

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

**PROSPECTUS**

**OF**

**INSIGHT INVESTMENT FUNDS-OF-FUNDS II ICVC**

**(An open-ended investment company with variable capital incorporated with limited liability and registered in England and Wales under registered number IC000509)**

This Prospectus has been prepared in accordance with the Rules of the Financial Services Authority as contained in the Collective Investment Schemes Sourcebook of the Financial Services Authority and is dated and is valid as at 2 July 2010.

**Non-UCITS Retail Scheme: Umbrella Fund (Fund of Funds)**

## **Prospectus of Insight Investment Funds-of –Funds II ICVC**

An open-ended investment company with variable capital incorporated with limited liability and registered in England and Wales under number IC000509.

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

Insight Investment Funds 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. Insight Investment Funds 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.

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

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

The provisions of the Company's Instrument of Incorporation are binding on each of its Shareholders (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 Insight Investment Funds 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 Insight Investment Funds 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.

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

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## **DIRECTORY**

### **The Company**

#### **Insight Investment Funds-of-Funds II ICVC**

Registered and Head Office:

33 Old Broad Street  
London EC2N 1HZ

#### **Authorised Corporate Director**

##### **Insight Investment Funds Management Limited**

Registered and Head Office:  
33 Old Broad Street  
London EC2N 1HZ

#### **Depository**

##### **The Royal Bank of Scotland plc**

Registered Office:  
36 St Andrew Square, Edinburgh  
EH2 2YB

Head Office:  
Gogarburn, PO Box 1000, Edinburgh  
EH12 1HQ

#### **Investment Adviser**

##### **Insight Investment Management (Global) Limited**

Registered Office:  
33 Old Broad Street  
London EC2N 1HZ

#### **Registrar**

##### **Insight Investment Funds Management Limited**

Registered and Head Office:  
33 Old Broad Street  
London EC2N 1HZ

Office for inspection of the Register:  
12 Blenheim Place  
Edinburgh EH7 5ZR

#### **Administration, Fund Accounting and Transfer Agency**

##### **The Bank of New York Mellon (International) Limited**

Registered Office:  
One Canada Square  
London E14 5AL

#### **Auditors**

##### **KPMG**

Registered Office:  
8 Salisbury Square  
London EC4Y 8BB

## 1. DEFINITIONS

- “Accumulation Shares”** Shares in respect of which income is accumulated and added to the capital property of the Company.
- “ACD”** Insight Investment Funds Management Limited which acts as the authorised corporate director of the Company.
- “Administrator”** The Bank of New York Mellon (International) Limited, formerly The Bank of New York Europe Limited, which acts as the administrator, fund accountant and transfer agent in respect of the Company;
- “Approved Bank”** in relation to a bank account opened by the Company:
- (a) if the account is opened at a branch in the United Kingdom;
    - (i) the Bank of England; or
    - (ii) the central bank of a member state of the OECD; or
    - (iii) a bank or a building society which offers, unrestrictedly, banking services; or
    - (iv) a bank which is supervised by the central bank or other banking regulator of a member state of the OECD; or
  - (b) if the account is opened elsewhere:
    - (i) a bank in (a); or

- (ii) a credit institution established in an EEA State other than in the United Kingdom and duly authorised by the relevant Home State Regulator; or
- (iii) a bank which is regulated in the Isle of Man or the Channel Islands; or
- (c) a bank supervised by the South African Reserve Bank.

<b>“Auditor”</b>	KPMG.
<b>“Business Day”</b>	Monday to Friday (except for a bank holiday in England and Wales and other days at the ACD’s discretion).
<b>“Company”</b>	Insight Investment Funds-of-Funds II ICVC.
<b>“Dealing Day”</b>	Each Business Day and/or such other day or days as the ACD may determine.
<b>“Depositary”</b>	The Royal Bank of Scotland plc which acts as the depositary of the Company.
<b>“Direct Investments”</b>	Any investment which is permitted by the Regulations and the Instrument of Incorporation which are not shares or units in a collective investment scheme.
<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 being a BCD credit institution authorised by its home state regulator, as defined in the glossary of definitions in the FSA Handbook, or an ISD

investment firm authorised by its home state regulator as defined in the glossary of definitions in the FSA Handbook.

**“Eligible Market”**

A market which is considered eligible for the purposes of investment by the Company in accordance with FSA Rules.

**“FSA”**

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

**“FSA Handbook”**

The handbook of rules and guidance published by the FSA as amended from time to time.

**“FSA Rules”**

The Collective Investment Schemes Sourcebook contained in the FSA Handbook as amended from time to time.

**“Fund” or “Funds”**

A sub-fund or sub-funds of the Company. Each Fund forms part of the property of the Company but is pooled separately and is invested in accordance with the investment objective applicable to that Fund.

**“Income Shares”**

Shares in respect of which income is distributed to Shareholders.

**“Initial Fund”**

Absolute Insight.

**“Initial Offer Price”**

the fixed price at which Shares of any Class are first offered.

**“Insight Group”**

the ACD and other members of the same group of companies for the purposes of section 262 Companies Act 1985.

**“Instrument of Incorporation”**

The instrument of incorporation of the Company as amended from time to time.

**“Investment Adviser”**

Insight Investment Management (Global) Limited.

<b>“Larger Denomination Share”</b>	A Share issued by the Company as a larger denomination share.
<b>“Net Asset Value” or “NAV”</b>	The value of the property of the Company, a Fund or a Class (as the context may require) less the liabilities of the Company (or Fund or Class concerned) as calculated in accordance with the Instrument of Incorporation.
<b>“Net Asset Value per Share” or “NAV per Share”</b>	The Net Asset Value of a Class in issue in respect of any Fund divided by the number of Shares of the relevant Class in issue or deemed to be in issue.
<b>“Non-Qualified Person”</b>	<p>Any person to whom a transfer of Shares (legally or beneficially) or by whom a holding of Shares (legally or beneficially) would or, in the opinion of the ACD, might:-</p> <ul style="list-style-type: none"> <li>a) be in breach of any law (or regulation by a competent authority) of any country or territory by virtue of which the person in question is not qualified to hold such Shares; or</li> <li>b) require the Company or the ACD or the Investment Adviser to be registered under any law or regulation whether as an investment fund or otherwise, or cause the Company to be required to apply for registration, or comply with any registration requirements in respect of any of its Shares, whether in the United States of America or any other jurisdiction; or</li> <li>c) cause the Company, its Shareholders, the ACD or the Investment Adviser some legal, regulatory, taxation, pecuniary or material administrative disadvantage which the Company or its Shareholders might not</li> </ul>

	otherwise have incurred or suffered.
<b>“OECD”</b>	The Organisation for Economic Co-operation and Development.
<b>“OEIC”</b>	A company incorporated under the OEIC Regulations.
<b>“OEIC Regulations”</b>	The Open-Ended Investment Companies Regulations 2001 (as amended from time to time).
<b>“Registrar”</b>	Insight Investment Funds Management Limited which acts as registrar in respect of the Company.
<b>“Regulated Activities Order”</b>	The Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 SI 2001/544.
<b>“the Regulations”</b>	The OEIC Regulations and the FSA Rules.
<b>“Scheme Property”</b>	The Scheme Property of the Company or such part of it as is attributable to a particular Fund or Class, as the context may require in each case, from time to time.
<b>“Share” or “Shares”</b>	A share or shares in the Company (including Larger Denomination Shares and Smaller Denomination Shares).
<b>“Share Class” or “Class of Shares” or “Class”</b>	All of the Shares issued by the Company as a particular class of Shares relating to a single Fund.
<b>“Shareholder”</b>	A holder of Shares in the Company.
<b>“Smaller Denomination Share”</b>	A Share carrying one thousandth of the rights of a Larger Denomination Share.
<b>“UK”</b>	United Kingdom of Great Britain and Northern Ireland.

**“Underlying Fund”** a collective investment vehicle in which any Fund may from time to time invest and, in respect of the Initial Fund, any of the absolute return funds established pursuant to the UCITS Directive and currently managed or advised by the ACD or another member of the Insight Group in which that Fund invests.

**“Valuation Point”** 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 or a Fund (as the case may be) for the purpose of determining the price at which Shares of a Class may be issued, cancelled or redeemed. The Valuation Point will be 12pm (noon) on each Dealing Day.

**“VAT”** Value added tax.

## 2. THE COMPANY

- 2.1 The Company is an open-ended investment company with variable capital. The Company is incorporated in England and Wales with Registered Number IC000509 and is authorised pursuant to Regulation 14 of the OEIC Regulations. The effective date of the authorisation order made by the FSA was 27 February 2007.
- 2.2 The minimum share capital of the Company shall be £5 million and the maximum share capital shall be £500 billion. The base currency for the Company is pounds sterling. The Shareholders are not liable for the debts of the Company. Shares in the Company are not listed on any investment exchange.
- 2.3 The Company is an umbrella company authorised as a non-UCITS retail scheme for the purposes of the FSA Rules and consists of Absolute Insight (the “Initial Fund”).
- 2.4 Subject to the FSA Rules, the OEIC Regulations and the Instrument of Incorporation, the ACD may establish additional Funds from time to time.
- 2.5 The address in the UK for service on the Company of notices or other documents required or authorised to be served on the Company is 33 Old Broad Street, London EC2N 1HZ.

- 2.6 Each Fund has a specific portfolio to which its assets and liabilities are attributable. So far as the Shareholders are concerned each Fund is treated as a separate entity from any other Funds of the Company that may be created.
- 2.7 Creditors of the Company may nevertheless look to all the assets of the Company for payment regardless of the Fund in respect of which that creditor's debt has arisen. Assets may be re-allocated to and from other Funds of the Company in the unlikely event that a Fund's assets are insufficient to meet its liabilities. In the event that any assets are so re-allocated, the ACD will advise Shareholders in the next succeeding annual or half yearly report to Shareholders.
- 2.8 Subject to the above, each Fund will be charged with the liabilities, expenses, costs and charges of the Company attributable to that Fund and the Fund's 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 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.

### **3. THE FUNDS AND THEIR INVESTMENT OBJECTIVES AND POLICIES**

- 3.1 Details of the investment objective, policy and certain terms relating to an investment in the Funds are set out in Appendix 3.
- 3.2 Each Fund is to be marketed to insurance companies (professional clients and eligible counterparties) and to retail clients (through intermediaries).
- 3.3 Where and when appropriate, the historical performance of the Funds will be set out in Appendix 2.

### **4. DISTRIBUTION OF INCOME**

- 4.1 The Company's annual accounting period ends on the last day in December in each year, with an interim accounting period ending on 30 June in each year. Notwithstanding these dates, under the FSA Rules the ACD may, with the agreement of the Depositary, elect that a particular accounting period shall end on a day which is not more than seven days after or before the day on which the period would otherwise end. References to the above dates and the dates of income allocation periods and of publication of the yearly and half yearly report of the Company should be read accordingly.

4.2 Allocation of income to holders of any Accumulation Shares that may be issued will be transferred to the capital property of each Fund at the end of the income allocation period and be reflected in the value of Shares on the first Business Day following the end of that income allocation period. Details of the allocation periods in respect of the Funds are set out in Appendix 3.

4.3 Any distribution of income that is unclaimed for a period of six years after having become due for payment, shall be forfeited and shall revert to the Fund to which such distribution relates.

## 5. **HOW DISTRIBUTABLE INCOME IS DETERMINED**

5.1 The income available for distribution or accumulation in relation to a Fund is determined in accordance with the FSA Rules. In general terms, the income comprises all the sums deemed by the Company, after consultation with the Auditors of the Company, to be income in nature and received or receivable by the Company and attributable to a Fund in respect of the accounting period concerned, after deducting charges and expenses paid or payable out of such income and after making such adjustments in relation to taxation and other matters. The allocation of income to each Share Class is made after allowing for the effect, including attributable taxation, of any charges or expenses made on bases which vary by Share Class.

