

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

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

The Shares have not been and will not be registered under the 1933 Act or the securities laws of the United States. The Shares may not be offered or sold directly or indirectly in the United States or to or for the account or benefit of any US Person or in a transaction not subject to the regulatory requirements of, the 1933 Act and any applicable state securities laws. Any re-offer or resale of any of the Shares in the United States or to US Persons may constitute a violation of US law. The Company has not been and will not be registered under the 1940 Act and investors will not be entitled to the benefit of registration.

The Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission or other regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of these offering materials. Any representation to the contrary is unlawful. The Shares are subject to restrictions on transferability and resale and may not be transferred or resold in the United States except as permitted under the 1933 Act and applicable state securities laws, pursuant to registration or exemption therefrom.

In order to ensure compliance with the restrictions referred to above, the Company is, accordingly, not open for investment by any US Persons or ERISA Plans except in exceptional circumstances and then only with the prior consent of the ACD. A prospective investor may be required at the time of acquiring Shares to represent that such investor is a qualified holder and not a US Person or acquiring Shares for the account or benefit, directly or indirectly, of a US Person or with the assets of an ERISA

Plan. The granting of prior consent by the ACD to an investment does not confer on the investor a right to acquire Shares in respect of any future or subsequent application.

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

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

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

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

The Depositary is not a person responsible for the information contained in this prospectus and accordingly does not accept any responsibility therefore under the Regulations or otherwise.

## **RISK FACTORS**

Investors, or potential investors, should consider the risk factors set out in paragraph 5, and elsewhere in this Prospectus, before investing in the Company.

**IMPORTANT: IF YOU ARE IN ANY DOUBT ABOUT THE CONTENTS OF THIS PROSPECTUS YOU SHOULD CONSULT YOUR FINANCIAL ADVISER.**

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**DIRECTORY**

**Head Office of the Company**

Exchange Building  
St. John's Street  
Chichester, West Sussex PO19 1UP

**Authorised Corporate Director**

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

**Investment Manager**

**Neuberger Berman Europe Limited**  
The Zig Zag Building, 70 Victoria Street  
London SW1E 6SQ

**Administrator and Fund Accountant**

**State Street Bank and Trust Company**  
20 Churchill Place  
London E14 5HJ

**Registrar and Transfer Agent**

**SS&C Financial Services Europe Limited**  
SS&C House  
St Nicholas Lane  
Basildon  
Essex SS15 5PD

**Depository**

**State Street Trustees Limited**  
20 Churchill Place  
London E14 5HJ

**Custodian**

**State Street Bank and Trust Company**  
20 Churchill Place  
London E14 5HJ

**Auditors**

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

**The Financial Conduct Authority**

12 Endeavour Square  
London E20 1JN

## DEFINITIONS

<b>"ACD"</b>	Thesis Unit Trust Management Limited, the authorised corporate director of the Company;
<b>"Administrator"</b>	State Street Bank and Trust Company or such other entity who is appointed as Administrator;
<b>"Approved Bank"</b>	(in relation to a bank account opened by the Company): <ul style="list-style-type: none"> <li>a) if the account is opened at a branch in the UK:           <ul style="list-style-type: none"> <li>i. the Bank of England; or</li> <li>ii. the central bank of a member state of the OECD; or</li> <li>iii. a bank; or</li> <li>iv. a building society; or</li> <li>v. a bank which is supervised by the central bank or other banking regulator of a member state of the OECD; or</li> </ul> </li> <li>b) if the account is opened elsewhere:           <ul style="list-style-type: none"> <li>i. a bank in (a); or</li> <li>ii. a bank which is regulated in the Isle of Man or the Channel Islands; or</li> </ul> </li> <li>c) a bank supervised by the South African Reserve Bank and a credit institution established in an EEA State and duly authorised by the relevant Home State regulator</li> </ul>
<b>"Associate"</b>	any other person whose business or domestic relationship with the ACD or the ACD's associate might reasonably be expected to give rise to a community of interest between them which may involve a conflict of interest in dealings with third parties;
<b>"Business Day"</b>	any day on which banks are open for business in London and/or such other place or places and such other day or days as the ACD may determine;
<b>"CASS"</b>	the requirements relating to holding client assets and client money published by the FCA as part of the FCA Handbook, as amended or replaced from time to time;
<b>"CCP"</b>	as defined in the FCA Glossary;
<b>"Class" or "Classes"</b>	in relation to Shares, means (according to the context) all of the Shares related to a Fund or of a particular class or classes of Share related to a Fund;
<b>"COLL"</b>	refers to the appropriate chapter or rule in the COLL Sourcebook;

<b>“COLL Sourcebook”</b>	the Collective Investment Schemes Sourcebook which forms part of the FCA Handbook of Rules and Guidance as amended or replaced from time to time;
<b>“Company”</b>	TM Neuberger Berman Investment Funds;
<b>“Conversion”</b>	the exchange of Shares in one Class for Shares of another Class in the same Fund and the act of so exchanging and “Convert” shall be construed accordingly;
<b>“Data Protection Laws”</b>	means all applicable laws relating to the processing, privacy and/or use of personal data including the following laws to the extent applicable in the circumstances: <ul style="list-style-type: none"> <li>a) the UK GDPR;</li> <li>b) the Data Protection Act 2018;</li> <li>c) any laws which implement any such laws; and</li> <li>d) any laws which replace, extend, re-enact, consolidate or amend any of the foregoing (whether or not before or after the date of this Prospectus); and</li> <li>e) all guidance, guidelines and codes of practice issued by any relevant supervisory authority relating to such Data Protection Laws (in each case whether or not legally binding);</li> </ul>
<b>“Dealing Day”</b>	every day in the UK other than a Saturday, Sunday, a bank holiday or a day deemed as a holiday by the ACD with the prior agreement of the Depositary;
<b>“Depositary”</b>	State Street Trustees Limited or such other entity as is appointed to act as Depositary;
<b>“Directors”</b>	the director or directors of the Company for the time being (including the ACD) or, as the case may be, the directors assembled as a board (including any committee of the board) from time to time;
<b>“EEA State”</b>	a member state of the European Union and any other state which is within the European Economic Area; ;
<b>“Eligible Institution”</b>	one of certain eligible institutions as defined in the Glossary;
<b>“ERISA Plan”</b>	(i) any retirement plan subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended (“ERISA”); (ii) any individual retirement account or plan subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended; or (iii) an entity whose assets include plan assets by reason of a plan’s investment in the entity (generally because 25% or more of a class of equity interests in the entity is owned by plans);
<b>“EUWA”</b>	as defined in the FCA Glossary;
<b>“FATCA”</b>	means the Foreign Account Tax Compliance Act (US);

<b>"FCA Glossary"</b>	the glossary given the meanings of the defined expressions used in the FCA Handbook as amended from time to time;
<b>"FCA"</b>	the Financial Conduct Authority and any successor or replacement organisation or authority;
<b>"FCA Handbook"</b>	the FCA's Handbook of Rules and Guidance, as amended from time to time;
<b>"Financial Instrument"</b>	as defined in the FCA Glossary;
<b>"fraction"</b>	a smaller denomination Share (on the basis that one thousand smaller denomination Shares make one larger denomination Share);
<b>"Fund" or "Funds"</b>	a sub-fund of the Company (being part of the Scheme Property of the Company which is pooled separately) and to which specific assets and liabilities of the Company may be allocated and which is invested in accordance with the investment objective applicable to such sub-fund and 'Funds' shall be interpreted accordingly;
<b>"Fund Accountant"</b>	the person who provides fund accounting services, being State Street Bank And Trust Company and its successor or successors as fund accountant;
<b>"Home State"</b>	as defined in the FCA Glossary;
<b>"Instrument of Incorporation"</b>	the instrument dated 1 February, 2019 incorporating the Company, as may be amended from time to time;
<b>"Net Asset Value" or "NAV"</b>	the value of the Scheme Property of the Company (or of any Fund, as the context requires) less the liabilities of the Company (or of the Fund concerned) as calculated in accordance with the Company's Instrument of Incorporation;
<b>"OECD"</b>	the Organisation for Economic Co-operation and Development
<b>"OEIC Regulations"</b>	the Open-Ended Investment Companies Regulations 2001 as amended or re-enacted from time to time;
<b>"Register"</b>	the register of Shareholders in the Company;
<b>"Registrar"</b>	SS&C Financial Services Europe Limited or such other entity who is appointed to act as Registrar of the Company;
<b>"Regulated Activities Order"</b>	the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 SI 2001/s44 as amended from time to time;
<b>"Regulations"</b>	the OEIC Regulations and the FCA Handbook;
<b>"Retail Prices Index"</b>	the Retail Prices Index published by the Office for National Statistics, or a successor or replacement organisation;



<b>“Scheme Property”</b>	the property of the Company or the Fund as the context requires under the Regulations to be given for safe-keeping to the Depositary;
<b>“SDRT”</b>	stamp duty reserve tax;
<b>“securities financing transaction”</b>	as defined in article 3 of the Securities Financing Transaction Regulation, namely any or all of the following: <ul style="list-style-type: none"> <li>(a) a repurchase contract; securities or commodities lending and securities or commodities borrowing;</li> <li>(b) a buy-sell back transaction or sell-buy back transaction; and</li> <li>(c) a margin lending transaction;</li> </ul>
<b>“Securities Financing Transaction Regulation”</b>	the Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and or reuse and amending Regulation (EU) No 648/2012;
<b>“Share” or “Shares”</b>	a share or shares in the Company (including larger denomination shares and fractions);
<b>“Shareholder”</b>	a holder of registered Shares in the Company;
<b>“Switch”</b>	the exchange of Shares of one Class in a Fund for Shares in any Class of a different Fund and the act of so exchanging and “Switching” shall be construed accordingly;
<b>“SYSC”</b>	the Senior Management Arrangement Systems and Controls sourcebook issued by the FCA pursuant to the Act, as amended or replaced from time to time;
<b>“Transfer Agent”</b>	SS&C Financial Services Europe Limited or such other entity who is appointed to act as Transfer Agent of the Company;
<b>“UCITS”</b>	an Undertaking for Collective Investment in Transferable Securities. This will include a UCITS scheme or an EEA UCITS scheme, as defined in the FCA Glossary;
<b>“UCITS Directive”</b>	the European Parliament and Council Directive of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (No 2009/65/EC), as amended;
<b>“UCITS Directive Regulations”</b>	means the European Parliament and Council Directive of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (No 2009/65/EC) as it forms part of the law of England, Wales, Scotland and Northern Ireland by virtue of section 3 of the EUWA, and any statutory instruments that the UK government makes to amend deficiencies in retained European Union law by virtue of section 8 of the EUWA (as may be amended from time to time) (including, without limitation, the Collective Investment Schemes (Amendment

etc.) (EU Exit) Regulations 2019 SI 2019/325 incorporating European directives or other European legislation relating to undertakings for collective investment in transferable securities into UK domestic law following the UK's withdrawal from the European Union);

<b>"UK GDPR"</b>	means Regulation 2016/679 of the European Parliament and of the Council of 27 <sup>th</sup> April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (General Data Protection Regulation) as it forms part of the law of England and Wales, Scotland and Northern Ireland by virtue of section 3 of the EUWA, and any statutory instruments that the UK government makes to amend deficiencies in retained European Union law by virtue of section 8 of the EUWA (as may be amended from time to time) following the UK's withdrawal from the European Union;
<b>"UK UCITS"</b>	as defined in the FCA Glossary;
<b>"United Kingdom" or "UK"</b>	the United Kingdom of Great Britain and Northern Ireland;
<b>"United States" or "US"</b>	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia;
<b>"US Persons"</b>	a person who falls within the definition of "US Person" as defined in rule 902 of regulation S of the United States Securities Act 1933 and shall include additionally any person that is not a "Non-United States Person" within the meaning of United States Commodity Futures Trading Commission Regulation 4.7;
<b>"Valuation Point"</b>	the point, whether on a periodic basis or for a particular valuation, at which the ACD carries out a valuation of the property of the Company for the purpose of determining the price at which Shares of a Class may be issued, cancelled or redeemed. The Valuation Point will be 12 midday upon each Dealing Day or as otherwise determined in accordance with paragraph 4.1;
<b>"VAT"</b>	value added tax;

# 1. DETAILS OF THE COMPANY

## 1.1 General

TM Neuberger Berman Investment Funds is an open-ended investment company with variable capital incorporated in England and Wales and authorised by the Financial Conduct Authority on 29 January 2019.

The Company is structured as a UK UCITS and an umbrella company for the purposes of the OEIC Regulations. The Company registered number is IC003108 and the FCA Product Reference Number (PRN) of the Company is 832272.

Shareholders of the Company are not liable for the debts of the Company.

### Head Office:

Exchange Building, St. John's Street, Chichester, West Sussex PO19 1UP

### Address for Service:

The Head Office is the address of the place in the UK for service on the Company of notices or other documents required or authorised to be served on it.

### Base Currency:

The base currency of the Company is Pounds Sterling. The reference currency of individual Funds, if different from Sterling, is stated in Appendix I. Where a Class of Shares or a Fund is designated in a differing currency from that of the Company (for example, a Class of Shares or a Fund designated in Euros when the Fund's or the Company's base currency is designated in Sterling), this may give rise to additional exchange rate risk.

**Share Capital:** Maximum £100,000,000,000

Minimum £1,000

Shares in the Company have no par value. The share capital of the Company at all times equals the sum of the Net Asset Values of each of the Funds.

Past performance tables for the Company, or each Fund (where relevant), are contained in Appendix V.

The circumstances in which the Company may be wound up, and the procedures involved, are set out in paragraph 11 below.

## 1.2 The Structure of the Company

The Company is a UK UCITS which complies with the requirements of the COLL Sourcebook.

### 1.2.1 The Funds

The Company is structured as an umbrella company, in that different Funds may be established from time to time by the ACD with the approval of the FCA. On the introduction of any new Fund or Class, a revised prospectus will be prepared setting out the relevant details of each Fund or Class.

As at the date of this Prospectus, the Company offers Shares in the below Fund(s). The details of these Fund(s) are those set out in Appendix I.

Name of Fund	PRN
<b>TM Neuberger Berman Absolute Alpha Fund</b>	832272

Each Fund is structured as a UK UCITS.

The assets of each Fund will be treated as separate from those of every other Fund and will be invested in accordance with the investment objective and investment policy applicable to that Fund.

The Funds are segregated portfolios of assets to which any liabilities, attributable, or allocated, to a particular Fund shall be met first out of the property attributable, or allocated to, that particular Fund. Accordingly, the assets of a Fund belong exclusively to that Fund and shall not be used or made available to discharge (directly or indirectly) the liabilities of, or claims against, any other person or body, including the Company and any other Fund and shall not be available for any such purpose.

Subject to the above, each Fund will be charged with the liabilities, expenses, costs and charges of the Company attributable to that Fund and within the Funds charges will be allocated between Classes in accordance with the terms of issue of Shares of those Classes. Any assets, liabilities, expenses, costs or charges not attributable to a particular Fund and allocated in accordance with the FCA Handbook may be re-allocated by the ACD in a manner which it believes is fair to the Shareholders generally. This will normally be pro rata to the Net Asset Value of the relevant Funds. In the event that any assets are re-allocated the ACD will advise Shareholders in the next succeeding annual, or half yearly, report to Shareholders.

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

Shareholders are entitled to receive (or have accumulated) the net income derived from the Fund. Shareholders are also entitled to redeem their Shares at a price linked to the value of the property of the Fund, although the ability to redeem on a particular Dealing Day may be restricted in certain circumstances. See the "Suspension of Dealings" section below and the "Deferred Redemption" section below for more information. Shareholders do not have any proprietary interest in the underlying assets of the Fund.

From time to time, details of a Fund will be included in this Prospectus prior to such Fund's launch at a future date to be confirmed by the ACD. Where a Fund has not yet been launched this will be indicated accordingly. No subscriptions for Shares in any such Fund will be permitted until it has been launched.

Please also see paragraph 5.1.4 below "Liabilities of the Company and the Funds".

### 1.2.2 **Shares**

Several Classes of Share may be issued in respect of each Fund, as detailed in the instrument of incorporation. The Classes of Share available for each Fund are set out in Appendix I. Holders of income Shares are entitled to be paid the income attributable to such Shares on the relevant allocation dates as set out in Appendix I.

Holders of accumulation Shares are not entitled to be paid the income attributable to such Shares, but that income is automatically transferred to (and retained as part of) the capital assets of the relevant Fund on the relevant interim and/or annual accounting dates.

A KIID will be published on [www.tutman.co.uk](http://www.tutman.co.uk) for each Share Class that is available for investment from time to time.

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

Shareholders are entitled (subject to certain restrictions) to switch all or part of their Shares in a Class or a Fund for Shares in another Class within the same Fund or for Shares of the same or another Class within a different Fund. Details of this switching facility and the restrictions are set out in paragraph 3.4.

### 1.2.3 **Marketing**

Shares in the Company may be marketed to the public in the UK. The Company will not be able to apply to the regulatory authorities in member states in the European Union to market Shares under the UCITS Directive in those states.

It is not intended that Funds will be marketed outside the UK.

## 2. **INVESTMENT OBJECTIVES, POLICIES AND OTHER DETAILS OF THE FUNDS**

Investment of the assets of each of the Funds must comply with COLL Sourcebook and the investment objective and policy of the relevant Fund. Details of these investment objectives and other important information relating to each Fund are set out in Appendix I.

The investment of the Scheme Property is subject to the limits set out in Chapter 5 of COLL as it relates to UK UCITS, which are set out in Appendix II. The eligible securities and derivatives markets on which the funds can invest are set out in Appendix III.

### **3. BUYING, SELLING AND SWITCHING SHARES**

The dealing office of the ACD is open from at least 8.30 a.m. until 5.30 p.m. on each Dealing Day to receive requests for the purchase, sale, conversion and switching of Shares. The ACD may vary these times at its discretion. The initial purchase, must, at the discretion of the ACD, be accompanied by an application form.

#### **3.1.1 Electronic Communications**

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

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

Telephone calls may be recorded by the ACD, its delegates, their duly appointed agents and any of their respective related, associated or affiliated companies for records keeping, security and/or training purposes, please see the paragraph "Telephone Recording" below for further information.

#### **3.2 Buying Shares**

##### **3.2.1 Procedure**

Shares can be bought by sending a completed application form to the ACD at the Registrar and Transfer Agent's address (see the Directory above), through the means of electronic communications (as set out in the paragraph titled 'Electronic Communications' below), or by obtaining an application form by telephoning the ACD's Customer Enquiry Line on 0370 707 0073 (subject to subsequent completion of an application/registration form for administrative and verification purposes).

Application forms may be obtained from the ACD by writing to the Administrator, by telephoning the ACD on 0370 707 0073 or on the internet at [www.nb.com/uk/oeic](http://www.nb.com/uk/oeic). Shareholders may make subsequent purchases of Shares by phoning this number. In addition, the ACD may from time to time, at its discretion, make arrangements to allow Shares to be bought on-line or through other communication media, for example by fax.

The ACD has the right to reject, on reasonable grounds relating to the circumstances of the applicant, any application for Shares in whole or part, and in this event the ACD will return any money sent, or the balance of such monies, at the risk of the applicant.

Where the total price payable for all Shares for which the application is made would include a fraction of one pence it will be rounded up or down to the nearest pence.

A request for dealing in Shares must be received by the Valuation Point on a particular Dealing Day in order to be processed on that Dealing Day. A dealing request received after this time will be held over and processed on the next Dealing Day, using the Net Asset Value per Share calculated as at the Valuation Point on that next Dealing Day.

The ACD, at its discretion, has the right to cancel a purchase deal if settlement is materially overdue (being more than five Business Days of receipt of an application form or other instruction) and any loss arising on such cancellation shall be the liability of the applicant. In the event of such a sale or realisation, the ACD shall be entitled to transfer such investments to such persons as it shall specify and, recover any shortfall from that investor. The ACD is not obliged to issue Shares unless it has received cleared funds from an investor.

The ACD reserves the right to charge interest at 4% above the prevailing Bank of England base rate, on the value of any settlement received later than the third Business Day following the Valuation Point. No interest will be paid on funds held prior to investment. Shares that have not been paid for cannot be redeemed.

Shares are not listed or dealt on any investment exchange.

### 3.2.2 **Documents the purchaser will receive**

A contract note giving details of the Shares purchased and the price used will be issued by the end of the next Business Day following the purchase together with, where appropriate, a notice of the applicant's right to cancel.

Settlement is due for purchases within three Business Days of the date of the contract note.

Share certificates will not be issued in respect of Shares. Ownership of Shares will be evidenced by an entry on the Register. Statements in respect of periodic distributions on Shares will show the number of Shares held by the Shareholder. Individual statements of a Shareholder's Shares will also be issued at any time on request by the Shareholder. Where the Shares are jointly held such statements will be sent to the first named holder on the Register.

### 3.2.3 **Minimum subscriptions and holdings**

The minimum initial subscription, additional subscription and minimum holding levels relating to each Fund are set out in Appendix I. The ACD may at its discretion accept subscriptions and/or holdings lower than the minimum amount(s).

## 3.3 **Selling Shares**

### 3.3.1 **Procedure**

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

Requests to redeem Shares may be made by obtaining an application form by telephoning the ACD's Customer Enquiry Line on 0370 707 0073, through the means of electronic communications (as set out in the paragraph titled 'Electronic Communications' below), or in writing to the ACD at the Registrar and Transfer Agent's address (see the Directory above).

The ACD may from time to time, at its discretion, make arrangements to allow Shares to be sold on-line or through other communication media, for example by fax.

### 3.3.2 **Documents the Seller will receive**

A contract note giving details of the number and price of Shares sold will be sent to the selling Shareholder (the first-named, in the case of joint Shareholders) together (if sufficient written instructions have not already been given) with a form of renunciation for completion and execution by the Shareholder (and, in the case of a joint holding, by all the joint Shareholders) no later than the end of the next Business Day following the later of the request to redeem Shares or the Valuation Point by reference to which the redemption price is determined. Settlements of redemptions by the ACD will be made by the close of business on the third Business Day next following:

- 3.3.2.1 receipt by the ACD of the redemption request (or other sufficient written instructions) duly signed by all the relevant Shareholders and completed as to the appropriate number of Shares, together with any other appropriate evidence of title; and



3.3.2.2 the Valuation Point at which the price of Shares is established.

Payment of redemption proceeds will be made by bank transfer in accordance with any instruction received. Instructions to make payments to a third party will not normally be accepted.

### 3.4 **Switching and Conversion**

- 3.4.1 Subject to any restrictions on the eligibility of investors in relation to a particular Share Class, a Shareholder in a Fund may at any time Convert or Switch all or some of their Shares ("Original Shares") for Shares in a different Class or Fund ("New Shares").
- 3.4.2 A Conversion is an exchange of Shares in one Class for Shares of another Class in the same Fund.
- 3.4.3 A Switch is an exchange of Shares of one Class for Shares in a Class of another Fund.
- 3.4.4 Conversions and Switches will be effected by the ACD recording the change of Class (and, in the case of Switches the change of Fund) on the Register of the Company at the next Valuation Point following receipt of instructions by the ACD.
- 3.4.5 The number of New Shares issued to a Shareholder following a Conversion or a Switch will be determined by reference to the price of the Original Shares relative to the price of the New Shares at the relevant Valuation Point.
- 3.4.6 If a Shareholder wishes to Convert or Switch Shares they should contact the ACD for further information. Instructions may be given by telephone but Shareholders are required to provide written instructions to the ACD (which, in the case of joint Shareholders, must be signed by all the joint Shareholders) before the Switch or Conversion is effected.
- 3.4.7 The ACD may at its discretion make a charge on the Switching of Shares (but does not currently do so). Any such charge on Switching does not constitute a separate charge payable by a Shareholder, but is rather the application of any redemption charge on the Shares originally held and any initial charge on the Shares into which the Shareholder has Switched. For details of the charges on Switching currently payable, please see the "Charges on Switching and Conversions" paragraph below.
- 3.4.8 If a partial Conversion or Switch would result in the Shareholder holding a number of Original Shares or New Shares of a value which is less than the minimum holding in the Class concerned, the ACD may, if it thinks fit, exchange the whole of the applicant's holding of Original Shares to New Shares (and make a charge for this) or refuse to effect any Conversion or Switch of the Original Shares.

- 3.4.9 Save as otherwise specifically set out, the general provisions on procedures relating to redemption will apply equally to a Conversion or a Switch. Written instructions must be received by the ACD before the Valuation Point on a Dealing Day in the Funds concerned to be dealt with at the prices at the Valuation Point on that Dealing Day or at such other Valuation Point as the ACD at the request of the Shareholder giving the relevant instruction may agree. Requests to Switch or Convert received after a Valuation Point will be held over until the next day which is a Dealing Day for the relevant Fund or Funds.
- 3.4.10 The ACD may adjust the number of New Shares to be issued to reflect the application of any charge on Switching together with any other charges or levies in respect of the application for the New Shares or redemption of the Original Shares as may be permitted pursuant to the COLL Sourcebook.
- 3.4.11 Please note that under UK tax law a Switch of Shares is treated as a redemption of the Original Shares and a purchase of New Shares and will, for persons subject to taxation, be a realisation of the Original Shares for UK tax purposes. It may give rise to a liability to tax, depending upon the Shareholder's circumstances. Conversions will not generally be treated as a disposal for capital gains tax purposes and no stamp duty reserve tax will be payable on the Conversion.
- 3.4.12 A Shareholder who Switches Shares in one Fund for Shares in any other Fund or who Converts between Classes of Shares will not be given a right by law to withdraw from or cancel the transaction.

### 3.5 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.

#### 3.5.1 Restrictions and Compulsory Transfer and Redemption

- 3.5.1.1 The ACD may from time to time impose such restrictions as it may think necessary for the purpose of ensuring that no Shares are acquired or held by any person in circumstances ("relevant circumstances") (i) which constitute a breach of the law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory; or (ii) which would (or would if other Shares were acquired or held in like circumstances) result in the Company incurring any liability to taxation which the Company is not able to recoup itself or suffering any other adverse consequence (including a requirement to register under any securities or investment or similar laws or governmental regulation of any country or territory). In this connection, the ACD may, inter alia, reject in its discretion any application for the purchase, sale or switching of Shares.

- 3.5.1.2 If it comes to the notice of the ACD that any Shares are or may be owned or held legally or beneficially or otherwise in the relevant circumstances under 3.5.1.1 above or it reasonably believes this to be the case ("affected Shares") the ACD may give notice to the registered holder(s) of the affected Shares requiring either the transfer of such Shares to a person who is not a qualified or entitled to hold them or a request in writing for the redemption or cancellation of such Shares in accordance with the FCA Handbook. If any person upon whom such a notice is served does not, within 30 days after the date of such notice, transfer the affected Shares to a person who is qualified to hold them (to the satisfaction of the ACD) or establish to the satisfaction of the ACD (whose judgement is final and binding) that he and the beneficial owner are entitled to hold them, he shall be deemed upon the expiration of that 30 day period to have given a request in writing for the redemption or cancellation (at the discretion of the ACD) of all the affected Shares pursuant to the FCA Handbook.
- 3.5.1.3 A person who becomes aware that he is holding or whether beneficially or otherwise owns affected Shares in any of the relevant circumstances referred to in paragraph 3.5.1.1, or by virtue of which he is not qualified to hold such affected Shares, shall forthwith, unless he has already received a notice as aforesaid, either transfer all his affected Shares to a person qualified to own them or give a request in writing for the redemption of all his affected Shares pursuant to the Regulations.

### 3.5.2 **In specie redemptions**

The ACD may, in the event of a request for redemption in excess of 10% of the Scheme Property or £5 million (whichever is the lesser), arrange that in lieu of payment of the price of the Shares in cash, the Company shall cancel the Shares and transfer to that Shareholder property of the Company of the relevant value or, if required by the Shareholder, the net proceeds of the sale of the relevant property to him. The ACD must give written notice to the Shareholder concerned of its decision to exercise these powers before the cash payment would otherwise be due.

The ACD will select the Scheme Property to be transferred in consultation with the Depositary. They must ensure that the selection is made with a view to achieving no more advantage or disadvantage to the Shareholder requesting cancellation/redemption than to the continuing Shareholders.

The Company may retain out of the Company property to be transferred property or cash of a value or amount equivalent to any stamp duty reserve tax to be paid in relation to the redemption of Shares.

### 3.5.3 **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 cash, but will only do so where the Depositary has taken reasonable care to determine that the Company's acquiring of those assets in exchange for the Shares concerned is not likely to result in any material prejudice to the interests of Shareholders or potential Shareholders.

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

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

## 3.6 **Other dealing information**

### 3.6.1 **Money laundering**

As a result of legislation in force in the UK to prevent money laundering, persons conducting investment business are responsible for compliance with money laundering regulations. In order to implement these procedures, in certain circumstances Shareholders may be asked to provide proof of identity when buying or selling Shares. Until satisfactory proof of identity is provided, the ACD reserves the right to refuse to sell Shares or pay the proceeds of a redemption of Shares.

