

**JTC (Jersey) Limited**  
Manager

**Bridport & co.  
(Jersey) Limited**  
Investment Manager  
Promoter

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**OFFERING MEMORANDUM**

for

**The Optimised Fund PC**

an open-ended collective investment fund established as a protected cell of The Optimised Funds Company PCC, which is a protected cell company with limited liability incorporated in Jersey

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## The Optimised Funds Company PCC

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### OFFERING MEMORANDUM

for

## The Optimised Fund PC

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This Offering Memorandum is issued as an invitation to investors to subscribe for Participating Shares of different classes at the prevailing Subscription Prices on any Dealing Day. Certain persons (including U.S. persons) are not permitted to hold Participating Shares in the Fund (see section 2.11 below).

**If you are in any doubt about the contents of this document you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser.**

The Optimised Funds Company PCC (the "**Company**") was incorporated in Jersey, Channel Islands on 14 March 2008 and is a protected cell company with limited liability incorporated in Jersey under the Companies (Jersey) Law 1991 with registration number 100258. Participating Shares comprise participating redeemable shares in The Optimised Fund PC (the "**Fund**") which is a protected cell of the Company. The Fund constitutes and is regulated as a "collective investment fund" under the Collective Investment Funds (Jersey) Law, 1988.

This Offering Memorandum is prepared, and a copy of it has been sent to the Jersey Financial Services Commission, in accordance with the Collective Investment Funds (Certified Funds – Prospectuses) (Jersey) Order 2012.

The Jersey Financial Services Commission does not take any responsibility for the financial soundness of the Fund or for the correctness of any statements made or expressed in this Offering Memorandum.

The applicant is strongly recommended to read and consider this Offering Memorandum before completing an Application Form.

This Offering Memorandum includes particulars given in compliance with the Listing Rules of the Channel Islands Securities Exchange Authority ("**CISEA**") for the purpose of giving information with regard to the issuer. Participating Shares in the Fund's share classes are listed on the Official List of the Channel Islands Stock Exchange ("**CISE**").

The Fund and its directors have taken all reasonable care to ensure that the facts stated in this Offering Memorandum are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement in this Offering Memorandum, whether of fact or opinion. The Fund and its directors accept responsibility accordingly.

**This Offering Memorandum is dated 4 March 2015**

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## IMPORTANT INFORMATION

The circulation and distribution of this Offering Memorandum (the "**Offering Memorandum**") and any application form ("**Application Form**") and the offering of Participating Shares in the Fund may be restricted in certain jurisdictions. Persons receiving this Offering Memorandum and/or the Application Form and/or more generally any information or documents with respect to or in connection with the Fund must inform themselves about and observe all applicable restrictions. Persons into whose possession this Offering Memorandum, and/or any Application Form and/or any information or documents with respect to or in connection with the Fund, must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases any Participating Shares or possesses this Offering Memorandum or any such information or document and must obtain any consent, approval or permission required under any regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales and none of the Company, the Fund, the Manager or the Investment Manager will have any responsibility therefore.

This Offering Memorandum and/or the Application Form and/or more generally any information or documents with respect to or in connection with the Fund does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

No person receiving in any territory a copy of this Offering Memorandum and/or an Application Form may treat the same as constituting an invitation or offer to him nor should he, in any event, use such Application Form unless in the relevant territory such an invitation or offer could lawfully be made to him without compliance with any registration or other legal requirements. It is the responsibility of any person wishing to take up any entitlement or to make an application hereunder to satisfy himself as to full observance of the laws of the relevant territory in connection therewith, including the obtaining of any government or other consents which may be required, the satisfaction of any other formalities needing to be observed and the payment of any issuance, transfer or other taxes requiring to be paid in such territory.

No person has been authorised to give any information or make any representations, other than those contained in this Offering Memorandum and/or the Application Form, in connection with the offering of Participating Shares and, if given or made, such information or representations must not be relied on as having been authorised by the Fund, the Company, the Manager or the Investment Manager. Neither the delivery of this Offering Memorandum nor the issue of Participating Shares hereunder shall imply that there has been no change in the affairs of the Fund or the Company since the date hereof.

The Fund is governed by the Collective Investment Funds (Jersey) Law 1988, as amended (the "**Funds Law**") and the subordinate legislation made there under. A certificate granted under Article 8B of the Funds Law is in force in relation to the Fund. Each of the Investment Manager, the Manager and the Custodian is registered to conduct "fund services business" under the Financial Services (Jersey) Law 1998 (together with the Funds Law, the "**Laws**"). The Jersey Financial Services Commission is protected by the Laws against liability arising from the discharge of its functions under the Laws.

Neither the admission of the Participating Shares to the Official List nor the approval of this Offering Memorandum pursuant to the listing requirements of the Channel Islands Securities Exchange shall constitute a warranty or representation by the Channel Islands Securities Exchange Authority as to the competence of the service providers or to any other party connected with the listed fund, the adequacy and accuracy of the information contained in this Offering Memorandum or the suitability of the issuer for investment or for any other purpose.

The Optimised Fund  
Offering Memorandum

This Offering Memorandum is issued in respect of a Jersey protected cell company, which is a specialised corporate vehicle. It is therefore recommended, if you are unfamiliar with the nature of Jersey protected cell companies, that you discuss this aspect of the Fund with your usual advisor.

Each potential investor in the Fund is himself solely responsible for ensuring that an investment in Participating Shares is suitable for him and for obtaining any professional advice which is necessary or desirable in order to decide whether to invest in the Fund.

This Offering Memorandum contains summary information only that is necessarily incomplete. Investors are advised to obtain and carefully review copies of the Investment Management Agreement, the Custody Agreement, the Management Agreement and the Articles of the Fund and of the Company.