5.2 Income relating to a particular Fund is allocated at each Valuation Point among the Classes of Shares allocated to that particular Fund in proportion to the value of each Share Class relative to the value of the entire Fund as at the immediately preceding Valuation Point including any share class creation and cancellation movements applied at the immediately preceding Valuation Point.

## 6. **CHARACTERISTICS OF SHARES**

### 6.1 **Classes of Shares**

Several Classes of Share may be issued in respect of each Fund, distinguished by their criteria for subscription, fee structure, currency denomination and treatment of income (Income and Accumulation Shares).

The Classes of Share currently available for each Fund are set out in Appendix 3 below.

Where the Company 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 will be adjusted accordingly.

## **6.2 Income and Accumulation Shares**

All references in this Prospectus to Income Shares and Accumulation Shares are to both net Income and net Accumulation Shares unless otherwise stated.

The Instrument of Incorporation allows gross Income and gross Accumulation Shares to be issued as well as net Income and net Accumulation Shares. Net Shares are Shares in respect of which income allocated to them is distributed periodically to the relevant Shareholders (in the case of Income Shares) or credited periodically to capital (in the case of Accumulation Shares), in either case in accordance with relevant tax law, net of any tax deducted or accounted for by the Company. Gross Shares are Income or Accumulation Shares where, in accordance with relevant tax law, distribution or allocation of income is made without any tax being deducted or accounted for by the Company. Currently gross Shares are not available in any Fund.

### **6.2.1 Accumulation Shares**

Holders of Accumulation Shares are not entitled to be paid the income attributed to such Shares, but that income is automatically transferred to (and retained as part of) the capital assets of the Company on the relevant interim and/or annual accounting date. This is reflected in the price of an Accumulation Share.

### **6.2.2 Income Shares**

The Company does not currently offer Income Shares but may do so in the future.

Holders of Income Shares are entitled to be paid the income attributed to such Shares on the relevant interim and/or annual accounting date.

## **6.3 Title to Shares**

The title to Shares is evidenced by entries on the Register of Shareholders. Certificates for Shares will not be issued.

## **6.4 Shares with Different Denominations**

In order to calculate fractional entitlements of less than one Larger Denomination Share, Shares are expressed in two denominations - Larger Denomination Shares and Smaller Denomination Shares.

6.4.1 The Smaller Denomination Shares are whole Shares which carry a fraction of one thousandth of the rights of a Larger Denomination Share.

6.4.2 Whenever the number of any such Smaller Denomination Shares shall reach one thousand, the ACD shall automatically consolidate the Smaller Denomination Shares into one Larger Denomination Share of the same Class.

## **7. SHAREHOLDER MEETINGS AND VOTING RIGHTS**

7.1 The Company will not hold Annual General Meetings.

7.2 Certain changes to this Prospectus or the Instrument of Incorporation require the prior approval of a Meeting of Shareholders, in accordance with the FSA Rules. When such approval is not required by the FSA Rules, the ACD may make changes to the Prospectus or the Instrument of Incorporation without the approval of Shareholders.

7.3 In certain circumstances, the FSA Rules require that a resolution be passed as an extraordinary resolution, which is a resolution passed by a majority of not less than three-quarters of the votes validly cast (whether on a show of hands or on a poll) for and against the resolution. In other cases, a resolution may be passed by a simple majority of the votes validly cast for and against the resolution.

7.4 At any Meeting of Shareholders a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before the declaration of the result of the show of hands) demanded by the Chairman, by the Depositary or, by at least two shareholders present in person or by proxy or, in the case of a body corporate, by a duly authorised representative.

7.5 On a show of hands every Shareholder who (being an individual) is present in person or by proxy shall have one vote.

7.6 On a poll every Shareholder who is present in person or by proxy shall have one vote for every Larger Denomination Share and a further one thousandth of one vote for every Smaller Denomination Share of which he is a holder.

- 7.7 The quorum at a Meeting of Shareholders shall be two Shareholders present in person or by proxy. The quorum for an adjourned meeting is one Shareholder present in person or by proxy.
- 7.8 A corporation being a Shareholder may authorise such person as it thinks fit to act as its representative at any Meeting of Shareholders and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as the corporation could exercise if it were an individual Shareholder.
- 7.9 The ACD shall be entitled to receive notice of and attend at any such meeting but shall not be entitled to vote or be counted in the quorum therefore and accordingly, the Shares held or deemed to be held by the ACD shall not be regarded as being in issue.
- 7.10 Any associate of the ACD shall not be entitled to vote at any such meeting except in respect of Shares which he holds on behalf of a person who, if himself the registered holder, would be entitled to vote, and from whom he has received voting instructions.
- 7.11 In the case of joint Shareholders the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint Shareholders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Shareholders.
- 7.12 Where a resolution is required on any issue and every Shareholder is prohibited under the FSA Rules from voting at a general meeting on the matter it shall not be necessary to convene such a meeting and a resolution may, with the prior written agreement of the Depository to the process, instead be passed with the written consent of Shareholders representing 50% or more or, for an extraordinary resolution, 75% or more, of the Shares in issue.

## 8. **CLASS RIGHTS**

- 8.1 The rights attached to a Class of Shares may only be amended by a class meeting of Shareholders of that Class of Shares. Any amendment to the Instrument of Incorporation that relates to a particular Class of Shares or particular Share Classes and does not prejudice the Shareholders of any other Share Class may be made by an extraordinary resolution passed at a class meeting.
- 8.2 The provisions regarding the conduct of meetings set out above shall apply to meetings of a Fund or a Share Class within a Fund, but by reference to the Shares of

a Fund or Share Class concerned and the prices of Shares in such Fund or Share Class.

## 9. VALUATION

9.1 The Scheme Property is valued at each Valuation Point on each Dealing Day in order to determine the price at which Shares in the Funds may be purchased from or redeemed by the ACD and created or cancelled by the Company. There will only be a single price for any Share as determined from time to time by reference to a particular Valuation Point.

9.2 The ACD reserves the right to carry out an additional valuation to the Scheme Property if it considers it desirable to do so. The ACD shall inform the Depositary of any decision to carry out an additional valuation.

9.3 An outline of the basis on which the Scheme Property is valued is as follows:

9.3.1 Units or shares in a collective investment scheme:

9.3.1.1 if a single price for buying and redeeming units or shares is quoted, at the most recent such price; or

9.3.1.2 if separate buying and redemption prices are quoted, at the average of the two prices provided the buying price has been reduced by any initial charge included therein and the redemption price has been increased by any exit or redemption charge attributable thereto; or

9.3.2 Transferable securities are valued at their quoted price or if the investment is one for which different prices are quoted according to whether it is being bought or sold then it will be valued at its mid-market price.

9.3.3 Any fiscal charges or commissions or other charges that have been paid or are payable on the acquisition or disposal of the investments above are excluded from their value.

9.5.4 Cash is valued at its nominal value.

9.3.5 Any other property of a particular Fund will be valued at what the ACD considers a fair value.

- 9.3.6 Deductions are made for anticipated tax liabilities and for an estimated amount in respect of other liabilities payable out of a particular Fund.
- 9.3.7 Contingent liability transactions will be valued using a method agreed between the ACD and the Depositary.
- 9.3.8 An amount is added in respect of estimated recoverable tax and any other amounts due to be paid into a particular Fund.
- 9.4 Where the ACD has reasonable grounds to believe that the price obtained is unreliable or the most recent price available does not reflect the ACD's best estimate of the value of the relevant investment at the relevant Valuation Point or no price or no recent price exists, the ACD may use a price which, in the opinion of the ACD reflects a fair and reasonable price for that investment (the fair value price).
- 9.5 The proportionate interests of each Share Class in the assets and income of a Fund shall be determined by the ACD as the proportion of the Scheme Property of that Fund that is attributable to that Share Class at the end of the previous business day.
- 9.6 The proportion of assets and income allocated to each Share Class is made after allowing for the effect, including attributable taxation, of any charges and expenses made on bases which vary by Share Class.
- 9.7 The price per Share at which Shares are bought or are redeemed is the Net Asset Value per Share.

## 10. **CHARGES**

### 10.1 **Preliminary Charge**

The ACD is permitted to make a preliminary charge on the sale of Shares to an investor. The current percentage rates of charge are shown in Appendix 3.

The ACD may not increase the preliminary charge save in accordance with the FSA Rules.

### 10.2 **Periodic Charges**

10.2.1 The ACD may make a periodic charge (the "Annual Management Charge" or "AMC") which shall be paid out of the property of each Fund monthly in arrears at the annual percentage rate shown in Appendix 3. This is calculated

and accrued daily, based on the value of the Scheme Property at the preceding Valuation Point.

10.2.2 This charge will be deducted from the income property of each Fund.

10.2.3 Where the charge is normally deducted from the income of a Fund but the income generated is insufficient, the charge may then be deducted from the capital property of that Fund.

10.2.4 The ACD may not increase any charge it takes from a Fund save in accordance with the FSA Rules (see section 10.7).

### 10.3 Performance Fee

In addition to the AMC payable in respect of each Class of Shares in any Fund, the ACD may also be entitled to a performance fee (the "Performance Fee") in respect of Class Ap, Fp and Sp Shares.

The Performance Fee will accrue and be taken into account in the calculation of the Net Asset Value per Share of each Class at each Valuation Point and will be payable monthly in arrears in respect of each Performance Period (as defined below).

The Performance Fee in respect of a particular Class becomes due in the event that both of the conditions below are met:

- the percentage growth in the NAV per Share over the Performance Period (as defined below) exceeds a target rate of growth being, the Hurdle Rate (as defined below), over the same period; and
- the NAV per Share at the end of the Performance Period exceeds the High Water Mark (as defined below).

The High Water Mark shall be the highest NAV per Share of the relevant Class at the end of any previous Performance Period for the relevant Class.

The Performance Period shall normally run from 1 January to 31 December but, in the case of the initial issue of Shares in each class, the first Performance Period will run from the date of issue to the following 31 December.

For the purposes of the first calculation of the Performance Fee for any particular Share Class, the starting point for the relevant NAV per Share is the Initial Offer Price.

The Performance Fee is equal to 10% of the excess of the NAV per Share at the end of a Performance Period over the target NAV per Share, multiplied by the weighted average number of Shares of the relevant Class in issue during the Performance Period. The target NAV per Share is equal to the NAV per Share at the end of the previous Performance Period multiplied by the Hurdle Rate, or the High Water Mark, which ever is the greater.

The Hurdle Rate for the Class Ap, Fp and Sp Shares is the percentage growth in Sterling 3 month LIBOR (as defined by the British Banker's Association [www.bba.org.uk](http://www.bba.org.uk)) minus 0.125% per annum over the Performance Period.

The Performance Fee can be expressed as follows:

$$\text{Performance Fee} = 10\% \times (\text{NAV}_{\text{end}} - \text{NAV}_{\text{target}}) \times \text{Shares}_{\text{av}}$$

Where:

$\text{NAV}_{\text{end}}$  = NAV per Share on the last day of the Performance Period

$\text{NAV}_{\text{target}}$  = Greater of:

(a)  $\text{NAV}_{\text{start}} \times \text{Hurdle Rate}$ ; and

(b) High Water Mark

$\text{NAV}_{\text{start}}$  = NAV per Share on last day of previous Performance Period

$\text{Shares}_{\text{av}}$  = Weighted Average number of shares in issue during Performance Period

If  $\text{NAV}_{\text{end}} < \text{NAV}_{\text{target}}$ , the Performance Fee is nil.

The Performance Fee will accrue and be taken into account in the calculation of the Net Asset Value per Share at each Valuation Point. The amount accrued at each Valuation Point will be determined by calculating the Performance Fee that would be payable if the Valuation Point was the last day of the current Performance Period.

The amount of the Performance Fee will be calculated by the Administrator and verified by the ACD.

The level of the Performance Fee, or any change to the Hurdle Rate, will not be changed unless, 60 days before the change, the ACD gives notice of its intentions

and the date of commencement of the change to Shareholders and has revised and made available the Prospectus to reflect such changes.