Refer to paragraph 12.10 'Electronic Verification' for details.

### 3.6.2 **Market Timing**

The Funds are intended to be a medium to long-term investment vehicle and are not designed to be used by investors for speculating on short-term market or currency movements. The ACD reserves the right, as it deems appropriate, to take any necessary or desirable measures in order to limit or prevent abusive trading practices, including "market timing" or "portfolio churning". Such actions may include (but are not limited to) the ACD rejecting any application for subscriptions or conversions of Shares from any investor which the ACD believes is engaged in or suspected to be engaged in such abusive practices. Although there can be no assurance that the ACD will be able to detect and prevent all such occurrences, the goal of this policy is to minimise any negative impact of such abusive short-term trading practices on the other Shareholders while recognising the benefits that accrue to all Shareholders from sharing fund expenses across a large asset base.

### 3.6.3 **Suspension of dealings in the Company**

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

The ACD and the Depositary will ensure that any such suspension may only continue for as long as it is justified, having regard to the interests of Shareholders.

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

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

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

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

Suspension will cease as soon as practicable after the exceptional circumstances leading to the suspension have ceased but the ACD and the Depositary will formally review the suspension at least every 28 days and will inform the FCA of the review and any change to the information given to Shareholders. The ACD may agree during the suspension to deal in Shares in which case all deals accepted during and outstanding prior to the suspension will be undertaken at a price calculated at the first Valuation Point after the restart of dealings in Shares.

### 3.6.4 **Deferred redemption**

In times of high redemptions, where requested redemptions exceed 10% of a Fund's value, to protect the interests of continuing Shareholders, the ACD may defer redemptions at a particular Valuation Point on a Dealing Day, to the Valuation Point on the next Dealing Day. This will allow the ACD to match the sale of Scheme Property to the level of redemptions, and should reduce the impact of dilution on a Fund. Subject to sufficient liquidity being raised at the next Valuation Point all deals relating to the earlier Valuation Point will be completed before those relating to the later Valuation Point are considered.

### 3.6.5 **Governing law**

All deals in Shares are governed by English law.

## 3.7 **Dealing Charges**

### 3.7.1 **Preliminary charge**

The ACD may impose a charge on the purchase of Shares. The preliminary charge currently payable in respect of each Class of Shares is set out in Appendix I, as a percentage of the amount invested by the prospective Shareholder.

The preliminary charge is payable to the ACD. The ACD may waive or discount the preliminary charge at its discretion.

The ACD is permitted to increase the preliminary charge payable on purchase of Shares (or to introduce such a charge where none is currently payable) in accordance with the COLL Sourcebook.

### 3.7.2 **Redemption charge**

The ACD may make a charge on the redemption of Shares. At present no redemption charge is levied on any of the Funds; Appendix I sets out the circumstances a charge may apply to each Fund.

The ACD may introduce a redemption charge on Shares or increase an existing charge in accordance with the COLL Sourcebook. Such a charge will only be levied on Shares issued after the date of introduction of, or increase in the charge. Shares will be deemed to be redeemed in the order in which they were purchased for the purposes of making a charge on redemption.

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

### 3.7.3 **Charges on Switching and Conversion**

On the Switching of Shares between Funds or Classes, the Instrument of Incorporation authorises the Company to impose a Switching charge. No Switching charges are currently levied. There is no charge payable on a Conversion.

The ACD may introduce a Switching charge on Shares or increase an existing charge in accordance with the COLL Sourcebook.

### 3.7.4 **Client Money Rules**

The ACD does not treat monies received for the issuance of shares or monies payable to the investor upon redemption as client money as long as: (i) in relation to monies for the issuance of shares, the ACD has paid the subscription monies in exchange for shares to the Depositary by the close of business on the day following receipt of monies from the investor; or (ii) in relation to proceeds from a redemption, paid the redemption monies to the investor within three business days of receipt by the ACD of the fully authorised form of renunciation (or other sufficient instruction) and in any event by the

close of business on the day following receipt of the monies from the Depositary.

In the event that the above time limits are not met by the ACD, the ACD will treat the relevant sum received with respect to subscriptions and redemptions as client money as defined under the FCA Rules. This means that the money is held in an account separate from that the ACD uses to hold its own money. The ACD will not calculate or pay to the investor any interest that might arise on those monies.

## **4. VALUATION OF THE COMPANY**

### **4.1 Introduction**

The price of a Share in the Company is calculated by reference to the Net Asset Value of the Fund to which it relates. The Net Asset Value per Share of a Fund is calculated at the Valuation Point on each Dealing Day. The Company is single priced with a dilution adjustment, known as "single swinging pricing", as further described below.

The ACD may at any time during a Business Day carry out an additional valuation if it considers it desirable to do so and may use the price obtained at such additional valuation point as the price for the day. The ACD shall inform the Depositary of any decision to carry out any such additional valuation. Valuations may be carried out for effecting a scheme of amalgamation or reconstruction, which do not create a valuation point for the purposes of dealings. Where permitted and subject to the Regulations, the ACD may, in certain circumstances (for example where a significant event has occurred since the closure of a market) substitute a price with a more appropriate price which in its opinion reflects a fair and reasonable price for that investment.

The ACD will, upon completion of each valuation, notify the Depositary of the price of Shares, of each Class of each Fund.

### **4.2 Dilution adjustment**

The basis on which the Company's investments are valued for the purpose of calculating the issue and redemption price of Shares as stipulated in the Regulations and the Instrument of Incorporation is summarised in paragraph 4. The actual cost of purchasing or selling a Fund's investments may be higher or lower than the mid-market value used in calculating the Share price - for example, due to dealing charges, or through dealing at prices other than the mid-market price. A Fund may suffer dilution (reduction) in the value of the Scheme Property as a result of the costs incurred in dealing in the underlying investments and of any spread between the buying and selling prices of those investments. It is not, however, possible to predict accurately whether dilution will occur at any point in time.

Under certain circumstances (for example, large volumes of deals) dilution may have an adverse effect on the existing/continuing Shareholders' interest in the Fund. In order to prevent this effect, called "dilution", and in order to protect the interests of existing/continuing Shareholders, the ACD has the power to apply a "dilution adjustment" to the price on the purchase and/or redemption of Shares. If applied, the dilution adjustment will be made to the price of the Fund, with the effect that any extra capital invested/retained will become part of the relevant Fund and not paid to the ACD.

The dilution adjustment for each Fund will be calculated by reference to the estimated costs of dealing in the underlying investments of that Fund, including any dealing spreads, commission and transfer taxes. The price of each Class of Share in a Fund will be calculated separately but any dilution adjustment will, in percentage terms, affect the price of Shares of each Class identically.

The need to apply a dilution adjustment will depend on the volume of net purchases or redemptions of the Shares. The ACD may charge a dilution adjustment on the purchase and redemption of such Shares if, in its opinion, the existing/continuing Shareholders might otherwise materially be adversely affected and if applying a dilution adjustment, so far as practicable, is fair to all existing and potential Shareholders. In determining the rate of any dilution adjustment, the ACD may, in order to reduce volatility, take account of the trend of a Fund to expand or contract and the transaction in Shares at a particular valuation point.

In practice, a dilution adjustment would only be imposed in exceptional circumstances and the amount of the adjustment would not exceed what the ACD considers necessary to compensate the relevant Fund for the potential effect of the dilution described above. The only cases in which the ACD specifically envisages that it might exercise its discretion in favour of imposing a dilution adjustment are where the ACD is of the opinion that the interests of Shareholders requires it or on large deals.

A large deal for this purpose is any single transaction or series of transactions in one dealing period involving investment into or realisation from a single Fund of at least more than 0.5% of the Net Asset Value of that Fund. A dilution adjustment must be imposed only in a manner, that so far as practicable, is fair to all Shareholders or potential Shareholders. Shareholders should note that some funds might have a much higher threshold at which point an anti-dilution factor is relevant to apply.

As dilution is directly related to the inflows and outflows of monies from a Fund it is not possible to predict accurately whether dilution will occur at any future point in time or how frequently the ACD will need to make such a dilution adjustment. The actual dilution adjustment applied will depend on market conditions at or around the time at which the deal is struck. However, the ACD does not anticipate that a dilution adjustment will be made regularly and that the application of a dilution adjustment will occur only on notable occasions. Based on the ACD's experience, should it be applied it is anticipated that it would be applied at a rate of less than 1% of the relevant price. Shareholders should note that in extreme market conditions the factor may exceed that level. The Directors reserve the right to increase or vary the swing of the Net Asset Value without notice to shareholders.

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

The value of the Scheme Property of the Company or of a Fund (as the case may be) shall be the value of its assets less the value of its liabilities determined in accordance with the following provisions:

- 4.3.1 All the Scheme Property (including receivables) is to be included, subject to the following provisions.
- 4.3.2 Property which is not cash (or other assets dealt with in paragraphs 4.3.3 and 4.3.4 below) shall be valued as follows and the prices used shall (subject as follows) be the most recent prices which it is practicable to obtain:



- 4.3.2.1 units or shares in a collective investment scheme:
- (a) if a single price for buying and redeeming units or shares is quoted, at that price; or
  - (b) if separate buying and redemption prices are quoted, at the average of the two prices provided the buying price has been reduced by any preliminary charge included therein and the redemption price has been increased by any exit or redemption charge attributable thereto; or
  - (c) if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no recent price exists, or, if the most recent price available does not reflect the ACD's best estimate of the value of the units or shares at a value which, in the opinion of the ACD, is fair and reasonable;
- 4.3.2.2 exchange-traded derivative contracts:
- (a) if a single price for buying and selling the exchange-traded derivative contract is quoted, at that price; or
  - (b) if separate buying and selling prices are quoted, at the average of the two prices;
- 4.3.2.3 over-the-counter derivative contracts shall be valued in accordance with the method of valuation as shall have been agreed between the ACD and the Depositary;
- 4.3.2.4 any other investment:
- (a) if a single price for buying and redeeming the security is quoted, at that price; or
  - (b) if separate buying and redemption prices are quoted, at the average of the two prices; or
  - (c) if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no recent price exists, or, if the most recent price available does not reflect the ACD's best estimate of the value of the securities at a value which in the opinion of the ACD, is fair and reasonable;
- 4.3.2.5 Scheme Property other than that described in paragraphs 4.3.2.1 to 4.3.2.4 above: at a value which, in the opinion of the ACD, represents a fair and reasonable mid-market price.
- 4.3.3 Cash and amounts held in current, deposit and margin accounts and in other time related deposits shall be valued at their nominal values.
- 4.3.4 In determining the value of the Scheme Property, all instructions given to issue or cancel Shares shall be assumed (unless the contrary is shown) to have been carried out and any cash payment made or received and all consequential action required by the Regulations or this Prospectus shall be assumed (unless the contrary has been shown) to have been taken.

- 4.3.5 Subject to paragraphs 4.3.6 and 4.3.7 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 if, in the opinion of the ACD, their omission will not materially affect the final net asset amount.
- 4.3.6 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 4.3.5.
- 4.3.7 All agreements are to be included under paragraph 4.3.5 which are, or ought reasonably to have been, known to the person valuing the property assuming that all other persons in the ACD's employment take all reasonable steps to inform it immediately of the making of any agreement.
- 4.3.8 Deduct an estimated amount for anticipated tax liabilities (on unrealised capital gains where the liabilities have accrued and are payable out of the property of the Fund; on realised capital gains in respect of previously completed and current accounting periods; and on income where liabilities have accrued) 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.
- 4.3.9 Deduct an estimated amount for any liabilities payable out of the property and any tax thereon treating periodic items as accruing from day to day.
- 4.3.10 Deduct the principal amount of any outstanding borrowings whenever payable and any accrued but unpaid interest on borrowings.
- 4.3.11 Add an estimated amount for accrued claims for tax of whatever nature which may be recoverable.
- 4.3.12 Add any other credits or amounts due to be paid into the Scheme Property.
- 4.3.13 Add a sum representing any interest or any income accrued due or deemed to have accrued but not received and any stamp duty reserve tax provision anticipated to be received.
- 4.3.14 Currencies or values in currencies other than the base currency or (as the case may be) the designated currency of a Fund shall be converted at the relevant valuation point at a rate of exchange that is not likely to result in any material prejudice to the interests of Shareholders or potential Shareholders.

#### 4.4 **Price per Share in each Fund and each Class**

The price per Share at which Shares are bought or are redeemed is the Net Asset Value per Share. There will be a single price per Share. Any preliminary charge, or redemption charge, (or SDRT on a specific deal, if applicable) is payable in addition to the price or deducted from the proceeds and is taken from the gross subscription or redemption monies.

Each allocation of income made in respect of any Fund at a time when more than one Class is in issue in respect of that Fund shall be done by reference to the relevant Shareholder's proportionate interest in the income property of the Fund in question calculated in accordance with the Instrument of Incorporation.

#### 4.5 **Fair Value Pricing**

4.5.1 Where the ACD has reasonable grounds to believe that:

- (i) no reliable price exists for a security (including a unit/share in a collective investment scheme) at a Valuation Point; or
- (ii) the most recent price available does not reflect the ACD's best estimate of the value of the security (including a unit/share in a collective investment scheme) at the Valuation Point;

it can value an investment at a price which, in its opinion, reflects a fair and reasonable price for that investment (the fair value price).

4.5.2 The circumstances which may give rise to a fair value price being used include:

- (i) no recent trade in the security concerned; or
- (ii) suspension of dealings in an underlying collective investment scheme; or
- (iii) the occurrence of a significant event since the most recent closure of the market where the price of the security is taken.

4.5.3 In determining whether to use such a fair value price, the ACD will include in their consideration but need not be limited to:

- (i) the type of authorised fund concerned;
- (ii) the securities involved;
- (iii) whether the underlying collective investment schemes may already have applied fair value pricing;
- (iv) the basis and reliability of the alternative price used; and
- (v) the ACD's policy on the valuation of Scheme Property as disclosed in this Prospectus.

#### 4.6 **Pricing basis**

The ACD deals on a forward pricing basis. A forward price is the price calculated at the next Valuation Point after the purchase or redemption is deemed to be accepted by the ACD.

#### 4.7 **Publication of Prices**

The most recent prices will appear daily on the Trustnet website at [www.trustnet.com](http://www.trustnet.com) and can also be obtained by telephone on +44 (0)1483 783 900.

For reasons beyond the control of the ACD, these may not necessarily be the current prices.

The cancellation price last notified to the Depositary is available from the ACD upon request.

## 5. RISK FACTORS

### 5.1 Investment Risks

#### General Risks

Investment in the Funds carries certain risks, which are described below. These risks are not purported to be exhaustive and potential investors should review this Prospectus in its entirety and consult with their professional advisers, before making an application for Shares.

There can be no assurance that the Funds will achieve their respective objectives. While there are some risks described below that may be common to a number or all of the Funds, there may also be specific risk considerations which apply only to particular Funds.

There can be no assurance that any appreciation in value of investments will occur. The value of Shares, and any income from them, can go down as well as up, particularly in the short term, meaning that an investment may not be returned in full.

There are inherent risks in investment markets. Security prices are subject to market fluctuations and can move irrationally and be unpredictably affected by many and various factors including political and economic events and rumours.

There is no guarantee that the investment objectives of any Fund will be achieved. **It is important to note that past performance is not a guide to future returns or growth.** Shares should be viewed as a medium to long term investment.

The tax treatment of the Company may change and such changes cannot be foreseen. Where regular investments are made with the intention of achieving a specific capital sum in the future, this will normally be subject to maintaining a specified level of investment.

Investors will need to decide whether or not an investment vehicle of this nature is appropriate for their requirements.

Risk factors and profiles of typical investors should be read as being indicative only, are not exhaustive and should not be read as a recommendation as to the suitability of a particular Fund for a particular investor. Suitability should be assessed by an investor or prospective investor in the light of that person's personal and financial circumstances, and with the assistance of a professional advisor.

Reference in this section to "Investment Manager" shall be taken to include a sub-investment manager of a Fund where relevant.

### 5.2 Risks related to Fund Structure

#### 5.2.1 UMBRELLA STRUCTURE OF THE COMPANY AND CROSS LIABILITY RISK

The Funds are segregated Funds of assets and, accordingly, the assets of a Fund belong exclusively to that Fund and shall not be used to discharge directly or indirectly the liabilities of, or claims against, any other person or body, including the Company, or any other Fund, and shall not be available for any such purpose. Subject to the above, each

Fund will be charged with the liabilities, expenses, costs and charges attributable to that Fund and within each Fund charges will be allocated as far as possible according to the Net Asset Value of that particular Share Class. Any assets, liabilities, expenses, costs or charges not attributable to a particular Fund may be allocated by the ACD in a manner which it believes is fair to the Shareholders generally. This will normally be pro rata to the Net Asset Value of the relevant Funds.

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

#### 5.2.2 RISK OF SUSPENSION OF DEALINGS IN SHARES

Investors are reminded that in certain circumstances their right to redeem Shares (including a redemption by way of switching) may be suspended (see paragraph 3.5.3).

#### 5.2.3 SHARE CLASS RISK

There is no legal segregation of liability between Classes in a given Fund. As such, there are certain limited circumstances including, for example, in situations when one or more Hedged Classes suffers material losses, in which the liabilities of a particular Class will affect the Net Asset Value of other Classes.

#### 5.2.4 SHARE CLASS CURRENCY DESIGNATION RISK

In devising and implementing its hedging strategy the Investment Manager may hedge the foreign currency exposure of the Shares to the major currencies in which the assets of the relevant Fund are, or are expected to be, denominated. In determining the major currencies against which the foreign currency exposure of the relevant Hedged Class should be hedged, the Investment Manager may have regard to any index which is expected to closely correspond to the assets of the relevant Fund.

Where there is more than one category of Hedged Class in a Fund denominated in the same currency and it is intended to hedge the foreign currency exposure of such classes, relative to the Base Currency of the relevant Fund or into the currency or currencies in which the assets of the relevant Fund are denominated, the Investment Manager may aggregate the foreign exchange transactions entered into on behalf of such Hedged Classes and apportion the gains/loss on and the costs of the relevant financial instruments pro rata to each such Hedged Class in the relevant Fund.

Although hedging strategies may not necessarily be used in relation to each class within a Fund, the financial instruments used to implement such strategies shall be assets/liabilities of the Fund as a whole. However, the gains/losses on and the costs of the relevant financial instruments will accrue solely to the relevant Hedged Class. Any currency exposure of a Hedged Class may not be combined with or offset with that of any other class of the Fund.

Unhedged Classes in a Fund may provide returns to investors which are significantly different to the returns provided by Hedged Classes or Share classes designated in the Base Currency of the relevant Fund. In such circumstances adverse exchange rate fluctuations between the Base Currency of a Fund and the class currency of the relevant Unhedged Classes may result in a decrease in return and/or a loss of capital for Shareholders in such Unhedged Classes.

Investors should be aware that the class currency of a particular Hedged Class may have a high correlation (negative or positive) with the investments of the underlying Fund. In such cases, fluctuations in the Net Asset Value of the Fund may be compounded (negatively or positively) by movements in the class currency of the Hedged Class. Investors should be aware that the level of volatility and return outcome of the Hedged Class, in these circumstances, may be materially different to the volatility and return outcome of share classes denominated in the Base Currency of the Fund.

#### 5.2.5 DEPOSITARY RISK

The assets of the Company and its Funds shall be held in custody by the Depositary and its sub-custodian(s) and/or any other custodians, prime broker and/or broker-dealers appointed by the Company. Investors are hereby informed that cash and fiduciary deposits may not be treated as segregated assets and might therefore not be segregated from the relevant depositary, sub-custodian(s), other custodian/third party bank, prime broker and/or broker dealer's own assets in the event of the insolvency or the opening of bankruptcy, moratorium, liquidation or reorganisation proceedings of the depositary, sub-custodian(s), other custodian/third party bank, prime broker or the broker dealer as the case may be. Subject to specific depositor's preferential rights in bankruptcy proceedings set forth by regulation in the jurisdiction of the relevant depositary, sub-custodian(s), other custodian/third party bank, prime broker or the broker dealer, a Fund's claim might not be privileged and may only rank *pari passu* with all other unsecured creditors' claims. Funds might not be able to recover all of their assets in full.

#### 5.2.6 CUSTODY RISK

As the Company may invest in markets where custodial and/or settlement systems are not fully developed, including in Emerging Market Countries, the assets of the Company which are traded in such markets which have been entrusted to sub-custodians in circumstances where the use of such sub-custodian is necessary, may be exposed to risk in certain limited circumstances (such as, in the case of a loss of assets where such loss is the result of an external event beyond its reasonable control) where the Depositary will have no liability. Currently, with the exception of securities depositaries such as Clearstream, Euroclear or DTC where the Depositary serves as a direct participant, all assets of the Funds are custodied within the Depositary's global network of sub-custodians whereby the appointment of an agent or sub-custodian in such a market shall not relieve the Depositary from its liability as principal for the acts or omissions of the agent.

### 5.2.7 SETTLEMENT RISKS

The equity markets in different countries will have different clearance and settlement procedures and in certain markets there have been times when settlements have been unable to keep pace with the volume of transactions, thereby making it difficult to conduct such transactions. Delays in settlement could result in temporary periods when assets of a Fund are uninvested and no return is earned thereon. The inability of a Fund to make intended purchases due to settlement problems could cause it to miss attractive investment opportunities. Inability to dispose of Fund securities due to settlement problems could result either in losses to a Fund due to subsequent declines in value of the Fund security or, if it has entered into a contract to sell the security it could result in a possible liability of it to the purchaser.

## 5.3 OPERATIONAL RISKS

### 5.3.1 BUSINESS AND REGULATORY RISKS

Legal, tax, and regulatory changes are likely to occur during the term of the Company and some of these changes may adversely affect the Company, perhaps materially. The financial services industry generally, and the activities of collective investment schemes and their managers, in particular, have been subject to intense and increasing regulatory scrutiny. Such scrutiny may increase the Company's exposure to potential liabilities and to legal, compliance, and other related costs. Increased regulatory oversight may also impose additional administrative burdens on the Investment Manager, including, without limitation, responding to investigations and implementing new policies and procedures. Such burdens may direct the Investment Manager's time, attention, and resources from Fund management activities. In addition, certain regulatory changes, including restrictions imposed, may be imposed by reference to the overall assets managed by the Investment Manager rather than solely in respect of the assets of the Company. In such circumstances, compliance by the Investment Manager with such restrictions may give rise to a conflict of interest.

In addition, securities and futures markets are subject to comprehensive statutes, regulations, and margin requirements. The FCA, other regulators, self-regulatory organisations, and exchanges are authorised to take extraordinary actions in the event of market emergencies. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial actions.

More generally, it is impossible to predict what, if any, changes in regulation applicable to the Company, the Investment Manager, the markets in which they trade and invest, or the counterparties with which they do business may be instituted in the future. The effect of any future regulatory change on the Company could be substantial and adverse.

Investors should understand that the Company's business is dynamic and is expected to change over time. Therefore, the Company may be subject to new or additional regulatory constraints in the future. This Prospectus cannot address or anticipate every possible current or future regulation that may affect the Investment Manager, the Company, or their businesses. Such regulations may have a significant impact on the Shareholders or the operations of the Company, including, without limitation, restricting the types of investments the Company may make, preventing the Company from exercising its voting rights with regard to certain financial instruments, requiring the Company to disclose the identity of its investors, or otherwise. The Directors may cause a Fund to be subject to such regulations if they believe that an investment or business activity is in such Fund's interests, even if such regulations may have a detrimental effect on one or more Shareholders. Prospective Shareholders are encouraged to consult their own advisers regarding an investment in the Company.

### 5.3.2 OPERATIONAL RISKS

The Company's operational risk management framework is based on the Basel II definition of operational risk which is 'the risk of loss resulting from inadequate or failed internal, processes, people and systems or from external events'. The Investment Manager's management of operational risk is therefore aimed at identifying risks in existing processes and improving existing controls to reduce their likelihood of failure and the impact of losses.

The Company relies on the Investment Manager and its affiliates to ensure there are appropriate systems and procedures to identify, assess and manage operational risk. These systems and procedures may not account for every actual or potential disruption of the Company's operations but only for those where an appetite of risk has been set. Given the nature of investment management activities, operational risks are intrinsic to the Company's operations, especially given the volume, diversity and complexity of transactions that the Company is expected to enter into daily.

The Company's control environment is highly dependent on the ability of the Investment Manager and its affiliates to process, on a daily basis, transactions across numerous and diverse markets. Consequently, the Company relies heavily on the Investment Manager's control environment which includes financial, accounting and other data processing systems. The ability of such systems to be scalable and adjust to the complexity of transactions could also constrain the ability of the Company to properly manage its Fund.

Systemic failures in the systems employed by the Investment Manager, the Depository, the Administrator and/or counterparties, exchanges and similar clearance and settlement facilities and other parties could result in errors made in the confirmation or settlement of transactions, or in transactions not being properly booked, evaluated or accounted for. These and other similar disruptions in operations may cause a Fund to suffer, among other impacts, financial loss, the disruption of its businesses, liability to third parties, regulatory intervention or reputational damage. In such cases the investment managers operational risk framework allows for the appropriate investigation and compensation if required by the party at the root cause of the control failure.



### 5.3.3 COUNTERPARTY RISK

The Company will be exposed to counterparty risk, which is the risk that a counterparty will fail to comply with the terms of an agreement, potentially resulting in losses to the Company. Counterparty risk may arise from a dispute over the terms of the contract (whether or not bona fide) or because of a liquidity or solvency problem. If there is a default by the counterparty to a transaction, the Company will under most normal circumstances have contractual or regulatory remedies and in some cases collateral pursuant to the agreements related to the transaction. However, exercising such rights may involve delays or costs which could result in the Net Asset Value of the relevant Fund being less than if the Fund had not entered into the transaction. Insolvency or bankruptcy of a counterparty could reduce or eliminate the amount recoverable by exercising legal rights. The insolvency, bankruptcy or default of a counterparty could result in substantial losses to the Company. Counterparty risk may be increased where the Company has concentrated certain types of transactions with a single or small group of counterparties.

FDI traded by the Company involve counterparty risk. Certain protections are afforded the Company for derivatives traded on an organised exchange and/or through a clearing organisation, such as a performance guarantee of an exchange clearing house. However, trading of such derivatives may expose the Company to the possibility that the futures commission merchant or clearing organisation will default in the performance of its obligations. OTC derivatives are contracts that are traded (and privately negotiated) directly between two parties which allow for tailored terms and generally are thought to pose greater counterparty risk. When the Company uses derivatives generally, it may be required to provide margin or collateral to satisfy contractual undertakings and regulatory requirements. These practices may not prevent the Company from incurring losses on derivatives transactions.

The participants in "over-the-counter" or "interdealer" markets are typically not subject to the regulatory oversight to which members of "exchange-based" markets are subject. The lack of oversight of such markets may expose the Company to greater risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Company to suffer a loss. Such counterparty risk is accentuated for contracts with longer maturities or forward settlements where events may intervene to prevent settlement.

If one or more of the Company's prime brokers, custodians or banks were to become insolvent or the subject of liquidation proceedings, there exists the risk that the recovery of the Company's securities and other assets from such counterparty will be delayed or be of a value less than the value of the securities or assets originally entrusted to such counterparty.

In addition, the Company may use counterparties which are subject to the laws and regulations of various local jurisdictions, the practical effect of which may subject the Company's assets to substantial limitations and uncertainties. Because of the large number of counterparties and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is not

possible to generalise about the effect of an insolvency on the Company and its assets.

Regardless of any measures implemented to reduce counterparty risk there can be no assurance that a counterparty will not default or that the Company will not sustain losses as a result.

#### 5.3.4 INFORMATION TECHNOLOGY SECURITY

The Investment Manager and Administrator maintain global information technology systems, consisting of infrastructure, applications and communications networks to support the Company's, as well as their own, business activities. These systems could be subject to security breaches such as 'cyber-crime' resulting in theft, a disruption in the ability to close out positions and the disclosure or corruption of sensitive and confidential information. Security breaches may also result in misappropriation of assets and could create significant financial and/or legal exposure for the Company. The Investment Manager and the Administrator seek to mitigate attacks on their own systems but will not be able to control directly the risks to third-party systems to which it may connect. Any breach in security of the Investment Manager's or Administrator's systems could have a material adverse effect on the Investment Manager or the Administrator and may cause the Company to suffer, among other things, financial loss, the disruption of its business, liability to third parties, regulatory intervention or reputational damage. The Investment Manager has a business continuity process in place in case of an event which impacts system availability.

#### 5.3.5 LIMITED OPERATING HISTORY

Newly formed Funds have little or no operating history upon which investors can evaluate the anticipated performance. Past investment performance should not be construed as an indication of the future results of an investment in a Fund. The investment programme of a Fund should be evaluated on the basis that there can be no assurance that the Investment Manager's assessments of the short-term or long-term prospects of investments, will prove accurate or that the Fund will achieve its investment objective.