**Unless you fully understand and accept the nature of the Fund and the potential risks inherent in the Fund you should not invest in the Fund.**

**It should be remembered that the price of Participating Shares can go down as well as up and that Shareholders may not receive on redemption of their Participating Shares the amount they invested. Shareholders will receive no dividends on Participating Shares.**

**No representations or warranties of any kind are intended or should be inferred with respect to the economic return from or the tax consequences of an investment in the Fund. No assurance can be given that existing laws will not be changed or interpreted adversely. Prospective investors are not to construe this Offering Memorandum as legal, investment or tax advice.**

## DIRECTORY

### **The Optimised Fund PC**

Elizabeth House  
9 Castle Street  
St Helier  
Jersey JE4 2QP  
Channel Islands

### **Directors of the Fund**

The Viscount Bridport  
Mr Jason Bell  
Mr Mark Creasey  
Mr Martin Cudlipp

### **Manager, Secretary & Registrar**

JTC (Jersey) Limited  
Elizabeth House  
9 Castle Street  
St Helier  
Jersey JE4 2QP  
Channel Islands

### **CISE Listing Sponsor**

JTC Listing Services Limited  
Elizabeth House  
9 Castle Street  
St Helier  
Jersey JE4 2QP  
Channel Islands

### **Custodian**

BNP Paribas Securities Services S.C.A., Jersey  
Branch, Liberte House,  
19-23 La Motte Street,  
St Helier, Jersey,  
JE2 4SY

### **Legal Counsel as to Jersey Law**

Carey Olsen  
47 Esplanade, St Helier  
Jersey JE1 0BD

### **Investment Manager**

#### **Promoter**

Bridport & Co. (Jersey) Limited  
6 Bond Street  
St Helier  
Jersey JE2 3NP

#### **Auditor**

PricewaterhouseCoopers CI LLP  
Twenty Two Colomberie  
St Helier, Jersey, JE1 4XA

#### **Principal Banker**

BNP Paribas Securities Services S.C.A, Jersey  
Branch, Liberte House, 19-23 La Motte Street, St  
Helier, Jersey, JE2 4SY

The Articles of the Fund provide that the company secretary and registered office of the Fund will at all times be the same as the company secretary and registered office of the Company.

## 1. DEFINITIONS

The following is a list of definitions, which should be read in conjunction with the full text of this Offering Memorandum.

<b>Acceptable Investor</b>	Any person who meets the definition set out in section 2.10 below.
<b>Accounting Date</b>	In respect of the Fund, the last Dealing Day to occur (i) in March 2010 and (ii) in March of each year thereafter. In respect of the Company, 31 March 2010 and 31 March of each year thereafter.
<b>Application Form</b>	An application form and/or subscription agreement as provided by the Investment Manager or Manager in respect of subscriptions for Participating Shares.
<b>Articles</b>	The Memorandum and Articles of Association of the Fund and in respect of the Company, the Memorandum and Articles of Association of the Company.
<b>Asset Pools</b>	The Optimised Pool and the Cash Pool.
<b>Associate</b>	Any corporation which, in relation to the person concerned (being a corporation), is a holding body or a subsidiary of the person or a subsidiary of any such holding body or a corporation (or a subsidiary of a corporation) at least 20 per cent of the issued share capital of which is beneficially owned by the person concerned or an Associate thereof under the preceding part of this definition. Where the person concerned is an individual or firm or other unincorporated body the expression "Associate" shall mean and include any corporation directly or indirectly controlled by such person. In this definition, "holding body" and "subsidiary" shall each have the meaning ascribed to that expression in the Companies (Jersey) Law 1991.
<b>Business Day</b>	A day (except Saturdays and Sundays and public holidays) on which retail banks in Jersey are open for business and/or such other day or days as may be determined from time to time by the Manager.
<b>Cash Pool</b>	The Asset Pool of that name maintained in accordance with the Articles of the Fund. The total value of the Cash Pool, expressed in Pounds Sterling, is allocated between the different Classes of Participating Shares.
<b>CISE</b>	The Channel Islands Securities Exchange.
<b>Class</b>	A class of Participating Shares issued by the Fund.
<b>Class Asset Value</b>	On any Dealing Day, the sum of the Class Cash Value and the Class Optimised Value. The sum of the Class Asset Values for all Classes equals the Net Asset Value.



<b>Class Asset Weighting</b>	For any Class, the proportion of the Class Asset Value which is made up by each of the Class Cash Value and the Class Optimised Value. The Class Asset Weighting may be different for each Class and will determine the extent to which changes in the value of the Optimised Pool affect the Class Share Value and the extent to which changes in the value of the Cash Pool affect the Class Share Value.
<b>Class Cash Value</b>	On any Dealing Day, in respect of any Class, the amount of the Net Cash Value which is allocated to that Class, expressed in Pounds Sterling. The sum of the Class Cash Values for all Classes equals the Net Cash Value.
<b>Class Optimised Value</b>	On any Dealing Day, in respect of any Class, the amount of the Net Optimised Value which is allocated to that Class, expressed in Pounds Sterling. The sum of the Class Optimised Values for all Classes equals the Net Optimised Value.
<b>Class Share Value</b>	For any given Class, on any given Dealing Day, the Class Asset Value for the Class divided by the Outstanding Participating Shares of that Class.
<b>Company</b>	The Optimised Funds Company PCC. A reference to the Company does not include a reference to the Company acting in respect of the Fund.
<b>Custodian</b>	BNP Paribas Securities Services S.C.A., Jersey Branch, Liberte House, 19-23 La Motte Street, Jersey, JE2 4SY.
<b>Custody Agreement</b>	The custody agreement made between the Fund, the Manager and the Custodian.
<b>Dealing Day</b>	Each Business Day specified as a Dealing Day by the Manager in its sole and absolute discretion and with the agreement of the Investment Manager, in accordance with section 4.7 of this Offering Memorandum. The Dealing Days are currently the last Business Day of each calendar month.
<b>Dilution</b>	Any effect on the Net Asset Value (including from any costs incurred, or expected to be incurred, by the Fund) to the extent that it may reasonably be expected to result, or have resulted, from arbitrage, interest rate fluctuations, currency fluctuations, the spread between buying and selling prices of or the illiquidity of the underlying investments or costs arising in other circumstances which may cause the Fund a pecuniary or other material administrative disadvantage.
<b>Directors of the Company</b>	The directors of the Company for the time being and including where applicable any alternate directors.
<b>Directors of the Fund (or Directors)</b>	The directors of the Fund for the time being and including where applicable any alternate directors.