It should be noted that there is no repayment of any Performance Fee already paid if the price subsequently falls back below the High Water Mark, even if a Shareholder redeems its holding. The price at which a Shareholder sell units will include an amount equivalent to the Performance Fee previously paid from the Company. There is no maximum annual cap on the amount of Performance Fee that may be charged as this is determined by the rate of performance growth within the Company.

It should be noted that where a Performance Fee is payable, it will be based on net realised and unrealised gains and losses at the end of each Performance Period. As a result, a Performance Fee may be paid on unrealised gains which may subsequently never be realised.

The ACD may from time to time and at its sole discretion and out of its own resources decide to rebate to Shareholders part or all of the Annual Management Charge and/or Performance Fee. Any such rebates may be applied in paying up additional Shares to be issued to the Shareholder, or may (at the discretion of the ACD) be paid in cash.

Holders of Class A Shares will not be charged a Performance Fee although an AMC of 1.5% is payable regardless of the performance of those Shares. A Shareholder may, however, switch between Class A and Class Ap or Class Fp Shares on application to the ACD (see section 14).

**For examples showing the way in which the Performance Fee works please see Appendix 4.**

#### **10.4 Expenses of the ACD**

The Company will also pay to the ACD out of the Scheme Property any expenses incurred by the ACD or its delegates of the kinds described below under “Other payments out of the Scheme Property of the Company”, including legal and professional expenses of the ACD and its delegates in relation to the proper performance of the ACD’s duties under the ACD Agreement, or related to documents amending the ACD Agreement, all expenses incurred in preparing valuations of Scheme Property and publishing prices of Shares, all postage and communication costs incurred in the proper performance of duties under the ACD Agreement, and all

expenses incurred in producing any prospectus, simplified prospectus or key features document, in distributing any prospectus and expenses of the ACD in buying or selling Shares (but excluding any commissions or similar payments as the Company is prohibited from making under the FSA Rules).

For the avoidance of doubt, to the extent that any expense referred to above or under “Other payments out of the Scheme Property of the Company” below is covered by the General Administration Charge (described in further detail below), such expense shall be paid out of scheme property under the General Administration Charge only.

#### 10.5 **General Administration Charge**

With effect from 1 January 2009, the ACD may make a General Administration Charge (the “General Administration Charge”) which shall be paid out of the property of the Funds monthly in arrears and be calculated and accrued daily based on the value of the property of the Fund on the preceding business day.

The General Administration Charge reimburses the ACD for any of the costs, charges, fees and expenses in relation to the administration of a Fund which it pays on behalf of the Fund including the following:

- (a) all expenses incurred in preparing valuations of scheme property;
- (b) all postage and communication costs incurred in the proper performance of duties under the ACD Agreement;
- (c) all expenses incurred in producing and distributing any prospectus of the Company;
- (d) all expenses of the ACD in buying or selling Shares (but excluding any commissions or similar payments as the Company is prohibited from making any such payments under the FSA Rules);
- (e) the Registrar’s fees (and any VAT thereon);
- (f) the costs of preparing and printing the simplified prospectus (although not the costs of disseminating the simplified prospectus) and distributing any documents required by the FSA Rules and any costs incurred as a result of periodic updates or changes to such documents and any other relevant administrative expenses.

(g) any costs incurred by the Company in publishing the prices of Shares, including the costs of listing the prices of Shares in publications and information services selected by the ACD, including the Financial Times;

(h) any expenses incurred in relation to company secretarial duties, including all costs incurred in preparing accounts and producing and despatching annual, half-yearly and other reports of the Company;

(i) any costs incurred in producing and despatching dividend or other payments of the Company; and

(j) VAT or similar tax where payable on the above charges.

The costs relating to the administration of the Funds are based on a number of fixed and variable elements and consequently will vary from time to time (please see the next paragraph for more detail and section 10.7 immediately below in relation to how the General Administration Charge is reviewed and adjusted). The current rate applicable for the General Administration Charge for each Fund is 0.4% per annum of the Net Asset Value of the Fund. The General Administration Charge may, however, be waived in whole or in part by the ACD at its discretion in relation to any Fund, where the ACD considers it appropriate to do so, given the impact the General Administration Charge would otherwise have upon the total expense ratio of that Fund. After taking account of any waiver, the resultant rate of the General Administration Charge for each Fund will be reflected in the total expense ratio of that Fund which is published by the ACD from time to time in the Company's Simplified Prospectus.

The General Administration Charge for each Fund is based on a reasonable reflection of the fund administration costs which the ACD incurs across its authorised fund range. As the General Administration Charge is calculated at a single rate across the range, for any single Fund the amount charged may be more or less than the costs that would be attributable to that Fund if, as with a more specific charging method for the recovery of costs, these were allocated to and recovered from the Fund on an individual basis for each cost. This may mean that some of the ACD's funds are in effect subsidising other funds. For the avoidance of doubt, the ACD is not accountable to Shareholders should the aggregate fees generated by the General Administration Charge in any period for a Fund in fact be more than the fund administration costs actually attributable to that Fund.

## 10.6 Fees of the Investment Adviser

The fees of the Investment Adviser and any other investment adviser or investment manager will be paid by the ACD out of its AMC and/or the Performance Fee.

## 10.7 Increase in the Fees

Any increase of a charge may be made if it is deemed by the ACD to be significant rather than a fundamental change, as set out in the provisions of the FSA Rules only after:

- (a) giving 60 days written notice to the Shareholders (in the case of an increase of the periodic charge) or the regular savers (in the case of the preliminary charge),
- (b) the ACD revising the Prospectus to reflect the proposed increase, and

If such a change is deemed fundamental, it will require the approval of the Shareholders.

Other changes to fees and expenses paid out of the Scheme Property will be notified or otherwise dealt with in accordance with the FSA Rules.

The rate of the General Administration Charge will be reviewed by the ACD periodically, and at least every 24 months, and if necessary adjusted, to ensure that it continues to reflect the fund administration costs which the ACD incurs.

## 11. DEPOSITARY'S REMUNERATION AND EXPENSES

### 11.1 Periodic Charge

The remuneration of the Depositary will be paid out of the Scheme Property monthly in arrears and will consist of a periodic charge, calculated and accrued daily, based on the value of the property of the Company on the preceding Business Day. The periodic charge will be at such annual percentage rate (before Value Added Tax) of the value of the property of the Fund as the ACD and Depositary may from time to time agree. The periodic charges are 0.01% (1 basis point) on first £50 million of the Fund, 0.005% (1/2 basis point) on the next £100 million of the Fund and 0.0025% (¼ basis point) on the balance of the Fund.

The Depositary is also entitled to receive out of the property of the Company remuneration for performing or arranging for the performance of the functions

conferred on the Depositary by the Instrument of Incorporation or the FSA Rules. The Depositary's remuneration shall accrue when the relevant transaction or other dealing is effected and shall be paid in arrears on the next following date on which payment of the Depositary's periodic charge is to be made or as soon as practicable thereafter.

## 11.2 **Depositary's Expenses**

The Depositary will be reimbursed by the Company for expenses properly incurred in performing or arranging for the performance of functions conferred on it by the Regulations, the Instrument of Incorporation, the Prospectus, the FSA Rules, the depositary agreement dated 8 October 2008 between the Company, the ACD and the Depositary (the "Depositary Agreement") or by general law. These functions may (without limitation of the foregoing) include custody, insurance, acquisition and dealing with assets of the Company; making deposits or loans, dealing with borrowings, effecting foreign currency dealings and effecting hedging transactions, as permitted by the FSA Rules; collection of income or capital; submissions of tax returns and handling tax claims; preparation of the Depositary's annual report; calling shareholders' meetings and communicating with shareholders; preparing; clearing and despatching distribution warrants; obtaining professional advice; conducting legal proceedings; carrying out administration relating to the Company; supervision of certain of the activities of its authorised corporate director and such other duties as the Depositary is permitted or required by law to perform.

On the winding up of the Company, a Fund or the redemption and cancellation of a Class of Shares, the Depositary will be paid all accrued and owing fees, charges and reimbursement of expenses due to the date of commencement of the winding up or due in relation to the redemption and cancellation of the relevant Class of Shares (as appropriate) and any additional expenses necessarily arising out of or in connection with its obligations under the Depositary Agreement.

The Depositary has appointed The Bank of New York Mellon ("the Custodian") as the Custodian of the property of the Company and is entitled to receive reimbursement of the Custodian's fees as an expense of the Company. The Bank of New York's remuneration for acting as Custodian is calculated at an ad valorem rate determined by the territory or country in which each Fund's assets are held and currently the lowest rate is 0% and the highest rate is 0.5%. In addition the Depositary makes a transaction charge determined by reference to the country or territory in which the transaction is effected. Currently, the transaction charges range from £3 to £76 per

transaction. For assets held outside of the Depositary's custody there is a charge of £65 per line of security per month.

The current rate of the Depositary's annual remuneration, or transaction charges or charges for custody services may only be increased in accordance with the FSA Rules and after the ACD has revised and made available the revised Prospectus to reflect the new rate and the date of its commencement. The following further expenses may also be paid out of the property of the Company:

- (a) all charges imposed by, and expenses of, any agents appointed by the Depositary to assist in the discharge of its duties;
- (b) all charges and expenses incurred in connection with the collection and distribution of income;
- (c) all charges and expenses incurred in relation to the preparation of the Depositary's annual report to shareholders;
- (d) all charges and expenses incurred in relation to stocklending.

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

## **12. OTHER PAYMENTS OUT OF THE PROPERTY OF THE COMPANY**

12.1 In accordance with the Regulations, the following payments may lawfully be made out of the property of the Company:

- 12.1.1 Broker's commission, fiscal charges and other disbursements which it is necessary to incur in effecting transactions for the Funds concerned and which are normally shown in contract notes, confirmation notes and difference accounts, as appropriate.
- 12.1.2 Interest on borrowings permitted under the FSA Rules and charges incurred in effecting or terminating such borrowings or in negotiating or varying the terms of such borrowings.
- 12.1.3 Taxation and duties payable in respect of the property of a Fund or in respect of the issue or redemption of Shares in a Fund, including stamp duties or other taxes or duties in relation to the transfer to the Fund of

assets acquired in exchange for the issue of Shares or in relation to the redemption of Shares.

- 12.1.4 Any costs incurred in modifying the Instrument of Incorporation, including costs incurred in respect of meetings of Shareholders convened for purposes which include the modification of the Instrument of Incorporation where the modification is necessary to implement changes in the law, or necessary as a direct consequence of any change in the law, or expedient having regard to any change in the law made by, or under, any fiscal enactment and which the ACD and the Depositary agree is in the interests of Shareholders, or to remove obsolete provisions from the Instrument of Incorporation.
- 12.1.5 Any costs incurred in respect of meetings of Shareholders, or class meetings of Shareholders of the Company, including meetings convened on a requisition by Shareholders or by the ACD.
- 12.1.6 Liabilities arising on amalgamation or reconstruction of the Company or any of its constituent Funds.
- 12.1.7 The audit fee of the Auditors of the Company and any proper expenses of such an auditor.
- 12.1.8 The periodic fees of the FSA in respect of the Company as may be prescribed under the Financial Services and Markets Act 2000 (as amended), or any relevant regulations made thereunder and any payments otherwise due by virtue of the FSA Rules or the corresponding fees of any regulatory authority in a country or territory outside the UK in which the Shares are or may be marketed.
- 12.1.9 The Registrar's fees.
- 12.1.10 The costs of preparing and printing the simplified prospectus (although not the costs of disseminating the simplified prospectus) and distributing any documents required by the FSA Rules and any costs incurred as a result of periodic updates or changes to such documents and any other administrative expenses.