#### 5.3.6 NET ASSET VALUE

Whilst the Company may use the latest available published price in respect of each investment in order to calculate the Net Asset Value it reserves the right to use more recent valuations where this is considered appropriate. Such valuations may be based on an estimate of a more recent price of any unit or share in an underlying investment fund of other collective investment undertaking in which the Company invests obtained from or calculated on the basis of more recent information received from the underlying fund or undertaking or any of its service providers or agents. Subject to the FCA Rules, in the event that a price or valuation estimate accepted by the Company in relation to an underlying investment subsequently proves to be incorrect or varies from a final published price no adjustment to the Net Asset Value or Shares in issue will be made unless the ACD deems it appropriate in the circumstances.

## 5.4 MARKET RISKS

### 5.4.1 MARKET RISK

The investments of a Fund are subject to normal market fluctuations and the risks inherent in investment in international securities markets and there can be no assurances that appreciation will occur. Stock markets can be volatile and stock prices can change substantially. Debt securities are interest rate sensitive and may be subject to price volatility due to various factors including, but not limited to, changes in interest rates, market perception of the creditworthiness of the issuer and general market liquidity. The magnitude of these price fluctuations will be greater when the maturity of the outstanding securities is longer. Since investment in securities may involve currencies other than the Base Currency of a Fund, the value of a Fund's assets may also be affected by changes in currency rates and exchange control regulations, including currency blockage. The performance of a Fund will therefore depend in part on the ability of the Investment Manager to anticipate and respond to such fluctuations in stock prices, market interest rates and currency rates and to utilise appropriate strategies to maximise returns, while attempting to reduce the associated risks to investment capital.

### 5.4.2 TEMPORARY DEPARTURE FROM INVESTMENT OBJECTIVE

When the Investment Manager or the Sub-Investment Manager anticipates adverse market, economic, political or other conditions, it may temporarily depart from a Fund's investment objective and invest substantially in high-quality, short-term investments. This could help the Fund avoid losses but may also mean lost opportunities.

### 5.4.3 **NO GUARANTEE OF CAPITAL**

**Investors should note that the TM Neuberger Berman Absolute Alpha Fund does not offer any form of guarantee with respect to investment performance and no form of capital protection will apply.**

**Investors should note that investors' capital is, in fact, at risk and there is no guarantee that any particular returns will be achieved, whether over a stated time period, or any other time period.**

**It cannot be guaranteed that a specific investment period in which the Fund aims to achieve these returns, or these specific positive returns, will be achieved.**

### 5.4.4 CURRENCY RISK

The Net Asset Value per Share of a Fund will be computed in the Base Currency of the relevant Fund, whereas the investments held for the account of that Fund may be acquired in other currencies. The Base Currency value of the investments of a Fund designated in another currency may rise and fall due to exchange rate fluctuations in respect of the relevant currencies. Adverse movements in currency exchange rates can result in a decrease in return and a loss of capital. The Fund may attempt to fully or partially hedge into its Base Currency to mitigate the risk. In addition, currency hedging transactions, while potentially reducing the currency risks to which a Fund would

otherwise be exposed, involve certain other risks, including the risk of a default by a counterparty.

Where a Fund engages in foreign exchange transactions which alter the currency exposure characteristics of its investments the performance of such Fund may be strongly influenced by movements in exchange rates as currency positions held by the Fund may not correspond with the securities positions held.

Where a Fund enters into "cross hedging" transactions (e.g., utilising currency different than the currency in which the security being hedged is denominated), the Fund will be exposed to the risk that changes in the value of the currency used to hedge may not correlate with changes in the value of the currency in which the securities are denominated, which could result in loss on both the hedging transaction and the Fund securities.

#### 5.4.5 POLITICAL AND/OR REGULATORY RISKS

The value of the assets of a Fund may be affected by uncertainties such as international political developments, changes in government policies, taxation, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in applicable laws and regulations.

#### 5.4.6 EURO, EUROZONE AND EUROPEAN UNION STABILITY RISK

In light of ongoing concerns on the sovereign debt risk of certain Member States within the Eurozone, the Company's investments in the Euro region may be subject to higher volatility, liquidity, currency and default risks. Any adverse events, such as credit downgrade of a sovereign or exit of EU Member States from the Eurozone, may have a negative impact on the value of the Funds within the Company.

The deterioration of the sovereign debt of several countries, together with the risk of contagion to other, more stable, countries exacerbated the global economic crisis. There is a continued possibility that Eurozone countries could be subject to an increase in borrowing costs. This situation as well as the United Kingdom's referendum have raised a number of uncertainties regarding the stability and overall standing of the European Economic and Monetary Union. The departure or risk of departure from the Euro by one or more Euro zone countries could lead to the reintroduction of national currencies in one or more Euro zone countries or, in more extreme circumstances, the possible dissolution of the Euro entirely. These potential developments, or market perceptions concerning these and related issues, could adversely affect the value of a Fund's investments. Unitholders should carefully consider how any potential changes to the Euro zone and European Union may affect their investment in a Fund.

#### 5.4.7 EQUITY SECURITIES

Equity securities represent ownership interests in a company or corporation, and include common stock, preferred stock and warrants and other rights to acquire such instruments. Investment in equity securities in general are subject to market risks that may cause their prices to fluctuate over time. The value of convertible equity securities is also affected by prevailing interest rates, the credit quality of the issuer and any call provisions. Fluctuations in the value of

equity securities in which the Fund invests would cause the Net Asset Value of the Fund to fluctuate.

#### 5.4.8 WARRANTS

When a Fund invests in warrants, the Net Asset Value per Share of the Fund may fluctuate more than if the Fund was invested in the underlying securities because of the greater volatility of the warrant price.

#### 5.4.9 DEPOSITARY RECEIPTS

Funds may purchase sponsored or unsponsored American Depositary Receipts, European Depositary Receipts and Global Depositary Receipts (collectively "Depositary Receipts") typically issued by a bank or trust company which evidence ownership of underlying securities issued by a corporation. Generally, Depositary Receipts in registered form are designed for use in the US securities market and Depositary Receipts in bearer form are designed for use in securities markets outside the US. Depositary Receipts may not necessarily be denominated in the same currency as the underlying securities into which they may be converted. Depositary Receipts may be issued pursuant to sponsored or unsponsored programs. In sponsored programs, an issuer has made arrangements to have its securities trade in the form of Depositary Receipts. In unsponsored programs, the issuer may not be directly involved in the creation of the program. Although regulatory requirements with respect to sponsored and unsponsored programs are generally similar, in some cases it may be easier to obtain financial information from an issuer that has participated in the creation of a sponsored program. Accordingly, there may be less information available regarding issuers of securities underlying unsponsored programs and there may not be a correlation between such information and the market value of the Depositary Receipts.

#### 5.4.10 REITS

5.4.11 In respect of a Fund which may invest in Real Estate Investment Trust Securities ("REITs"), which are pooled investment vehicles that invest primarily in either real estate or real estate related loans, there are particular risks associated with the direct ownership of real estate by REITs. For example, real estate values may fluctuate as a result of general and local economic conditions, overbuilding and increased competition, increases in property taxes and operating expenses, changes in zoning laws, casualty or condemnation losses, regulatory limitations on rents, changes in neighbourhood values, changes in how appealing properties are to tenants and increases in interest rates. As well as changes in the value of their underlying properties, the value of REITs may also be affected by defaults by borrowers or tenants.

5.4.12 Furthermore, REITs are dependent on specialised management skills. Some REITs may have limited diversification and may be subject to risks inherent in financing a limited number of properties. REITs depend generally on their ability to generate cash flows to make distributions to shareholders or unitholders, and may be subject to defaults by borrowers and to self-liquidations. In addition, the performance of a REIT may be adversely affected if it fails to qualify for tax-free pass-through of income under US tax law or if it fails to maintain exemption from registration under the 1940 Act.

5.4.13 The ability to trade REITS in the secondary market can be more limited than other stocks. The liquidity of REITS on the major US stock exchanges is on average less than the typical stock included in, for example, the S&P 500 Index.

#### 5.4.14 CONCENTRATION RISK

Subject to the provisions of the UCITS Regulations, a Fund may at certain times hold large positions in a relatively limited number of issuers, investments, industries, markets or countries including, without limitation, as a result of price shifts of its investments, changes in the composition of a Fund's overall Fund and other factors. A Fund could be subject to significant losses if it holds a relatively large position in a single issuer or a particular type of investment that declines in value and the losses could increase even further if the investments cannot be liquidated without adverse market reaction or are otherwise adversely affected by changes in market conditions or circumstances. Additionally, where a Fund's investments are concentrated in a particular country, the Fund 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. As a result, the value of such Funds may be more volatile than a fund which diversifies across a larger number of countries or investments.

#### 5.4.15 VALUATION RISK

Valuation of the Funds' investments may involve uncertainties and judgmental determinations. If such valuation turns out to be incorrect, this may affect the Net Asset Value calculation of a Fund.

#### 5.4.16 INITIAL PUBLIC OFFERINGS RISK

A Fund may invest in initial public offerings, which frequently are smaller companies. Such securities have no trading history, and information about these companies, may only be available for limited periods. The prices of securities involved in initial public offerings may be subject to greater price volatility than more established securities.

#### 5.4.17 OVER THE COUNTER (OTC) TRANSACTIONS

A Fund may enter into off-exchange transactions. OTC contracts are not currently regulated and such contracts are not guaranteed by an exchange or clearing house. Consequently, trading in these contracts is subject to more risks than future or options trading on regulated exchanges, including, but not limited to, the risk that a counterparty will default on an obligation. OTC transactions are also subject to legal risks, such as the legal incapacity of a counterparty to enter into a particular contract or the declaration of a class of contracts as being illegal or unenforceable.

## 5.5 MARKET RISKS: Risks Relating to Debt Securities

### 5.5.1 FIXED INCOME SECURITIES

Fixed income securities are subject to the risk of an issuer's ability to meet principal and interest payments on the obligation (credit risk), and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (market risk). In addition, a Fund may invest in fixed-income securities which are interest rate sensitive. An increase in interest rates will generally reduce the value of fixed-income securities, while a decline in interest rates will generally increase the value of fixed-income securities. The performance of such Funds will therefore depend in part on the ability to anticipate and respond to such fluctuations on market interest rates, and to utilise appropriate strategies to maximise returns, while attempting to minimise the associated risks to investment capital. Fixed income securities are also exposed to the risk that their or their issuers' credit ratings may be downgraded, which can cause a significant drop in the value of such securities. In the event of such downgrading, the value of a Fund may be adversely affected. The Investment Manager or Sub-Investment Manager may or may not be able to dispose of the debt instruments that are being downgraded.

### 5.5.2 INTEREST RATE RISK

Funds that invest in debt securities or money market instruments are subject to interest rate risk. The value of a debt or debt related security will generally increase when interest rates fall and decrease in value when interest rates rise. Interest rate risk is the chance that such movements in interest rates will negatively affect the value of a security or, in a Fund's case, its Net Asset Value. Securities with greater interest rate sensitivity and longer maturities tend to produce higher yields, but are subject to greater fluctuations in value. As a result, securities with a longer maturity tend to offer higher yields for this added risk. While changes in interest rates may affect a Fund's interest income, such changes may positively or negatively affect the Net Asset Value of a Fund on a daily basis.

### 5.5.3 CREDIT RISK

A Fund will have a credit risk in respect of the issuers of debt securities in which it invests, which will vary, along with the value of the securities themselves depending on the issuer's ability to make principal and interest payments in respect of its obligation or markets' perception of this ability. In addition, not all of the securities in which a Fund may invest that are issued by sovereign governments or political subdivisions, agencies or instrumentalities thereof, will have the explicit full faith and credit support of the relevant government. Any failure by any such government to meet the obligations of any such political subdivisions, agencies or instrumentalities may have adverse consequences for a Fund and adversely affect the Net Asset Value per Share in such a Fund.

Credit ratings provided by Recognised Rating Agencies are relative and subjective and are not absolute standards of quality. Although these ratings are initial criteria for selection of investments, the Investment Manager and/or Sub-Investment Manager also make their own evaluation of these securities and issuers. Among the factors that are considered are the long-term ability of the issuers to pay principal and interest and general economic trends.

#### 5.5.4 BOND DOWNGRADE RISK

A Fund may invest in investment grade bonds, however, where a bond is subsequently downgraded it may continue to be held in order to avoid a distressed sale. To the extent that a Fund does hold such bonds, there will be an increased risk of default on repayment, which in turn translates into a risk that the capital value of a Fund will be affected. Investors should be aware that the yield or the capital value of a Fund (or both) could fluctuate.

### 5.6 LIQUIDITY RISKS

#### 5.6.1 LIQUIDITY RISK

Liquidity risks exist when particular investments are difficult to purchase or sell. A Fund's investment in illiquid securities may reduce the returns of the Fund because it may be unable to sell the illiquid securities at an advantageous time or price. Investments in foreign securities, derivatives or securities with substantial market and/or credit risk tend to have the greatest exposure to liquidity risk. Illiquid securities may be highly volatile and difficult to value.

Under certain market conditions, such as decreased trading volume, increased price volatility, concentrated trading positions, limitations on the ability to transfer or liquidate positions and changes in industry or changes in government regulations, or when trading in a financial market is otherwise impaired, the liquidity of a Fund's investments (and thereby the liquidity of the Fund itself) may be reduced. In addition, certain Funds may invest in fixed income securities, the markets for which may experience periods of lower liquidity in circumstances outlined under this heading and under "Fixed Income Securities" above, which may further limit the liquidity of a Fund.

Under the aforementioned market conditions, Funds may be unable to dispose of certain of its investments, including longer-term or lower credit quality investments, which may adversely affect its ability to meet redemption requests or further negatively impact the overall liquidity of the Fund, if more liquid assets are sold to meet redemptions. In addition, such circumstances may force Funds to dispose of their investments at reduced prices, thereby adversely affecting the Funds' performance.

This situation could be worsened where other market participants are seeking to dispose of similar investments at the same time and Funds may ultimately be unable to sell such investments readily at a favourable time or price or at prices approximating those at which the Fund values them at that time, potentially incurring substantial losses.



Furthermore, certain segments of global fixed income markets may experience periods of lower liquidity caused by market events or large sales and raise the risk that securities or other fixed-income instruments cannot be sold during those periods or can only be sold at reduced prices. Those events may challenge affected Funds to meet significant volumes of redemption requests and may also influence the value of the relevant Funds, as the lower liquidity may be reflected in a reduction in the value of the Funds' assets.

Investments suffering from a lack of market liquidity may be subject to wide fluctuations in market value and it may be difficult for a Fund to value such investments accurately. Illiquid investments may also entail transaction costs that are higher than those for more liquid investments.

#### 5.6.2 SWING PRICING

The Directors may, where they so determine, "swing" the Net Asset Value of a Fund to attempt to mitigate the potentially dilutive effects of dealing on the Net Asset Value on any Dealing Day on which there are net subscriptions or redemptions in the Fund above a certain predefined threshold of the Fund. In such cases, investors should be aware that swing pricing may not always prevent the dilution of the Net Asset Value through dealing costs and the adjustments made to the Net Asset Value may also benefit certain investors relative to the Shareholders in the Fund as a whole. For example a subscriber into a Fund on a day on which the Net Asset Value is swung downwards as a result of net redemptions from the Fund may benefit from paying a lower Net Asset Value per Share in respect of his subscription than he would otherwise have been charged. In addition, the Fund's Net Asset Value and short-term performance may experience greater volatility as a result of this valuation methodology. The application of Swing Pricing may also increase the variability of a Fund's returns.

#### 5.6.3 GENERAL SUSPENSION RISK

Securities of issuers traded on exchanges may be suspended, either by the issuers themselves, by an exchange or by government authorities. The likelihood of such suspensions may be higher for securities of issuers in emerging or less-developed market countries than in countries with more developed markets. Trading suspensions may be applied from time to time to the securities of individual issuers for reasons specific to that issuer, or may be applied broadly by exchanges or governmental authorities in response to market events. Suspensions may last for significant periods of time, during which trading in the securities and instruments that reference the securities, such as participatory notes (or "P-notes") or other FDI, may be halted. In the event that a Fund holds material positions in such suspended securities or instruments, the Fund's ability to liquidate its positions or provide liquidity to investors may be compromised and the Fund could incur significant losses.

## 5.7 FINANCE-RELATED RISKS

### 5.7.1 CHARGES TO CAPITAL

Where the Prospectus states that all or part of fees and/or charges may be charged against capital rather than income, this will enhance income returns but may constrain future capital growth.

### 5.7.2 EFFECT OF INITIAL CHARGE OR REDEMPTION CHARGE

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

In particular, where a redemption charge is payable investors should note that the percentage rate at which the redemption charge is calculated may be based on the market value rather than the initial value of the Shares. If the market value of the Shares has increased the redemption charge will show a corresponding increase. The Shares therefore should be viewed as medium to long-term investments.

### 5.7.3 FEES AND EXPENSES

Whether or not a Fund is profitable, it is required to pay fees and expenses including organisation and offering expenses, brokerage commissions, management, administrative and operating expenses and custodian fees. A portion of these expenses may be offset by interest income.

### 5.7.4 FOREIGN TAXES

The Company may be liable to taxes (including withholding taxes) in countries other than the United Kingdom on income earned and capital gains arising on its investments. The Company may not be able to benefit from a reduction in the rate of such foreign tax by virtue of the double taxation treaties between the United Kingdom and other countries. The Company may not, therefore, be able to reclaim any foreign withholding tax suffered by it in particular countries. If this position changes and the Company obtains a repayment of foreign tax, the Net Asset Value of the Company will not be restated and the benefit will be allocated to the then-existing Shareholders rateably at the time of repayment.

### 5.7.5 FATCA

The Company will require Shareholders to certify information relating to their status for FATCA purposes and to provide other forms, documentation and information in relation to their FATCA status. The Company may be unable to comply with its FATCA obligations if Shareholders do not provide the required certifications or information. In such circumstances, the Company could become subject to US FATCA withholding tax in respect of its US source income if the US Internal Revenue Service specifically identified the Company as being a 'non-participating financial institution' for FATCA purposes. Any such US FATCA withholding tax would negatively impact the financial

performance of the Company and all Shareholders may be adversely affected in such circumstances.

#### 5.7.6 FUTURE DEVELOPMENTS POTENTIALLY IMPACTING TAXATION OF SHAREHOLDERS

There are a number of national and international tax initiatives currently in progress which could, if enacted, impact the Company, a Fund and / or Shareholders in the future. At this time it cannot be predicted whether these tax initiatives will be enacted, and, if enacted, what their form will be and how they will impact the Company, a Fund or Shareholders. As a result, Shareholders should consult their own tax advisors regarding the possible implications of any such future developments on their investments in a Fund.

### 5.8 RISKS RELATED TO FINANCIAL DERIVATIVE instruments ("FDI")

#### 5.8.1 GENERAL

There are certain investment risks that apply in relation to the use of FDI. A Fund may use FDI as a cheaper or more liquid alternative to other investments, to attempt to hedge or reduce the overall risk of its investments, or as part of the investment policies and strategies used in the pursuit of its investment objectives. A Fund's ability to use these strategies may be limited by market conditions, regulatory limits and tax considerations. Investments in FDI are subject to normal market fluctuations and other risks inherent in investment in securities. In addition, the use of FDI involves special risks, and risks different from, and, in certain cases, greater than, the risks presented by more traditional investments, including:

Independence on the Investment Manager's and Sub-Investment Manager's ability to accurately predict movements in the price of the underlying security and the fact that the skills needed to use these strategies are different from those needed to select Fund securities;

imperfect correlation between the movements in securities or currency on which an FDI contract is based and movements in the securities or currencies in a Fund;

the absence of a liquid market for any particular instrument at any particular time which may inhibit the ability of a Fund to liquidate an FDI at an advantageous price; and

possible impediments to efficient Fund management or the ability to meet repurchase requests or other short term obligations because a percentage of a Fund's assets may be segregated to cover its obligations.

Should the Investment Manager's and Sub-Investment Manager's expectations in employing such techniques and instruments be incorrect or ineffective, a Fund may suffer a substantial loss, having an adverse effect on the Net Asset Value. Such strategies might also be unsuccessful and incur losses for a Fund, due to market conditions.

The use of FDI also means that the Net Asset Value of a Fund may at times be volatile. The Investment Manager employs a risk management process which enables it to accurately measure, monitor and manage the various risks associated with FDI.

## 5.8.2 PARTICULAR RISKS OF FDI

### 5.8.2.1 General

The Investment Manager may make use of FDI in a Fund's investment program. Certain swaps, options and other FDI may be subject to various types of risks, including market risk, liquidity risk, counterparty credit risk, legal risk and operations risk. In addition, swaps and other derivatives can involve significant economic leverage and may, in some cases, involve high risk of significant loss. The Global Exposure of a Fund which uses the Commitment Approach to manage the risks associated with their use of FDI will not exceed the Fund's Net Asset Value at any time. Funds which use the value at risk approach to manage the risks associated with their use of FDI may have a net leveraged exposure of over 100% of their Net Asset Value as a result of their use of FDI, which may result in a significant or a total loss to the Fund.

### 5.8.2.2 Liquidity; Requirement to Perform

From time to time, the counterparties with which a Fund effects transactions might cease making markets or quoting prices in certain of the instruments. In such instances, a Fund might be unable to enter into a desired transaction or to enter into any offsetting transaction with respect to an open position, which might adversely affect its performance. Further, in contrast to exchange-traded instruments, forward or spot contracts do not provide a trader with the right to offset its obligations through an equal and opposite transaction. For this reason, entering into forward or spot contracts, the Company may be required to and must be able to, perform its obligations under the contract.

### 5.8.2.3 Necessity for Counterparty Trading Relationships

Participants in the OTC markets typically enter into transactions only with those counterparties which they believe to be sufficiently creditworthy, unless the counterparty provides super collateral, letters of credit or other credit enhancements. While the Investment Manager believes that the Company will be able to establish the necessary counterparty business relationships to enable it to effect transactions in the OTC markets, including the swaps markets, there can be no assurance that it will be able to do so. An inability to establish such relationships would limit its activities and could require it to conduct a more substantial portion of such activities in the futures markets. Moreover, the counterparties with which it expects to establish such relationships will not be obligated to maintain the credit lines extended to it, and such counterparties could decide to reduce or terminate such credit lines at their discretion.

#### 5.8.2.4 Correlation Risk

Although the Investment Manager believes that taking exposure to underlying assets through the use of FDI will benefit Shareholders in certain circumstances, due to reduced operational costs and other efficiencies which investment through FDI can bring, there is a risk that the performance of the Fund will be imperfectly correlated with the performance which would be generated by investing directly in the underlying assets.

#### 5.8.2.5 Futures

Positions in futures contracts may be closed out only on an exchange which provides a secondary market for such futures. However, there can be no assurance that a liquid secondary market will exist for any particular futures contract at any specific time. Thus, it may not be possible to close a futures position. In the event of adverse price movements, a Fund would continue to be required to make daily cash payments to maintain its required margin. In such situations, if a Fund has insufficient cash, it may have to sell Fund securities to meet daily margin requirements at a time when it may be disadvantageous to do so. In addition, a Fund may be required to make delivery of the instruments underlying futures contracts it holds.

The inability to close options and futures positions also could have an adverse impact on the ability to effectively hedge a Fund.

The risk of loss in trading futures contracts in some strategies can be substantial, due both to the low margin deposits required, and the extremely high degree of leverage involved in futures pricing. As a result, a relatively small price movement in a futures contract may result in immediate and substantial loss (as well as gain) to the investor. For example, if at the time of purchase, 10% of the value of the futures contract is deposited as margin, a subsequent 10% decrease in the value of the futures contract would result in a total loss of the margin deposit, before any deduction for the transaction costs, if the account were then closed out. A 15% decrease would result in a loss equal to 150% of the original margin deposit if the contract were closed out. Thus, a purchase or sale of a futures contract may result in losses in excess of the amount of investment in the contract. The relevant Fund also assumes the risk that the Investment Manager will incorrectly predict future stock market trends.

It is also possible that a Fund could both lose money on futures contracts and also experience a decline in value of its Fund securities. There is also a risk of loss by a Fund of margin deposits in the event of bankruptcy of a broker with whom a Fund has an open position in a futures contract or related option.

Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day, no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. It is also possible that an exchange or the CFTC may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only. This constraint could prevent the Investment Manager from promptly liquidating unfavourable positions and subject a Fund to substantial losses. This could also impair a Fund's ability to withdraw its investments in order to make distributions to a redeeming Shareholder in a timely manner. Therefore, although the Company is open to all classes of investors and it is not expected that its investments will impact on its ability to meet redemption requests, it may be more suitable for sophisticated investors that will not be materially impacted by postponements of a Fund's normal redemption dates.

### 5.8.3 PARTICULAR RISKS OF OTC FDI

#### Absence of Regulation; Counterparty Default

In general, there is less government regulation and supervision of transactions in the over-the-counter markets than of transactions entered into on organised exchanges. In addition, many of the protections afforded to some participants on some organised exchanges, such as the performance guarantee of an exchange clearing house, might not be available in connection with transactions in OTC FDI. Therefore, although any counterparty with whom a Fund enters into an OTC FDI transaction will be rated at or in excess of the requirements of the Central Bank by a Recognised Rating Agency and the Fund may further reduce its exposure to the counterparty through the use of collateral, the Fund will be subject to the risk that the counterparty will not perform its obligations under the transactions. In the event that the counterparty is unable or unwilling to meet its contractual liabilities, there may be a limited but detrimental impact on the Fund.

#### 5.8.3.1 Tax

There may also be a detrimental impact on a Fund in circumstances where there has been a change in the relevant taxation legislation or practice, regarding the OTC FDI in which the Fund has invested, whereby an unforeseen tax liability may have to be borne by the Fund. There is also a risk of loss due to the unexpected application of a law or regulation.

### 5.8.3.2 Legal

Unlike exchange-traded options, which are standardised with respect to the underlying instrument, expiration date, contract size, and strike price, the terms of OTC FDI, are generally established through negotiation with the other party to the instrument. While this type of arrangement allows a Fund greater flexibility to tailor the instrument to its needs, OTC FDI may involve greater legal risk than exchange-traded instruments, as there may be a risk of loss if OTC FDI are deemed not to be legally enforceable or are not documented correctly.

There also may be a legal or documentation risk that the parties to the OTC FDI may disagree as to the proper interpretation of its terms. If such a dispute occurs, the cost and unpredictability of the legal proceedings required for the Company to enforce its contractual rights may lead the Company to decide not to pursue its claims under the OTC FDI. The Company thus assumes the risk that it may be unable to obtain payments owed to it under OTC arrangements, that those payments may be delayed or made only after the Company has incurred the costs of litigation.

### 5.8.3.3 Forward Contracts

The Investment Manager may enter into forward contracts and options thereon on behalf of a Fund which are not traded on exchanges and are generally not regulated. There are no limitations on daily price moves of forward contracts. The swap dealers with whom a Fund may maintain accounts may require the relevant Fund to deposit margin with respect to such trading. The Funds' counterparties are not required to continue to make markets in such contracts and these contracts can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain counterparties have refused to continue to quote prices for forward contracts or have quoted prices with an unusually wide spread (the price at which the counterparty is prepared to buy and that at which it is prepared to sell). Arrangements to trade forward contracts may be made with only one or a few counterparties, and liquidity problems therefore might be greater than if such arrangements were made with numerous counterparties. The imposition of credit controls by governmental authorities might limit such forward trading to less than that which the Investment Manager would otherwise recommend, to the possible detriment of a Fund. Market illiquidity or disruption could result in major losses to a Fund. In addition, a Fund may be exposed to credit risks with regard to counterparties with whom they trade as well as risks relating to settlement default. Such risks could result in substantial losses to a Fund.

#### 5.8.3.4 Valuation Risk

FDI and forward exchange contracts which are not dealt on a Recognised Market shall either be valued by the counterparty at least daily, provided that the valuation is verified at least weekly either by the Investment Manager or other independent party such person to be independent of the counterparty and approved for that purpose by the Depositary, or by using an alternative valuation. If using an alternative valuation, the Company will follow international best practice and adhere to the principles on valuation of OTC instruments established by bodies such as IOSCO and AIMA. In the event that the Company opts to use an alternative valuation, the Company will use a competent person appointed by the Directors, approved for this purpose by the Directors and the Depositary, or will use such other method approved by the Depositary and such alternative valuation will be reconciled with the counterparty's valuation on a monthly basis. Any significant differences to the counterparty valuation will be promptly investigated and explained.

Investors should note that there is often no single market value for instruments such as OTC FDI. The discrepancies between bid offer spread on OTC FDI may be partly explained by various estimates on their pricing parameters. The Company has put procedures in place to reconcile any differences in valuation between the counterparties as well as pricing anomalies.