<b>Excluded Person</b>	Any person who: (A) is a "United States Person" within the meaning of Regulation S under the Securities Act of 1933 of the United States, as amended; or (B) is not included in the definition of "Non-United States person" within the meaning of Section 4.7(a)(1)(iv) of the rules of the U.S. Commodity Futures Trading Commission; or (C) is a resident of, is formed or incorporated in or has its principal place of business in the United States (including the United States of America, its territories and possessions, any State of the United States, the District of Columbia, all areas subject to the jurisdiction of the United States and any political sub-division of any of them) or Canada (including Canada, its territories and possessions, any of its Provinces and Territories, all areas subject to the jurisdiction of Canada and any political sub-division of any of them); or (D) belongs to such other classes of persons as are determined by the Directors of the Fund from time to time.
<b>Founders Shares</b>	Non-redeemable shares of no par value each in the capital of the Fund (or, if specified, in the capital of the Company) which carry neither voting rights nor any right to dividends or income.
<b>Fund</b>	The Optimised Fund PC, which is a protected cell of the Company. A reference to the Fund includes a reference to the Company acting in respect of the Fund.
<b>Fund Service Providers</b>	The Manager, the Custodian and the Investment Manager.
<b>Initial Offer Price</b>	For each Class, £1.00 per Participating Share.
<b>Initial Offering Period</b>	For any given Class, the period beginning on (and including) the date of this Offering Memorandum and ending on a date determined by the Directors, being no later than 31 August 2009.
<b>Initial Subscription Price</b>	For a Participating Share, the Initial Offer Price increased by the Subscription Charge.
<b>Investment Management Agreement</b>	The investment management agreement made between the Fund, the Manager and the Investment Manager.
<b>Investment Manager &amp; Promoter</b>	Bridport & co. (Jersey) Limited.
<b>Investment Manager's Group</b>	Bridport & co. (Jersey) Limited, Parkwell Limited, Bridport & cie s.a., Bridport & co a.g. and any Associate of any of them from time to time.
<b>Investment Model</b>	A proprietary quantitative model developed by the Investment Manager to assist it in managing the assets of the Fund.
<b>Investment Objective</b>	The investment objective of the Fund stated in section 3.1 of this Offering Memorandum.
<b>Investment Policy</b>	The investment policy of the Fund as stated in section 3.2 of this Offering Memorandum.
<b>Investment Restrictions</b>	The investment and borrowing restrictions of the Fund as stated in section 3.4 of this Offering Memorandum.

<b>Investment Scheme</b>	Any fund, hedge fund, fund of funds, fund of hedge funds or investment scheme of any type whether open-ended or closed-ended (including funds or collective investment schemes which are not regulated).
<b>Investment Strategy</b>	The investment strategy of the Fund as stated in section 3.3 of this Offering Memorandum.
<b>Listing Sponsor</b>	JTC Listing Services Limited
<b>Management Agreement</b>	The Management Agreement made between the Fund, the Company and the Manager.
<b>Manager</b>	JTC (Jersey) Limited, acting as manager (including company secretary and registrar) and listing sponsor of the Fund and administrator, company secretary and registrar of the Company. The Manager is appointed by the Fund under the Management Agreement.
<b>Market Value Levy</b>	A levy imposed on the redemption of Participating Shares in accordance with the Articles of the Fund which may be levied at such a rate as may be determined by the Directors or the Investment Manager for the purpose of reducing Dilution.
<b>Minimum Holding</b>	That number of Participating Shares which have a total Redemption Price of £10,000 or any lesser amount determined by the Manager from time to time in its absolute discretion, either (i) generally from time to time (provided that any decrease of the amount of the Minimum Holding does not adversely affect any Shareholders registered prior to the change becoming effective, for as long as that Shareholder does not alter the level of his holding); or (ii) on a case by case basis.
<b>Minimum Redemption</b>	That number of Participating Shares which have a total Redemption Price of £1,000 or any lesser amount determined by the Manager from time to time in its absolute discretion either (i) generally from time to time; or (ii) on a case by case basis.
<b>Minimum Subscription</b>	That number of Participating Shares which have a total Subscription Price of £10,000 or any lesser amount determined by the Manager from time to time in its absolute discretion either (i) generally from time to time; or (ii) on a case by case basis.
<b>Minimum Top-up</b>	That number of Participating Shares which have a total Subscription Price of £5,000 or any lesser amount determined by the Manager from time to time in its absolute discretion either (i) generally from time to time; or (ii) on a case by case basis.
<b>Net Asset Value</b>	On any Dealing Day, the sum of the Net Cash Value and the Net Optimised Value.
<b>Net Cash Value</b>	On any Dealing Day, the total value of the Cash Pool expressed in Pounds Sterling and calculated in accordance with the principles set out in the Articles of the Fund and described in section 5 of this Offering Memorandum.

<b>Net Optimised Value</b>	On any Dealing Day, the total value of the Optimised Pool expressed in Pounds Sterling and calculated in accordance with the principles set out in the Articles of the Fund and described in section 5 of this Offering Memorandum.
<b>Optimised Pool</b>	The pool of assets of that name maintained in accordance with the Articles of the Fund. The total value of the Optimised Pool, expressed in Pounds Sterling, is allocated between the different Classes of Participating Shares.
<b>Optimum Participating Shares</b>	One of the initial Classes of Participating Shares. See section 4.2 of this Offering Memorandum.
<b>Outstanding Participating Shares</b>	For any given Class, on any Dealing Day, the total number of Participating Shares of such Class in issue on such Dealing Day. Participating Shares issued or redeemed on a Dealing Day shall, for the purposes of calculating the Outstanding Participating Shares on such Dealing Day, be deemed not to have been issued or redeemed (as the case may be). The Outstanding Participating Shares shall be computed by the Manager and such computation will be final, conclusive and binding in the absence of manifest error.
<b>Participating Shares</b>	Participating redeemable shares of no par value in the capital of the Fund.
<b>Pool Asset Value</b>	In the case of the Optimised Pool, the Net Optimised Value. In the case of the Cash Pool, the Net Cash Value.
<b>Pounds Sterling, GBP or £</b>	The lawful currency of the United Kingdom.
<b>Redemption Dealing Deadline</b>	In respect of any Dealing Day, midday on the Dealing Day. The Manager may, in its sole and absolute discretion, alter the Redemption Dealing Deadline for any or all Dealing Days (and if the Manager determines to bring forward any Redemption Dealing Deadline to any earlier day or time, it shall not implement any such determination until the expiration of one week after notice of such determination has been sent to affected Shareholders).
<b>Redemption Notice</b>	A redemption notice given by a Shareholder in such form as the Manager may from time to time specify.
<b>Redemption Price</b>	For a Participating Share on any Dealing Day, the Class Share Value of the Class to which the Participating Share belongs, reduced by any Market Value Levy, if applicable.
<b>Registers</b>	The register of shareholders of the Fund and the register of shareholders of the Company.