- 12.1.11 Any costs incurred by the Company in publishing the prices of Shares, including the costs of listing the prices of Shares in publications and information services selected by the ACD.
  - 12.1.12 Any expenses incurred in relation to company secretarial duties, including all costs incurred in preparing accounts and producing and despatching annual, half yearly and other reports of the Company.
  - 12.1.13 Any costs incurred in producing and despatching dividend or other payments of the Company.
  - 12.1.14 Any fees, expenses or disbursements of any investment, legal or other professional adviser of the Company and those of the Company's sub-advisers.
  - 12.1.15 All fees and expenses incurred in relation to the addition and initial organisation of any new Funds, the listing of Shares on any stock exchange, the registration of the Company with any regulator (including the fees of any law firm or other adviser in connection thereto) any offer of Shares (including the preparation and printing of any prospectus) and the creation, conversion and cancellation of Shares.
  - 12.1.16 Any costs incurred in taking out and maintaining an insurance policy in respect of the ACD and the Company.
  - 12.1.17 Expenses incurred by the Company in respect of any movable and immovable property in which the Company has an interest. Currently the Company does not intend to hold any such interests.
  - 12.1.18 Any value added or similar tax relating to any charge or expense set out above.
- 12.2 All fees, duties, charges and expenses (other than any borne by the ACD) are charged to the Fund in which they were incurred. However, where they are not attributable to a particular Fund, they will be allocated among the Funds in a manner which the ACD considers is fair to the Shareholders generally. The costs of authorisation of any new Fund may be borne by that Fund at the discretion of the ACD.

### 13. **BUYING AND SELLING OF SHARES**

- 13.1 Shares in each Fund may be bought or sold on any Business Day between 8.30 am and 5.30pm.
- 13.2 Shares may be bought and sold by telephone or by written instructions or by such other means as the ACD may make available from time to time. A purchase or sale of Shares in writing and/or by telephone is a legally binding contract. In addition, the ACD may from time to time make arrangements to allow Shares to be bought or sold online or through other communication media. At present, transfer of title by electronic means is not accepted.
- 13.3 Orders received and accepted by the ACD by 12pm (noon) on a Business Day will be dealt with at the price calculated on that Dealing Day. Orders received after that time will be dealt with at the price calculated on the next Dealing Day.
- 13.4 A contract note giving details and, where appropriate, a notice of the applicant's right to cancel the transaction will be issued on the Business Day following the purchase or sale. Certificates will not be issued in respect of Shares in a Fund as ownership is evidenced by entry on the Register. In the case of a purchase of Shares, settlement will be required on receipt of the contract note. In the case of a redemption, the ACD will issue a settlement cheque within four working days of receipt of a form of renunciation (copies of which may be obtained from the ACD). Any form of renunciation must be signed by each of the holders of the relevant Shares.
- 13.5 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.

13.6 **Suspension of Dealing**

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

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

The ACD or the Depositary (as appropriate) will immediately inform the FSA of the suspension and the reasons for it and will follow this up as soon as practicable with

written confirmation of the suspension and the reasons for it to the FSA and the regulator in each EEA state where any or all of the Sub-funds are offered for sale.

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

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

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

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

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

### **13.7 Pricing**

The ACD deals on a forward pricing basis. A forward price is the price calculated at the next Valuation Point after receipt of a request for a purchase or sale.

### **13.8 Publication of Prices of Shares**

Prices of Shares are published on the Insight Investment website ([www.insightinvestment.com](http://www.insightinvestment.com)) and may be obtained on request from the ACD (Tel: 0845 777 2233).

### **13.9 In Specie Subscription and Redemption**

The ACD may, in the case of a redemption in the event of a request for redemption in excess of 5% of the Scheme Property of the relevant Fund or £2 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 relevant Fund of the relevant value or, if required by the Shareholder, the net proceeds of the sale of the relevant property to him. In the case of a redemption, 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 Scheme Property to be transferred (or sold) will be selected by the ACD in consultation with the Depositary and with a view to achieving no more advantage or disadvantage to the Shareholder requesting redemption of his Shares than to continuing Shareholders. The Company may retain out of the Scheme Property to be transferred (or the proceeds of the sale) property or cash of a value or amount equivalent to any stamp duty reserve tax to be paid in relation to the subscription or redemption of Shares.

#### **13.10 Box Management**

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

An affected person (the ACD, Depositary, Investment Adviser, or any of their associates, or the Auditor of the Company) is under no obligation to account to another affected person or to Shareholders for any profit or other benefit they make on dealing in Shares of the Company, any transaction in Scheme Property, or the supply of services to the Company.

#### **13.11 Restrictions and Compulsory Transfer and Redemption**

The ACD may from time to time impose such restrictions as it may think necessary to ensure that no Shares are acquired or held by any person in breach of the law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory. In this connection, the ACD may reject in its discretion any application for the purchase, sale or exchanging of Shares.

If it comes to the notice of the ACD that any Shares are or may be owned or held legally or beneficially by a Non-Qualified Person ("affected Shares") the ACD may give notice to the registered holder(s) of the affected Shares requiring either the transfer of such Shares to a person who is not a Non-Qualified Person or a request in writing for the redemption or cancellation of such Shares in accordance with the FSA

Rules. If any person upon whom such a notice is served does not, within 30 days after the date of such notice, transfer the affected Shares to a person who is not a Non-Qualified Person or establish to the satisfaction of the ACD (whose judgement is final and binding) that he and the beneficial owner are not Non-Qualified Persons, he shall be deemed upon the expiration of that 30 day period to have given a request in writing for the redemption or cancellation (at the discretion of the ACD) of all the affected Shares pursuant to the FSA Rules.

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

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

#### **14. SWITCHING BETWEEN FUNDS OR CLASSES**

14.1 A Shareholder may give notice to the ACD, in such form as the ACD shall from time to time determine, that he wishes to exchange all or some of his Shares of one Class or Fund (“the Original Shares”) for Shares of another Class or Fund (“the New Shares”). Such switches can only take place if, following the switch, the Shareholder’s holding of New Shares will satisfy the criteria and applicable minimum investment requirement of that Class or Fund. A switch between Shares in different Funds may result in a chargeable event for capital gains tax purposes, as detailed in paragraph 14.7.

14.2 The ACD may impose restrictions on exchanges, but any restriction related to exchanges of Shares of different Funds must be on reasonable grounds relating to the circumstances of the Shareholder concerned.

14.3 The number of New Shares to be issued to the holder on a switch will be determined by reference to the respective prices of New Shares and Original Shares at the Valuation Point applicable at the time the Original Shares are redeemed and the New Shares are issued. The following formula will be applied:

14.4

$$N = O \times \frac{CP}{SP}$$

- Where :
- N is the number of New Shares to be issued or sold, rounded down to the nearest whole number of Smaller Denomination Shares
  - O is the number of Original Shares which the holder has requested to exchange
  - CP is the price at which a single Original Share may be redeemed
  - SP is the price at which a single New Share may be purchased when the Shares are exchanged
- 14.5 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 FSA Rules.
- 14.6 The then prevailing preliminary charge on the New Shares will be payable on an exchange but the ACD may at its discretion offer a discount on such preliminary charge. If an exchange would result in the Shareholder holding a number of Original Shares or New Shares of a value which is less than minimum holding in the a particular Fund, the ACD may, if it thinks fit, convert the whole of the Shareholder's holding of Original Shares to New Shares or refuse to effect any exchange of the Original Shares. No exchange will be made during any period when the right of Shareholders to require the redemption of their Shares is suspended. The general provisions on procedures relating to redemption will apply equally to an exchange.
- 14.7 The ACD may at its discretion make a charge on the switching of Shares between Funds. Any such charge on switching will be deducted from the value of the Original Shares before the purchase of the New Shares but will not in any event exceed the amount of the preliminary charge at that date for the New Shares.

An exchange of Shares in one Fund for Shares in another Fund will be treated as a redemption and sale and will, for persons subject to UK taxation, be a realisation for

the purposes of capital gains tax, which may give rise to a liability to tax, depending on the Shareholder's circumstances.

In no circumstances will a Shareholder who exchanges Shares in one Fund for Shares in another Fund be given a right by law to withdraw from, or cancel, the transaction. Shares cannot be converted during a period when dealings in Shares of the relevant Fund or Funds are suspended by the Company pursuant to the FSA Rules and the right of a Shareholder to convert during a period of suspension is similarly suspended.

## **15. GENERAL INFORMATION**

### **15.1 Reports and Accounts**

The Annual Report in respect of the Company will be published within four months of the end of the annual accounting period which ends on the last day of December. The half-yearly accounting period ends on 30 June and half-yearly reports will be made up to such date each year and published within two months. The accounts contained in the annual and half yearly reports will be prepared in accordance with the FSA Rules and the Statement of Recommended Practice for Financial Statements of Authorised Funds. Shareholders will receive copies of the short reports on publication, and a copy of the long reports will be available on request.

### **15.2 Inspection of Documents**

Copies of the Instrument of Incorporation (as amended), the most recent Prospectus, the material contracts referred to below at 15.4, any amending instrument and the most recent annual and half-yearly reports may be inspected and obtained free of charge during normal office hours from:

Head of Client Service, Insight Investment Funds Management Limited, 33 Old Broad Street, London EC2N 1HZ.

### **15.3 Register of Shareholders**

The Register of Shareholders in the Company can be inspected at 12 Blenheim Place, Edinburgh EH7 5ZR. Any notice or document required to be sent to Shareholders will be sent either by first class post to the address most recently notified to the Company and as entered on the Register of Shareholders, or electronically to the email address most recently notified to the Company (where a Shareholder has consented to the receipt of documents and notices electronically), at

the ACD's discretion. All documents and remittances are sent at the risk of the Shareholder.

#### 15.4 **Material Contracts**

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

- (a) the ACD Agreement dated 28 February 2007 between the Company and the ACD;
- (b) the Depositary Agreement dated 8 October 2008 between the Company and the Depositary.
- (c) the Investment Advisory Agreement dated 28 February 2007 between ACD and the Investment Adviser.

Details of the above contracts are given in Appendix 2.

#### 16. **TAXATION**

The following statements are based on our understanding of current United Kingdom tax law and HM Revenue & Customs practice as known at the date of this Prospectus. They summarise the tax position of the Company and of individual investors who are UK resident and hold their shares as investments. The bases and rates of taxation and reliefs from taxation may change in the future. Shareholders are recommended to consult their professional adviser if they are in any doubt as to their individual tax position or if they may be subject to tax in a jurisdiction outside the UK.

##### **The Company**

As the Funds are sub-funds of an open-ended investment company established as an umbrella company to which the Authorised Investment Funds (Tax) Regulations 2006 apply, each Fund, and not the Company, is treated as a separate taxable entity. Each Fund is generally exempt from UK corporation tax on capital gains realised on the disposal of its investments (including interest paying securities). Each Fund may receive dividend distributions from UK collective investment schemes or dividends in respect of investments in UK equities. The dividends and any part of the dividend distributions which relate to UK investments are not subject to corporation tax in a Fund. Each Fund is, however, liable to UK corporation tax at the current rate of 20% on other types of income, for example, interest distributions from collective investment

schemes, bank deposit interest or dividends from overseas companies, after deducting management expenses, charges and the gross amount of any interest distributions made by the Fund.

Income arising from overseas investments may, in addition, be subject to tax in the relevant overseas jurisdiction at varying rates. That tax can in some instances be offset against corporation tax payable by the Fund by way of double tax relief, subject to certain limits. To the extent that the UK tax liability of a Fund is less than the creditable overseas tax suffered, the overseas tax will not be recoverable.

Gains realised upon the sale, redemption or other disposal of “material interests” in collective investment schemes that constitute “offshore funds” which are not “distributing funds” for UK tax purposes are charged to tax as income (“offshore income gains”) and not as a capital gain. Each Fund is accordingly not exempt from tax on such gains. Shareholders may not receive effective credit for the tax on such gains.

### **Income Tax**

On the specified allocation dates, holders of Income Shares become entitled to a distribution which is treated as such Shareholders’ income for tax purposes. Income allocated to holders of Accumulation Shares will be credited to capital but will be treated as distributed to such Shareholders for income tax purposes.