#### 5.8.4 RISKS ASSOCIATED WITH EXCHANGE-TRADED FUTURES CONTRACTS

A particular risk associated with this type of contract is the means by which the futures contract is required to be terminated. A futures contract can only be terminated by entering into an offsetting transaction. This needs a liquid secondary market on the exchange on which the original position was established. However, there can be no assurance that such a market will exist for any particular contract at any point in time. In that event, it might not be possible to establish or liquidate a position. In addition, because the instrument underlying a futures contract traded by a Fund will often be different from the instrument or market being hedged or to which exposure is sought, the correlation risk could be significant and could result in losses to a Fund. The use of futures involves basis risk – the risk that changes in the value of the underlying instrument will not be fully reflected in the value of the futures contract. The liquidity of a secondary market in futures contracts is also subject to the risk of trading halts, suspensions, exchange or clearing house equipment failures, government intervention, insolvency of a brokerage firm, clearing house or exchange or other disruptions of normal trading activity. Each securities exchange typically has the right to suspend or limit trading in all securities which it lists. Such a suspension would render it impossible for a Fund to liquidate positions and, accordingly, could expose a Fund to losses and potentially have an adverse impact on its ability to redeem Shares. There is also a degree of leverage inherent in futures trading (ie, the loan margin deposits normally required in futures trading means that such trading may be highly leveraged). Accordingly, a relatively small price movement in a futures contract may result in an immediate and substantial loss to a Fund.



### 5.8.5 OPTIONS

A Fund may enter into option contracts. These contracts give the right, but not the obligation, to buy or sell an underlying asset or instrument at a specified strike price on or before a specified date.

A put option gives the holder the right to sell the underlying assets to the option writer at an agreed price, whereas a call option gives the holder the right to purchase the underlying assets from the option writer at an agreed price. A Fund may sell put options in respect of securities and may, in order to generate additional income, sell call options by setting target 'strike' prices at which those securities may be sold or bought in the future. This will create exposure for the Fund, as it may have to deliver the underlying securities and, should the market move unfavourably, this may result in a loss. The maximum loss for the writer of a put option is equal to the strike price less the premium received. The maximum loss for the writer of a call option is potentially unlimited if the writer does not hold the physical asset that must be delivered. In the case of a written option or a future, the underlying security is not delivered upon exercise, as the contract is cash settled. A Fund's financial liability is therefore linked to the marked-to-market value of the notional underlying investments.

An option writing strategy used by a Fund carries the risks detailed above. Such an option writing strategy may also limit the potential for capital growth and increase the risk that the Net Asset Value of a Fund will underperform global equities markets.

### 5.8.6 CONTRACTS FOR DIFFERENCES

A contract for differences ("CFD") is an OTC derivative transaction providing synthetic exposure to an underlying asset such as a listed equity, an index or a basket of securities. Such contracts are subject to risks related to OTC investments. They are subject to daily margin adjustment payments and in case of significant market movement, holders of CFDs may sustain more loss than the margin accounts and expose the Fund to losses. In addition, if there is no liquidity in the relevant reference security, the Fund may be unable to trade the respective CFD which could have impact on the Fund's performance and liquidity. In addition, CFDs are exposed to counterparty risk as described in the Operational Risk section.

### 5.8.7 TOTAL AND EXCESS RETURN SWAPS

Certain Funds may use Total Return (TR) or Excess Return (ER) Swaps. A TR Swap is a swap agreement in which the total return of a security is exchanged for some other cash flow, usually tied to SONIA or some other loan or credit-sensitive security/market. TR and ER Swaps are subject to interest rate risk with an additional risk that underlying security/market movements may vary from expectations at the point the position is entered into. Adverse movements in either case would result in losses to the relevant Funds. TR Swaps are also subject to counterparty credit risk, which is the possibility that the other party to the swap contract may default on its obligations. Collateralisation arrangements will be in place to minimise this counterparty credit risk.

### 5.8.8 RISKS OF CLEARING HOUSES, COUNTERPARTIES OR EXCHANGE INSOLVENCY

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

### 5.8.9 SHORT POSITIONS

Holding a short position is when a security that the Funds do not physically own is sold. This is done if the price of that security is expected to fall so that it can be purchased at a later date for a lower price to make a profit. Uncovered selling of securities is prohibited under the UCITS Regulations but the creation of synthetic short positions through the use of FDI is permitted, as long as any exposure created is covered by the assets of the relevant Fund. A short position in a security could create greater risks than would occur with a long position. These include the possibility of an unlimited loss due to potentially unlimited price increases in the securities concerned.

### 5.8.10 CASH COLLATERAL

Cash collateral re-use or reinvestment could lead to a reduction of the value of the eligible collateral capital. This, in turn may causes losses to the Company and the relevant Fund because it is obliged to return collateral to the counterparty.

## 5.9 Applicable Risk Factors for each Fund

	<b>1. Risks related to fund structure</b>	<b>2. Operational Risks</b>	<b>3. Market Risks</b>	Market Risk	Temporary Departure From Investment Objective	No Guarantee of Capital	Currency Risk	Political and/or Regulatory Risks	Euro, Eurozone and EU stability risk	Implications of Brexit	Equity Securities	Warrants	Depository Receipts	REITS	Concentration Risk	3.a Market Risks: Risks Relating To Debt Securities	Fixed Income Securities	Interest Rate Risk	Credit Risk	Bond Downgrade Risk
TM Neuberger Berman Absolute Alpha Fund	<	<	<	<	<	<	<	<	<	<	<	<	<	<	<	<	<	<	<	<

	<u>4. Liquidity Risks</u>	<u>5. Finance-Related Risks</u>	<u>6. Risks Related To Financial Derivative Instruments</u>	General	Particular Risks of FDI	Particular Risks of OTC FDI	Risks associated with exchange-traded futures contracts	Options	Contracts for Differences	Total and Excess Return Swaps	Risks of clearing Houses, counterparties or exchange insolvency	Short positions	Cash collateral
TM Neuberger Berman Absolute Alpha Fund	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

## 6. SECURITIES FINANCING TRANSACTIONS

### 6.1 Use of securities financing transactions

6.1.1 The Funds may use securities financing transactions to help meet the investment objective of each Fund and/or as part of efficient portfolio management.

The SFTs that may be undertaken by the Fund are limited to repo contracts and total return swaps.

The types of assets which may be subject to repo contracts and total return swaps will be limited to the financial instruments permitted by each Fund's investment policy.

The maximum proportion of the assets of the Fund which may be subject to SFTs and total return swaps is as follows:

#### **TM Neuberger Berman Absolute Alpha Fund:**

Total Return Swaps	100%
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The expected proportion of the assets of the Fund which may be subject to SFTs and total return swaps is as follows:

#### **TM Neuberger Berman Absolute Alpha Fund:**

Total Return Swaps	0-30%
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The expected proportion of AUM subject to SFTs and total return swaps is indicative only and, depending on market conditions and the strategies employed, the actual exposure may be outside of that range at any given point in time. There may be times when there the proportion of AUM subject to SFTs and total return swaps is zero.

All revenues arising from total return swaps will be returned to the relevant Fund and the ACD and Investment Manager will not take any fees or costs out of those revenues additional to the Fees set out in the section headed "Fees and Expenses".

## 6.2 Selection of counterparties

6.2.1 The Investment Manager selects execution-only brokers and counterparties and submits a request to the ACD's Investment Committee for approval. The ACD's Investment Committee reviews information provided by the Investment Manager on the proposed counterparty to assess their credit-worthiness, together with the type, settlement and delivery mechanism of the proposed security transaction. The ACD's Investment Committee maintains a list of approved securities financing transactions counterparties, which is kept under review. This review covers the ownership structure, financial strength, regulatory oversight and commercial reputation of the relevant legal entities. Ongoing monitoring involves the review by the Investment Manager of the audited and interim financial statements and market data service provider alerts.

6.2.2 Broker selection is based on, but not limited to, the following factors:

6.2.2.1 ability to execute and execution quality;

6.2.2.2 ability to provide liquidity/capital;

6.2.2.3 price and quote speed;

6.2.2.4 operational quality and efficiency; and

6.2.2.5 compliance with regulatory reporting obligations.

## 6.3 Acceptable collateral

6.3.1 Eligible collateral types (for derivative trading) are approved by the Investment Manager, and are set out in the respective ISDA Credit Support Annexes. Generally, eligible collateral consists of UK gilts, US treasuries and negotiable debt obligations of a range of Eurozone countries, generally subject to a minimum credit-rating. Collateral is subject to a haircut on a sliding scale based on the residual maturity of the underlying instrument.

6.3.2 Collateral obtained in respect of total return swaps must comply with the following criteria:

6.3.2.1 liquidity: any collateral received other than cash should be of high quality, highly liquid and traded on a regulated market or multilateral trading facility with transparent pricing in order that it can be sold quickly at a price that is close to pre-sale valuation;

6.3.2.2 valuation: it should be valued on at least a daily basis and assets that exhibit high price volatility should not be accepted as collateral unless suitably conservative haircuts are in place;

6.3.2.3 issuer: it should be issued by an entity that is independent from the counterparty and is expected not to display a high correlation with the performance of the counterparty;

- 6.3.2.4 correlation: it should be sufficiently diversified in terms of country, markets and issuers with a maximum exposure of 20% of the Fund's Net Asset Value to any single issuer on an aggregate basis, taking into account all collateral received;
- 6.3.2.5 diversification: there is no restriction on the level of diversification required with respect to any country, market or issuer;
- 6.3.2.6 maturity: collateral received may have a maturity date such as bonds or may not have a maturity date such as cash and equity; and
- 6.3.2.7 enforceability: it should be capable of being fully enforced by the Fund at any time without reference to or approval from the counterparty.

#### 6.4 **COLLATERAL VALUATION**

- 6.4.1 The value of collateral obtained is marked to market on a daily basis. Valuations are carried out daily and a margin is applied to collateral transactions so that, depending on the combination of securities on loan and the type of collateral received, the value of collateral required will range from 0% to 20% of the value of securities. The collateral is marked to market daily to maintain the 0% to 5% excess collateral to act as insurance for volatile market conditions
- 6.4.2 Subject to the framework of agreements in place with the relevant counterparty, which may or may not include minimum transfer amounts, it is the ACD's general intention that any collateral received shall have a value, adjusted in light of the haircut policy, which equals or exceeds the relevant counterparty exposure where appropriate. The ACD has implemented a haircut policy in respect of each class of assets received as collateral. A haircut is a discount applied to the value of a collateral asset to account for the fact that its valuation, or liquidity profile, may deteriorate over time. The haircut policy takes account of criteria including the asset types, liquidity, valuation, issuer credit quality, correlation and risks linked to the management of collateral and enforceability.

#### 6.5 **COLLATERAL RISK MANAGEMENT**

- 6.5.1 In the event of a counterparty default or operational difficulty, securities that are loaned out may not be returned or returned in a timely manner. Should the borrower of securities fail to return the securities lent by a Fund, there is a risk that the collateral received on such transactions may have a market value lower than that of the securities lent, whether due to inaccurate pricing of the collateral, adverse market movements in the value of the collateral, a deterioration in the credit rating of the issuer of the collateral, or the illiquidity of the market in which the collateral is traded. Delays in the return of securities on loan might restrict the Fund's ability to complete the sale of securities or to meet redemption requests. A default by the counterparty combined with a fall in the market value of the collateral below that of the value of the securities lent, may result in a reduction in the value of a Fund.

6.5.2 Collateral received will be held within a safekeeping account at the Depository. The Funds will be exposed to the risk of the Depository not being able to fully meet its obligation to return the collateral when required in the case of bankruptcy of the Depository.

## 6.6 **Safekeeping**

6.6.1 The collateral and the assets underlying total return swap transactions (and that remain assets of the Fund) will be held within a safekeeping account or record kept at the Custodian.

## 6.7 **Policy on Sharing Revenue Generated by SFTs**

6.7.1 Collateral requirements are netted off against each other on an ongoing basis and paid to the relevant broker in the form of cash or equivalent.

# 7. **MANAGEMENT AND ADMINISTRATION**

## 7.1 **Authorised Corporate Director (ACD) and other Directors**

7.1.1 The ACD is Thesis Unit Trust Management Limited, a private company limited by shares, incorporated in England and Wales under the Companies Act 1985 on 6 February 1998 with company number 3508646. The ACD, for the purposes of the COLL Sourcebook, is an authorised fund manager.

7.1.2 The directors of the ACD are:

S R Mugford	Finance Director
D W Tyerman	Chief Executive Officer
S E Noone	Client Service Director
D K Mytnik	Non-Executive Director
V R Smith	Non-Executive Director
W D Prew	Independent Non-Executive Director
C J Willson	Independent Non-Executive Director
N C Palios	Non-Executive Chair

D W Tyerman and S R Mugford also hold directorships of other companies within the Thesis group and perform senior management roles within these companies. In particular Thesis Asset Management Limited, which acts as an investment manager for some authorised funds operated by the ACD.

D K Mytnik, V R Smith and N C Palios also hold non-executive directorships of other companies within the Thesis group. They are not engaged in other business activities that are of significance to the Company. W D Prew is a director of INDOS Financial Limited, the primary business of which is the provision of Alternative Investment Fund Managers Directive independent depository services to alternative investment funds. INDOS Financial Limited is a wholly owned subsidiary within the JTC plc group, a fund, corporate services and private clients service provider. Neither INDOS Financial Limited nor JTC plc provide services to the investment funds managed by the ACD.

- 7.1.3 The address of the ACD's registered office and Head Office is located at Exchange Building, St John's Street, Chichester, West Sussex PO19 1UP.
- 7.1.4 It has a share capital of £5,673,167 issued and paid up.
- 7.1.5 The ACD is responsible for managing and administering the Company's affairs in compliance with the COLL Sourcebook.
- 7.1.6 The ACD is also the authorised fund manager of regulated collective investment schemes set out in Appendix IV.
- 7.1.7 The ACD is responsible for managing and administering the Company's affairs in compliance with the Regulations. The ACD may delegate its management, administration and registrar functions to third parties including Associates subject to the rules in the COLL Sourcebook. Details of delegated functions are set out at sub-paragraph 7.2.6.
- 7.1.8 The ACD is authorised and regulated by the FCA, whose address is set out in the Directory at the front of this Prospectus.
- 7.1.9 Investors buy and redeem Shares through the ACD who nets them to reduce the number of Shares issued or cancelled by the Company. When carrying out deals in Shares, the ACD acts as principal but does not profit from this activity.

## 7.2 **Terms of Appointment of the ACD**

- 7.2.1 The appointment of the ACD has been made under an agreement dated 31 January 2019 between the Company and the ACD (the "ACD Agreement"). The ACD is the sole Director of the Company.
- 7.2.2 The ACD Agreement provides that the appointment of the ACD may be terminated upon resolution of the Company in general meeting giving not less than 3 months' prior notice to the ACD or forthwith in certain circumstances by the ACD to the Company or the Depositary, or by the Depositary or the Company to the ACD. Termination cannot take effect until the FCA has approved the change of ACD.
- 7.2.3 The ACD is entitled to its pro rata fees and expenses to the date of termination and any additional expenses necessarily realised in settling or realising any outstanding obligations. No compensation for loss of office is provided for in the agreement. The ACD Agreement provides indemnities to the ACD other than for certain matters including those arising by reason of its fraud, negligence, wilful default, breach of duty or its bad faith, in the performance of its duties and obligations.
- 7.2.4 Under the ACD Agreement the ACD is entitled to delegate all of its functions to third parties, including without limitation, its investment advisory, administration and registrar functions.
- 7.2.5 The fees to which the ACD is entitled are set out in paragraphs 3 and 8.
- 7.2.6 The ACD has delegated the following functions to the parties listed below:

- 7.2.6.1 investment management to the Investment Manager;
  - 7.2.6.2 registration to the Registrar;
  - 7.2.6.3 administration to the Administrator; and
  - 7.2.6.4 fund accountancy to the Fund Accountant.
- 7.2.7 The ACD may delegate certain administrative functions to an entity within the same corporate group. Where two or more entities belong to the same group it is referred to as a 'Group Link'. Please refer to the paragraph 7.3 ('Links') for further information.

### 7.3 The Depositary

The Depositary of the Company is State Street Trustees Limited (registered no. 2982384), a private company limited by shares incorporated in England and Wales on 24 October 1994. The Depositary is authorised and regulated by the FCA.

The Depositary is responsible for the safekeeping of 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 FCA Rules and the OEIC Regulations relating to the pricing of, and dealing in, Shares and relating to the investment and borrowing powers and income of the Funds.

The Depositary (or its associates or any affected person) is under no obligation to account to the ACD, the Company or the Shareholders for any profits or benefits it makes or receives that are made or derived from or in connection with the dealings in Shares of the Company, any transaction in Scheme Property or the supply of services to the Company.

The appointment of the Depositary has been made under an agreement dated 31 January 2019 between the Company, ACD and the Depositary ("Depositary Agreement").

<b>Registered Office:</b>	20 Churchill Place, London E14 5HJ
<b>Principal Office for Business:</b>	Quartermile 3, 10 Nightingale Way, Edinburgh EH3 9EG
<b>Ultimate Holding Company:</b>	State Street Corporation, a company incorporated in the state of Massachusetts, USA
<b>Principal Business Activity:</b>	Acting as a trustee and depositary of collective investment schemes

#### 7.3.1 Depositary's functions:

The Depositary has been entrusted with following main functions:

- (a) ensuring that the sale, issue, repurchase, redemption and cancellation of Shares are carried out in accordance with applicable law and the instrument of incorporation;



- (a) ensuring that the value of the Shares is calculated in accordance with applicable law and the instrument of incorporation;
- (b) carrying out the instructions of the ACD or the Company unless they conflict with applicable law or the instrument of incorporation;
- (c) ensuring that in transactions involving the assets of each Fund any consideration is remitted within the usual time limits;
- (d) ensuring that the income of each Fund is applied in accordance with applicable law and the instrument of incorporation;
- (e) monitoring of each Fund's cash and cash flows;
- (f) safe-keeping of each Fund's assets, including the safekeeping of financial instruments to be held in custody and ownership verification and record keeping in relation to other assets.

### **Depositary's liability**

In carrying out its duties the Depositary shall act honestly, fairly, professionally, independently and solely in the interests of each Fund and its Shareholders.

In the event of a loss of a financial instrument held in custody, determined in accordance with the UCITS Directive, and in particular Article 18 of the UCITS Regulation, the Depositary shall return financial instruments of identical type or the corresponding amount to the relevant Fund or the ACD acting on behalf of the relevant Fund without undue delay.

The Depositary shall not be liable if it can prove that the loss of a financial instrument held in custody has arisen as a result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary pursuant to the UCITS Directive.

In case of a loss of financial instruments held in custody, the Shareholders may invoke the liability of the Depositary directly or indirectly through the Company or ACD provided that this does not lead to a duplication of redress or to unequal treatment of the Shareholders.

The Depositary is indemnified by the Fund or the Company against all liabilities suffered or incurred by the Depositary by reason of the proper performance of the Depositary's duties under the terms of the Depositary Agreement save where any such liabilities arise as a result of the Depositary's negligence, fraud, bad faith, wilful default or recklessness of the Depositary or the loss of financial instruments held in custody.

The Depositary will be liable to a Fund for all other losses suffered by the Fund as a result of the Depositary's negligent or intentional failure to properly fulfil its obligations pursuant to the UCITS Directive.

The Depositary shall not be liable for consequential or indirect or special damages or losses, arising out of or in connection with the performance or non-performance by the Depositary of its duties and obligations.

## **Delegation**

The Depositary has full power to delegate the whole or any part of its safe-keeping functions but its liability will not be affected by the fact that it has entrusted to a third party some or all of the assets in its safekeeping. The Depositary's liability shall not be affected by any delegation of its safe-keeping functions under the Depositary Agreement.

The Depositary has delegated those safekeeping duties set out in COLL 6.6B.25R to State Street Bank and Trust Company with registered office at State Street Financial Center, One Lincoln Street, Boston, Massachusetts, 02111, USA, with an office at 20 Churchill Place, Canary Wharf, London E14 5HJ, UK, whom it has appointed as its global sub-custodian.

Information about the safe-keeping functions which have been delegated and the identification of the relevant delegates and sub-delegates are contained in Appendix VI to this Prospectus. Appendix VI relates to appointed local sub-custodians.

## **Conflicts of Interest**

The Depositary is part of an international group of companies and businesses ("State Street") that, in the ordinary course of their business, act simultaneously for a large number of clients, as well as for their own account, which may result in actual or potential conflicts. Conflicts of interest arise where the Depositary or its affiliates engage in activities under the Depositary Agreement or under separate contractual or other arrangements. Such activities may include:

- (a) providing nominee, administration, registrar and transfer agency, research, agent securities lending, investment management, financial advice and/or other advisory services to a Fund;
- (b) engaging in banking, sales and trading transactions including foreign exchange, derivative, principal lending, broking, market making or other financial transactions with a Fund either as principal and in the interests of itself, or for other clients.

In connection with the above activities the Depositary or its affiliates:

- (a) will seek to profit from such activities and are entitled to receive and retain any profits or compensation in any form and, except as required by law, are not bound to disclose to, the Company any such profits or compensation in any form, including, but not limited to, any fee, charge, commission, revenue share, spread, mark-up, mark-down, interest, rebate, discount, or other benefit earned by affiliates of the Depositary or the Depositary when acting in any other capacity;
- (b) may buy, sell, issue, deal with or hold, securities or other financial products or instruments as principal acting in its own interests, the interests of its affiliates or for its other clients;

- (c) may trade in the same or opposite direction to the transactions undertaken, including based upon information in its possession that is not available to a Fund;
- (d) may provide the same or similar services to other clients including competitors of the Company and the fee arrangements it has in place will vary;
- (e) may be granted creditors' and other rights by a Fund, e.g. indemnification which it may exercise in its own interest. In exercising such rights the Depository or its affiliates may have the advantage of an increased knowledge about the affairs of the Fund relative to third party creditors thus improving its ability to enforce and may exercise such rights in a way that may conflict with the Fund's strategy.

The Company may use an affiliate of the Depository to execute foreign exchange, spot or swap transactions for the account of a Fund. In such instances the affiliate shall be acting in a principal capacity and not as a broker, agent or fiduciary of the relevant Fund. The affiliate will seek to profit from these transactions and is entitled to retain and not disclose any profit to the Fund. The affiliate shall enter into such transactions on the terms and conditions agreed with the Company. The Depository will not, except as required by law, disclose any profit made by such affiliates.

Where cash belonging to a Fund is deposited with an affiliate being a bank, cash is not segregated from its own assets and a potential conflict arises in relation to the interest (if any) which the affiliate may pay or charge to such account and the fees or other benefits which it may derive from holding such cash as banker.

The ACD or the Company may also be a client or counterparty of the Depository or its affiliates and a conflict may arise where the Depository refuses to act if the ACD or the Company directs or otherwise instructs the Depository to take certain actions that might be in direct conflict with the interests of the investors in a Fund.

These types and levels of risk that the Depository is willing to accept may conflict with the Fund's preferred investment policy and strategy.

Potential conflicts that may arise in the Depository's use of sub-custodians include the following broad categories:

- (1) Our global custodian and sub-custodians seek to make a profit as part of or in addition to their custody services. Examples include profit through the fees and other charges for the services, profit from deposit taking activities, revenue from sweeps and repo arrangements, foreign exchange transactions, contractual settlement, error correction (where consistent with applicable law) and commissions for sale of fractional shares;
- (2) the Depository will typically only provide depository services where global custody is delegated to an affiliate of the Depository. Our global custodian in turn appoints a network of affiliated and non-affiliated sub-custodians. Multiple factors influence the determination of our global custodian to engage a particular sub-custodian or allocate assets to them, including their expertise and capabilities, financial condition, service platforms and commitment to the custody business as well as the negotiated fee structure (which may include terms that result in fee reductions or rebates to the

global custodian), significant business relationships and competitive considerations;

- (3) sub-custodians, both affiliated and non-affiliated, act for other clients and in their own proprietary interest, which might conflict with clients' interests and the fee arrangements they have in place will vary;
- (4) sub-custodians, both affiliated and non-affiliated, have only indirect relationships with clients and look to the Depositary as its counterparty, which might create incentive for the Depositary to act in its self-interest, or other clients' interests to the detriment of clients; and
- (5) sub-custodians may have creditors' rights against client assets and other rights that they have an interest in enforcing.

The Depositary has functionally and hierarchically separated the performance of its depositary tasks from its other potentially conflicting tasks. The system of internal controls, the different reporting lines, the allocation of tasks and the management reporting allow potential conflicts of interest to be properly identified, managed and monitored. Additionally, in the context of the Depositary's use of sub-custodians, the Depositary imposes contractual restrictions to address some of the potential conflicts and maintains due diligence and oversight of sub-custodians. The Depositary makes available frequent reporting on clients' activity and holdings, with the underlying sub-custodians subject to internal and external control audits. Finally, the Depositary segregates the Fund's assets from the Depositary's proprietary assets and follows a Standard of Conduct that requires employees to act ethically, fairly and transparently with clients.

### **Global Conflicts of Interest Policy**

State Street has implemented a global policy laying down the standards required for identifying, assessing, recording and managing all conflicts of interest which may arise in the course of business. Each State Street business unit, including the Depositary, is responsible for establishing and maintaining a Conflicts of Interest Program for the purpose of identifying and managing organizational conflicts of interest that may arise within the business unit in connection with providing services to its Clients or in delivering its functional responsibilities.

Up-to-date information on the Depositary, its duties, any conflicts that may arise, the safe-keeping functions delegated by the depositary, the list of delegates and sub-delegates and any conflicts of interest that may arise from such a delegation will be made available to Shareholders on request.

The fees to which the Depositary is entitled are set out in section 8.3 below.

### **Links**

For the purposes of this section, the following definitions shall apply:

"Accounting Regulations" means Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and

83/349/EEC or Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, as each forms part of the law of England and Wales, Scotland and Northern Ireland by virtue of section 3 of the EUWA and any statutory instruments that the UK government makes to amend deficiencies in retained European Union law by virtue of section 8 of the EUWA (as may be amended from time to time) following the UK's withdrawal from the European Union.

"Link"

means a situation in which two or more natural or legal persons are either linked by a direct or indirect holding in an undertaking which represents 10% or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of the undertaking in which that holding subsists.

"Group Link"

means a situation in which two or more undertakings or entities belong to the same group within the meaning of the Accounting Regulations.

The ACD may delegate certain administrative functions to an entity within the same corporate group as the Depositary. If the ACD does so, the Depositary shall ensure that policies and procedures are in place to identify all conflicts of interests arising and shall take all reasonable steps to avoid such conflicts of interests.

At present the ACD delegates certain administrative functions to State Street Bank and Trust Company including fund accounting, valuation, calculation and maintenance of the Register.

Where such Group Link exists, the Depositary and the ACD will ensure that such conflicts of interests are managed, monitored and disclosed in order to prevent adverse effects on the interests of the Company and its Shareholders.

The Depositary may delegate the safekeeping of the Scheme Property to an entity in the same corporate group as the Depositary and a Group Link exists where the Depositary has delegated, or where any global sub-custodian has sub-delegated, the safekeeping of the Scheme Property to an entity within the same corporate group.

The Depositary shall ensure that policies and procedures are in place to identify all conflicts of interests arising and shall take all reasonable steps to avoid such conflicts of interests. Where such conflicts of interests cannot be avoided, the Depositary will ensure that such conflicts of interests are managed, monitored and disclosed in order to prevent adverse effects on the interests of the Company and its Shareholders.

Where a Link exists, for example where one party can exercise significant influence over the management of the other, between the Depositary and any Shareholders in the Company, the Depositary shall take all reasonable steps to avoid conflicts of interests arising, and ensure that it complies with the applicable regulations for a UK UCITS.

The Depositary may act as the depositary of other open-ended investment companies and as trustee or custodian of other collective investment schemes.

#### **7.4 The Investment Manager**

7.4.1 The ACD has appointed Neuberger Berman Europe Limited as its Investment Manager ("the Investment Manager") The address, for the Investment Manager, is set out in the Directory at the front of this Prospectus. The Investment Manager has been appointed under an agreement dated 18 January 2019 ("the Investment Management Agreement").

7.4.2 The principal activity of the Investment Manager is the provision of investment, management and advisory services and the provision of funds for non-retail and institutional investment. The Investment Manager is required to comply with its own execution policy. A copy of the Investment Manager's execution policy may be available on the Investment Manager's website (listed in the Directory) or available from the ACD.

7.4.3 Neuberger Berman Europe Limited is authorised and regulated by the FCA.

#### **7.5 Terms of appointment of the Investment Manager**

7.5.1 The Investment Management Agreement authorises the Investment Manager to manage and to act as Investment Manager for the investment and reinvestment of the assets of the Company. In the exercise of the ACD's investment functions it will be allowed complete discretion subject to compliance with the investment objective and policy of the Company, the Instrument of Incorporation, the Regulations and supervision by the ACD. It may also direct the exercise of rights (including voting rights) attaching to the ownership of the property of the Company.