<b>RPI Indexed</b>	In relation to an amount, refers to such amount as increased at the commencement of each calendar year in the same proportion by which the Jersey Retail Price Index for the previous calendar year has increased by reference to the level of such index as at June 2009 (or, in the case of any change to the calculation of or cessation of the Jersey Retail Price Index, increased in such manner as proposed by the Manager and the Investment Manager and approved by the Custodian). No RPI Indexed amount in respect of any calendar year shall be less than the same amount in respect of the previous calendar year.
<b>Shareholder</b>	A holder of Participating Shares.
<b>Shareholder Ordinary Resolution</b>	A resolution passed at a general meeting of the Fund by an affirmative vote of not less than 50% of the votes cast on such resolution by those Shareholders present in person or by proxy.
<b>Special Resolution</b>	A special resolution of the Fund (as defined in the Companies (Jersey) Law 1991).
<b>Subscription Charge</b>	For any Participating Share, an amount determined by the Manager or the Investment Manager, but not exceeding 5% of the Initial Subscription Price or Subscription Price (as the case may be).
<b>Subscription Dealing Deadline</b>	In respect of any Dealing Day, midday on the Dealing Day. The Manager may, in its sole and absolute discretion, alter the Subscription Dealing Deadline for any or all Dealing Days (and if the Manager determines to bring forward any Subscription Dealing Deadline to any earlier day or time, it shall not implement any such determination until the expiration of one week after notice of such determination has been sent to affected Shareholders).
<b>Subscription Price</b>	For a Participating Share on any Dealing Day, the Class Share Value of the Class to which the Participating Share belongs, increased by the Subscription Charge if applicable.
<b>Supplemental Dealing Day</b>	Any additional Dealing Day determined by the Manager at the request of one or more potential investors in the Fund and/or existing Shareholders to permit a subscription for, Switch of or redemption of Participating Shares by such person(s) on a date that would not otherwise be a Dealing Day.
<b>Switching</b>	The exchange of any Participating Shares of one Class for Participating Shares of another Class at the request of the Shareholder. Switching occurs by means of the redemption of the Participating Shares of the original Class and the issue of new Participating Shares of the new Class. No Subscription Charge will be applied to any Switching of Participating Shares.
<b>Switching Notice</b>	A notice given by a Shareholder in such form as the Manager may from time to time specify requesting that any Participating Shares held by the Shareholder be converted from one class to another.
<b>Targeted Risk Classes</b>	Those Classes of Participating Shares identified as Targeted Risk Classes in section 4.2 of this Offering Memorandum.

**Valuation Time**

With respect to any Dealing Day, a date and time determined by the Manager and agreed by the Investment Manager. If the Manager determines in its absolute discretion and with the agreement of the Investment Manager, that there is no price available for any part of the Fund's assets and liabilities on any Dealing Day, then the Manager may determine the Valuation Time to be a time on the first Business Day preceding such Dealing Day, in respect of which the Manager has been able to gather all information needed to compute the Values. In all other circumstances, the Valuation Time will occur on the Dealing Day.

**Values**

The Class Asset Value, Class Cash Value, Class Optimised Value, Class Share Value, Outstanding Participating Shares, Redemption Price and Subscription Price for each Class and the Net Asset Value, Net Cash Value, Net Optimised Value and Pool Asset Value for the Fund.

In this Offering Memorandum, unless there is something in the subject or context inconsistent with such construction:

- (a) where a word or phrase is defined or its construction is provided for, its other grammatical forms have a corresponding meaning;
- (b) words importing the singular number shall be construed as including the plural number and vice versa and words importing one gender only shall be construed as including all genders;
- (c) a reference to a section shall be to the appropriate section of this Offering Memorandum;
- (d) words importing persons shall be construed as including reference to any legal person and to any body corporate, unincorporated association, partnership, limited partnership, trust, unit trust, mutual fund or other collective investment scheme and to the manager or trustee of any such collective investment scheme;
- (e) the word "may" shall be construed as permissive and the word "shall" shall be construed as imperative;
- (f) local time in Jersey shall be used for the purpose of determining days and times of day and opening and close of business;
- (g) the words "in writing" shall be construed as including written, printed, emailed, electronically transmitted or any other mode of representing or reproducing words in a visible form;
- (h) the word "signed" shall be construed as including a signature or representation of a signature affixed by mechanical or other means; and
- (i) references to enactments of any laws or legislation are to such enactments as are from time to time modified, re-enacted or consolidated and shall include any enactment made in substitution for an enactment that is repealed.

## **2. INTRODUCTION AND PRINCIPAL FEATURES**

Unless otherwise specified for a specific Class, the provisions of this Offering Memorandum apply to all Classes. Thus, potential investors in any given Class should refer to provisions of this Offering Memorandum for the specific provisions applicable to such Class.

### **2.1 The Company and the Fund**

The Company is a private protected cell company and the Fund is a public protected cell of the Company.

### **2.2 The Classes**

The Participating Shares of the Fund are divided into Classes. There are currently 6 Classes, described in more detail in section 4.2 of this Offering Memorandum. Additional Classes may be created in the future.

The only difference between each of the Classes is its Class Asset Weighting. As the Asset Pools will perform differently over time, the different Class Asset Weighting of each Class will in turn result in each Class having a different Class Share Value.

For each Class, the Class Asset Value will be affected by the number of Participating Shares of such Class that are subscribed for from time to time, the Class Asset Weighting from time to time and the performance of the Asset Pools from time to time.

### **2.3 The Fund Service Providers**

JTC (Jersey) Limited is the manager (including company secretary and registrar. JTC Listing Services Limited is the listing sponsor.

Bridport & co. (Jersey) Limited is the investment manager and promoter of the Fund.

BNP Paribas Securities Services S.C.A., Jersey Branch, Liberte House, 19-23 La Motte Street, Jersey is the Custodian of the assets of the Fund.

### **2.4 The Asset Pools**

Each Asset Pool is a notional fund to which assets, liabilities, income and expenditure of the Fund may be attributed, allocated, applied and/or charged in accordance with the Articles. All of the assets of the Fund will at all times be allocated to one of the two Asset Pools, being the Optimised Pool and the Cash Pool. A single asset may be allocated between the Asset Pools in specified proportions. All liabilities and all income and expenditure of the Fund will also be attributed or allocated to one or both of the Asset Pools.