The ACD will send a tax voucher showing the amount of income to which each Shareholder is entitled, the nature of the distribution and related tax credit (if any). Notes printed on the tax voucher will indicate how the amount should be reflected in the investor’s tax return.

Distributions paid or accumulated may be either dividend distributions or interest distributions, depending on the nature of the income of the Fund. Interest distributions can be made only where the market value of the Fund’s interest-bearing investments, including holdings in collective investment schemes that pay interest distributions and cash on deposit, exceeds 60% of the market value of all its assets throughout the accounting period to which it relates.

### **Dividend Distributions**

An individual Shareholder who is resident for tax purposes in the United Kingdom is entitled to a tax credit in respect of any dividend distribution received (after deducting

any equalisation payment) and is subject to income tax on the aggregate of the dividend distribution and the tax credit (the “gross dividend”). The value of the tax credit will be equal to one-ninth of the net dividend distribution (i.e. 10% of the gross dividend distribution). Thus on a net dividend distribution of £90 the tax credit will be £10. The gross dividend distributions will be taxed as the top slice of an individual’s income. A UK resident individual who is not liable to tax will generally not be able to reclaim the tax credit from HM Revenue & Customs. In the case of a UK resident individual liable to basic rate tax only, the tax credit will match the individual’s tax liability on the dividend distribution and there will be no further tax to pay.

Shareholders liable to UK income tax at the higher rate must account to HM Revenue & Customs for any further tax due on the gross dividend distribution equal to the difference between the tax at the rate of 32½% on the gross dividend distribution and the 10% tax credit. In other words, higher rate tax payers will be liable to pay an effective rate of income tax of 25% of the amount distributed or accumulated.

#### Interest Distributions

If the total amount shown in the distribution account of a Fund is shown as available for distribution as yearly interest, such amount will be treated as if it were a payment of yearly interest. The ACD will deduct income tax at the rate of 20% on the gross amount of payments to UK resident individual investors who will receive credit for the tax suffered. Shareholders liable to UK income tax at the higher rate (40%) must account to HM Revenue & Customs for the further tax due of 20% on the gross amount of the interest. This further tax will amount to 25% of the amount of interest paid or accumulated. A basic rate taxpayer has no further tax liability. Shareholders who are non-tax payers or liable to the starting rate for savings (10%) may reclaim all or part of the tax credit from HM Revenue & Customs.

Individuals who are ordinarily resident outside the UK or who are unlikely to have net income subject to income tax or who hold Shares through an ISA may be eligible to receive interest distributions without the deduction of income tax.

#### **Non-Taxpayers**

##### Charities and Pension Funds

Any income tax withheld from interest distributions and paid to HM Revenue & Customs is repayable to charities and pension funds which are exempt from income

tax on their investment income. They cannot reclaim the tax credit on dividend distributions.

### ISAs

Income tax withheld from interest distributions and paid to HM Revenue & Customs is repayable to the ISA plan manager (on behalf of the plan investor). The tax credit on dividend distributions cannot be reclaimed.

### Non-Resident Shareholders

Interest distributions may be made without deduction of tax to a Shareholder who certifies to the Company that he or she is an individual who is not ordinarily resident in the UK, or which is a company that is a “reputable financial intermediary” that the Company believes to be acting for a Shareholder that is not ordinarily resident in the UK.

Shareholders who are not resident in the UK may be entitled to a repayment of part of the tax credit attached to a dividend distribution or an interest distribution. This entitlement is dependent on the terms of any double taxation agreement between the UK and the Shareholder’s country of residence; typically these provide for full or partial repayment of tax deducted from interest distributions but little (if any) payment in respect of dividend distributions.

## **Corporation Tax**

### Dividend Distributions

Shareholders within the charge to UK corporation tax who hold Income Shares will receive dividend distributions split into franked and unfranked elements. Holders of Accumulation Shares in respect of which income is accumulated and added to the capital property of the Company will be treated as having received a distribution of income for corporation tax purposes. No liability to UK corporation tax will arise in respect of distributions of franked investment income to corporate Shareholders. Dividend distributions of unfranked investment income will be treated as annual payments from which income tax at the lower rate of 20% has been deducted, the gross amount of which will be chargeable to corporation tax at the rate applicable to a UK resident corporate Shareholder but with credit for the income tax treated as deducted. The current main rate of corporation tax is 28%. The percentages to be

used to calculate the allocation between franked investment income and unfranked income received will be set out on the tax voucher.

The corporate streaming rules also limit the maximum amount of income tax that may be reclaimed from HM Revenue & Customs on the unfranked stream. The maximum amount reclaimable by a corporate Shareholder is the corporate Shareholder's portion of a Fund's net liability to corporation tax in respect of gross income. The tax voucher will state a Fund's net liability to corporation tax in respect of the gross income for the distribution period in question. Additional information may also be provided on the tax voucher, for example, the net liability per Share.

### Interest Distributions

Shareholders who are eligible to receive interest distributions gross include, *inter alia*, companies within the charge to UK corporation tax, UK charities, UK tax-exempt pension funds and ISA plan managers, providing evidence is received of their eligibility to receive such payments gross.

Where interest distributions are made net, a UK resident corporate Shareholder will be treated as receiving a payment of annual interest (the "gross amount" of the interest distribution) from which tax has been deducted (currently 20%). Such a Shareholder will be liable to corporation tax on the gross amount of the interest distribution, but will be entitled to credit for the tax deducted at source, and repayment of any excess of the tax credit over the liability to corporation tax.

### **Tax on Chargeable Gains**

For holders of Shares in a Fund who are resident or ordinarily resident in the UK, switches between share classes of the same Fund should not give rise to a liability to capital gains tax or corporation tax on chargeable gains. An exchange of Shares in one Fund for Shares in any other Fund is treated as a redemption and sale and may, for Shareholders resident or ordinarily resident in the UK, give rise to liability to capital gains tax or corporation tax on chargeable gains.

In respect of the Accumulation Shares, income arising from these shares is accumulated and added to the capital property of the Company. As a result, such amounts will be added to the base cost of such shares for taxation of capital gains purposes.

Individuals are only liable to capital gains tax on the sale, redemption or other disposal of their shares if their total chargeable gains (net of allowable losses) in the year exceed the annual exemption (£9,600 for the 2008/2009 tax year). If gains in excess of this exemption are realised, the excess is taxable at the rate of 18% (2008/2009).

Shareholders within the charge to UK corporation tax are chargeable to corporation tax on all such gains and net capital gains will normally be added to the profits charged to corporation tax. Indexation relief will be available. If, during the accounting period of a corporate Shareholder, more than 60% of the property of a Fund is invested in interest-paying investments, then the Shareholder must treat its holding as a creditor loan relationship subject to a fair value basis of accounting for corporation tax purposes.

### **Equalisation**

Where the first income allocation is made to a Shareholder in respect of a Share acquired during a distribution period, the amount representing the income equalisation payment included in the price of the Share is treated as a return of capital and is not taxable in the hands of the Shareholder. For holders of Income Shares, this equalisation payment must be deducted from the base cost of the Shares in computing any chargeable gains realised on the disposal of the Shares. For holders of Accumulation Shares, the equalisation amount will be retained in the relevant Fund and should not be deducted from the capital gains base cost of the Shares.

### **Inheritance tax**

A gift by a Shareholder of its Shares in a Fund or the death of a Shareholder may give rise to a liability to inheritance tax, except where the Shareholder is an individual who is neither domiciled in the UK, nor deemed to be domiciled there under special rules relating to long residence or previous domicile in the UK. For these purposes, a transfer of Shares at less than the full market value may be treated as a gift.

### **EU Savings Directive**

Under EU Council Directive 2003/48/EC on taxation of savings income (the "Directive"), Member States of the European Union ("Member States") are required to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person who is a "paying agent" to an individual (or

certain “residual” entities) resident in another Member State. Austria, Belgium and Luxembourg will instead apply a withholding tax for a transitional period (unless during such period they elect otherwise), although Shareholders can authorise their paying agent to provide information about the payments to their national tax authority rather than withhold tax. For a collective investment scheme, income falling within the regime may include distributions or dividends whether paid or accumulated, together with income arising as result of the sale or redemption of shares. Certain territories outside the EU have, or are proposing to introduce, an equivalent exchange of information or withholding tax regime. Information on these territories can be obtained from HM Revenue & Customs or your professional adviser.

On the basis that the Company is established within the EU but is not a UCITS, it is considered to be outside the scope of the Directive, so paying agents will not be required to exchange information or withhold tax in respect of payments of savings income.

### **UK information reporting regime**

An amendment to the Taxes Management Act 1970 Section 18 extended the obligations on financial institutions to report to HM Revenue & Customs payments of interest, with effect from 6 April 2001. This reporting regime requires OEICs to report details of interest distributions paid to UK, and many non-UK, investors. Dividend distributions and other payments made to ISA investors are unaffected.

### **Stamp Duty Reserve Tax**

Each Fund will be liable for stamp duty reserve tax (“SDRT”) on surrenders and certain transfers of Shares in that Fund. The cost of any SDRT which needs to be paid will be met out of the Scheme Property, save as described below.

#### The SDRT System

SDRT arises on the surrender (i.e. the redemption or switching), and certain transfers, of Shares. The charge to SDRT is 0.5% of the value of surrenders and transfers in the Company each week reduced proportionately to the extent that during that week and the following week the:

- (a) the investments held by a Fund are exempt assets that is, broadly, any assets other than UK equities and holdings in collective investment schemes (except UK authorised collective investment schemes which are prohibited from holding UK equities) (therefore it is unlikely that the charge will be reduced by

this means where a Fund is invested entirely in the Underlying Funds as these are not UK authorised collective investment schemes and are not therefore exempt assets); and

- (b) purchases of Shares are less by number than surrenders of Shares.

With a view to protecting investors from a resulting diminution in the value of Shares, an authorised corporate director of an OEIC is permitted to require the payment of an SDRT provision as an addition to (but not as part of) the price of Shares when they are issued or purchased, and as a deduction when they are cancelled or redeemed.

#### Surrenders of Shares

The ACD has decided that any SDRT will be borne by the Fund in question whatever the size of the transaction.

#### Transfers of Shares

Transfers of Shares from one Shareholder to another may be exempt from SDRT, depending on the circumstances. Shareholders transferring Shares should complete a stock transfer form in the normal way including any appropriate certificate which would be required for exemption from stamp duty on the transfer of equities. Where there is no appropriate certificate, evidence of an exemption from SDRT should be submitted with the transfer. In other cases, where SDRT applies to the transfer the ACD has decided that any SDRT triggered will be paid by the relevant Fund.

#### **Frequency of SDRT provision**

The ACD's policy to charge SDRT to the relevant Fund in all cases means that it has not levied, and does not expect to levy, an SDRT provision.

## **17. WINDING-UP AND TERMINATION**

### **17.1 Termination of a Fund**

A Fund may be terminated:

- (a) if an extraordinary resolution of the Shareholders is passed to that effect; or
- (b) on the date of effect stated in any agreement by the FSA to a request by the ACD for the termination; or

- (c) by the ACD in its absolute discretion if one year from the date of the first issue of Shares or at any date thereafter, the Net Asset Value of the Fund is less than £10,000,000.

Eligible registered Shareholders will be informed in writing if the Fund is terminated or has its authorisation revoked by the FSA.

Termination of a Fund commences upon the later of the time for termination of the Fund determined in accordance with the above circumstances and the time at which the FSA, having been supplied with a statement confirming the solvency of the Fund, approves, pursuant to the OEIC Regulations, the necessary changes to the Instrument of Incorporation and this Prospectus which would result from the termination of the Fund.

On the termination of a Fund (other than in accordance with an approved scheme of amalgamation or reconstruction) the ACD is required as soon as practicable after the Fund falls to be terminated to realise the property of the Fund and pay the liabilities of the Fund out of the proceeds.