7.5.2 The Agreement may be terminated on three months' notice from either party. There is no expiry date, provided that the ACD may terminate the Investment Management Agreement with immediate effect in the interests of Shareholders.

#### **7.6 The Administrator, Registrar and Fund Accountant**

7.6.1 The ACD has appointed State Street Bank And Trust Company (the "Administrator") to provide administration and fund accountancy services and SS&C Financial Services Europe Limited to provide registrar and transfer agency services (the "Registrar") to the ACD. The former company name for SS&C Financial Services Europe Limited was DST Financial Services Europe Limited.

- 7.6.2 The Administrator and Registrar were appointed by agreements entered into with the ACD (the "Administration and Registrar Services Agreements"). The Administration and Registrar Services Agreements may be terminated by 12 months' notice by the Administrator, the Registrar or the ACD (as applicable). The principal activity of the Administrator is the provision of administration services.
- 7.6.3 The Administrator is authorised and regulated by the FCA.
- 7.6.4 The Register may be inspected at the offices of the Registrar during normal business hours by any Shareholder or any Shareholder's duly authorised agent.

## 7.7 **The Auditor**

The auditor of the Company is Ernst & Young whose address is set out in the Directory at the front of this Prospectus.

## 7.8 **Changes to the Company**

Where any changes are proposed to be made to the Company or a Fund the ACD will assess whether the change is fundamental, significant or notifiable in accordance with COLL 4.3. If the change is regarded as fundamental, Shareholder approval will be required. If the change is regarded as significant, not less than 60 days' prior written notice will be given to Shareholders. If the change is regarded as notifiable, Shareholders will receive suitable notice of the change.

## 7.9 **Conflicts of Interest**

The ACD, the Investment Manager and their associates may, from time to time, act as Investment Managers or advisers to other funds or sub-funds which follow similar investment objectives to those of the Company. It is therefore possible that the ACD and/or the Investment Manager may in the course of their business have potential conflicts of interest with the Company. Each of the ACD and the Investment Manager will, however, have regard in such event to its obligations under the ACD Agreement and the Investment Management Agreement respectively 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 business where potential conflicts of interest may arise.

Where a conflict of interest cannot be avoided, the ACD will ensure that the Company and the other funds it manages are fairly treated. The ACD acknowledges that there may be some situations where the organisational or administrative arrangements in place for the management of conflicts of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of the Company or its Shareholders will be prevented. Should any such situations arise the ACD will disclose these to Shareholders in an appropriate format.

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

## 8. FEES AND EXPENSES

All charges or expenses payable by a Shareholder or out of Scheme Property are set out in paragraph 3 and this paragraph 8.

### 8.1 Expenses

8.1.1 In addition to the charges set out in paragraph 3 and in paragraphs 8.2 to 8.5 below, the following expenses may be paid out of the Scheme Property of the Company:

- 8.1.1.1 the initial set up and establishment costs of the Company and any additional Funds;
- 8.1.1.2 expenses incurred in producing, collecting, distributing and dispatching income and other payments to Shareholders;
- 8.1.1.3 any reasonable general disbursements relating to postage and communication costs incurred in the proper performance of the transfer agent's duties relating to the Company, which are currently carried on by the Registrar;
- 8.1.1.4 fees in respect of the publication and circulation of details of the Net Asset Value and prices;
- 8.1.1.5 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 country in which Shares are or may lawfully be marketed;
- 8.1.1.6 the fees and expenses of the auditors and tax, legal and other professional advisers of the Company and preparing information and materials required by such advisers;
- 8.1.1.7 the costs and expenses of convening and holding Shareholder meetings and of preparing associated documentation (including meetings of Shareholders in any particular Class within the Company from time to time);
- 8.1.1.8 costs incurred in taking out and maintaining any insurance policy in relation to the Company and/or its Directors;
- 8.1.1.9 expenses incurred in company secretarial duties, including attending Shareholder meetings (if required), the cost of minute books, and other documentation required to be maintained by the Company;



- 8.1.1.10 the costs of printing and distributing reports, accounts, statements, contract notes and other like documentation, any prospectuses (including the preparation of the simplified prospectus (such preparation however, does not include the dissemination of the simplified prospectus)), any instrument of incorporation and any costs incurred as a result of periodic updates of or changes to any prospectus or instrument of incorporation and any other administrative expenses;
- 8.1.1.11 any amount payable by the Company under any indemnity provisions contained in the Instrument of Incorporation or any agreement with any functionary of the Company;
- 8.1.1.12 any costs associated with any CASS related support activity incurred by the Registrar;
- 8.1.1.13 The cost of any index licence fee which would be payable to the index provider for use of the index. Currently regulation requires the ACD to disclose the use of any index that is used to measure the performance of an investment fund with the purpose of tracking the return such index; or of defining the asset allocation of a portfolio; or of computing the performance fees. Upon the agreement of the index provider, via obtaining said licence, these disclosures can be published on internal and external documentation relating to a Fund.
- 8.1.1.14 any payments otherwise due by virtue of the FCA Rules.

VAT is payable on these charges where appropriate.

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.

The expenses listed above are allocated to income in accordance with the Regulations.

## 8.2 **Charges payable to the ACD, Administrator and Transfer Agent**

- 8.2.1 In addition to the preliminary charge referred to in paragraph 3.7.1 and the other charges in this paragraph 8, the ACD, Administrator and Transfer Agent are entitled to take a combined annual fee, known as the 'ACD Periodic Charge'.
- 8.2.2 The ACD Periodic Charge is payable out of the property of each Fund and received in payment for carrying out the duties and responsibilities of the ACD, Administrator and Transfer Agent.

- 8.2.3 The ACD Periodic Charge shall be calculated and accrued on each Dealing Day at the relevant Valuation Point in arrears by reference to the Net Asset Value of the relevant Fund on a mid-market basis and is payable monthly within ten Business Days of the end of the month to which it relates.
- 8.2.4 The current rates of the ACD Periodic Charge will be capped so as not to exceed 0.1% of each Fund's value per annum.
- 8.2.5 All charges are subject to an addition for any VAT that is or may become payable.

### 8.3 **Depositary's Fee**

The Depositary is entitled to receive out of the Scheme Property of each Fund by way of remuneration, a periodic charge (plus value added tax) which will accrue and be calculated daily and will be payable monthly in respect of each calendar month as soon as practicable after the month end. The rate or rates and/or amounts of the Depositary's periodic charge in respect of each Fund shall be agreed between the ACD and the Depositary from time to time. The rate of the Depositary's periodic charge is currently charged on the value of each Fund of the Company and is currently:

A charge of:

0.015% of Net Asset Value on the first £100 million;

0.0125% of Net Asset Value between £100 million and £200 million; and

0.01% on Net Asset Value above £200 million.

Subject to a minimum of £30,000 per Fund per annum (excluding VAT).

The current rate or amount of the Depositary's remuneration payable out of the assets of any Fund may not be increased except in accordance with the FCA Rules, which may require the ACD to make available to Shareholders a new Prospectus to reflect the new rate or amount.

The annual fee is calculated, accrued and is paid on the same basis as the ACD's annual management fee.

On a winding up of the Company, the termination of a Fund or the redemption of a Class of Shares, the Depositary will be entitled to its pro rata fees, charges and expenses to the date of the commencement of the winding up, the termination or the redemption (as appropriate) and any additional expenses necessarily realised in settling or receiving any outstanding obligations.

The Depositary also makes transaction and custody charges (plus value added tax) as agreed by the ACD and the Depositary. Transaction charges vary from country to country. Custody charges vary according to geographic location and market value of the holdings.

Transaction charges vary depending on the jurisdiction in which the particular property of each Fund is held. Transaction charges for the likely investment areas range from £5 to £230 depending on the location and are made in respect of individual transactions and accrue at the time the transactions are effected.

Custody charges range from 0.05% to 0.90% per annum at present and are calculated as a percentage rate of the value of the property of each Fund under custody in the various jurisdictions, and accrue on the same basis as the Depositary's periodic fee above.

#### **8.4 Investment Manager's Fees**

The Investment Manager shall be entitled to a fee (the "Investment Manager's Annual Charge") in relation to the management of the assets of each Fund. The charge is based on the Net Asset Value of the relevant Fund (plus any VAT that is or may become payable). The rate of the Investment Manager's Annual Charge is set out in Appendix I. The Investment Manager's Annual Charge shall be calculated and accrued on each Dealing Day at the relevant Valuation Point and shall be payable monthly in arrears.

Due to differing regulatory regimes applicable to the Investment Manager and its investment sub-managers, differing approaches are taken in respect to payment for third party research utilised by the equity investment staff of the investment manager and investment sub-managers. The Investment Manager pays directly for any third party research it acquires and therefore trades with brokers at execution-only rates. As a result, for the Funds where the investment manager retains investment management decisions, the Funds will not pay for third-party research consumed by the investment manager. The investment sub-managers pay for third-party research utilised by their equity investment staff via trading commissions but with an unbundled approach. These entities put in place research budgets and use commission sharing arrangements (CSAs) to acquire research. When trading with brokers where there is no CSA, or where research budgets have been satisfied for a relevant period, trading is done on an execution-only basis. As a result of this approach, investors who become Shareholders in a Fund after the research budget has been met will not contribute to the Fund's research costs for that period. The cost of research is expected to be immaterial to a Fund.

In respect of TM Neuberger Berman Absolute Alpha Fund, the Investment Manager, may use the following sub-investment managers which are based outside the EEA: Neuberger Berman Investment Advisors LLC (the "Sub Investment Managers). These Sub-Investment Managers may receive research (and other services as permitted by local regulation) from investment brokers who are paid for that research (or services) from the commission that the Fund pays for transactions. Internal controls are in place to manage these costs and any conflicts which may arise as a consequence.

The investment sub-managers periodically present a report to the board on the cost of research paid by each fund over which they have investment discretion.

#### **8.5 Allocation of fees and expenses between Funds**

All the above fees, duties and charges (other than those borne by the ACD) will be charged to the Fund in respect of which they were incurred but where an expense is not considered to be attributable to any one Fund, the expense will normally be allocated to all Funds pro-rata to the Net Asset Value of each Fund, although the ACD has discretion to allocate these fees and expenses in a manner which it considers fair to Shareholders generally.

Fees and expenses payable are allocated between income and capital, and in accordance with the Regulations. The applicable policy for each Fund is set out in Appendix I.

**It should be noted that where fees are treated as a charge against income, if there is insufficient income to meet that part of the fees which would normally be charged to the income of the Company, then all, or part, of those fees may be treated, at the request of the ACD, as a charge against the capital of the Company.**

**This policy may result in capital erosion or constrain capital growth.**

## 9. INSTRUMENT OF INCORPORATION

### 9.1 Object of the Company

The object of the Company is to invest the Scheme Property in transferable securities, money market instruments, units in collective investment schemes, deposits and derivatives and forward transactions in accordance with the COLL Sourcebook with the aim of spreading investment risk and giving its Shareholders the benefit of the results of the management of that property.

The Instrument of Incorporation contains provisions to the following effect:

### 9.2 Share capital

9.2.1 The Company may from time to time issue Shares of different Classes in respect of a Fund, and the Directors may by resolution from time to time create additional Classes in respect of a Fund (whether or not falling within one of the Classes in existence on incorporation).

9.2.2 The Directors may by resolution from time to time create additional Funds with such investment objectives and such restrictions as to geographic area, economic sector or category of transferable security, and denominated in such currencies, as the Directors from time to time determine.

9.2.3 The special rights attaching to a Class are not (unless otherwise expressly provided by the conditions of issue of such Shares) deemed to be varied by:

9.2.3.1 the creation, allotment or issue of further Shares of any Class ranking *pari passu* with them;

9.2.3.2 the switch of Shares of any Class into Shares of another Class;

9.2.3.3 the creation, allotment, issue or redemption of Shares of another Class within the same Fund, provided that the interests of that other Class in the Fund represent fairly the financial contributions and benefits of Shareholders of that Class;

- 9.2.3.4 the creation, allotment, issue or redemption of Shares of another Fund;
- 9.2.3.5 the exercise by the Directors of their powers to re-allocate assets, liabilities, expenses, costs or charges not attributable to one Fund only or to terminate a Fund; or
- 9.2.3.6 the passing of any resolution at a meeting of another Fund which does not relate to the Fund in which the Class is interested.

### 9.3 **Transfer of Shares**

- 9.3.1 All transfers of registered Shares must be effected by transfer in writing in any usual or common form or in any other form as may be approved by the Directors.
- 9.3.2 No single instrument of transfer is valid in respect of more than one Class or in respect of Shares in more than one Fund.
- 9.3.3 In the case of a transfer to joint Shareholders, the number of joint Shareholders to whom a Share is to be transferred may not exceed four.
- 9.3.4 Unless the ACD in its discretion decides otherwise, no transfer may result in either the transferor or the transferee holding fewer Shares of the Class concerned or Shares having a lesser aggregate value than any number or value as stated in the Prospectus as the minimum which may be held.

### 9.4 **Income**

The following provisions apply in respect of Shares in issue in respect of the Funds available in the Company:

- 9.4.1 An allocation of income (whether annual or interim) to be made in respect of each Share issued by the Company or sold by the ACD during the accounting period in respect of which that income allocation is made shall be of the same amount as the allocation to be made in respect of the other Shares of the same Class issued in respect of the same Fund but may include a capital sum ("income equalisation") representing the ACD's best estimate of the amount of income included in the price of that Share, being either the actual amount of income included in the issue price of that Share or an amount arrived at by taking the aggregate of the amounts of income included in the price in respect of Shares of that Class issued or sold to Shareholders in the annual or interim accounting period in question and dividing that aggregate amount by the number of such Shares and applying the resultant average to each of the Shares in question.
- 9.4.2 Each allocation of income made in respect of any Fund at a time when more than one Class is in issue in respect of that Fund shall be done by reference to the relevant holders' proportionate interests in the Scheme Property of the Fund in question. These will be ascertained for each Class as follows:

- 9.4.2.1 A notional account will be maintained for each Class. Each account will be referred to as a "Proportion Account".
- 9.4.2.2 The word "proportion" in this context means the proportion which the balance on a Proportion Account at the relevant time bears to the balance on all the Proportion Accounts of a Fund at that time.
- 9.4.3 There will be credited to a Proportion Account:
- 9.4.3.1 the subscription money (excluding any preliminary charges or dilution adjustment) for the issue of Shares of the relevant Class;
- 9.4.3.2 that Class's proportion of the amount by which the Net Asset Value of the Fund exceeds the total subscription money for all Shares in the Fund;
- 9.4.3.3 that Class's proportion of the Fund's income received and receivable; and
- 9.4.3.4 any notional tax benefit.
- 9.4.4 There will be debited to a Proportion Account:
- 9.4.4.1 the redemption payment for the cancellation of Shares of the relevant Class;
- 9.4.4.2 the Class's proportion of the amount by which the Net Asset Value of the Fund falls short of the total subscription money for all Shares in the Fund;
- 9.4.4.3 all distributions of income (including equalisation) made to Shareholders of that Class;
- 9.4.4.4 all costs, charges and expenses incurred solely in respect of that Class;
- 9.4.4.5 that Class's share of the costs, charges and expenses incurred in respect of that Class and one or more other Classes in the Fund, but not in respect of the Fund as a whole;
- 9.4.4.6 that Class's proportion of the costs, charges and expenses incurred in respect of or attributable to the Fund as a whole; and
- 9.4.4.7 any notional tax liability under paragraph 9.4.5.
- 9.4.5 Any tax liability in respect of the Fund and any tax benefit received or receivable in respect of the Fund will be allocated between Classes in order to achieve, so far as possible, the same result as would have been achieved if each Class were itself a Fund so as not materially to prejudice any Class. The allocation will be carried out by the ACD after consultation with the auditors.

- 9.4.6 Where a Class is denominated in a currency which is not the base currency, the balance on the Proportion Account shall be converted into the base currency in order to ascertain the proportions of all Classes. Conversions between currencies shall be at a rate of exchange decided by the ACD as being a rate that is not likely to result in any material prejudice to the interests of Shareholders.
- 9.4.7 The Proportion Accounts are memorandum accounts maintained for the purpose of calculating proportions. They do not represent debts from the Company to Shareholders or the other way round.
- 9.4.8 Each credit and debit to a Proportion Account shall be allocated to that account on the basis of that Class's proportion immediately before the allocation. All such adjustments shall be made as are necessary to ensure that on no occasion on which the proportions are ascertained is any amount counted more than once.
- 9.4.9 The proportionate interest of a Class in the assets and income of a Fund is its "proportion".
- 9.4.10 The Company may adopt a method of calculating the amount of income to be allocated between the Shares in issue (or the Shares in issue in respect of any Fund) which is different to that set out above provided that the ACD is satisfied that such method is fair to Shareholders and that it is reasonable to adopt such method in the given circumstances.

## 9.5 **Number of Directors**

Unless otherwise determined by an extraordinary resolution of Shareholders the Company shall have one Director.

## 9.6 **Removal of ACD**

The Company may by ordinary resolution remove the ACD before the expiration of its period of office, notwithstanding anything in the Instrument of Incorporation or in any agreement between the Company and the ACD, but the removal will not take effect until the FCA have approved it and a new ACD approved by the FCA has been appointed.

## 9.7 **Indemnity**

The Instrument of Incorporation contains provisions indemnifying the ACD, Auditor or Depositary incurred in defending proceedings for negligence, default, breach of duty or breach of trust, and indemnifying the Company's Depositary against liability in certain circumstances otherwise than in respect of failure to exercise due care and diligence.

## 9.8 **Amendments and Priority**

9.8.1 The Instrument of Incorporation may be amended by resolution of the ACD to the extent permitted by the Regulations.

9.8.2 In the event of any conflict arising between any provision of the Instrument of Incorporation and the Regulations, the Regulations will prevail.

# 10. **SHAREHOLDER MEETINGS, VOTING RIGHTS AND SERVICE OF NOTICES OR DOCUMENTS**

## 10.1 **Annual General Meeting**

The Company does not hold annual general meetings.

## 10.2 **Class and Fund Meetings**

The provisions below, unless the context otherwise requires, apply to Class meetings and meetings of Funds as they apply to general meetings of the Company but by reference to Shares of the Class or Fund concerned and the Shareholders and prices of such Shares.

## 10.3 **Requisitions of Meetings**

The ACD may requisition a meeting at any time.

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

The Depositary also has the power to convene a meeting using a procedure similar to that used by Shareholders requisitioning a meeting, as set out above.

## 10.4 **Notice and Quorum**

Shareholders will receive at least 14 days' notice of a Shareholders' meeting and are entitled to be counted in the quorum and vote at such meeting either in person or by proxy. The quorum for a meeting is two Shareholders, present in person or by proxy. The quorum for an adjourned meeting is one Shareholder present in person or by proxy. Notices of meetings and adjourned meetings will be sent to Shareholders at their registered addresses.

## 10.5 **Voting Rights**

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



On a poll vote, a Shareholder may vote either in person or by proxy. The voting rights attaching to each Share are such proportion of the voting rights attached to all the Shares in issue that the price of the Share bears to the aggregate price(s) of all the Shares in issue at the date before the notice of meeting is sent out determined by the ACD as a reasonable time.

In the case of joint Shareholders, only the vote of the most senior Shareholder can be taken (seniority being decided by the order of names on the Register).

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

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

No Director may be counted in the quorum for a meeting but associates of the Director (as defined in the Regulations) may be so counted. Neither the Director nor its associates (as defined in the Regulations) are entitled to vote at any meeting of the Company except in respect of Shares which the Director or its associates hold on behalf of or jointly with a person who, if the registered Shareholder, would be entitled to vote and from whom the Director or its associates have received voting instructions.

"Shareholders" in this context means and person on the Register on a date before the notice of the relevant meeting was sent out determined by the ACD as reasonable but excludes holders who are known to the ACD not to be Shareholders at the time of the meeting.

## 10.6 **Proceedings at General Meetings**

10.6.1 Prior to each general meeting the Depositary shall nominate an individual to act as chairman and if that person is not present within fifteen minutes after the time appointed for holding the meeting or is not willing to act the Shareholders present shall choose one of their number to be chairman of the meeting.

10.6.2 The chairman of any quorate meeting may with the consent of the meeting adjourn the meeting from time to time (or without date) and from place to place, and if he is directed by the meeting to adjourn he must do so. No business can be transacted at an adjourned meeting which might not lawfully have been transacted at the meeting from which the adjournment took place.

10.6.3 At least two Shareholders have rights under the COLL Sourcebook to demand a poll. In addition to these, a poll may be demanded by the chairman of the meeting or by the ACD or the Depositary on any resolution put to the vote of a general meeting.

10.6.4 A demand for a poll may be withdrawn only with the approval of the chairman of the meeting. Unless a poll is required, a declaration by the chairman that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book or computer record of proceedings will be conclusive evidence of that fact. If a poll is required, it shall be taken in such manner (including the use of ballot papers or electronic or computer voting systems) as the chairman may direct and the

result of the poll should be deemed to be the resolution of the meeting at which the poll was demanded. The chairman of the meeting may (and if so directed by the meeting shall) appoint scrutineers and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll.

- 10.6.5 The chairman may take any action he considers appropriate for, for example, the safety of people attending a general meeting, the proper and orderly conduct of the general meeting or in order to reflect the wishes of the majority.

## 10.7 **Corporations acting by representatives**

10.7.1 Any corporation which is a Shareholder may by resolution of its directors or other governing body and in respect of any Share or Shares of which it is the holder authorise such individual as it thinks fit to act as its representative at any general meeting of the Shareholders or of any Class meeting or Fund meeting. The individual so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise in respect of such Share or Shares if it were an individual Shareholder and such corporation shall for the purposes of the Instrument of Incorporation be deemed to be present in person at any such meeting if an individual so authorised is present.

10.7.2 Any corporation which is a Director of the Company may by resolution of its directors or other governing body authorise such individual as it thinks fit to act as its representative at any general meeting of the Shareholders, or of any Class meeting or Fund meeting or at any meeting of the Directors. The person so authorised shall be entitled to exercise the same powers at such meeting on behalf of such corporation as the corporation could exercise if it were an individual Director and such corporation shall for the purposes of the Instrument of Incorporation be deemed to be present in person at any such meeting if an individual so authorised is present.

## 10.8 **Class meetings and Fund meetings**

The provisions of the Instrument of Incorporation relating to meetings shall apply to Class meetings and Fund meetings in the same way as they apply to general meetings.

## 10.9 **Service of Notice or Documents**

10.9.1 Any notice or document to be served upon a Shareholder will be duly served if it is:

10.9.1.1 delivered to the Shareholder's address as appearing in the Register; or

10.9.1.2 delivered by using an electronic medium in accordance with paragraph 9.6.4 below.

10.9.2 Any notice or document served by post is deemed to have been served on the second Business Day following the day on which it is posted.

- 10.9.3 Any document left at a registered address or delivered other than by post is deemed to have been served on that day.
- 10.9.4 Any document or notice to be served on or information to be given to a Shareholder must be in legible form.

For this purpose, any form is legible form which:

- 10.9.4.1 is consistent with the ACD's knowledge of how the recipient of the document wishes or expects to receive the document;
- 10.9.4.2 is capable of being provided in hard copy by the ACD;
- 10.9.4.3 enables the recipient to know or record the time of receipt; and
- 10.9.4.4 is reasonable in the context.

## TAXATION

### 10.10 General

**The following summary is based on current UK law and HM Revenue & Customs practice, which are subject to change. It should not be treated as legal or tax advice. It is intended to offer guidance to persons (other than dealers in securities) on the UK taxation of Investment Companies with Variable Capital ("ICVC"). However, it should not be regarded as definitive nor as removing the desirability of taking separate professional advice. If investors are in any doubt as to their taxation position, or if they may be subject to tax in a jurisdiction other than the UK, they should consult their independent professional adviser. Levels, and bases of, and reliefs from, taxation are subject to change in the future.**

### 10.11 Taxation of the Company and the Funds

- 10.11.1 The Company is an ICVC and each Fund is treated as a separate entity as an Authorised Investment Fund for tax purposes. Income of the Company is deemed to be distributed for tax purposes, even when it is accumulated. References to distributions include deemed distributions of accumulated income.
- 10.11.2 Each Fund will make dividend distributions except where over 60% of the Fund's property has been invested throughout the distribution period in interest paying and related investments, in which case it will make interest distributions. A fund that makes interest distributions is referred to as a Bond Fund and a fund that makes dividend distributions is referred to as an Equity Fund.
- 10.11.3 The Funds are liable to corporation tax, currently at a rate of 19% on their net income, excluding dividends received from UK companies and most non-UK companies. Allowable expenses of management and the gross amount of any interest distributions paid are deducted from the Fund's income to arrive at its net income. Each Fund may be entitled to offset some or all of any foreign tax suffered on its overseas income against its liability to corporation tax. Each Fund does not pay tax on any chargeable gains arising from the disposal of

investments held by them, and are not normally taxable on capital profits, gains or losses arising in respect of loan relationships or derivatives held by them.

- 10.11.4 Foreign Tax: Income received from overseas companies may be subject to foreign withholding tax deductions. Where possible, the Funds take advantage of Double Taxation Treaties to reduce the rates of withholding tax in the countries where they invest to the lower rates applicable under the respective Treaties, although it may not always be possible for the Funds to obtain the lower Treaty rate of withholding tax in all markets. Accordingly, any such withholding tax incurred may reduce the returns to the Funds and investors.

#### **(A) Income**

Each Fund is liable to corporation tax on its income after relief for management expenses (which include fees payable to the ACD and to the Depositary) at the basic rate of income tax, currently 20%.

Where a Fund is a Bond Fund, the gross amount of any interest distributions is an allowable expense for corporation tax purposes and no tax will actually be paid on that part of the income funding the interest distributions.

Dividend income received by each Fund from investments in UK resident and overseas companies should fall within an exemption from corporation tax. Dividend income received from foreign companies may be subject to withholding tax or other taxation in the foreign jurisdiction. The foreign tax suffered by a Fund may normally be deducted from the UK tax due on that income or treated as an expense in calculating the amount of that income subject to corporation tax.

#### **(B) Chargeable gains**

Capital gains realised by each Fund on a disposal of its investments are exempt from corporation tax on chargeable gains. In the unlikely event that a Fund should be considered to be trading in securities for tax purposes, any gains made by it would be treated as income and taxed accordingly.

#### **(C) Stamp Duty Reserve Tax**

Stamp duty reserve tax ("SDRT") is generally charged on any agreements to transfer shares of ICVCs (other than transactions handled by the fund manager) to third parties at a rate of 0.5% of the consideration.

Generally, no SDRT charge arises on the issue of shares of ICVCs. However, sometimes SDRT can arise for example where there is an in specie contribution of chargeable securities or where the investor surrenders the shares in exchange for chargeable securities (although there are exceptions). Investors should consult their independent professional adviser for more information if they are in any doubt as to whether this affects them.

### **10.12 Taxation of the Shareholders**

#### **(A) Income**

For tax purposes, an ICVC is treated as distributing the whole of the income available for distribution in each of its distribution periods, whether actually distributed or accumulated by the fund. Distributions may be made as interest distributions or dividend distributions as set out below.

The distribution accounts of the Company for any of its distribution periods may show income available for distribution as either (a) an interest distribution or (b) a dividend distribution. The type of distribution that either actually takes or is deemed to take place depends on the source and composition of the income within the relevant Fund.

Where more than 60% of a Fund is invested in "qualifying investments" (broadly speaking interest paying investments) the Company will make an interest distribution. Where this is not the case, distributions made by the Company will be dividend distributions.

All Shareholders will be sent tax certificates stating the make-up of their distributions and showing their taxable income.

## **(B) Interest distributions**

### UK resident individuals

Interest distributions paid by the Company (save in respect of distributions to certain qualifying Shareholders) are treated as yearly interest and, as such, are subject to income tax.

No income tax is required to be deducted at source from interest distributions, with the result that Shareholders will receive interest distributions gross of any tax.

Basic rate taxpayers are entitled to a personal savings allowance of £1,000. Higher rate taxpayers are entitled to a reduced personal savings allowance of £500 and additional rate taxpayers to no allowance.

Basic rate, higher rate and additional rate taxpayers will pay income tax (in the case of basic rate and higher rate taxpayers, the amount in excess of the applicable personal savings allowance) on any income distributions at the basic rate of 20%, the higher rate of 40% or the additional rate of 45% (as applicable).

### UK corporate Shareholders

If a Fund at any point in an accounting period of a UK corporate Shareholder fails to satisfy the "qualifying investment" test, Shares held by UK corporate Shareholders in respect of such Fund are treated as if they were a holding of rights under a creditor loan relationship of the corporate Shareholder, with the result that all returns on the Shares in respect of such a corporate's accounting period (including gains, profits and losses) will be taxed or relieved as an income receipt or expense on a "fair value accounting" basis. Accordingly, such a corporate Shareholder may, depending on its own circumstances, incur a charge to corporation tax on an unrealised increase in the value of its holding of Shares (and, likewise, obtain relief against corporation tax for an unrealised reduction in the value of its holding of Shares).