All income and other receipts and all liabilities and expenses of the Fund will be allocated between the Asset Pools on the next Dealing Day after they are incurred. To the extent that they arise from or are referable to only one Asset Pool, they will be allocated to that Asset Pool. They will otherwise be allocated between the two Asset Pools in proportion to their Pool Asset Values. The Investment Manager may bear certain costs in relation to the Fund as described in section 6.4.2 (The Investment Management Agreement) of this Offering Memorandum.

## 2.5 Class Asset Weighting

The different Class Asset Weighting of the Classes may give each Class a different risk profile.

For each Class, the Class Asset Weighting between the two Asset Pools:

- (a) will be determined by the Investment Manager on each Dealing Day, principally by reference to the historic volatility and performance of assets that may be included in the Optimised Pool from time to time (see section 3.3.3 (Determination of Asset Allocations for Targeted Risk Classes) of this Offering Memorandum);
- (b) may (and is likely to) change over time; and
- (c) will be affected by changes in the Net Optimised Value and the Net Cash Value.

For each Class, all subscription monies received by the Fund for new Participating Shares in that Class will be allocated to the Optimised Pool and/or the Cash Pool in accordance with the Class Asset Weighting for that Class on the relevant Dealing Day and will increase the Class Optimised Value and/or Class Cash Value accordingly.

Similarly, for each Class, the Redemption Price paid by the Fund upon the redemption of any Participating Shares in that Class will be taken from the Optimised Pool and/or the Cash Pool in accordance with the Class Asset Weighting for that Class on the relevant Dealing Day and will reduce the Class Optimised Value and/or Class Cash Value accordingly.

## 2.6 Changes to Class Asset Weighting

On each Dealing Day (including Supplemental Dealing Days), the Investment Manager:

- (a) shall calculate any changes to the Class Asset Weighting for each Class which have been caused by changes to the Values (and this new Class Asset Weighting shall apply to all subscriptions and redemptions on such Dealing Day); and
- (b) may determine a new Class Asset Weighting for each Class (which will take effect immediately after all subscriptions and redemptions on such Dealing Day have been effected) and effect the necessary changes in the assets of each Asset Pool.

## 2.7 Subscription, Redemption and Switching

Subject to section 5.1.4 (Temporary Suspension of Calculation of Values) of this Offering Memorandum, Participating Shares may be issued, Switched or redeemed on any Dealing Day (and only on a Dealing Day):

- (a) by reference to the relevant Subscription Price (in the case of a subscription), the relevant Redemption Price for the Participating Shares being redeemed and the Subscription Price for the new Participating Shares being issued with no Subscription Charge (in the case of a Switch) and the relevant Redemption Price (in the case of a redemption), in each case as computed for such Dealing Day; and
- (b) provided that (i) in the case of subscription, the relevant Application Form has been received by the Manager before the relevant Subscription Dealing Deadline and (ii) in the case of redemption or Switching, the Redemption Notice or Switching Notice has been received by the Manager before the relevant Redemption Dealing Deadline.



Payment for Participating Shares must be made in Pounds Sterling. The Manager will not issue any Participating Share until the Custodian has confirmed receipt of the Subscription Price in cash and in cleared funds.

Subscriptions from a new investor must be no less than the Minimum Subscription. Subscriptions for additional Participating Shares of any Class from an existing Shareholder must be no less than the Minimum Top-up.

The Shareholder will not be charged any Subscription Charge or other fee for Switching any Participating Shares. Switching of Participating Shares of any Class must be for no less than the Minimum Redemption.

Redemptions of Participating Shares of any Class must be for no less than the Minimum Redemption.

## **2.8 Minimum Holding**

An application for subscription for or for redemption or transfer of any Participating Shares may be rejected if it will result in a Shareholder having a total number of Participating Shares which is less than the Minimum Holding. If an application for redemption may leave the Shareholder having a total number of Participating Shares which is less than the Minimum Holding, the Manager may, in its absolute discretion, accept or reject the application or redeem the whole of that applicant's holding of Participating Shares.

## **2.9 Channel Islands Securities Exchange**

Participating Shares in the share classes of the Fund (as described in section 4.2 (Share Class Descriptions) of this Offering Memorandum), have been admitted to the Official List of the CISE, by way of an offer for subscription.

Neither the admission of the Participating Shares to the Official List nor the approval of this Offering Memorandum pursuant to the listing requirements of the CISEA shall constitute a warranty or representation by the Channel Islands Securities Exchange Authority as to the competence of the service providers to or any other party connected with the Fund, the adequacy and accuracy of the information contained in this Offering Memorandum of the suitability of the Fund for investment or for any other purpose.

This Offering Memorandum includes particulars given in compliance with the Listing Rules of the CISEA for the purpose of giving information with regard to the Fund.

## **2.10 Acceptable Investors**

It has been determined that, with effect from the date of this Prospectus, Participating Shares shall only be offered, sold or transferred to persons (other than Excluded Persons) who fall within the category of Acceptable Investors.

An Acceptable Investor is defined as meeting one or more of the following categorisations:

- (a) a professionally advised investor, being any individual or entity that is making the investment based on investment advice provided to them by a firm licensed or regulated for such purpose; or
- (b) a person, partnership or other unincorporated association or body corporate, whose ordinary business or professional activity includes, or it is reasonable to expect that it includes, acquiring, underwriting, managing, holding or disposing of investments whether as principal or agent, or the giving of advice on investments; or

- (c) an individual who has a net worth, or joint net worth with that person's spouse, greater than \$1,000,000 (or currency equivalent) excluding that person's principal place of residence; or
- (d) a company, partnership, trust or other association of persons which has (or which is a wholly owned subsidiary of a body corporate which has) assets available for investment of not less than \$1,000,000 (or currency equivalent) or every member, partner or beneficiary of which falls within the definition of Expert Investor; or
- (e) a fund service provider to the Fund or an Associate of a fund service provider to the Fund; or
- (f) a person who is an employee, director, consultant or shareholder of or to a fund service provider of the Fund or an Associate of a fund service provider to the Fund, who is acquiring an investment in the Fund as part of his remuneration or an incentive arrangement or by way of co-investment; or
- (g) any employee, director, partner or consultant to or of any person referred to in paragraph b); or
- (h) a trustee of a family trust settled by or for the benefit of one or more persons referred to in paragraphs f) or g); or
- (i) a trustee of an employment benefit or executive incentive trust established for the benefit of persons referred to in paragraphs f) or g) or their dependants; or
- (j) a government, local authority, public authority or supra-national body in Jersey or elsewhere; or
- (k) an investor who makes a minimum initial investment or commitment of \$100,000 (or currency equivalent) in the Fund, whether through the initial offering or by subsequent acquisition.