Provided that there are sufficient liquid funds in the Scheme Property available after making adequate provision for the expenses of the termination and the discharge of the liabilities remaining to be discharged, the ACD may arrange for the Depositary to make one or more interim distributions out of the property of the Fund to the Shareholders proportionately to the right to participate in the Scheme Property attached to their respective Shares as at the date of the commencement of the termination.

When the ACD has caused all the Scheme Property to be realised and all of the liabilities known to the ACD to be met, the ACD shall arrange for the Depositary to make a final distribution, on or prior to the date on which the termination account is sent to Shareholders, of the balance remaining (net of a provision for any further expenses of the termination) to the Shareholders in the proportions stated above.

If a Fund is to be terminated in accordance with an approved scheme of amalgamation or reconstruction, the ACD is required to terminate the Fund in accordance with the resolution of holders approving such a scheme.

Where the Company and one or more Shareholders (other than the ACD) agree, the requirement to realise the property of the Fund shall not apply to that part of the property which is proportionate to the right of that or those Shareholders, and the

ACD may distribute that part in the form of property, after making such adjustments or retaining such provision as appears appropriate to the ACD for ensuring that that or those Shareholders bear a proportionate share of the liabilities and expenses.

Where any sum of money (including unclaimed distributions) still stands to the account of the property of the Fund, the ACD shall instruct the Depositary to retain such sum in an account separate from any other part of the property of the Company in accordance with the FSA Rules. On a winding-up of the Company, the Depositary shall cease to hold those amounts as part of that account and they shall be paid by the Depositary into court in accordance with the OEIC Regulations.

## 17.2 **Winding-up of the Company**

The Company is to be wound-up:

- (a) if an extraordinary resolution of holders is passed to wind-up the Company; or
- (b) when the period (if any) fixed for the duration of the Company by the Instrument of Incorporation expires or any event occurs, for which the Instrument of Incorporation provides that the Company is to be wound up; or
- (c) on the date of effect stated in any agreement by the FSA in response to a request by the ACD for the winding up of the Company, albeit that such agreement is subject to there being no material change in any relevant factor prior to the date of the revocation.

The Company may only be wound-up under the FSA Rules if the Company is solvent and there is no vacancy in the position of the ACD. If the Company is insolvent, or there is such a vacancy, the Company may only be wound-up under Part V of the Insolvency Act 1986 as an unregistered company.

On a winding-up (other than in accordance with an approved scheme of amalgamation or reconstruction) the ACD is required as soon as practicable after the time the Company falls to be wound-up, to realise the property of the Company and pay the liabilities of the Company out of the proceeds. Liabilities of the Company attributable to a particular Fund shall be met first out of the property attributable or allocated to such a Fund.

If the liabilities to be met out of a particular Fund are greater than the proceeds of the realisation of the property attributable or allocated to that Fund, the deficit shall be met out of the property attributable or allocated to those Funds in respect of which

the proceeds of realisation exceed liabilities and divided between those Funds in a manner that is fair to the Shareholders in such Funds.

After making adequate provision for the expenses of the winding-up and the discharge of the liabilities of the Company remaining to be discharged, the ACD may arrange for the Depositary to make one or more interim distributions, and then a final distribution of the proceeds of the realisation of the property attributable or allocated to each Fund to the holders in each Fund, proportionately to the right to participate in the Scheme Property attached to their respective Shares.

If the Company is to be wound-up in accordance with an approved scheme of amalgamation or reconstruction, the ACD is required to wind-up the Company in accordance with a resolution of holders approving such scheme.

Where the Company and one or more Shareholders (other than the ACD) agree, the requirement to realise the property of the Company shall not apply to that part of the property which is proportionate to the right of that or those Shareholders, and the ACD may distribute that part in the form of property, after making such adjustments or retaining such provision as appears to the ACD appropriate for ensuring that that or those Shareholders bear a proportionate share of the liabilities and expenses.

If any sum of money is unclaimed or stands to the account of the Company at the date of its dissolution, the ACD shall arrange for the Depositary to pay such sum into court within one month after that date in accordance with the OEIC Regulations.

## **18. ADDITIONAL INFORMATION**

### **18.1 Risks**

The nature of the Company's investment in the Underlying Funds involves certain risks and the Underlying Funds will utilise investment techniques (such as the use of derivatives) which may carry additional risks. There can be no assurance that the investment objective of any Fund or the investment objectives of any Underlying Fund will be achieved and investment results may vary substantially over time. Prospective investors should consider, among others, the following factors before subscribing for Shares:

#### **18.1.1 General Risks**

Investors should be aware that there are risks inherent in the holding of securities:-

- (a) Past performance is no guide to the future. 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.
- (b) Transfers or switches into a Fund will be held as cash for part of the transfer period. This means that until the cash is reinvested into the selected Fund(s) there is no exposure to any gains or falls in stock markets.
- (c) Funds with similar objectives may experience differences in performance due to the selection of different assets within each fund. Funds may also diverge from their benchmark for the same reason.
- (c) Funds aiming for relatively high performance can incur greater risk than those adopting a more standard investment approach. There is no guarantee for the performance of your investment.
- (d) The tax treatment of the Company and the Funds may change and such changes cannot be foreseen.
- (e) 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.
- (f) **Liabilities of the Company**

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

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

(g) **Effect of Initial Charge**

Where an initial charge is imposed, an investor who realises his 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.

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

(h) **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 "Suspension of Dealings" in section 13.6).

### 18.1.2 Specific Risks

(a) **Fund of Funds**

The Funds will invest predominantly in the Underlying Funds and as such will be a 'fund of funds'. Accordingly many if not all of the risks attributable to an investment in the Underlying Funds will be relevant to an investment in the Funds.

The Investment Adviser seeks to monitor investments and trading activities of the Underlying Funds in which the Funds may invest. However, investment decisions are normally made independently at the level of the Underlying Fund and are solely subject to the restrictions applicable to those Underlying Funds. None of the Company, the Funds, the Investment Adviser or the ACD are liable for compliance with such restrictions.

It is possible that some of the Underlying Funds will take positions in the same security or in issues of the same industry or country or in the same currency or commodity at the same time. Consequently, it is possible that one Underlying Fund may purchase an instrument at the same time as another Underlying Fund decides to sell it. There is no guarantee that the selection of the Underlying Fund will actually result

in diversification of investment styles and that the positions taken by the Underlying Funds will always be consistent.

Investments in Underlying Funds do usually entail a duplication of entrance, management, administration, custodian charges and taxes. However, such duplication is expected to be partly reduced in the case of the Initial Fund by the fact that the Initial Fund will only invest in share classes of the Underlying Funds which bear no annual management charge and by obtaining waiver of, or re-allowances on, sales commission by the Underlying Funds in which investments will be made or by investing in Underlying Funds exempt of sales commission.

Investments will be made in units or shares of collective investment schemes which are UCITS schemes.

#### Concentration of Investments

Each Underlying Fund may at certain times hold relatively few investments. A Fund could be subject to significant losses if it, through one or more Underlying Funds, has exposure to a large position in a particular investment that declines in value or is otherwise adversely affected, including default of the issuer.

#### Debt Securities

The Underlying Funds may invest in debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets. The Underlying Funds may invest in debt securities which are not protected by financial covenants or limitations on additional indebtedness. The Underlying Funds may therefore be subject to credit, liquidity and interest rate risks.

#### Derivatives

The Underlying Funds will make extensive use of both exchange-traded and over-the-counter futures, options and contracts for differences and also warrants as part of its investment policy. These instruments can be highly volatile and expose investors to a high risk

of loss. Transactions in over-the-counter contracts may involve additional risk as there is no exchange market on which to close out an open position and it may be impossible to liquidate an existing position.

#### Repurchase and Reverse Repurchase Agreements

The Underlying Funds may enter into repurchase and reverse repurchase agreements which involve certain risks. For example, if the seller of securities to the Underlying Fund under a reverse repurchase agreement defaults on its obligation to repurchase the underlying securities, as a result of its bankruptcy or otherwise, the Underlying Fund will seek to dispose of such securities, which action could involve costs or delays. If the seller becomes insolvent and subject to liquidation or reorganisation under applicable bankruptcy or other laws, the Underlying Fund's ability to dispose of the underlying securities may be restricted. It is possible, in a bankruptcy or liquidation scenario, that the Underlying Fund may not be able to substantiate its interest in the underlying securities. Finally, if a seller defaults on its obligation to repurchase securities under a reverse repurchase agreement, a Fund may suffer a loss to the extent that it is forced to liquidate its position in the market, and proceeds from the sale of the underlying securities are less than the repurchase price agreed to by the defaulting seller. Similar elements of risk arise in the event of the bankruptcy or insolvency of the buyer.

#### Credit Default Swaps

Certain of the Underlying Funds may utilise credit default swaps. Credit default swaps carry specific risks including high levels of gearing, the possibility that premiums are paid for credit default swaps which expire worthless, wide bid/offer spreads and documentation risks. In addition, there can be no assurance that the counterparty to a credit default swap will be able to fulfil its obligations to the Underlying Fund if a credit event occurs in respect of the reference entity.

#### Emerging Markets

Certain of the Underlying Funds may invest in emerging markets debt and securities. Investment in emerging markets may increase the volatility of the Underlying Fund's NAV and accordingly, an investment in the such fund's shares may be worth more or less on redemption than their original purchase value. Investing in emerging markets involves additional risks and special considerations not typically associated with investing in other more established economies or securities markets. Such risks may include (1) restrictions on foreign investment and on repatriation of capital invested in emerging markets, (2) currency fluctuations, (3) potential price volatility and lesser liquidity of securities traded in emerging markets, (4) economic and political risks, including the risk of nationalisation or expropriation of assets or confiscatory taxation, (5) risks related to custodial arrangements and delays or other factors in the settlement of securities transactions, and (6) accounting, auditing, financial and other reporting standards in emerging markets are not equivalent to those in more developed markets.

#### Profit Sharing

Although no Performance Fee will be payable in respect of investment by a Fund in the Underlying Funds, in addition to receiving an investment management fee, the investment manager of the Underlying Funds may also receive a performance fee based on the appreciation in the net asset value of such Underlying Fund and accordingly the performance fee will increase with regard to unrealised, as well as realised gains. Such performance fee may create an incentive for the investment manager in question to make investments for such Underlying Funds which are riskier than would be the case in the absence of a fee based on the performance of the Underlying Funds.

#### Non-UCITS Retail Scheme

As the Company is a non-UCITS retail scheme, the Funds have wider investment and borrowing powers than UCITS schemes, with higher investment limits in various areas. They may also invest to a greater extent in areas such as property and unregulated schemes and have

the option to borrow on a permanent basis. Such additional powers may increase potential reward, but may also increase risk.

## 18.2 **Complaints**

Any complaint regarding the operation or marketing of the Company should be addressed to the Compliance Officer, Insight Investment Funds Management Limited, 33 Old Broad Street, London EC2N 1HZ.

If unsatisfied, a Shareholder also has the right to complain directly to the Financial Ombudsman Service at South Quay Plaza, 183 Marsh Wall, London, E14 9SR.

## 18.3 **Investors Compensation Scheme**

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

## 18.4 **Conflicts of Interest**

18.4.1 The ACD, the Investment Adviser and their associates may, from time to time, act as investment advisers or advisers to other funds or sub-funds which follow similar investment objectives to those of the Company. Specifically, the Investment Adviser is also the investment adviser of the Underlying Funds. It is therefore possible that the ACD and/or the Investment Adviser may in the course of their business have potential conflicts of interest with the Company or a particular Fund. Each of the ACD and the Investment Adviser will, however, have regard in such event to its obligations under the ACD Agreement and the Investment Advisory 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.

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.

18.4.2 The FSA Rules contain provisions on conflict of interest governing any transaction concerning the Company which is carried out by or with any “affected person”, which means the Company, an associate of the Company,

the ACD, an associate of the ACD, the Depositary, an associate of the Depositary, any Investment Adviser and any associate of any Investment Adviser.