A Fund will fail to satisfy the "qualifying investments" test at any time when more than 60% of its assets by market value comprise government and corporate debt securities or cash on deposit or certain derivative contracts or holdings in other collective investment schemes which at any time in the relevant accounting period do not themselves satisfy the "qualifying investments" test, or other interest bearing securities.

Interest distributions paid to UK corporate Shareholders may be paid without deduction of income tax at source.

### **(C) Dividend distributions**

Dividend distributions paid by the Fund are treated as if they are dividends.

#### UK resident individuals

During the current 2021/22 tax year, dividend distributions are taxed at the following rates:-

- 0% for the first £2,000;
- 7.5% for dividends falling within the basic rate band;
- 32.5% for dividends falling within the higher rate band; and
- 38.1% for dividends falling within the additional rate band.

These rates may be subject to change in future tax years.

#### UK corporate Shareholders

UK resident corporate Shareholders must split their dividend distributions into franked and unfranked income portions according to the percentage split given on the tax certificate. The unfranked portion is generally treated as an annual payment received after deduction of income tax at the basic rate, whereas the balance is treated as franked income – i.e. a dividend. Both annual payments and dividends are liable to corporation tax in the hands of UK corporate Shareholders although the franked dividend portion should fall within an exemption from corporation tax.

### **(D) Chargeable gains**

#### UK resident individuals

Shareholders who are resident in the UK may be liable to UK taxation on capital gains arising from the sale or other disposal, including a redemption of Shares. A switch of Funds is treated as a disposal for capital gains tax purposes. Gains will be tax-free if after deduction of allowable losses they fall within an individual's annual capital gains exemption. For the tax year 2021/2022, the annual exemption is £12,300.

Gains in excess of the annual exemption amount are taxed at 10% to the extent that together with an individual's taxable income they do not exceed the upper limit of the basic rate income tax band (£37,700 for 2021/2022) and at 20% to the extent that they exceed that limit.

#### UK corporate Shareholders

UK corporate Shareholders (whose Shares are not treated as creditor loan relationships) will be charged to corporation tax on any gains realised after the deduction of allowable losses (if any). The indexation figure that corporate Shareholders can deduct will cover only the movement in the Retail Price Index from the date of acquisition of the asset up to 31 December 2017.

**The above statements are only intended as a general summary of UK tax law and practice as at the date of this Prospectus (which may change in the future) applicable to individual and corporate investors who are resident for tax purposes in the UK, and who are the absolute beneficial owners of a holding in the Company. Each investor's tax treatment will depend upon the particular circumstances of each investor. In particular, the summary may not apply to certain classes of investors (such as dealers in securities or persons who acquired their Shares by reason of employment). Any investor who is in any doubt as to his or her UK tax position in relation to the holding of Shares should consult his or her UK independent professional adviser.**

#### 10.13 US taxation issues/FATCA tax reporting

**The information which follows is intended as a general guide only and represents the ACD's understanding of certain US taxation issues. It is provided for information purposes only and should not be relied on. Shareholders and prospective Shareholders are recommended to seek their own professional advice.**

The provisions of the Foreign Account Tax Compliance Act (FATCA) were enacted on 18 March 2010 as part of the Hiring Incentive to Restore Employment Act. FATCA includes provisions under which the ACD as a Foreign Financial Institution (FFI) may be required to report directly to the US Internal Revenue Service (IRS) certain information about Shares held by US Persons for the purposes of FATCA or other foreign entities subject to FATCA and to collect additional identification information for this purpose. Financial institutions that do not enter into an agreement with the IRS and comply with the FATCA regime could be subject to 30% withholding tax on any payment of US source income as well as on the gross proceeds deriving from the sale of securities generating US income.

The ACD is obliged to comply with the provisions of FATCA under the terms of the inter-governmental agreement (IGA) Model I and under the terms of United Kingdom legislation implementing the IGA rather than under the US Treasury Regulations implementing FATCA. The ACD has registered with the IRS as the sponsoring entity for the Company to report certain information to HMRC.

In order to comply with its FATCA obligations, the ACD may be required to obtain certain information from Shareholders so as to ascertain their US tax status. If the Shareholder is a specified US Person, US owned non-US entity, non-participating FFI or does not provide the requisite documentation, the ACD will need to report information on these Shareholders to HMRC, in accordance with applicable laws and regulations, which will in turn report this to the US Internal Revenue Service. Provided that the ACD acts in accordance with these provisions the Company should not be subject to withholding tax under FATCA.

Shareholders, and intermediaries acting for Shareholders, should note that it is the existing policy of the ACD that Shares are not being offered or sold for the account of US Persons for the purposes of FATCA and that subsequent transfers of Shares to such US Persons are prohibited. If Shares are beneficially owned by any such US Person, the ACD may in its discretion compulsorily redeem such Shares. Shareholders should moreover note that under the FATCA legislation, the definition of "Specified US Persons" will include a wider range of investors than the current US Person definition.

**The ACD reserves the right to redeem the Shares of any Shareholder who jeopardises the tax status of the Company.**

#### 10.14 **Income equalisation – tax implications**

The price of a Share of a particular Class is based on the value of that Class' entitlement in the relevant Fund, including the income of the relevant Fund since the previous distribution or, in the case of accumulation Shares, deemed distribution. In the case of the first distribution received or accumulation made in respect of a Share, part of the amount, namely the equalisation payment, is treated as a return of capital and is not taxable as income in the hands of the Shareholder. This amount is, however, in the case of income Shares, deducted from the cost of the Share in computing any capital gains. Equalisation applies only to Shares purchased during the relevant accounting period. It is calculated as the average amount of income included in the issue price of all Shares of the relevant Class issued during the period.

#### 10.15 **UK information reporting regime**

Open-ended investment companies are required to report details of interest distributions paid to UK, and many non-UK investors. Dividend distributions and payments made to ISA investors are not within the scope of these rules but see the paragraphs dealing with the "Automatic Exchange of Information" below.

There are also requirements to report cross-border arrangements to the tax authority if certain requirements are met under the International Tax Enforcement (Disclosable Arrangements) Regulations 2020 (as amended from time to time). Investors should consult their independent professional adviser for more information as the obligation to report can in some cases be with the taxpayer.

#### 10.16 **Tax Elected Fund ("TEF") regime**

The ACD may, in the future, seek to elect some or all of the Funds into the TEF regime if it considers that it would be advantageous for the majority of investors in the Company to do so. If some or all of the Funds are elected into the TEF regime, the UK tax treatment of the relevant Fund and its investors would be different to that set out above.

#### 10.17 **Automatic Exchange of Information**

Following the repeal of the EU Savings Directive a new automatic exchange of information regime has been implemented under Council Directive 2011/16/EU on administrative co-operation in the field of taxation, as amended by Council Directive 2014/107/EU ("Directive on Administrative Co-operation"). The Directive on Administrative Co-operation, which effectively implements the Organisation for Economic Co-operation and Development's common reporting standard on automatic exchange of financial account information in tax matters, requires governments to obtain detailed account information from financial institutions and exchange that information automatically with other jurisdictions annually. The Directive on Administrative Co-operation is, generally, broader in scope than the EU Savings Directive. The UK legislation that implements the Directive is the International Tax Compliance Regulations 2015 and the Regulations are likely to apply to the Company regardless of the composition or asset class of its investments and whether or not the Company is a UCITS.



The ACD is responsible for identifying the territory in which an accountholder or a controlling person is resident for income tax or corporation tax purposes (or similar tax), applying due diligence procedures, keeping information for either: five years starting from the end of the last year in which the account was included in a return submitted to HM Revenue & Customs pursuant to the requirements of the International Tax Compliance Regulations 2015 (as amended from time to time) for a reportable account; or for an account that is not a reportable account five years starting from the end of the last year in which the account was treated as not being a reportable account based on due diligence procedures. Such tasks have been delegated to the Administrator.

**If a Shareholder does not provide the requisite information for tax reporting purposes, the ACD may deduct the amount of any penalty imposed on it from the Shareholder's account.**

## **11. WINDING UP OF THE COMPANY OR TERMINATION OF A FUND**

- 11.1 The Company or a Fund will not be wound up except as an unregistered company under Part V of the Insolvency Act 1986 or under the Regulations. A Fund may otherwise only be wound up under the Regulations, provided steps required under regulation 21 are complied with.
- 11.2 The Company may not be wound up or a Fund terminated under the Regulations if there is a vacancy in the position of ACD at the relevant time.
- 11.3 Where the Company is to be wound up (or a Fund terminated under the Regulations) such winding up or termination may only be commenced provided (a) effect has been given, under regulation 21 of the Regulations to proposals to wind up the affairs of the Company, or proposals to make alterations to the Company's Instrument of Incorporation and this Prospectus and (b) a statement has been prepared and delivered, and received by the FCA under COLL 7.3.5 (solvency statement) prior to the satisfaction of the condition in (a).
- 11.4 To 11.1 the following steps to wind up the Company, or terminate a Fund, must be taken:
- 11.4.1 an extraordinary resolution to that effect is passed by Shareholders; or
- 11.4.2 the period (if any) fixed for the duration of the Company or a particular Fund by the Instrument of Incorporation expires, or any event occurs which the Instrument of Incorporation provides that the Company or a particular Fund is to be wound up (for example, if the share capital of the Company or (in relation to any Fund) the Net Asset Value of the Fund is below its prescribed minimum, or if a change in the laws or regulations of any country means that, in the ACD's opinion, it is desirable to terminate the Fund). The Instrument of Incorporation provides that the Directors in their absolute discretion may wind up a Fund if one year from the date of the first issue of Shares relating to that Fund or any date thereafter the Net Asset Value of a Fund is less than £5,000,000; or

- 11.4.3 on the date stated in any agreement by the FCA in response to a request by the Directors or the ACD for the winding up of the Company, or a request to terminate a Fund; or
  - 11.4.4 on the effective date of a duly approved scheme of arrangements which results in the Company, or a Fund, ceasing to hold any Scheme Property; or
  - 11.4.5 in the case that the Company is an umbrella, on the date on which all its Funds fall within 11.4.4 or have otherwise ceased to hold any Scheme Property, notwithstanding that the Company may have assets or liabilities that are not attributable to any particular Fund.
- 11.5 On the occurrence of any of the above:
- 11.5.1 COLL 6.2 (Dealing), COLL 6.3 (Valuation and pricing) and COLL 5 (Investment and borrowing powers) will cease to apply to the Company or the particular Fund;
  - 11.5.2 the Company will cease to issue and cancel Shares in the Company or the particular 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 particular Fund;
  - 11.5.3 no transfer of a Share shall be registered and no other change to the Register shall be made without the sanction of the ACD;
  - 11.5.4 where the Company is being wound-up or a Fund terminated, the Company or the Fund shall cease to carry on its business except in so far as it is beneficial for the winding up of the Company or the termination of the Fund;
  - 11.5.5 the corporate status and powers of the Company and subject to the preceding provisions of paragraphs 11.5.1 and 11.5.4 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 or terminated, realise the assets and meet the liabilities of the Company or the Fund and, after paying out or retaining adequate provision for all liabilities properly payable and retaining provision for the costs of winding up or the termination, 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 Scheme Property of the Company or a Fund. 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.

As soon as reasonably practicable after completion of the winding up of the Company or the termination of a particular Fund, the ACD shall notify the FCA that the winding up or termination has been completed.

On completion of a winding up of the Company or the termination of a Fund, the Company will be dissolved or the Fund will be terminated and any money (including unclaimed distributions) standing to the account of the Company or the Fund, will be paid into court within one month of dissolution or the termination.

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

## 12. GENERAL INFORMATION

### 12.1 Accounting Periods

The annual accounting period of the Company ends each year on 31 March (the accounting reference date). The first final accounting period will end on 31 March 2020. The interim accounting period ends each year on the dates set out in the information for each Fund in Appendix I.

### 12.2 Income Allocations

Allocations of income are made in respect of the income available for allocation in each annual accounting period and where applicable, at the additional income allocation date(s) for a Fund are set out in Appendix I.

Distributions of income for each Fund are paid on or before the relevant income allocation date(s) for a Fund are set out in Appendix I.

If a distribution remains unclaimed for a period of six years after it has become due, it will be allocated and will revert to the relevant Class (or, if that no longer exists, to the relevant Fund or Company).

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

For an interim income distribution, the amount distributed may be less than (but may not exceed) the amount calculated as available for distribution.

### 12.3 Annual and Half-Yearly Reports

Annual reports of the Company will be published within four months of each annual accounting period and half-yearly reports will be published within two months of each interim accounting period. A report containing the full accounts will be available free of charge to Shareholders on request from the ACD.

#### 12.4 **Documents of the Company**

The following documents may be inspected (free of charge) during normal business hours on any Business Day at the offices of the ACD. The ACD's offices are located at Exchange Building, St. John's Street, Chichester, West Sussex, PO19 1UP:

- (f) the most recent annual and half-yearly reports of the Company;
- (g) the Prospectus;
- (h) the Instrument of Incorporation (and any amending instrument of incorporation); and
- (i) the ACD Agreement dated 31 January 2019.

Shareholders may obtain copies of the above documents from the ACD. The ACD may make a charge at its discretion for copies of documents. The most recent annual and half yearly reports of the Company, the Instrument of Incorporation and Prospectus are available free of charge.

#### 12.5 **Recordings**

Telephone calls may be recorded for regulatory, training or monitoring purposes.

Recordings will be provided on request for a period of at least five years from the date of such recording, or, where requested by a competent regulatory authority, for a period of seven years, where the ACD can identify the call. If you ask the ACD to send you a recording of a particular call, the ACD may ask for further information to help identify the exact call to which your request relates.

#### 12.6 **Complaints**

Any complaint regarding the operation or marketing of the Company should be made to the ACD, Thesis Unit Trust Management Limited, Exchange Building, St. John's Street, Chichester, West Sussex, PO19 1UP.

If a complaint cannot be resolved satisfactorily with the ACD, it may be referred to the Financial Ombudsman Service at Exchange Tower, London E14 9SR.

A copy of the complaints handling procedure is available from the ACD on request.

#### 12.7 **Investors Compensation Scheme**

Rights to compensation for Shareholders in the Company are those outlined in the Financial Services Compensation Scheme.

#### 12.8 **Property**

There is no intention for the Funds to have an interest in any immovable property or tangible moveable property.

## 12.9 **Data Protection**

The personal details of each applicant for Shares, and each Shareholder, will be held by the ACD and/or the Administrator as its agent in accordance with Data Protection Laws for the purposes of carrying out the ACD's agreement with each Shareholder. This may include the transfer of such data to other members of the ACD's group and to other businesses providing services to the ACD (including their offices outside UK), where the transfer is necessary for the provision of services in relation to the ACD's role as operator of the Company. The data protection laws and other laws of these countries may not be as comprehensive as those that apply within the UK. In these instances the ACD will take steps to ensure that your privacy rights are respected. Shareholders have the right to access their personal data processed by the ACD together with (in certain circumstances) the right to object to the processing of such data for legitimate reasons.

A copy of the ACD's Privacy Notice relating to investors is available at [www.tutman.co.uk](http://www.tutman.co.uk) or on request from [compliance@thesisam.com](mailto:compliance@thesisam.com).

## 12.10 **Electronic Verification**

The Money Laundering Regulations 2007, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, The Proceeds of Crime Act 2002, the Senior Management Arrangements Systems & Controls Source book and Joint Money Laundering Steering Group guidance notes (which are updated from time to time) state that the ACD must check your identity and the source of the money invested. The ACD may also request verification documents from parties associated with you. In some cases, documentation may be required for officers performing duties on behalf of bodies corporate. The checks may include an electronic search of information held about you (or your associated party) on the electoral roll and using credit reference agencies. The credit reference agency may check the details you (or your associated party) supply against any particulars on any database (public or otherwise) to which they have access and may retain a record of that information although this is only to verify identity and will not affect your (or your associated party's) credit rating. They may also use your (or your associated party's) details in the future to assist other companies for verification purposes. If you apply for Shares you are giving the ACD permission to ask for this information in line with Data Protection Laws. If you invest through a financial adviser they must fill an identity verification certificate on your behalf and send it to the ACD with your application.

## 12.11 **Summary of the ACD's Haircut Policy**

The ACD may have to provide, or receive, collateral in entering into certain derivative transactions for the Company. In doing so, the ACD may apply a haircut to that collateral. A "haircut" is a percentage that is subtracted from the market value of an asset that is being used as collateral.

The ACD will judge, on a case-by-case basis, the extent and type of collateral to use when negotiating with counterparties and clearing houses and the haircut policy which it will apply taking in account criteria including the asset types, liquidity, valuation, issuer credit quality, correlation and risks linked to the management of collateral and enforceability.

Where cash is received as collateral it will not be invested in anything other than cash or short-term deposit accounts.

Cash and specific types of collateral, at the ACD's discretion, will be deemed to be permitted for the purposes of the Company's collateral policy (see paragraph 6 (Securities Financing Transactions) above).

#### 12.12 **Remuneration**

The ACD has established and applies a remuneration policy, procedure and practice (together, the "Remuneration Policy") which is consistent with, and promotes, sound and effective risk management, and does not encourage risk-taking that is inconsistent with the risk profile or the Instrument of Incorporation. The Remuneration Policy applies to staff whose professional activities have a material impact on the risk profile of the ACD or the Company. The Remuneration Policy does not impair compliance with the ACD's duty to act in the best interests of the Company.

Details of the up-to-date Remuneration Policy including, but not limited to, a description of how remuneration and benefits are calculated and the identity of persons responsible for awarding the remuneration and benefits, including the composition of the remuneration committee, are available on [www.tutman.co.uk](http://www.tutman.co.uk) and a copy of such information can be obtained, free of charge, upon request at the offices of the ACD.

#### 12.13 **Inducements**

The ACD is subject to inducement rules set out in the UCITS Directive pursuant to which it will not be regarded as acting honestly, fairly and in accordance with the best interests of the ACD or its Shareholders if, in relation to the activities performed when carrying out its functions it pays or is paid any fee or commission, or provides or is provided with any non-monetary benefit, other than those permitted in the UCITS Directive e.g. a fee, commission or non-monetary benefit paid by or on behalf of a third party where the ACD can demonstrate (i) the existence, nature and amount of the fee, commission or benefit and (ii) the payment of the fee or commission, or the provision of the non-monetary benefit are designed to enhance the quality of the relevant service and not impair compliance with the ACD's duty to act in the best interests of the Company or its Shareholders.

##### *MiFID Authorised Investment Managers*

In accordance with its obligations under MiFID, the Investment Manager shall return to the relevant Fund any fees, commissions or other monetary benefits paid or provided by a third party in relation to the investment management services provided by the Investment Manager to the Fund as soon as reasonably possible after receipt, and disclose in the annual report the fees, commissions or any monetary benefits transferred to them.

In particular, where the Investment Manager successfully negotiates the recapture of a portion of the commissions charged by brokers or dealers in connection with the purchase and/or sale of securities, permitted derivative instruments or techniques and instruments for the Company or a Fund, the rebated commission shall be paid to the Company or the relevant Fund as the case may be.

The Investment Manager shall however be permitted to retain minor non-monetary benefits received from third parties where the benefits are such that they could not impair the Investment Manager from complying with its obligation to act in the best interests of the Fund, provided they are disclosed to the Company prior to the provisions of investment management services by that entity.

The Investment Manager may only receive third-party investment research, provided it is received on such basis that it does not contravene MiFID or the rules of the FCA and is of a scale and nature such that they could not be judged to impair their compliance with its duty to act honestly, fairly and professionally in the best interests of each Fund.

Any third party research received by the Manager or the Investment Adviser, in connection with the executing of orders or the placing of orders with other entities for execution for, or on behalf of, the Funds will, when received by the Manager, be paid for by the Manager itself, or, when received by the Investment Adviser, paid for by the Investment Adviser.

**APPENDIX I**  
**INVESTMENT OBJECTIVES, POLICIES AND OTHER DETAILS OF THE FUNDS**

**TM NEUBERGER BERMAN ABSOLUTE ALPHA FUND**

<b>INVESTMENT OBJECTIVE:</b>	<p>The Fund aims to achieve a positive absolute return (net of fees) over a market cycle (typically 3 years), irrespective of market conditions.</p> <p><b>An absolute return is not guaranteed over a market cycle, a 12 month or any period and the Fund may experience periods of negative return. The Fund's capital is at risk.</b></p>
<b>INVESTMENT POLICY:</b>	<p>The Fund will seek to achieve this investment objective by investing directly or indirectly in equities and equity-related securities of companies incorporated or listed in developed markets globally. Exposure to these markets may be gained through both long positions (e.g. where the Fund has purchased a security and would benefit from the price going up and vice versa) and synthetic short positions (e.g. where the Fund has sold a derivative on a company where the benefit to the Fund would be for the price to fall and vice versa).</p> <p>The Fund's investment process is driven by research with a particular emphasis on the interplay between the funding markets, the financial services industry and the overall economy. The Fund is typically expected to have a net exposure range of between 20% net short and 65% net long.</p> <p>The Fund may also invest in other transferable securities, permitted money-market instruments, units in other collective investment schemes, permitted deposits and cash.</p> <p><b>Derivatives usage may be for the purposes of efficient portfolio management (including hedging) and investment purposes and may be exchange traded or traded off exchange through market counterparties.</b> Currency risks will be hedged as far as practicable.</p>
<b>Performance Comparator</b>	<p>The Company uses the SONIA (Sterling Overnight Index Average) benchmark over a 3 year period for performance comparison purposes only and the benchmark is not a target benchmark and the Company is not constrained by it.</p>



		<p>The comparator has been selected for performance comparison as it reflects the investment objective of the Fund and is a measure reflective of the return an investor may be able to achieve on cash savings.</p> <p>The ACD reserves the right to change the benchmark following consultation with the Depositary and in accordance with the rules of COLL. A change could arise, for example, where the ACD determines that an alternative may be more appropriate. Shareholders will be notified of such a change through an update to the Prospectus and the change noted in the subsequent annual and half yearly reports.</p>					
<b>FUND TYPE:</b>		UK UCITS					
<b>Classes of Shares</b>		Class P Accumulation Shares	Class P Income Shares	Class F Accumulation Shares**	Class F Income Shares**	Class Z Accumulation Shares**	Class Z Income Shares**
<b>Minimum Investment*</b>	Sterling	£50,000	£50,000	£5,000,000	£5,000,000	£10,000,000	£10,000,000
<b>Minimum Subsequent Investment</b>	Sterling	£100	£100	£100	£100	£100	£100
<b>Minimum Redemption</b>	Sterling	£250	£250	£250	£250	£250	£250
<b>Minimum Holding</b>	Sterling	£50,000	£50,000	£5,000,000	£5,000,000	£10,000,000	£10,000,000
<b>Preliminary Charge*</b>		3%	3%	3%	3%	3%	3%
<b>Investment Management Fee</b>		1.24%	1.24%	0.65%	0.65%	0%	0%

<b>Charged to<sup>1</sup></b>	Income (with residual to capital)	Income (with residual to capital)	Income (with residual to capital)	Income (with residual to capital)	Income (with residual to capital)	Income (with residual to capital)
<b>Performance Fee</b>	None	None	None	None	None	None
<b>Redemption Charge</b>	N/A	N/A	N/A	N/A	N/A	N/A
<b>Charge for Investment Research</b>	Outside of the EEA only					
<b>Accounting Period Ends</b>	31 March	31 March	31 March	31 March	31 March	31 March
<b>Interim Accounting Period Ends</b>	30 September	30 September	30 September	30 September	30 September	30 September
<b>Income Allocated</b>	31 July	31 July	31 July	31 July	31 July	31 July
<b>Typical Investor Profile</b>	This Fund may be suitable for the needs of investors seeking to deliver a positive absolute return through investing in a portfolio of long and synthetic short position in global equity and equity-linked securities with an investment horizon of 3 years or more, as part of a diversified portfolio of investments. This is a medium to high risk product and investors should consider this when deciding the mix of portfolio investments.					
<b>Past Performance Information</b>	Please see Appendix V.					
<b>Principal Investment Risks</b>	Refer to paragraph 5.2 ('Specific Risks')					

<sup>1</sup> Please refer to paragraph 8.5 for further details.

<b>Eligible Markets</b>	Please see Appendix III
<b>Leverage</b>	<p>The Fund uses the VaR approach to measure the potential loss to the Fund due to market risks. The absolute VaR limit of the Fund has to be set at or below 20% of the Fund's Net Asset Value, and will be based upon a one month holding period and a 99% confidence interval. The ACD believes this is the most appropriate measure applicable to the Fund.</p> <p>Leverage is not expected to exceed 200% although there may be higher levels of leverage in certain circumstances, for example, in very low market volatility. The total amount of leverage employed by the Fund will be included in the annual report and accounts of the Company.</p>
<b>Launched</b>	27 February 2019.

\* The ACD (in consultation with the Investment Manager) may increase, reduce or waive the minimum initial and subsequent investment amounts, the minimum withdrawal and holding amounts and the preliminary and redemption charges at its absolute discretion in any particular case or cases and in accordance with FCA Handbook.

\*\* Class F and Z Shares are only available for subscription by Shareholders at the discretion of the ACD and Investment Manager and by the Shareholder entering into a separate agreement with the Investment Manager.

**APPENDIX II  
INVESTMENT AND BORROWING POWERS OF THE COMPANY**

**1. General rules of investment**

1.1 The Instrument of Incorporation permits the ACD to utilise the investment and borrowing powers permitted by a UCITS scheme which complies with Chapter 5 of COLL Sourcebook. The ACD manages the Funds in accordance with the investment and borrowing powers set out below.

**1.2 Treatment of obligations**

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

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

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

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

1.3 The Scheme Property of each Fund will be invested with the aim of achieving the investment objective of that Fund but subject to the limits set out in Chapter 5 of COLL Sourcebook. These limits apply to each Fund as summarised below.

**2. Prudent spread of risk**

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

The requirements on spread do not apply until the expiry of a period of six months after the date of effect of the authorisation order in respect of the Funds (or on which the initial offer commenced if later) provided that the requirement to maintain prudent spread of risk is complied with.

**3. UK UCITS - general**

3.1 Subject to the investment objectives and policy of a Fund, the Scheme Property of a Fund must, except where otherwise provided in COLL 5 only consist of any or all of:

3.1.1 transferable securities;

3.1.2 approved money market instruments;

3.1.3 units or shares in permitted collective investment schemes;

- 3.1.4 derivatives and forward transactions;
  - 3.1.5 deposits; and
  - 3.1.6 movable and immovable property that is essential for the direct pursuit of the Company's business
- in accordance with the rules in this Appendix III.
- 3.2 The Funds will not hold movable or immovable property.
- 4. Transferable Securities**
- 4.1 A transferable security is an investment which is any of the following (or as such terms are defined in the FCA Glossary):
- 4.1.1 a share;
  - 4.1.2 a debenture;
  - 4.1.3 an alternative debenture;
  - 4.1.4 a government and public security;
  - 4.1.5 a warrant; or
  - 4.1.6 a certificate representing certain securities.
- 4.2 An investment is not a transferable security if the title to it cannot be transferred, or can be transferred only with the consent of a third party.
- 4.3 In applying paragraph 4.2 to an investment which is issued by a body corporate, and which is a share or a debenture (as such terms are defined in the FCA Glossary), the need for any consent on the part of the body corporate or any members or debenture holders of it may be ignored.
- 4.4 An investment is not a transferable security unless the liability of the holder of it to contribute to the debts of the issuer is limited to any amount for the time being unpaid by the holder of it in respect of the investment.
- 4.5 No more than 5% of the Scheme Property of a Fund may be invested in warrants.
- 5. Investment in transferable securities**
- 5.1 A Fund may invest in a transferable security only to the extent that the transferable security fulfils the following criteria:
- 5.1.1 the potential loss which the Fund may incur with respect to holding the transferable security is limited to the amount paid for it;
  - 5.1.2 its liquidity does not compromise the ability of the ACD to comply with its obligation to redeem Shares at the request of any qualifying Shareholder under COLL 6.2.16R(3);
  - 5.1.3 reliable valuation is available for it as follows:
    - 5.1.3.1 in the case of a transferable security admitted to or dealt in on an eligible market, where there are accurate,

reliable and regular prices which are either market prices or prices made available by valuation systems independent from issuers;

- 5.1.3.2 in the case of a transferable security not admitted to or dealt in on an eligible market, where there is a valuation on a periodic basis which is derived from information from the issuer of the transferable security or from competent investment research;
- 5.1.4 appropriate information is available for it as follows:
  - 5.1.4.1 in the case of a transferable security admitted to or dealt in on an eligible market, where there is regular, accurate and comprehensive information available to the market on the transferable security or, where relevant, on the portfolio of the transferable security;
  - 5.1.4.2 in the case of a transferable security not admitted to or dealt in on an eligible market, where there is regular and accurate information available to the ACD on the transferable security or, where relevant, on the portfolio of the transferable security;
- 5.1.5 it is negotiable; and
- 5.1.6 its risks are adequately captured by the risk management process of the ACD; please refer to paragraph 35 for further details.
- 5.2 Unless there is information available to the ACD that would lead to a different determination, a transferable security which is admitted to or dealt in on an eligible market shall be presumed:
  - 5.2.1 not to compromise the ability of the ACD to comply with its obligation to redeem Shares at the request of any qualifying Shareholder; and
  - 5.2.2 to be negotiable.