Capitalised terms used above but not defined shall bear the definitions of those terms published by the Jersey Financial Services Commission.

## **2.11 Excluded Persons**

Participating Shares shall not be offered, sold or transferred to any person that is an Excluded Person.

### **3. INVESTMENT OBJECTIVES AND POLICIES**

#### **3.1 Investment Objective of the Fund**

The Investment Objective of the Fund is to pursue a positive level of real return, irrespective of underlying market conditions.

There is no assurance that the Investment Objective of the Fund will be achieved.

#### **3.2 Investment Policy of the Fund**

The Investment Policy of the Fund is:

- (a) to formulate an optimum asset allocation for the Optimised Pool after analysing the risk and return characteristics of a diverse range of investments across asset classes, with such asset allocation determined by the Investment Manager with the assistance of the Investment Model;
- (b) to invest the Cash Pool only in: (1) money in a current account with, in a deposit account with, or on short term loan to a credit institution, or a subsidiary of a credit Institution which is majority owned by a banking group, having either a short term rating of not less than P2 or a long term rating of not less than A3 from Moody's Investors Service, Inc., or such other similar rating as may be approved by the Custodian from time to time (any such credit institution being an "Approved Bank") which, in each case, either (i) can be withdrawn immediately and without payment of a penalty exceeding more than one month's interest calculated at ordinary commercial rates or (ii) will mature (or can be withdrawn without payment of a penalty) on or before the next ordinary Dealing Day; (2) certificates of deposit issued by an Approved Bank; (3) money market funds in which the Fund's investment can be liquidated without interest penalty on not more than 5 Business Days' notice; and (4) securities which are issued by or on behalf of the government of the United Kingdom; and
- (c) in respect of each of the Targeted Risk Classes, to determine the Class Asset Weighting depending on the maximum risk exposure targeted for that Class, such that each of the Targeted Risk Classes provides a level of performance determined by the targeted level of risk for that Class.

Although the Class Asset Weighting for each of the Targeted Risk Classes will be reviewed on each Dealing Day with the aim that the targeted level of risk is achieved for each Class on each such Dealing Day, there can be no guarantee that the targeted level of risk will be achieved for any Class on such Dealing Day or at any other time. For each of the Targeted Risk Classes, the actual level of risk to which investors in that Class are exposed may at any time be higher or lower than the targeted level of risk for that Class and may be significantly higher.

The Investment Management Agreement requires the Investment Manager to ensure that the Fund is invested in accordance with the Investment Policy.

The Custody Agreement gives the Custodian the right (but not the obligation) to be satisfied that the investment and borrowing limitations set out in the Constitutive Documents and the Offering Memorandum are complied with. In the absence of reasonable cause for believing that instructions in respect of the investments will give rise to non-compliance, the Custodian may be required to carry out all such instructions.

### 3.3 Investment Strategy

#### 3.3.1 Active investment strategies

Subject to compliance with the Investment Policy and the Investment Restrictions, the Investment Manager may invest the Optimised Pool in any individual asset class, or combination of asset classes, as determined by the Investment Manager with the assistance of its Investment Model. The Investment Manager may change the Investment Model from time to time.

The Investment Manager currently intends:

- (a) that its investment strategy for the Fund will not seek to outperform any specific index or other benchmark;
- (b) to pursue an active investment strategy and to determine the allocation of assets for the Optimised Pool with the assistance of its Investment Model;
- (c) to invest the Optimised Pool, where suitable assets are available, in liquid, low cost index tracking funds, listed on recognised investment exchanges and that such investments will be predominantly Exchange Traded Funds ("**ETFs**");
- (d) where the Investment Manager wishes the Fund to gain exposure to a particular asset class, country or sector and where either there is no appropriate index available or there is no ETF in issuance that tracks an appropriate market index, to invest the Optimised Pool in a fund or fund of funds whose investment objectives are such that, in the opinion of the Investment Manager, it is likely that such fund of funds will have a strong correlation with such asset class, country or sector or such index (provided that no more than 15% of the Net Optimised Value shall be invested in this manner, calculated at the date each such investment is made); and
- (e) where the Investment Manager wishes the Fund to gain exposure to a particular bond market index and where no ETF is in issuance that tracks that bond market index, to invest the Optimised Pool in a fund or fund of funds (provided that no more than 30% of the Net Optimised Value shall be invested in this manner, calculated at the date each such investment is made) as in paragraph (d) above, or alternatively to buy one or more Government bonds with a maturity of 10 years (or with a maturity as close as practicable to 10 years, but not longer than 15 years) or to buy one or more Government bonds that either singularly or together will be a close match to the duration of a particular Government bond index.

Further information in relation to the investment strategy of the Investment Manager from time to time is available upon request from the Investment Manager.

#### 3.3.2 Control of Concentration Risk

The Investment Manager intends that, under normal circumstances, the Optimised Pool will be 100% invested in investments and have no allocation to cash. In circumstances where the Investment Model selects less than 10 investments for inclusion, the Optimised Pool shall have a cash allocation of 10% (plus or minus 1%) for each investment less than 10 selected for inclusion, at the time of rebalancing.