These provisions, among other things, enable an affected person (a) to sell or deal in the sale of property to the Company or the Depositary for the account of the Company; (b) vest property in the Company or the Depositary against the issue of Shares in the Company; (c) purchase property from the Company (or the Depositary) acting for the account of the Company; (d) enter into a stocklending transaction in relation to the Company; or (e) provide services for the Company. Any such transactions with or for the Company are subject to best execution on exchange, or independent valuation or arm's length requirements as set out in the FSA Rules. An affected person carrying out such transaction is not liable to account to the Depositary, the ACD, any other affected person, or to the holders of Shares or any of them for any benefits or profits thereby made or derived.

Investment of the property of the Company may be made on arm's length terms through a member of an investment exchange (acting as principal) who is an affected person in relation to the ACD. Neither the ACD nor any such affected person will be liable to account to the Company or to the holders of Shares for any profit made or derived out of such dealings.

## **APPENDIX 1: INVESTMENT AND BORROWING POWERS AND RESTRICTIONS**

The following provisions apply in respect of each Fund of the Company save where the context otherwise requires.

### **1. General rules of investment**

1.1 The Scheme Property will be invested with the aim of achieving the investment objective of the Fund in question but subject to the limits set out in Chapter 5.6 of the FSA Rules. Although the investment policy of each Fund will mean it is usually invested predominantly in Underlying Funds the following provisions apply to the Direct Investments of the Company as well as in respect of investments in Underlying Funds. These limits apply to the Funds as summarised below.

1.2 The ACD's investment policy may mean that at times, where it is considered appropriate, the Scheme Property will not be fully invested and that prudent levels of liquidity which may at times be substantial or even (exceptionally) 100% will be maintained.

### **2. Prudent spread of risk**

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

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

Except for a feeder fund (which is not relevant for the Company) not more than 35% in value of the Scheme Property is to consist of units of any one collective investment scheme. Each Fund may invest in units in a collective investment scheme ("second scheme") provided that the investment is permitted under paragraphs 3.1 to 3.6:

3.1 The second scheme is a scheme which:

3.1.1 complies with the conditions necessary for it to enjoy the rights conferred by the UCITS Directive; or

3.1.2 is a non-UCITS retail scheme; or

3.1.3 is recognised under the provisions of section 264, 270 or 272 of the Financial Services and Markets Act 2000 (Schemes constituted in other EEA states,

Schemes authorised in designated countries or territories and individually recognised schemes);

- 3.1.4 is constituted outside the United Kingdom and the investment and borrowing powers of which are the same or more restrictive than those of a non-UCITS retail scheme; or
- 3.1.5 is a scheme not falling within paragraphs 3.1.1 to 3.1.3 and in respect of which no more than 20% in value of the Scheme Property (together with any transferable securities which are not approved securities) is invested;
- 3.2 The second scheme is a scheme which operates on the principle of the prudent spread of risk;
- 3.3 The second scheme is a scheme which has terms which prohibit more than 15% in value of the Scheme Property consisting of units in collective investment schemes;
- 3.4 The participants in the second scheme must be entitled to have their units redeemed in accordance with the scheme at a price related to the net value of the property to which the units relate and determined in accordance with the scheme;
- 3.5 Where the second scheme is an umbrella fund, the provisions of paragraphs 3.2, 3.3 and 3.4 apply to each sub-fund of that scheme as if it were a separate scheme; and
- 3.6 Rule 5.6.11R of the FSA Rules (Investment in other group schemes) is complied with i.e. a Fund may only invest in other group schemes (other collective investment schemes which are managed and operated by the ACD or an Associate of the ACD) provided there is no double charging of the preliminary charge.

#### 4. **Investment in money market instruments**

Where consistent with a Fund's investment objective and policy, the Fund may invest in money market instruments which are normally dealt in on the money market, are liquid and whose value can be accurately determined at any time, provided:

- 4.1 the money market instrument is listed on or normally dealt on an eligible market; or
- 4.2 the money market instrument is:
  - 4.2.1 issued or guaranteed by a central, regional or local authority, a central bank of an EEA State, the European Central Bank, the European Union or the

European Investment Bank, a non-EEA State or, in the case of a federal state, by one of the members making up the federation, or by a public international body to which one or more EEA States belong; or

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

4.2.3 issued or guaranteed by an establishment subject to prudential supervision in accordance with criteria defined by Community law or by an establishment which is subject to and complies with prudential rules considered by the FSA to be at least as stringent as those laid down by Community law.

4.3 not more than 20% in value of the Scheme Property may consist of money market instruments which do not fall within the above conditions.

## 5. **Derivatives**

5.1 The Funds do not currently intend to use the Scheme Property to invest in derivatives and forward transactions under the FSA Rules.

## 6. **Cash and near cash**

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

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

6.1.2 redemption of Shares; or

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

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

6.1.5 during the period of the initial offer the Scheme Property may consist of cash and near cash without limitation.

## 7. **General power to borrow**

7.1 Each Fund may, in accordance with this paragraph, borrow money 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 Fund.

7.2 Each Fund may borrow under paragraph 7.1 only from an Eligible Institution or an Approved Bank.

7.3 Each Fund must not issue any debenture unless it acknowledges or creates a borrowing that complies with paragraph 7.1 and 7.2.

7.4 These borrowing restrictions do not apply to "back to back" borrowing for currency hedging purposes.

## **8. Borrowing limits**

8.1 The ACD must ensure that a Fund's borrowing does not, on any business day, exceed 10% of the value of the Scheme Property of that Fund.

8.2 This limit does not apply to "back to back" borrowing.

8.3 Borrowing does not include any arrangement for the Company to pay to a third party (including the ACD) any costs which the Company is entitled to amortise and which were paid on behalf of the Company by the third party.

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

9.1 None of the money in the Scheme Property may be lent and, for the purposes of this prohibition, money is lent by a Fund if it is paid to a person ("the payee") on the basis that it should be repaid, whether or not by the payee.

9.2 Acquiring a debenture is not lending for the purposes of paragraph 9.1 nor is the placing of money on deposit or in a current account.

9.3 Paragraph 9.1 does not prevent a Fund from providing an officer of that Fund with funds to meet expenditure to be incurred by him for the purposes of that Fund (or for the purposes of enabling him properly to perform his duties as an officer of that Fund) or from doing anything to enable an officer to avoid incurring such expenditure.

## **10. Restrictions on lending of property other than money**

10.1 The Scheme Property must not be lent by way of deposit or otherwise.

## APPENDIX 2: MANAGEMENT AND ADMINISTRATION

### 1. **AUTHORISED CORPORATE DIRECTOR**

1.1 The ACD is Insight Investment Funds Management Limited, a private company incorporated with limited liability in England and Wales under the Companies Act 1985. It was incorporated on 24 July 1984. It has an issued and fully paid-up share capital of £3 million. The ACD's principal activity is acting as the authorised fund manager for regulated collective investment schemes.

1.2 Insight Investment Funds Management Limited is a wholly owned indirect subsidiary of BNY Mellon Corporation.

1.3 The ACD is authorised and regulated by the FSA.

1.4 The directors of the ACD are:

Sarah Aitken

Charles Farquharson

Atul Manek

Abdallah Nauphal

### 1.5 **ACD Agreement**

The ACD has been appointed under an agreement dated 28 February 2007 between the Company and the ACD ("the ACD Agreement"). Pursuant to the ACD Agreement, the ACD shall manage and administer the Company in accordance with the Regulations, the Instrument of Incorporation, the Prospectus, the FSA Rules or any other relevant legislation or regulation applicable to the ACD. The ACD Agreement contains detailed provisions relating to the responsibilities of the ACD, including the management, investment and reinvestment of the property of each Fund in order to achieve the various investment objectives. The ACD may delegate its management and administration functions to third parties including associates subject to the FSA Rules. The specific functions the ACD has delegated are set out in paragraph 3 below.

The ACD is entitled to receive preliminary and periodic charges as set out in the section of this Prospectus headed "Charges" at section 10.

The ACD Agreement may be terminated without compensation by either party giving to the other not less than two years' written notice provided such notice shall not expire at any time prior to the third anniversary of the date of the ACD Agreement. The ACD shall not voluntarily terminate its appointment unless the termination is coterminous with the commencement of the appointment of a successor authorised corporate director of the Company.

The appointment of the ACD shall also be terminated forthwith by written notice of either party to the other party if the ACD goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation), or a receiver is appointed to the ACD or an administrative order is made in relation to the ACD under the Insolvency Act 1986.

To the extent permitted by the FSA Rules, the Company has agreed to indemnify the ACD and its employees, officers and directors against all costs, losses, claims and expenses incurred (i) as a result of any party claiming to be entitled to any investment or other asset of the Company, (ii) in consequence of any breach by the Company of any term of the ACD Agreement, (iii) arising out of or in connection with the exercise by the ACD of the powers and discretions conferred upon it under the ACD Agreement, (iv) arising out of the imposition of any liability to taxation, charge or other levy as a result of implementing the investment objective and policy of each Fund, or (v) in consequence of any act or omission of the ACD acting on instructions from the Depositary, other than where there has been negligence, wilful default or fraud on the part of the ACD, any Associate (as defined in the FSA Rules) or its or their employees, officers or directors.

1.6 The ACD also acts as authorised corporate director of the following OEICs:

**Funds of Insight Investment Professional Funds ICVC**

Insight Investment Asia Pacific Fund (no longer available)

Insight Investment Equity High Income Fund

Insight Investment European Equity Fund (no longer available)

Insight Investment European Global Ethical Fund (no longer available)

Insight Investment Evergreen Fund (no longer available)

Insight Investment Foundation Growth Fund (no longer available)

Insight Investment Global Alpha Fund (no longer available)

Insight Investment Japan Equity Fund (no longer available)

Insight Investment Monthly Income Fund

Insight Investment UK Sterling Corporate Bond Fund

Insight Investment UK Discretionary Fund (no longer available)

Insight Investment UK Small Cap Fund (no longer available)

Insight Investment US Equity Fund (no longer available)

**Funds of Insight Investment Discretionary Funds ICVC**

Insight Investment European Alpha Fund (no longer available)  
Insight Investment European Small Cap Fund (no longer available)  
Insight Investment UK Alpha Fund (no longer available)  
Insight Investment UK Equity Income Booster Fund  
Insight Investment Monthly Income Bond Fund  
Insight Investment UK Broad Market Bond Fund  
Insight Investment UK Corporate All Maturities Bond Fund  
Insight Investment UK Corporate Long Maturities Bond Fund  
Insight Investment UK Government All Maturities Bond Fund  
Insight Investment UK Government Long Maturities Bond Fund  
Insight Investment UK Index-Linked Bond Fund

**Funds of Insight Investment Multi-Manager Funds ICVC**

Insight Investment Diversified High Income Fund  
Insight Investment Wealth Builder Balanced Fund  
Insight Investment Diversified Growth Fund  
Insight Investment Wealth Builder Global Growth Fund (not yet available)  
Insight Investment UK Dynamic Managed Fund  
Insight Investment European Dynamic Managed Fund (not yet available)

**Insight Investment Diversified Target Return Fund ICVC**

**2. THE DEPOSITARY**

2.1 The Depositary of the Company is The Royal Bank of Scotland plc, a public limited company incorporated in Scotland under the Companies Act 1985. Its registered office is situated at 36 St Andrew Square, Edinburgh EH2 2YB and head office at Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.

2.2 The ultimate holding company is The Royal Bank of Scotland Group plc which is incorporated and registered in Scotland.

2.3 The Depositary is authorised and regulated by the FSA.

2.4 The Depositary is responsible for the safe-keeping of all the Scheme Property and for fulfilling other duties specified in the FSA Rules which include the taking of reasonable care to ensure that the Company is managed in accordance with those parts of the FSA Rules that concern pricing and dealing in the Shares, allocation of income and compliance with the investment and borrowing powers laid down in the FSA Rules.