## 6. **Closed end funds constituting transferable securities**

- 6.1 A unit or share in a closed end fund shall be taken to be a transferable security for the purposes of investment by a Fund, provided it fulfils the criteria for transferable securities set out in paragraph 5 (Investment in transferable securities) above and either:
  - 6.1.1 where the closed end fund is constituted as an investment company or a unit trust:
    - 6.1.1.1 it is subject to corporate governance mechanisms applied to companies; and
    - 6.1.1.2 where another person carries out asset management activity on its behalf, that person is subject to national regulation for the purpose of investor protection; or
  - 6.1.2 where the closed end fund is constituted under the law of contract:
    - 6.1.2.1 it is subject to corporate governance mechanisms equivalent to those applied to companies; and

- 6.1.2.2 it is managed by a person who is subject to national regulation for the purpose of investor protection.

## 7. **Transferable securities linked to other assets**

- 7.1 A Fund may invest in any other investment which shall be taken to be a transferable security for the purposes of investment by a Fund provided the investment:
- 7.1.1 fulfils the criteria for transferable securities set out in COLL 5.2.7A R; and
- 7.1.2 is backed by or linked to the performance of other assets, which may differ from those in which a Fund can invest.
- 7.2 Where an investment in 7.1 contains an embedded derivative component (as described in 19 (Derivatives: General) below) the requirements of COLL respect to derivatives and forwards will apply to that component.

## 8. **Approved money market instruments**

- 8.1 A Fund may invest in approved money market instruments which are money market instruments normally dealt in on the money market, are liquid and whose value can be accurately determined at any time.
- 8.2 A money-market instrument shall be regarded as normally dealt in on the money market if it:
- 8.2.1 has a maturity at issuance of up to and including 397 days;
- 8.2.2 has a residual maturity of up to and including 397 days;
- 8.2.3 undergoes regular yield adjustments in line with money market conditions at least every 397 days; or
- 8.2.4 has a risk profile, including credit and interest rate risks, corresponding to that of an instrument which has a maturity as set out in 8.2.1 or 8.2.2 or is subject to yield adjustments as set out in 8.2.3.
- 8.3 A money-market instrument shall be regarded as liquid if it can be sold at limited cost in an adequately short time frame, taking into account the obligation of the ACD to redeem Shares at the request of any qualifying Shareholder.
- 8.4 A money-market instrument shall be regarded as having a value which can be accurately determined at any time if accurate and reliable valuations systems, which fulfil the following criteria, are available:
- 8.4.1 enabling the ACD to calculate a net asset value in accordance with the value at which the instrument held in the Fund could be exchanged between knowledgeable willing parties in an arm's length transaction; and
- 8.4.2 based either on market data or on valuation models including systems based on amortised costs.
- 8.5 A money-market instrument that is normally dealt in on the money market and is admitted to or dealt in on an eligible market shall be presumed to be liquid

and have a value which can be accurately determined at any time unless there is information available to the ACD that would lead to a different determination.

**9. Transferable securities and money market instruments generally to be admitted to or dealt in on an eligible market**

9.1 Transferable securities and approved money market instruments held within a Fund must (subject to paragraph 9.2 of this Appendix) be:

9.1.1 admitted to or dealt in on an eligible market as described in paragraph 10.1.1 below; or

9.1.2 dealt in on a market in an EEA State which is regulated, operates regularly and is open to the public; or

9.1.3 admitted to or dealt in on an eligible market which has been designated an eligible market by the ACD in consultation with the Depositary (as described below); or

9.1.4 a money-market instrument within COLL 5.2.10 A R(1) (is as described in paragraph 8 below); or

9.1.5 recently issued transferable securities provided that:

9.1.5.1 the terms of issue include an undertaking that application will be made to be admitted to an eligible market; and

9.1.5.2 such admission is secured within a year of issue.

9.2 Not more than 10% in value of the Scheme Property of a Fund may consist of transferable securities or approved money market instruments, which do not fall within paragraph 9.1.

**10. Eligible Markets: requirements**

10.1 A market is eligible for the purposes of the rules if it is:

10.1.1 a regulated market as defined in the FCA Glossary; or

10.1.2 a market in the UK or an EEA State which is regulated, operates regularly and is open to the public.

10.1.3 a market within paragraph 10.2

10.2 A market not falling within paragraphs 10.1.1 and 10.1.2 of this Appendix is eligible for the purposes of COLL 5 if:

10.2.1 the ACD, after consultation and notification with the Depositary, decides that market is appropriate for investment of, or dealing in, the Scheme Property of a Fund;

10.2.2 the market is included in a list in this prospectus; and

10.2.3 the Depositary has taken reasonable care to determine that:

10.2.3.1 adequate custody arrangements can be provided for the investment dealt in on that market; and



10.2.3.2 all reasonable steps have been taken by the ACD in deciding whether that market is eligible.

10.3 In paragraph 10.2.1, a market must not be considered appropriate unless it is: regulated; operates regularly; is recognised as a market or exchange or as a self-regulating organisation by an overseas regulator; is open to the public; is adequately liquid; and has adequate arrangements for unimpeded transmission of income and capital to or for the order of investors.

## 11. **Money-market instruments with a regulated issuer**

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

11.1.1 the issue or the issuer is regulated for the purpose of protecting investors and savings; and

11.1.2 the instrument is issued or guaranteed in accordance with paragraph 12 below.

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

11.2.1 the instrument is an approved money-market instrument;

11.2.2 appropriate information is available for the instrument (including information which allows an appropriate assessment of the credit risks related to investment in it), in accordance with paragraph 13; and

11.2.3 the instrument is freely transferable.

## 12. **Issuers and guarantors of money-market instruments**

12.1 A Fund may invest in an approved money-market instrument if it is:

12.1.1 issued or guaranteed by any one of the following:

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

12.1.1.2 a regional or local authority of the UK or an EEA State;

12.1.1.3 the Bank of England, the European Central Bank or a central bank of an EEA State;

12.1.1.4 the European Union or the European Investment Bank;

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

12.1.1.6 a public international body to which the UK or one or more EEA States belong; or

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

- 12.1.3 issued or guaranteed by an establishment which is:
  - 12.1.3.1 subject to prudential supervision in accordance with criteria defined by UK or European community law; or
  - 12.1.3.2 subject to and complies with prudential rules considered by the FCA to be at least as stringent as those laid down by UK or European community law.
- 12.2 An establishment shall be considered to satisfy the requirement in paragraph 12.1.3.2 if it is subject to and complies with prudential rules, and fulfils one or more of the following criteria:
  - 12.2.1 it is located in the European Economic Area;
  - 12.2.2 it is located in an OECD country belonging to the Group of Ten;
  - 12.2.3 it has at least investment grade rating;
  - 12.2.4 on the basis of an in-depth analysis of the issuer, it can be demonstrated that the prudential rules applicable to that issuer are at least as stringent as those laid down by UK or European community law.
- 13. **Appropriate information for money-market instruments**
  - 13.1 In the case of an approved money-market instrument within paragraph 12.1.2 or issued by a body of the type referred to in COLL 5.2.10E G, or which is issued by an authority within paragraph 12.1.1.2 or a public international body within paragraph 12.1.1.4 but is not guaranteed by a central authority within 12.1.1.1 the following information must be available:
    - 13.1.1 information on both the issue or the issuance programme, and the legal and financial situation of the issuer prior to the issue of the instrument, verified by appropriately qualified third parties not subject to instructions from the issuer;
    - 13.1.2 updates of that information on a regular basis and whenever a significant event occurs; and
    - 13.1.3 available and reliable statistics on the issue or the issuance programme.
  - 13.2 In the case of an approved money-market instrument issued or guaranteed by an establishment within paragraph 12.1.3 the following information must be available:
    - 13.2.1 information on the issue or the issuance programme or on the legal and financial situation of the issuer prior to the issue of the instrument;
    - 13.2.2 updates of that information on a regular basis and whenever a significant event occurs; and
    - 13.2.3 available and reliable statistics on the issue or the issuance programme, or other data enabling an appropriate assessment of the credit risks related to investment in those instruments.
  - 13.3 In the case of an approved money-market instrument:

- 13.3.1 within paragraphs 12.1.1.2, 12.1.1.4 or 12.1.1.5; or
- 13.3.2 which is issued by an authority within paragraph 12.1.1.2 or a public international body within paragraph 12.1.1.4 and is guaranteed by a central authority within paragraph 12.1.1.1;

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

#### 14. **Spread: general**

- 14.1 This paragraph 14 does not apply in respect of a transferable security or an approved money-market instrument to which paragraph 16 (spread: government and public securities) applies.
- 14.2 The specific limits are set out as follows:
  - 14.2.1 For the purposes of this paragraph 14 companies included in the same group for the purposes of consolidated accounts as defined in accordance with section 399 of the Companies Act 2006, Directive 2013/34/EU or in the same group in accordance with international accounting standards are regarded as a single body.
  - 14.2.2 Not more than 20% in value of the Scheme Property of a Fund is to consist of deposits with a single body.
  - 14.2.3 Not more than 5% in value of the Scheme Property of a Fund is to consist of transferable securities or approved money-market instruments issued by any single body.
  - 14.2.4 The limit of 5% in paragraph 14.2.3 is raised to 10% in respect of up to 40% in value of the Scheme Property of a Fund (covered bonds need not be taken into account for the purposes of applying the limit of 40%).
  - 14.2.5 The limit of 5% in paragraph 14.2.3 is raised to 25% in value of the Scheme Property of a Fund in respect of covered bonds provided that when a Fund invests more than 5% in covered bonds issued by a single body, the total value of covered bonds held must not exceed 80% in value of the Scheme Property.
  - 14.2.6 In applying paragraphs 14.2.3 and 14.2.4, certificates representing certain securities are to be treated as equivalent to the underlying security.
  - 14.2.7 The exposure to any one counterparty in an OTC derivative transaction must not exceed 5% in value of the Scheme Property of a Fund. This limit is raised to 10% where the counterparty is an Approved Bank.
  - 14.2.8 Not more than 20% in value of the Scheme Property may consist of transferable securities and approved money market instruments issued by the same group.
  - 14.2.9 Not more than 20% in value of the Scheme Property is to consist of the units or shares of any one collective investment scheme.
  - 14.2.10 In applying the limits in paragraphs 14.2.2, 14.2.3, 14.2.4, 14.2.6 and 14.2.7 in relation to a single body and subject to paragraph 14.2.5,

not more than 20% in value of the Scheme Property is to consist of any combination of two or more of the following:

- 14.2.10.1 transferable securities (including covered bonds) or approved money-market instruments issued by that body; or
- 14.2.10.2 deposits made with that body; or
- 14.2.10.3 exposures from OTC derivatives transactions made with that body.

## 15. **Counterparty risk and issuer concentration**

- 15.1 The ACD must ensure that counterparty risk arising from an OTC derivative is subject to the limits set out in paragraphs 14.2.7 and 14.2.10 above.
- 15.2 When calculating the exposure of a Fund to a counterparty in accordance with the limits in paragraph 14.2.7 the ACD must use the positive mark-to-market value of the OTC derivative contract with that counterparty.
- 15.3 The ACD may net the OTC derivative positions of a Fund with the same counterparty, provided:
  - 15.3.1 It is able legally to enforce netting agreements with the counterparty on behalf of the Fund; and
  - 15.3.2 the netting agreements in paragraph 15.3.1 do not apply to any other exposures the Fund may have with that same counterparty.
- 15.4 The ACD may reduce the exposure of Scheme Property to a counterparty of an OTC derivative through the receipt of collateral. Collateral received must be sufficiently liquid so that it can be sold quickly at a price that is close to its pre-sale valuation.
- 15.5 The ACD must take collateral into account in calculating exposure to counterparty risk in accordance with the limits in paragraph 14.2.7 when it passes collateral to an OTC counterparty on behalf of a Fund.
- 15.6 COLL sourcebook permits the ACD to use certain techniques when investing in derivatives in order to manage a Fund's exposure to particular counterparties and in relation to the use of collateral to reduce overall exposure with respect to OTC derivatives. For example, a Fund may take collateral from counterparties with whom they have an OTC derivative position and use that collateral to net off against the exposure they have to the counterparty under that OTC derivative position, for the purposes of complying with counterparty spread limits. COLL Sourcebook also permits a Fund to use derivatives to effectively short sell (agree to deliver the relevant asset without holding it in a Fund) under certain conditions.
- 15.7 Collateral passed in accordance with paragraph 15.5 may be taken into account on a net basis only if the ACD is able legally to enforce netting arrangements with this counterparty on behalf of that Fund.
- 15.8 The ACD must calculate the issuer concentration limits referred to in paragraph 14.2.7 on the basis of the underlying exposure created through the use of OTC derivatives pursuant to the commitment approach in accordance with the COLL Sourcebook.

15.9 In relation to the exposure arising from OTC derivative transactions as referred to in paragraph 14.2.7 the ACD must include any exposure to OTC derivative transactions counterparty risk in the calculation.

16. **Spread: government and public securities**

16.1 The following paragraph applies to government and public securities ("such securities").

16.2 The following applies in respect of transferable securities or approved money-market instruments ("such securities") that are issued or guaranteed by:

16.2.1 the UK or an EEA State;

16.2.2 a local authority of the UK or an EEA State;

16.2.3 a non-EEA State; or

16.2.4 a public international body to which the UK or one or more EEA States belong.

16.3 Where no more than 35% in value of the Scheme Property of a Fund is invested in such securities issued by any one body, there is no limit on the amount which may be invested in such securities or in any one issue.

16.4 A Fund may invest more than 35% in value of the Scheme Property in such securities issued by any one body provided that:

16.4.1 the ACD has before any such investment is made consulted with the Depositary and as a result considers that the issuer of such securities is one which is appropriate in accordance with the investment objectives of the Fund;

16.4.2 no more than 30% in value of the Scheme Property of a Fund consists of such securities of any one issue;

16.4.3 the Scheme Property includes such securities issued by that or another issuer, of at least six different issues; and

16.4.4 the disclosures in COLL have been made.

16.5 In relation to such securities:

16.5.1 issue, issuer and guarantor include guarantee, guaranteed and guarantor; and

16.5.2 an issue differs from another if there is a difference as to repayment date, rate of interest, guarantor or other material terms of the issue.

Notwithstanding paragraph 14.1 and subject to paragraphs 14.2.2 and 14.2.1 above, in applying the 20% limit in paragraph 14.2.2 with respect to a single body, such securities issued by that body shall be taken into account.

17. **Investment in collective investment schemes**

Up to 10% of the value of the Scheme Property of each Fund may be invested in units or shares in other collective investment schemes ("**Second Scheme**") in each case provided that Second Scheme satisfies all of the conditions and provided within paragraphs 17.1.2 to 17.1.5.

- 17.1 The Second Scheme must:
- 17.1.1 be a UCITS or a scheme which satisfies the conditions necessary for it to enjoy the rights conferred by the UCITS Directive as implemented in the EEA; or
  - 17.1.2 be a recognised scheme that is authorised by the supervisory authorities of Guernsey, Jersey or the Isle of Man (provided the requirements of COLL 5.2.13A, as set out in paragraph 17.10, are met); or
  - 17.1.3 be authorised as a non-UCITS retail scheme (provided the requirements of COLL 5.2.13A (1)(a), (3) and (4) are met); or
  - 17.1.4 be authorised in an EEA State (provided the requirements of COLL 5.2.13A are met); or
  - 17.1.5 be authorised by the competent authority of an OECD member country (other than an EEA State) which has:
    - 17.1.5.1 signed the IOSCO Multilateral Memorandum of Understanding; and
    - 17.1.5.2 approved the scheme's management company, rules and depositary and custody arrangements.

(provided the requirements of COLL 5.2.13A are met));
- 17.2 The Second Scheme must comply, where relevant, with COLL 5.2.15 R (Investment in associated collective investment schemes) and COLL 5.2.16 R (Investment in other group schemes).
- 17.3 The Second Scheme has terms which prohibit more than 10% in value of the Scheme Property consisting of units or shares in collective investment schemes.
- 17.4 Where the Second Scheme is an umbrella, the provisions in paragraphs 14, 17.2 and 17.3 apply to each Fund as if it were a separate scheme.
- 17.5 Investment may be made in other collective investment schemes managed by the ACD or an associate of the ACD in accordance with COLL 5.2.15 R and COLL 5.2.16 R.
- 17.6 The Scheme Property attributable to a Fund may include Shares in another Fund of the Company (the "Second Fund") subject to the requirements of paragraphs 17.8 below.
- 17.7 A Fund may invest in or dispose of Shares in a Second Fund provided that :-
- 17.7.1 the Second Fund does not hold Shares in any other Fund of the Company;
  - 17.7.2 the requirements set out at paragraph 17.9 below are complied with; and
  - 17.7.3 not more than 35% in value of the Scheme Property of the investing or disposing Fund is to consist of Shares in the Second Fund.

- 17.8 Investment may only be made in a Second Fund or other collective investment scheme managed by the ACD or an Associate of the ACD if the rules on double charging contained in the COLL Sourcebook are complied with.
- 17.9 Where a Fund of the Company invests in or disposes of Shares in a Second Fund or units or shares in another collective investment scheme which is managed or operated by the ACD or an Associate of the ACD, the ACD must pay to that Fund by the close of business on the fourth Business Day the amount of any preliminary charge in respect of a purchase, and in the case of a sale any charge made for the disposal.
- 17.10 The requirements of COLL 5.2.13A are that:
- 17.10.1 the second scheme is an undertaking:
- 17.10.1.1 with the sole objective of collective investment in transferable securities or in other liquid financial assets, as referred to in Section 5 of the COLL Sourcebook, of capital raised from the public and which operate on the principle of risk spreading; and
- 17.10.1.2 with units which are, at the request of holders, repurchased or redeemed, directly or indirectly, out of those undertakings' assets (action taken by a scheme to ensure that the price of its units on an investment exchange does not significantly vary from their net asset value shall be regarded as equivalent to such repurchase or redemption).
- 17.10.2 the second scheme is authorised under laws which provide that they are subject to supervision considered by the FCA to be equivalent to that laid down in the law of the UK, and that cooperation between the FCA and the supervisory authorities of the second scheme is sufficiently ensured;
- 17.10.3 the level of protection for unitholders in the second scheme is equivalent to that provided for unitholders in a UK UCITS, and in particular that the rules asset segregation, borrowing, lending and uncovered sales of transferable securities and approved money market instruments are equivalent to the requirements of Section 5 of the COLL Sourcebook; and
- 17.10.4 the business of the second 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.
- 17.11 Where the Company makes an investment in, or disposal of, units or shares of a second scheme detailed in paragraph 17.5, and there is a charge in respect of such investment or disposal, the ACD must pay the Company the amount referred to in either paragraph 17.12 or paragraph 17.13 within four Business Days following the date of the agreement to invest or dispose.
- 17.12 When an investment is made, the amount referred to in paragraph 17.11 is either:
- 17.12.1 any amount by which the consideration paid by the Company for the units or shares in the second scheme exceeds the price that would have been paid for the benefit of the second scheme had the units or shares been newly issued or sold by it; or

- 17.12.2 if such price cannot be ascertained by the ACD, the maximum amount of any charge permitted to be made by the seller of units or shares in the second scheme.
- 17.13 When a disposal is made, the amount referred to in paragraph 17.11 is any charge made for the account of the authorised fund manager or operator of the second scheme or an Associate of any of them in respect of the disposal.
- 17.14 In paragraphs 17.12 and 17.13 above:
- 17.14.1 any addition to or deduction from the consideration paid on the acquisition or disposal of units in the second scheme, which is applied for the benefit of the second scheme and is, or is like, a dilution levy or dilution adjustment, is to be treated as part of the price of the units and not as part of any charge; and
- 17.14.2 any switching charge made in respect of an exchange of units in one sub-fund or separate part of the second scheme for units in another sub-fund or separate part of that scheme is to be included as part of the consideration paid for the units.
18. **Investment in nil and partly paid securities**
- 18.1 A transferable security or an approved money market instrument on which any sum is unpaid falls within a power of investment only if it is reasonably foreseeable that the amount of any existing and potential call for any sum unpaid could be paid by the Fund, at the time when payment is required, without contravening the rules in COLL 5.
19. **Derivatives: general**
- 19.1 **The Funds may use Scheme Property to enter into transactions for the purposes of Efficient Portfolio Management and for investment purposes. In the opinion of the ACD, the use of derivatives may increase the risk profile or volatility of the Funds.**
- 19.2 The ACD may make use of a variety of derivative instruments in accordance with COLL Sourcebook and specifically COLL 5.3.11(G).
- 19.3 A transaction in derivatives or a forward transaction must not be effected for the Fund unless:
- 19.3.1 the transaction is of a kind specified in paragraph 20 (Permitted transactions (derivatives and forwards)); and
- 19.3.2 the transaction is covered, as required by paragraph 30 (Cover for investment in derivatives and forward transactions) and COLL 5.3.3A.
- 19.4 Where a Fund invests in derivatives, the exposure to the underlying assets must not exceed the limits set out in the COLL Sourcebook in relation to spread (COLL 5.2.11R Spread: general, COLL 5.2.12R Spread: government and public securities) except for index based derivatives where the rules below apply.
- 19.5 Where a transferable security or an approved money market instrument embeds a derivative, this must be taken into account for the purposes of complying with this paragraph.
- 19.6 A transferable security or an approved money-market instrument will embed a derivative if it contains a component which fulfils the following criteria:



- 19.6.1 by virtue of that component some or all of the cash flows that otherwise would be required by the transferable security or approved money-market instrument which functions as host contract can be modified according to a specified interest rate, Financial Instrument price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, and therefore vary in a way similar to a stand-alone derivative;
  - 19.6.2 its economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract; and
  - 19.6.3 it has a significant impact on the risk profile and pricing of the transferable security or approved money-market instrument.
- 19.7 A transferable security or an approved money-market instrument does not embed a derivative where it contains a component which is contractually transferable independently of the transferable security or the approved money-market instrument. That component shall be deemed to be a separate instrument.
- 19.8 Where a Fund invests in an index based derivative, provided the relevant index falls within COLL 5.2.20AR (Financial Indices underlying derivatives) the underlying constituents of the index do not have to be taken into account for the purposes of COLL 5.2.11R and COLL 5.2.12R. This relaxation is subject to the ACD taking account of the requirements in COLL 5.2.3 R for prudent spread of risk.
20. **Permitted transactions (derivatives and forwards)**
- 20.1 A transaction in a derivative must be:
- 20.1.1 in an approved derivative; or
  - 20.1.2 be an OTC derivative which complies with paragraph 26 (OTC transactions in derivatives) of this Appendix.
- 20.2 A transaction in a derivative must have the underlying consisting of any one or more of the following to which the scheme is dedicated:
- 20.2.1 transferable securities;
  - 20.2.2 approved money market instruments permitted under paragraph 8 (Investment in approved money market instruments);
  - 20.2.3 deposits;
  - 20.2.4 permitted derivatives under this paragraph;
  - 20.2.5 collective investment scheme units or shares permitted under paragraph 17 (Investment in collective investment schemes);
  - 20.2.6 financial indices which satisfy the criteria set out in COLL 5.2.20;
  - 20.2.7 interest rates;
  - 20.2.8 foreign exchange rates; and
  - 20.2.9 currencies.

- 20.3 A transaction in an approved derivative must be effected on or under the rules of an eligible derivatives market.
- 20.4 A transaction in a derivative must not cause a Fund to diverge from its investment objectives as stated in the Instrument constituting the scheme and the most recently published version of this Prospectus.
- 20.5 A transaction in a derivative must not be entered into if the intended effect is to create the potential for an uncovered sale of one or more, transferable securities, money market instruments, units in collective investment schemes, or derivatives, provided that a sale is not to be considered as uncovered if the conditions in paragraph 24 (Requirement to cover sales) are satisfied.
- 20.6 Any forward transaction must be with an Eligible Institution or an Approved Bank.
- 20.7 A derivative includes an instrument which fulfils the following criteria:
- 20.7.1 it allows the transfer of the credit risk of the underlying independently from the other risks associated with that underlying;
  - 20.7.2 it does not result in the delivery or the transfer of assets other than those referred to in paragraph 3 above (UCITS schemes: general) including cash;
  - 20.7.3 in the case of an OTC derivative, it complies with the requirements in paragraph 25 (OTC transactions in derivatives) and COLL 5.2.23R;
  - 20.7.4 its risks are adequately captured by the risk management process of the ACD (refer to paragraph 35), and by its internal control mechanisms in the case of risks of asymmetry of information between the ACD and the counterparty to the derivative, resulting from potential access of the counterparty to non-public information on persons whose assets are used as the underlying by that derivative.
- 20.8 A Fund may not undertake transactions in derivatives on commodities. However this restriction does not preclude a Fund from investing in, or gaining exposure to, an index, the components of which are commodities, provided that: (i) such index meets the requirements set out in paragraph 21 (Financial indices underlying derivatives); and (ii) the components of such index are not, or do not expose the Fund to, agricultural commodities.

## 21. **Financial indices underlying derivatives**

- 21.1 The financial indices referred to above are those which satisfy the following criteria:
- 21.1.1 the index is sufficiently diversified;
  - 21.1.2 the index represents an adequate benchmark for the market to which it refers; and
  - 21.1.3 the index is published in an appropriate manner.
- 21.2 A financial index is sufficiently diversified if:
- 21.2.1 it is composed in such a way that price movements or trading activities regarding one component do not unduly influence the performance of the whole index;

- 21.2.2 where it is composed of assets in which a Fund is permitted to invest, its composition is at least diversified in accordance with the requirements with respect to spread and concentration set out in this Appendix; and
  - 21.2.3 where it is composed of assets in which a Fund cannot invest, it is diversified in a way which is equivalent to the diversification achieved by the requirements with respect to spread and concentration set out in this Appendix.
- 21.3 A financial index represents an adequate benchmark for the market to which it refers if:
- 21.3.1 it measures the performance of a representative group of underlyings in a relevant and appropriate way;
  - 21.3.2 it is revised or rebalanced periodically to ensure that it continues to reflect the markets to which it refers, following criteria which are publicly available; and
  - 21.3.3 the underlyings are sufficiently liquid, allowing users to replicate it if necessary.
- 21.4 A financial index is published in an appropriate manner if:
- 21.4.1 its publication process relies on sound procedures to collect prices, and calculate and subsequently publish the index value, including pricing procedures for components where a market price is not available; and
  - 21.4.2 material information on matters such as index calculation, rebalancing methodologies, index changes or any operational difficulties in providing timely or accurate information is provided on a wide and timely basis.
- 21.5 Where the composition of underlyings of a transaction in a derivative does not satisfy the requirements for a financial index, the underlyings for that transaction shall where they satisfy the requirements with respect to other underlyings pursuant to paragraph 20.2, be regarded as a combination of those underlyings.
22. **Total return swaps**
- 22.1 Total return swaps are agreements under which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the total return (including both the income it generates and any capital gains) of an underlying asset (for example, a commodity or stock market index). In this way, a party can gain the economic exposure of the underlying asset without actually owing that asset.
- 22.2 A Fund may enter into a range of swap transactions in pursuit of its investment objective (including total return swaps) or other financial derivatives instruments with similar characteristics. The underlying assets and investment strategies or such swaps, to which exposure will be gained, are described in the investment objective and policy of the relevant Fund.
- 22.3 The specific types of total return swaps permitted are foreign exchange, interest rates, fixed income, equity and commodity indices.