#### 3.3.3 Determination of Asset Allocations for Targeted Risk Classes

Each of the Targeted Risk Classes has a specific level of targeted risk, and the Class Asset Weighting for each such Class: (1) will be recalculated and reviewed for each Dealing Day and may be changed on any Dealing Day by the Investment Manager with the aim that on

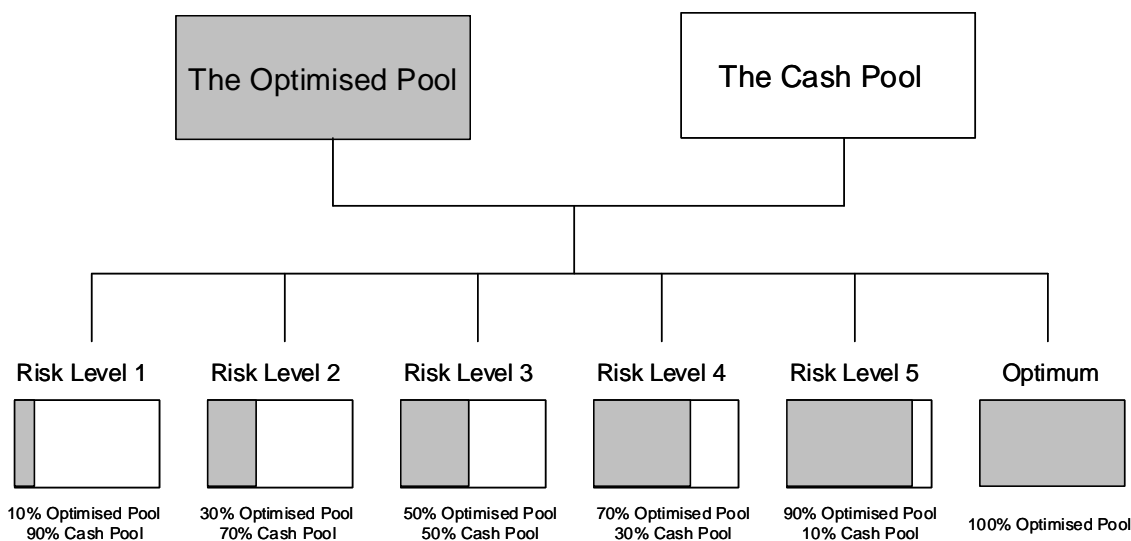
such day, the targeted level of risk is achieved, with such risk being determined primarily on the basis of the historic volatility of the assets in which the Optimised Pool is to be invested, after any rebalancing resulting from a change in any Class Asset Weighting (although the Investment Manager currently does not intend to change the Class Asset Weighting for any Class on Supplemental Dealing Days); and (2) may be reviewed and/or changed at any time (but no person, including the Investment Manager and the Fund, shall be under any obligation to review any Class Asset Weighting other than as provided in part (1) of this paragraph or to change any Class Asset Weighting at any time).

The Class Asset Weighting for each of the Targeted Risk Classes will be determined by the Investment Manager based upon its assessment of the actual and targeted levels of risk for that Class at that time. The Investment Manager will assess such risk primarily on the basis of the volatility in the Optimised Pool (determined principally by reference to the historic level of volatility in the markets in which the assets of the Optimised Pool are to be invested after such rebalancing at that time).

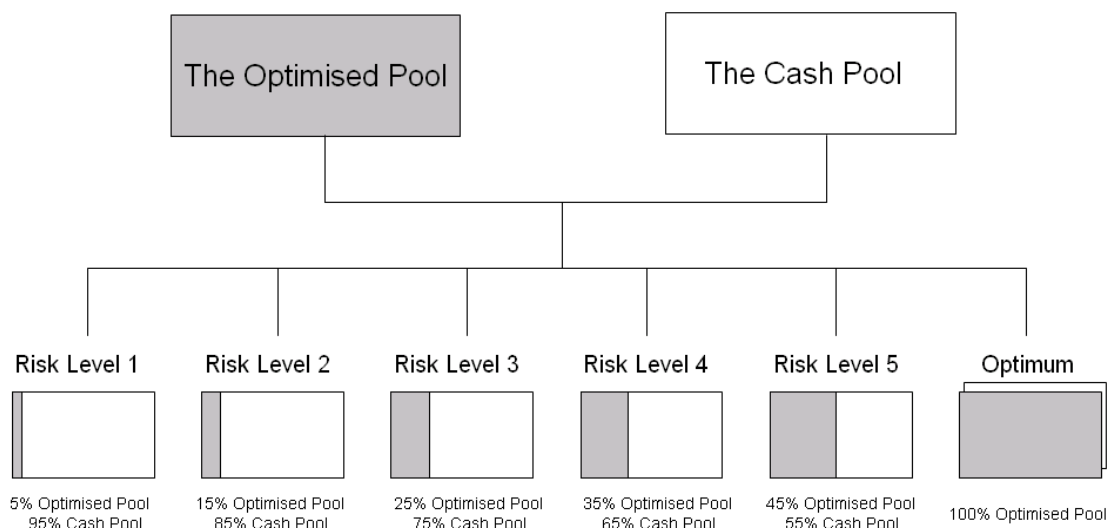
**For any or all of the Targeted Risk Classes, (1) the targeted level of risk may not be achieved when the Class Asset Weighting is reviewed and/or changed by the Investment Manager or at any time thereafter, and (2) the actual level of risk to which the Targeted Risk Class is exposed at any time may be significantly higher or lower than the targeted level of risk for such Class.**

For example:

- (a) if the Investment Manager has determined that the level of volatility in the Optimised Pool on a Dealing Day is 10%, the Class Asset Weighting for each of the Targeted Risk Classes would be as follows:



- (b) if the Investment Manager has determined that the level of volatility in the Optimised Pool on a Dealing Day is 20%, the Class Asset Weighting for each of the Targeted Risk Classes would be as follows:



In the above examples, the Cash Pool is assumed to have a 0% volatility, for demonstration purposes.

### 3.4 Investment Restrictions

In addition to the Investment Objective, Investment Policy and Investment Strategy, the Fund has the following investment restrictions:

- (a) The Fund will not borrow, other than borrowings from time to time for liquidity purposes only which are for periods not exceeding 3 months and of not more than 5% of the Net Asset Value.
- (b) The Fund may not lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person without the prior written consent of the Custodian.
- (c) Only 30% of the assets of The Optimised Pool may be invested in investments which the Investment Manager considers to be higher risk investments. Higher risk investments shall include investments with substantial exposure to "emerging markets", commodities and/or high yield bonds. (For this purpose, "emerging markets" shall include all countries/regions not designated as developed by MSCI Barra. MSCI Barra is a leading provider of investment decision support tools to investment institutions worldwide.)
- (d) The Fund will not enter into any short sale transactions or purchase any assets on terms which may require the making of margin call payments by the Fund, except in either case for hedging purposes. The Fund may not acquire any asset which involves the assumption of any liability which is (i) unlimited or (ii) greater than the value of the asset acquired on the date of acquisition. The Fund may not invest in derivatives (including futures, options and warrants) other than forward currency derivatives entered into for hedging purposes.
- (e) The restriction in paragraph (f) below shall not apply to any investment made by the Fund in any "in-specie ETFs" (in-specie ETFs, otherwise known as "cash based ETFs" or "physical ETFs" are where the ETF holds the underlying securities), where the Investment Manager is satisfied that the in-specie ETF operates on the principle of risk spreading.
- (f) Spread of Investments