**2.5 Depositary Agreement**

The Depositary provides its services under the terms of a Depositary Agreement between the Company and the Depositary (the “Depositary Agreement”) which may be terminated by three months’ notice given by either the Company or the Depositary, provided that the Depositary may not voluntarily retire except on the appointment of a new Depositary. Subject to the Regulations, the Depositary has full power under the Depositary Agreement to delegate (and to authorise its delegates to sub-delegate) all or any part of its duties as Depositary. The Depositary is entitled to the fees, charges and expenses detailed under “Depositary’s Remuneration and Expenses” on pages 22-24.

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

### **3. THE INVESTMENT ADVISER**

3.1 The ACD has appointed Insight Investment Management (Global) Limited whose registered office is at 33 Old Broad Street, London EC2N 1WQ as its investment adviser (“the Investment Adviser”) by an Agreement dated 28 February 2007 (“the Investment Advisory Agreement”).

3.2 The principal activity of the Investment Adviser is the provision of investment management and advisory services.

3.3 Insight Investment Management (Global) Limited is authorised and regulated by the FSA.

#### **3.4 Investment Advisory Agreement**

The Investment Advisory Agreement authorises the Investment Adviser to manage and to act as Investment Adviser for the investment and reinvestment of the assets of the Funds. In the exercise of the ACD’s investment functions it will be allowed complete discretion subject to compliance with the investment objective and policy applicable to each Fund, 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.

Insight Investment Management (Global) Limited has authority to make decisions on behalf of the ACD on a discretionary basis in respect of day to day investment management of that part of the assets of the Company which it manages including

authority to place purchase orders and sale orders with brokers and preparation of a report half yearly for inclusion in the Company's Report for circulation to Shareholders.

The Agreement may not be terminated by either party for five years from the date of appointment of Insight Investment Management (Global) Limited as Investment Adviser, unless the ACD ceases to be the authorised corporate director of the Company or either party commits a material breach of the Agreement. After the expiry of such five year period the Agreement may be terminated by either party on not less than three months' prior written notice or if the ACD ceases to be the authorised corporate director of the Company or if either party commits a material breach of the Agreement.

#### 4. **THE AUDITOR**

The auditor of the Company is KPMG, 8 Salisbury Square, London EC4Y 8BB.

## APPENDIX 3: THE FUNDS AND THEIR PRINCIPAL TERMS AND SHARE CLASSES

### The Initial Fund: Absolute Insight

#### Investment Objective

The investment objective of the Initial Fund is to deliver attractive, positive absolute returns in all market conditions.

#### Investment Policy

The Initial Fund will seek to achieve its objective by investing primarily in shares of the range of sub-funds within Absolute Insight Funds p.l.c., an Irish umbrella UCITS investment company the assets of which are also managed by the Investment Adviser. These sub-funds are absolute return funds which follow a number of different strategies.

The ACD will typically conduct a monthly review and rebalance of the allocation of capital to each strategy.

The Initial Fund may also invest, to the extent permitted by the Regulations, in ancillary liquid assets (including units in collective investment schemes), permitted money market instruments and, from time to time, cash or near cash may be held.

**Valuation Point:** 12pm (noon) on each Dealing Day

**Frequency of Dealing:** Each Business Day

**Price Publication:** on the Insight Investment website: [www.insightinvestment.com](http://www.insightinvestment.com) and by telephoning 0845 777 2233

	<b><i>Class A Shares</i></b>	<b><i>Class Ap Shares</i></b>	<b><i>Class Fp Shares</i></b>	<b><i>Class S Shares**</i></b>	<b><i>Class Sp Shares**</i></b>
<b>Currency of Denomination</b>	Sterling	Sterling	Sterling	Sterling	Sterling
<b>Classes Available</b>	Accumulation	Accumulation	Accumulation	Accumulation	Accumulation
<b>Minimum Investment</b>	£5,000	£5,000	£5,000	N/A	N/A

<b>Minimum Subsequent Investment</b>	£500	£500	£500	N/A	N/A
<b>Minimum Withdrawal</b>	N/A	N/A	N/A	N/A	N/A
<b>Minimum Holding</b>	£5,000	£5,000	£5,000	N/A	N/A
<b>Preliminary Charge</b>	4%	4%	4%	N/A	N/A
<b>Annual Management Charge</b>	1.5%	1.5%	1%	N/A	N/A
<b>Performance Fee</b>	N/A	10% of any out-performance of Hurdle Rate subject to exceeding previous High-Water Mark.  Benchmark: 3 month LIBOR minus 0.125%	10% of any out-performance of Hurdle Rate subject to exceeding previous High-Water Mark.  Benchmark: 3 month LIBOR minus 0.125%	N/A	10% of any out-performance of Hurdle Rate subject to exceeding previous High-Water Mark.  Benchmark: 3 month LIBOR minus 0.125%
<b>Charged to</b>	Income	Income	Income	Income	Income
<b>Annual Income Allocation Date</b>	31 December	31 December	31 December	31 December	31 December
<b>Interim Allocation Date</b>	30 June	30 June	30 June	30 June	30 June
<b>ISA Qualifying</b>	Yes	Yes	Yes	No	No

\*\*Class S Shares and Class Sp Shares will be launched at a later date as determined by the ACD.

Each Share Class is also subject to the General Administration Charge as disclosed above in section 10.5 of this Prospectus.

Class S Shares and Class Sp Shares are only available to investors who have entered in to a separate investment advisory mandate with the ACD or one of its associates.

The ACD (in consultation with the Investment Adviser) may increase, reduce or waive the minimum initial and subsequent investment amounts, the minimum withdrawal and holding amounts and the Preliminary Charge at its absolute discretion in any particular case or cases.

## APPENDIX 4: EXAMPLES SHOWING HOW THE PERFORMANCE FEE WORKS

Examples of how the Performance Fee in respect of the Class Ap Shares, Class Sp Shares and Class Fp Shares is accrued and calculated are set out below. These examples have been designed to illustrate the effect of both positive and negative performance on the payment of a Performance Fee.

**The figures in this section do not constitute any indication by the ACD of the expected performance of the Company in the future. These examples only show the effect on the payment of the Performance Fee to the ACD but not of any other fees or expenses.**

**You should note that the different fee structures in each Share Class are likely to lead to different NAV calculations and prices over time.**

### Examples 1 to 3 show how the Performance Fee is calculated

For simplicity these examples refer to a single price using the following data and on the basis of the proposed 10% Performance Fee on any outperformance over the Hurdle Rate, which is the sterling 3 month LIBOR rate minus 0.125% per annum and in these examples is assumed to be 5%, subject to the previous High Water Mark. Valuation Points occur on a daily basis although the performance fee crystallises on an annual basis.

Valuation Point	31 March 2007	31 March 2008	31 March 2009	31 March 2010
Gross NAV	100.00p	110.00p	99.00p	115.00p
Net NAV	100.00p	109.50p	99.00p	114.40p

### Example 1

Investor A acquires Shares at the Valuation Point on 31 March 2007 at 100.00p. At the Valuation Point on 31 March 2008 the gross NAV has risen to 110.00p or 10% as against the Hurdle Rate of 5% so the Performance Fee is 0.50p (10% of 5.00p). The 0.50p Performance Fee is immediately crystallised resulting in a net NAV of 109.50p. This will result in the High Water Mark rising from 100.00p to 109.50p. The crystallised Performance Fee will be paid to the ACD at the end of the month and will not be set against any subsequent drop in performance of the Company that may occur. An accrual will be made for the AMC in the normal way.

## **Example 2**

At the Valuation Point on 31 March 2009 the gross NAV has fallen to 99.00p. Since this is below the current High Water Mark of 109.50p the Fund has accrued no Performance Fees since 31 March 2008. The net NAV per Share will also be set at 99.00p. The Shares acquired by Investor A at 100p have already incurred a Performance Fee due to their previous increase in value up to 109.50p. The Fund does not reverse this or rebate the Performance Fee when the gross NAV falls as the Performance Fee has already been crystallised. Consequently if Investor A redeems on 31 March 2009 they will receive less than they initially invested and will not receive any rebate for the Performance Fee already paid on the Shares they hold. An accrual will be made for the AMC in the normal way.

## **Example 3**

Investor B acquires Shares at the Valuation Point on 31 March 2009 at 99.00p. At the Valuation Point on 31 March 2010 the gross NAV per Share has risen to 115.00p, an increase of 11.05p against 103.95p (being the Hurdle Rate of 5% applied to the NAV per Share as at 31 March 2009) and 5.50p against 109.50p (being the High Water Mark on 31 March 2008). A Performance Fee is charged, therefore, on the increase of 5.50p between 109.50p (being the “target NAV per Share” as it is the higher of those two figures) and 115.00p. This equates to a charge of 0.55p (10% of 5.50p) resulting in a net NAV per Share of 114.45p. Investor B’s shares will only incur a Performance Fee on that proportion of the NAV per Share which is in excess of 109.50p in line with existing investors but not on the increase in value from 99.00p to 109.50p. The shares acquired by Investor A will not incur a Performance Fee twice for the same period of performance. An accrual will be made for the AMC in the normal way.

## **Examples 4 and 5 show the effect of the Performance Fee on Class Fp Shares in periods of different performance in comparison to the position for Class A Shares**

In each example an investor makes an initial investment of £10,000 and invests for three discrete years. In each case we show the position for Class A Shares and the position for Class Fp Shares with the Performance Fee, assuming a 5% Hurdle Rate.

In Example 4 during those three years the Fund produces a positive return of 10% in year one, 0% in year two and -10% in year three.

In Example 5 the Fund produces a positive return of 10% in each of the three years.

All figures are rounded up or down to the nearest whole number.

#### Example 4

	Year One 10% growth	Year Two 0% growth	Year Three -10% growth
<b>Value at year end</b>			
Class A	£11,000	£10,835	£9,605
Class Fp	£11,000	£10,851	£9,668
<b>AMC payable:</b>			
Class A (1.5%)	£165	£163	£144
Class Fp (1%)	£110	£109	£97
<b>Gross NAV:</b>			
Class A	£10,835	£10,672	£9,461
Class Fp	£10,890	£10,742	£9,572
<b>Performance fee:</b>			
Class A	-	-	-
Class Fp (10%)	£39	Nil	Nil
<b>Net NAV:</b>			
Class A	£10,835	£10,672	£9,461
Class Fp	£10,851	£10,742	£9,572
<b>Total AMC and performance fee paid over 3 years</b>			
Class A	£472		
Class Fp	£354		

#### Example 5

	Year One 10% growth	Year Two 10% growth	Year Three 10% growth
<b>Value at year end</b>			
Class A	£11,000	£11,919	£12,914
Class Fp	£11,000	£11,936	£12,952
<b>AMC payable:</b>			
Class A (1.5%)	£165	£179	£194
Class Fp (1%)	£110	£119	£130
<b>Gross NAV:</b>			
Class A	£10,835	£11,740	£12,720
Class Fp	£10,890	£11,817	£12,822
<b>Performance fee:</b>			
Class A	-	-	-
Class Fp (10%)	£39	£42	£46
<b>Net NAV:</b>			
Class A	£10,835	£11,740	£12,720
Class Fp	£10,851	£11,774	£12,776
<b>Total AMC and performance fee paid over 3 years</b>			
Class A	£537		
Class Fp	£486		

## APPENDIX 5

### HISTORICAL PERFORMANCE

Standardised rolling 12 month performance (% growth). Figures as at 31 December 2009.

Fund name	Period	Period
	31.12.07 – 31.12.08	31.12.08 – 31.12.09
Absolute Insight – Fp Acc	-0.2%	10.5%

NAV to NAV, net income reinvested, unless otherwise stated.

Fund launched in Feb 2007 therefore full five year figures are not available.

Past performance should not be seen as an indication of future performance. The value of investments can fall as well as rise, and you may not get back the amount you originally invested.