- 22.4 The maximum net proportion of the assets under management of each Fund that can be subject to total return swaps is 100% with a maximum of 5% with any one counterparty.
- 22.5 The expected net proportion of the assets under management of each Fund that will be subject to total return swaps is up to 30% of Net Asset Value.
- 22.6 A Fund may not enter into such a swap or other derivative transaction where (1) the counterparty is permitted to have discretion over the composition or management of a Fund's portfolio or over the underlying of financial derivative instruments used by a Fund; or (2) the counterparty's approval is required in relation to any investment decision made by a Fund.
- 22.7 The counterparties of these transactions will be highly rated financial institutions specialising in these types of transactions and submitted by the Investment Manager to the ACD for approval, after being assessed against a strict due diligence process that includes their credit rating, their legal status and their country of origin. For more information, please see paragraph 6 (Securities Financing Transactions).
- 22.8 Total return swaps generate additional revenue for the benefit of the relevant Fund. 100% of this revenue will be retained by the relevant Fund.
- 23. Transactions for the purchase of property**
- 23.1 A derivative or forward transaction which would or could lead to the delivery of property to the Depositary may be entered into only if:
- 23.1.1 such property can be held for the account of the Fund; and
- 23.1.2 the ACD having taken reasonable care determines that delivery of the property pursuant to the transaction will not lead to a breach of the rules in the COLL Sourcebook.
- 24. Requirement to cover sales**
- 24.1 No agreement by or on behalf of the Fund to dispose of property or rights (except for a deposit) may be made unless:
- 24.1.1 the obligation to make the disposal and any other similar obligation could immediately be honoured by the Company by delivery of property or the assignment of rights; and
- 24.1.2 the property and rights above are owned by the Fund at the time of the agreement.
- 25. OTC transactions in derivatives**
- 25.1 Any transaction in an OTC derivative must be:
- 25.1.1 with an approved counterparty; a counterparty to a transaction in derivatives is approved only if the counterparty is:
- 25.1.1.1 an Eligible Institution or an Approved Bank; or
- 25.1.1.2 a person whose permission (including any requirements or limitations), as published in the Financial Services Register provided by the FCA or whose Home State

- authorisation, permits it to enter into the transaction as principal off-exchange;
- 25.1.1.3 a CCP that is authorised in that capacity for the purposes of EMIR;
  - 25.1.1.4 a CCP that is recognised in that capacity in accordance with the process set out in article 25 of EMIR; or
  - 25.1.1.5 to the extent not already covered above, a CCP supervised in a jurisdiction that:
    - (a) has implemented the relevant G20 reforms on over-the-counter derivatives to at least the same extent as the UK; and
    - (b) is identified as having done so by the Financial Stability Board in its summary report on progress in implementation of G20 financial regulatory reforms dated 25 June 2019.
- 25.1.2 on approved terms; the terms of the transaction in derivatives are approved only if the ACD:
- 25.1.2.1 carries out, at least daily, a reliable and verifiable valuation in respect of that transaction corresponding to its fair value and which does not rely only on market quotations by the counterparty; and
  - 25.1.2.2 can enter into one or more further transactions to sell, liquidate or close out that transaction at any time, at its fair value; and
- 25.1.3 capable of reliable valuation; a transaction in derivatives is capable of reliable valuation only if the ACD having taken reasonable care determines that, throughout the life of the derivative (if the transaction is entered into), it will be able to value the investment concerned with reasonable accuracy:
- 25.1.3.1 on the basis of an up-to-date market value which the ACD and the Depositary have agreed is reliable; or
  - 25.1.3.2 if the value referred to in paragraph 25.1.3.1 is not available, on the basis of a pricing model which the ACD and the Depositary have agreed uses an adequate recognised methodology; and
- 25.1.4 subject to verifiable valuation: a transaction in derivatives is subject to verifiable valuation only if, throughout the life of the derivative (if the transaction is entered into) verification of the valuation is carried out by:
- 25.1.4.1 an appropriate third party which is independent from the counterparty of the derivative at an adequate frequency and in such a way that the ACD is able to check it; or
  - 25.1.4.2 a department within the ACD which is independent from the department in charge of managing the Fund and which is adequately equipped for such a purpose.

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

25.3 The Depositary must take reasonable care to ensure that the ACD has systems and controls that are adequate to ensure compliance with paragraph 21.1.

## 26. Valuation of OTC derivatives

26.1 For the purposes of paragraph 25.1.2, the ACD must:

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

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

26.2 Where the arrangements and procedures referred to in paragraph 26.1.1 involve the performance of certain activities by third parties, the ACD must comply with the requirements in SYSC 8.1.13 R (Additional requirements for a management company) and COLL 6.6A.4 R (4) to (6) (Due diligence requirements of Managers of UK UCITS).

26.3 The arrangements and procedures referred to in this rule must be:

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

26.3.2 adequately documented.

## 27. Risk Management

27.1 The ACD uses a risk management process (including a risk management policy) in accordance with COLL 6.12, as reviewed by the Depositary and filed with the FCA, enabling it to monitor and measure at any time the risk of a Fund's positions and their contribution to the overall risk profile of the Fund. The following details of the risk management process must be regularly notified to the FCA and at least on an annual basis:

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

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

27.2 The ACD must notify the FCA in advance of any material alteration to the details above.

## 28. Investments in deposits

28.1 **The Fund may invest in deposits only if it is with an Approved Bank and is repayable on demand or have the right to be withdrawn, and matures in no more than 12 months.**

## 29. Schemes replicating an index

29.1 **A Fund may invest up to 20% in value of the Scheme Property in shares**

**and debentures which are issued by the same body where the stated investment policy is to replicate the composition of a relevant index as defined below.**

29.2 **The 20% limit can be raised for a particular Fund up to 35% in value of the Scheme Property, but only in respect of one body and where justified by exceptional market conditions.**

29.3 In the case of a Fund replicating an index the Scheme Property of a Fund need not consist of the exact composition and weighting of the underlying in the relevant index where deviation from this is expedient for reasons of poor liquidity or excessive cost to the scheme in trading in an underlying investment.

29.4 The indices referred to above are those which satisfy the following criteria:

29.4.1 the composition is sufficiently diversified;

29.4.2 the index is a representative benchmark for the market to which it refers; and

29.4.3 the index is published in an appropriate manner.

### 30. **Significant influence**

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

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

30.1.2 the acquisition gives the Company that power.

30.2 For the purposes of paragraph 30.1, the Company is to be taken to have power significantly to influence the conduct of business of a body corporate if it can, because of the transferable securities held by it, exercise or control the exercise of 20% or more of the voting rights in that body corporate (disregarding for this purpose any temporary suspension of voting rights in respect of the transferable securities of that body corporate).

### 31. **Concentration**

A UCITS scheme:

31.1 must not acquire transferable securities (other than debt securities) which:

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

31.1.2 represent more than 10% of those securities issued by that body corporate;

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

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

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

31.5 need not comply with the limits in paragraphs 31.2 to 31.4 if, at the time of acquisition, the net amount in issue of the relevant investment cannot be calculated.

## 32. **Cover for investment in derivatives and forward transactions**

32.1 The ACD must ensure that its global exposure relating to derivatives and forward transactions held in the Fund does not exceed the net value of the Scheme Property. The Company's global exposure to the underlying assets should not exceed in aggregate the investment limits laid down in paragraph 14 (Spread: general).

## 33. **Daily calculation of global exposure**

33.1 The ACD must calculate the global exposure of a Fund on at least a daily basis in accordance with the methods described in COLL 5.3.7R to COLL 5.3.10R.

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

## 34. **VaR approach**

34.1 The "Value at Risk ("**VaR**") approach" is an estimate of the maximum potential loss due to market risk rather than leverage. The VaR approach estimates the maximum potential loss at a given confidence level, or probability, over a specific time period under normal market conditions.

34.2 Please see Appendix I for leverage details specific to each Fund.

34.3 In accordance with current industry guidelines, leverage is calculated as the sum, of the notional derivatives used, however this calculation takes no account of offsetting positions and is not a true measure of market risk.

## 35. **Risk management**

35.1 The ACD uses a risk management process, enabling it to monitor and measure at any time the risk of a Fund's positions and their contribution to the overall risk profile of a Fund. Please refer to paragraph 27.

## 36. **Cash and near cash**

36.1 Cash and near cash must not be retained in the Scheme Property of a Fund except to the extent that, where this may reasonably be regarded as necessary in order to enable:

36.1.1 the pursuit of the Fund's investment objectives; or

36.1.2 the redemption of units or shares; or

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

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



36.2 During the period of the initial offer the Scheme Property may consist of cash and near cash without limitation.

37. **General**

37.1 Where a Fund invests in or disposes of units or shares in another collective investment scheme which is managed or operated by the ACD or an associate of the ACD, the ACD must pay to the Fund by the close of business on the third Business Day the amount of any preliminary charge in respect of a purchase, and in the case of a sale, any charge made for the disposal.

37.2 A potential breach of any of these limits does not prevent the exercise of rights conferred by investments held by the Fund but, in the event of a consequent breach, the ACD must then take such steps as are necessary to restore compliance with the investment limits as soon as practicable having regard to the interests of Shareholders.

38. **Underwriting**

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

39. **Borrowing powers**

39.1 The ACD may, on the instructions of the Fund and subject to the COLL Sourcebook, borrow money from an Eligible Institution or an Approved Bank for the use of the Fund on terms that the borrowing is to be repayable out of the Scheme Property. This power to borrow is subject to the obligation of the Fund to comply with any restriction in the Instrument constituting the Company.

39.2 The ACD must ensure that borrowing is on a temporary basis and that borrowings are not persistent. For this purpose, the ACD must have regard in particular to the duration of any period of borrowing and the number of occasions on which it has resorted to borrowing in any period.

39.3 The ACD must ensure that no period of borrowing exceeds three months without prior consent of the Depositary. which may be given only on such conditions as appear appropriate to the Depositary to ensure that the borrowing does not cease to be on a temporary basis.

39.4 The ACD must ensure that borrowing does not, on any Business Day, exceed 10% of the value of the Fund.

39.5 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).

39.6 The Company must not issue any debenture unless it acknowledges or creates a borrowing that complies with the above paragraphs.

39.7 In this paragraph 39 "borrowing" includes, as well as borrowing in a conventional manner, any other arrangement (including a combination of derivatives) designed to achieve a temporary injection of money into the Scheme Property in the expectation that the sum will be repaid.

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

- 40.1 Scheme Property other than money must not be lent by way of deposit or otherwise.
- 40.2 Nothing in this paragraph prevents the Depositary at the request of the ACD from lending, depositing, pledging or charging Scheme Property for margin requirements where transactions in derivatives or forward transactions are used for the account of the Company in accordance with COLL 5.

**41. Restrictions on lending of money**

- 41.1 None of the money in the Scheme Property may be lent and, for the purposes of this paragraph, money is lent by the Fund if it is paid to a person ("the payee") on the basis that it should be repaid, whether or not by the payee.
- 41.2 Acquiring a debenture is not lending for the purposes of paragraph 41.1, nor is the placing of money on deposit or in a current account.

**42. Guarantees and indemnities**

- 42.1 The Depositary, for the account of a Fund, must not provide any guarantees or indemnity in respect of the obligation of any person.
- 42.2 Scheme Property may not be used to discharge any obligation arising under a guarantee or indemnity with respect to the obligation of any person.
- 42.3 Paragraphs 42.1 and 42.2 do not apply to any indemnity or guarantee given for margin requirements where derivatives or forward transactions are being used or an indemnity given to a person winding up a body corporate or other scheme in circumstances where share assets are becoming part of the Scheme Property by way of unitisation.

**APPENDIX III****ELIGIBLE SECURITIES AND DERIVATIVES MARKETS**

The Company may deal through securities markets which are regulated markets (as defined in the FCA Handbook) or markets established in the UK or an EEA State (except Iceland) on which are regulated, operate regularly and are open to the public.

The Company may also deal through the securities markets and derivatives markets indicated below:

<b>SECURITIES MARKETS IN NON-MEMBER STATES</b>	
Australia	ASX Group
Brazil	BM & FBOVESPA
Canada	Toronto Stock Exchange TSX Venture Exchange Montreal Exchange
China	Shanghai Stock Exchange
Hong Kong	Hong Kong Stock Exchange
Indonesia	Indonesia Stock Exchange
Japan	Tokyo Stock Exchange
Japan	Osaka Securities Exchange
Japan	JASDAQ Securities Exchange
Korea	Korea Composite Stock Price Index
Malaysia	Bursa Malaysia Securities
New Zealand	New Zealand Stock Exchange (NZX)
Philippines	Philippines Stock Exchange
Singapore	Singapore Exchange (SGX)
Switzerland	SIX Swiss Exchange
Taiwan	Taiwan Stock Exchange
Thailand	Stock Exchange of Thailand (SET)
United States	NYSE Euronext
United States	NASDAQ

<b>ELIGIBLE DERIVATIVES MARKETS</b>	
Austria	Wiener Borse Vienna Stock Exchange
Australia	ASX Group
Canada	Montreal Exchange Toronto Exchange Group
Denmark	Copenhagen Stock Exchange
France	Eurolist Paris
Germany	EUREX
Hong Kong	Hong Kong Stock Exchange
Italy	Italy Equities Derivatives Market (IDEM)
Italy	Futures Market for Government Securities (MIF) part of Borsa Italiana
Japan	Tokyo Stock Exchange
Korea	Korea Composite Stock Price Index
Netherlands	Eurolist Amsterdam
Singapore	Singapore Exchange (SGX)
Spain	MEFF (Renta Variable & Fija)
Sweden	Stockholmborsen
Switzerland	Eurex
Taiwan	Taiwan Stock Exchange
UK	NYSE Euronext London International Financial Futures and Options Exchange
UK	Alternative Investment Market of the London Stock Exchange (AIM) and When Issued Trading
UK	The London Securities and Derivatives Exchange Limited
United States	CME Group Inc.
United States	NYSE Euronext
United States	NASDAQ

United States	The market in transferable securities issued by or on behalf of the United States of America conducted through those persons for the time being recognised and supervised by the Federal Reserve Bank of New York and known as primary dealers
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**APPENDIX IV****OTHER UK AUTHORISED FUNDS OPERATED BY THE ACD****Authorised Investment Companies  
with Variable Capital**

Abaco Fund ICVC  
 Arch House Fund  
 Ariel Fund  
 Bryth ICVC  
 CP Investment Funds  
 Destiny Fund ICVC  
 Harroway Capital ICVC  
 Hawarwatza Fund  
 Libero Portfolio Fund  
 Lime Grove Fund  
 Meadowgate Funds  
 Scarp Fund  
 Skiwi Fund  
 The Ambrose Fund  
 The Astral Fund  
 The Capital Link Growth Fund  
 The Contact Fund  
 The Diversification Fund ICVC  
 The Dunnottar Fund  
 The Global Balanced Strategy Fund  
 The Global Multi Asset Fund  
 The Gulland Fund  
 The Hector Fund  
 The Juniper Fund  
 The Lockerley Fund  
 The Motim Fund  
 The Northern Funds  
 The Oenoke Fund  
 The Ord Fund ICVC  
 The Overstone Fund  
 The Penare Fund  
 The Saint Martins Fund  
 The Staderas Fund  
 The Stratford Fund  
 The Sun Portfolio Fund  
 The TBL Fund  
 The TM Lancewood Fund  
 The TM Mitcham Fund  
 The Vinings Fund  
 The Wharton Fund  
 Thesis JDS Fund  
 TM Acer Fund

**Authorised Unit Trusts**

BPM Trust  
 Eden Investment Fund  
 Elfynn International Trust  
 Glenhuntley Portfolio Trust  
 Hawthorn Portfolio Trust  
 KES Diversified Trust  
 KES Equity Fund  
 KES Growth Fund  
 KES Income and Growth Fund  
 KES Strategic Investment Fund  
 Latour Growth Fund  
 Lavaud Fund  
 Mossylea Fund  
 Pippin Return Fund  
 The Darin Fund  
 The Eldon Fund  
 The Hall Fund  
 The HoundStar Fund  
 The Iceberg Trust  
 The Maiden Fund  
 The Norfolk Trust  
 The Notts Trust  
 The Palfrey Fund  
 The TM Stockwell Fund  
 The White Hill Fund  
 Thesis Headway Fund  
 Thesis Lion Growth Fund  
 Thesis PM A Fund  
 Thesis PM B Fund  
 Thesis Thameside Managed Fund  
 The TUTMAN B&CE Contracted-out Pension Scheme  
 TM Balanced Fund  
 TM Chainpoint Fund  
 TM Growth Fund  
 TM Hearthstone UK Residential Feeder Fund  
 TM Managed Fund  
 TM Masonic Charitable Foundation Investment Fund  
 TM New Court Fund  
 TM New Court Equity Growth Fund  
 TM New Institutional World Fund  
 TM Preservation Fund  
 TM Private Portfolio Trust

TM Balanced Growth Fund  
TM Brunsdon OEIC  
TM Cerno Investment Funds  
TM Credit Suisse Fund  
TM Cresswell Fund  
TM CRUX Funds ICVC  
TM CRUX OEIC  
TM First Arrow Investment Funds  
TM Hearthstone ICVC  
TM Investment Exposures Fund  
TM Investment Funds  
TM Lime Fund  
TM Oak Fund  
TM Optimal Funds  
TM P1 Investment Funds  
TM Ruffer Portfolio  
TM RWC Funds  
TM Stonehage Fleming Global Multi-Asset  
Umbrella Fund  
TM Tellworth Investments Funds  
TM Total Return Fund  
TM UBS (UK) Fund  
Trowbridge Investment Funds  
TM Stonehage Fleming Global Equities Fund  
TM Stonehage Fleming Global Equities Fund II  
TM Stonehage Fleming Global Equities Umbrella Fund  
TM Stonehage Fleming Multi-Manager Global Equities  
Fund

## APPENDIX V

### PAST PERFORMANCE OF THE FUNDS

#### **TM Neuberger Berman Absolute Alpha**

The below performance table shows the total annual return and comparisons are based on income and accumulation units. The performance information shows the total annual return up to 31 December in each year listed. The Fund launched on 27 February 2019, so where data is not available, it is marked N/A.

This performance information is net of subscription and redemption fees but does not include the effect of any preliminary charge that maybe paid on the purchase of an investment.

**These figures refer to the past and past performance is not a reliable indicator of future results.**

<b>Share class</b>	<b>2017</b> (%)	<b>2018</b> (%)	<b>2019</b> (%)	<b>2020</b> (%)	<b>2021</b> (%)
TM Neuberger Berman Absolute Alpha F Acc	N/A	N/A	N/A	11.19	2.57
TM Neuberger Berman Absolute Alpha F Inc	N/A	N/A	N/A	11.19	2.57
TM Neuberger Berman Absolute Alpha P Acc	N/A	N/A	N/A	10.52	2.02

**Source:** These performance figures have been derived from information extracted from information provided through MorningStar.

These performance figures are presented as a matter of record and should be regarded as such.

Performance is determined by many factors including the general direction and volatility of markets and may not be repeatable.

**Investors should note that these figures refer to past performance and past performance is not a reliable indicator of future results, growth or rates of return.**



## APPENDIX VI

### Delegates and Sub-Delegates of the Depositary

The Depositary has delegated those safekeeping duties set out in Article 22(5)(a) of the UCITS Directive to State Street Bank and Trust Company with registered office at State Street Financial Center, One Lincoln Street, Boston, Massachusetts, 02111, USA, with an office at 20 Churchill Place, Canary Wharf, London E14 5HJ, UK, whom it has appointed as its global sub-custodian.

At the date of this Prospectus State Street Bank and Trust Company as global sub-custodian has appointed local sub-custodians within the State Street Global Custody Network as listed below.

The below list of sub-custodians is as appropriate in line with the Eligible Markets (Appendix III). Investors should note that the list of sub-custodians is updated only at each Prospectus review.

MARKET	SUB-CUSTODIAN
<b>Albania</b>	Raiffeisen Bank sh.a. Tirana
<b>Argentina</b>	Citibank, N.A., Buenos Aires
<b>Australia</b>	The Hong Kong and Shanghai Banking Corporation Limited, Sydney
<b>Austria</b>	UniCredit Bank Austria AG, Vienna
<b>Bahrain</b>	HSBC Bank Middle East Limited, Manama
<b>Bangladesh</b>	Standard Chartered Bank, Dhaka
<b>Belgium</b>	BNP Paribas Securities Services, Paris (operating through the Paris office with support from its Brussels branch); via Intesa Sanpaolo S.p.A., Milan
<b>Benin</b>	via Standard Chartered Bank Côte d'Ivoire S.A., Abidjan
<b>Bermuda</b>	HSBC Bank Bermuda Limited, Hamilton
<b>Federation of Bosnia and Herzegovina</b>	UniCredit Bank d.d., Sarajevo
<b>Botswana</b>	Standard Chartered Bank Botswana Limited, Gaborone
<b>Brazil</b>	Citibank, N.A. – São Paulo Branch, São Paulo
<b>Bulgaria</b>	Citibank Europe plc, Bulgaria Branch, Sofia
	UniCredit Bulbank AD, Sofia
<b>Burkina Faso</b>	via Standard Chartered Bank Côte d'Ivoire S.A., Abidjan

<b>Canada</b>	State Street Trust Company Canada, Toronto
<b>Chile</b>	Banco de Chile, Santiago
<b>People's Republic of China</b>	HSBC Bank (China) Company Limited, Shanghai (B-share market)
<b>People's Republic of China</b>	HSBC Bank (China) Company Limited, Shanghai (B-share market) HSBC Bank (China) Company Limited, Shanghai and China Construction Bank Corporation, Beijing (QFI scheme and CIBM) Standard Chartered Bank (Hong Kong) Limited, Hong Kong (Bond Connect) Standard Chartered Bank (Hong Kong) Limited, Hong Kong (Stock Connect)
<b>Clearstream</b>	Clearstream Banking S.A., Luxembourg
<b>Colombia</b>	Cititrust Colombia S.A. Sociedad Fiduciaria, Bogota
<b>Costa Rica</b>	Banco BCT S.A., San Jose
<b>Croatia</b>	Privredna Banka Zagreb d.d., Zagreb
	Zagrebacka Banka d.d., Zagreb
<b>Cyprus</b>	Via BNP Paribas Securities Services, S.C.A., Athens (operating remotely to service the Cyprus market))
<b>Czech Republic</b>	Československá obchodní banka, a.s., Prague
	UniCredit Bank Czech Republic and Slovakia, a.s., Praha
<b>Denmark</b>	Skandinaviska Enskilda Banken AB (SEB), Copenhagen
<b>Egypt</b>	Citibank, N.A. Egypt, New Cairo
<b>Estonia</b>	AS SEB Bank, Tallinn
<b>Eswatini</b>	Standard Bank Eswatini Limited, Mbabane
<b>Euroclear</b>	Euroclear Bank, Brussels
<b>Finland</b>	Skandinaviska Enskilda Banken AB (publ), Helsinki
<b>France</b>	BNP Paribas Securities Services, Paris; via Intesa Sanpaolo S.p.A., Milan
<b>Republic of Georgia</b>	JSC Bank of Georgia, Tbilisi
<b>Germany</b>	State Street Bank International GmbH, Munich

	Deutsche Bank AG, Frankfurt
<b>Ghana</b>	Standard Chartered Bank Ghana Plc, Accra
<b>Greece</b>	BNP Paribas Securities Services, S.C.A., Athens
<b>Guinea-Bissau</b>	via Standard Chartered Bank Côte d'Ivoire S.A., Abidjan
<b>Hong Kong</b>	Hong Kong and Shanghai Banking Corporation Limited, Hong Kong
<b>Hungary</b>	Citibank Europe plc Hungarian Branch, Budapest
	UniCredit Bank Hungary Zrt., Budapest
<b>Iceland</b>	Landsbankinn hf., Reykjavik
<b>India</b>	Deutsche Bank AG Investor Services, Mumbai
	Citibank, N.A., Mumbai
	The Hong Kong and Shanghai Banking Corporation Limited, Mumbai
<b>Indonesia</b>	Standard Chartered Bank, Indonesia Branch, Jakarta
<b>Ireland</b>	via Euroclear Bank, Brussels
<b>Israel</b>	Bank Hapoalim B.M., Tel Aviv
<b>Italy</b>	Intesa Sanpaolo S.p.A., Milan
<b>Ivory Coast</b>	Standard Chartered Bank Côte d'Ivoire S.A., Abidjan
<b>Japan</b>	Mizuho Bank, Limited, Tokyo
	The Hong Kong and Shanghai Banking Corporation, Japan Branch, Tokyo
<b>Jordan</b>	Standard Chartered Bank, Shmeissani Branch, Amman
<b>Kazakhstan</b>	JSC Citibank Kazakhstan, Almaty
<b>Kenya</b>	Standard Chartered Bank Kenya Limited, Nairobi
<b>Republic of Korea</b>	The Hong Kong and Shanghai Banking Corporation Limited, Seoul
<b>Kuwait</b>	HSBC Bank Middle East Limited, Safat
<b>Latvia</b>	AS SEB Banka, Riga
<b>Lithuania</b>	AB SEB Bankas, Vilnius
<b>Luxembourg</b>	via the international central securities depositories, Clearstream Banking S.A., Luxembourg; via Euroclear Bank,

	Brussels
<b>Malawi</b>	Standard Bank Limited, Blantyre
<b>Malaysia</b>	Standard Chartered Bank Malaysia Berhad, Kuala Lumpur
<b>Mali</b>	via Standard Chartered Bank Côte d'Ivoire S.A., Abidjan
<b>Mauritius</b>	The Hong Kong and Shanghai Banking Corporation Limited, Ebene
<b>Mexico</b>	Banco Nacional de México, S.A. (Banamex) Global Securities Services, Mexico City
<b>Morocco</b>	Citibank Maghreb, Casablanca
<b>Namibia</b>	Standard Bank Namibia Limited, Windhoek
<b>Netherlands</b>	BNP Paribas Securities Services, Paris (operating through the Paris office with support from its Amsterdam branch) ; via Intesa Sanpaolo S.p.A., Milan
<b>New Zealand</b>	The Hong Kong and Shanghai Banking Corporation Limited, Auckland
<b>Niger</b>	via Standard Chartered Bank Côte d'Ivoire S.A., Abidjan
<b>Nigeria</b>	Stanbic IBTC Bank Plc., Lagos
<b>Norway</b>	Skandinaviska Enskilda Banken Securities Services, Oslo
<b>Oman</b>	HSBC Bank Oman S.A.O.G. HSBC Securities Services, Muscat
<b>Pakistan</b>	Deutsche Bank AG, Karachi
	Citibank N.A., Karachi (effective October 1, 2021, all new account openings are being directed to Citibank)
<b>Panama</b>	Citibank, N.A., Panama City
<b>Peru</b>	Citibank del Perú, S.A., Lima
<b>Philippines</b>	Standard Chartered Bank, Philippines Branch, Manilla
<b>Poland</b>	Bank Handlowy w Warszawie S.A., Warsaw
<b>Portugal</b>	via Citibank Europe Plc, Dublin
<b>Qatar</b>	HSBC Bank Middle East Limited, Doha

<b>Romania</b>	Citibank Europe plc, Dublin – Romania Branch, Bucharest
<b>Russia</b>	AO Citibank, Moscow
<b>Saudi Arabia</b>	HSBC Saudi Arabia Limited, Riyadh
<b>Senegal</b>	via Standard Chartered Bank Côte d’Ivoire S.A., Abidjan
<b>Serbia</b>	UniCredit Bank Serbia JSC, Belgrade
<b>Singapore</b>	Citibank N.A. Citigroup Global Transaction Services, Singapore
<b>Slovak Republic</b>	UniCredit Bank Czech Republic and Slovakia, a.s., Bratislava
<b>Slovenia</b>	UniCredit Banka Slovenija d.d., Ljubljana
<b>South Africa</b>	FirstRand Bank Limited, Johannesburg
	Standard Chartered Bank Johannesburg Branch, Johannesburg
<b>Spain</b>	Citibank Europe Plc., Dublin
<b>Sri Lanka</b>	The Hong Kong and Shanghai Banking Corporation Limited, Colombo
<b>Republic of Srpska</b>	UniCredit Bank d.d., Sarajevo
<b>Sweden</b>	Skandinaviska Enskilda Banken AB, Stockholm
<b>Switzerland</b>	Credit Suisse (Switzerland) Limited, Zurich
	UBS Switzerland AG, Zurich
<b>Taiwan – R.O.C.</b>	Standard Chartered Bank (Taiwan) Limited, Taipei
<b>Tanzania</b>	Standard Chartered Bank Tanzania Limited, Dar es Salaam
<b>Thailand</b>	Standard Chartered Bank (Thai) Public Company Limited, Bangkok
<b>Togo</b>	via Standard Chartered Bank Côte d’Ivoire S.A., Abidjan
<b>Tunisia</b>	Union Internationale de Banques, Tunis
<b>Turkey</b>	Citibank, A.Ş., Itsanbul

<b>Uganda</b>	Standard Chartered Bank Uganda Limited, Kampala
<b>Ukraine</b>	JSC Citibank, Kyiv
<b>United Arab Emirates Dubai Financial Market</b>	HSBC Bank Middle East Limited, Dubai
<b>United Arab Emirates Dubai International Financial Center</b>	HSBC Bank Middle East Limited, Dubai
<b>United Arab Emirates Abu Dhabi Securities Exchange</b>	HSBC Bank Middle East Limited, Dubai
<b>United Kingdom</b>	State Street Bank and Trust Company, United Kingdom branch, Edinburgh
<b>United States</b>	State Street Bank and Trust Company, Boston
<b>Uruguay</b>	Banco Itaú Uruguay S.A., Montevideo
<b>Vietnam</b>	Hongkong and Shanghai Banking Corporation Limited, Ho Chi Minh City
<b>Zambia</b>	Standard Chartered Bank Zambia Plc., Lusaka
<b>Zimbabwe</b>	Stanbic Bank Zimbabwe Limited Harare (as delegate of Standard Bank of South Africa Limited)