- (1) The Fund may not:
  - (i) hold securities issued by any single issuer exceeding 10% of its total Net Asset Value; or
  - (ii) hold more than 10% of any class of security issued by any single issuer.
- (2) The value of the Fund's holding of securities not listed or quoted on a recognised market (being any stock exchange, over the counter market or other organised securities market that operates regularly and is open to the international public and on which such securities are regularly traded, a "**Recognised Market**") may not exceed 15% of its total Net Asset Value.
- (g) Government and other public securities
  - (1) Notwithstanding paragraph (f)(1) above, up to 30% of the total Net Asset Value of the Fund may be invested in Government and other public securities of the same issue.
  - (2) Furthermore, subject to paragraph (g) (1) above, the Fund may invest all of its assets in Government and other public securities in at least six different issues.
- (h) Not more than 10% of the Net Asset Value or US\$1,000,000 (or the equivalent in the base currency of the Fund), whichever is the greater, will be kept on deposit with or on loan to any one person, or any connected company of that person unless that person is an Approved Bank, in which case the maximum may be 20% of the Net Asset Value of the Fund.
- (i) The Fund may not invest in any collective investment scheme which is managed by (or the manager of which is managed by) the Manager or any Associate of the Manager.
- (j) The Fund may not invest in any security of any class in any company or body if at the time the investment is made any director or officer of the Manager or of the Investment Manager owns more than 0.5% of the total nominal amount of all the issued securities of that class or collectively all directors and officers of the Manager or all directors and officers of the Investment Manager own more than 5% of those securities.

### 3.5 Amendment to Investment Objective, Policy, Strategy and Restrictions

The Fund may change the Investment Objective, the Investment Policy, the Investment Strategy and/or the Investment Restrictions at any time, but only: (a) at the request of the Investment Manager and the Manager; (b) in accordance with the procedure described in section 6.11 (Certain other Resolutions) of this Offering Memorandum; and (c) in the case of changes to the Investment Restrictions, with the prior approval of the Jersey Financial Services Commission and after notice has been given to Shareholders.

The Investment Objective, Investment Policy and Investment Strategy of the Fund will not be changed for a period of three years from the date of admission of the Participating Shares to the Official List of the CISE except in exceptional circumstances and then only in accordance with the procedure described in section 6.11 (Certain other Resolutions) of this Offering Memorandum.

### 3.6 Liquidity

Each different Class has a Class Asset Weighting in the Optimised Pool, although the extent of this weighting may differ between Classes and, for any given Class, may change over time. Accordingly, (i) any net subscription for Participating Shares on any Dealing Day may result in additional funds being allocated to the Optimised Pool, which must be invested by the Investment Manager in accordance with the Investment Policy, and (ii) any net redemption of Participating Shares on any Dealing Day may result in the need for the Investment Manager to realise assets of the Optimised Pool in accordance with the Investment Policy, in order to pay the Redemption Price for such Participating Shares.

No cash will be maintained for liquidity purposes (other than small amounts for anticipated expenses). The Investment Manager will endeavour to ensure that the assets of each Asset Pool are sufficiently liquid to permit any necessary redemptions.

### 3.7 Assets of the Optimised Pool

#### 3.7.1 Use of Exchange Traded Funds

It is the current intention of the Investment Manager (without limiting the scope of its discretion) to invest the Optimised Pool predominantly in securities or other investments that track Recognised Market indexes. It is envisaged that the Investment Manager will accomplish this through the use of ETFs. ETFs are securities that allow the holder to obtain exposure to a specific index without having to purchase, manage and arrange custody for all of the components of that index. This means that the Investment Manager can invest in a highly diversified, cost-effective and risk-controlled way (when compared to investing in one component of that index only).

#### 3.7.2 Advantages of ETFs

The Investment Manager believes that some of the main advantages which may be achieved by investing in ETFs can be summarised as follows:

- (a) Controlling costs: ETFs are cost-effective investment products - it only takes one transaction to purchase a fully diversified index;
- (b) Accessibility: ETF prices are quoted continuously allowing investors to buy or sell throughout the trading day;
- (c) Liquidity: Institutions can create or redeem ETF shares according to demand;
- (d) Transparency: ETF portfolio holdings are disclosed daily by the ETF providers; and
- (e) Controlling risk: ETFs can offer an excellent way of gaining diversified exposure to a range of asset classes to avoid concentration risk.

Whilst any ETFs in which the Fund invests may contain the above characteristics, the Investment Manager cannot guarantee that any or all such ETFs will do so.

#### 3.7.3 Holdings other than Exchange Traded Funds

Whilst ETFs are now available which replicate the vast majority of investment indexes, there are occasionally gaps in this coverage. The Investment Manager may, where it believes it to be appropriate, invest the Optimised Pool in other investments such as funds of hedge funds, Government fixed rate or inflation linked bonds, other traditional fund holdings or other assets in an attempt to replicate an index's return.



#### 3.7.4 Investment in cash

In certain circumstances, it may be possible that the Investment Manager, assisted by the Investment Model, does not identify any assets that it considers appropriate for the Optimised Pool. In such circumstances, the Optimised Pool may be invested substantially or entirely in cash and/or other assets in which the Cash Pool may be invested.

## **4. PARTICIPATING SHARES**

### **4.1 General – Classes of Participating Shares**

The Fund may from time to time issue Participating Shares in one or more Classes, the specific characteristics of which are described in section 4.2 of this Offering Memorandum.

Each Class will be valued as more fully detailed in section 5 of this Offering Memorandum.

For any given Class, Participating Shares of such Class may be issued, Switched, or redeemed on any Dealing Day.

### **4.2 Share Class Descriptions**

#### **4.2.1 The Initial 6 Classes**

Each Participating Share shall, upon issue, be designated as belonging to a Class. There are six initial Classes of Participating Shares which are the subject of this Offering Memorandum. These six initial Classes are:

- (a) the Optimum Participating Shares; and
- (b) the "Targeted Risk Classes", being:
  - (1) Risk Level 1 Participating Shares
  - (2) Risk Level 2 Participating Shares
  - (3) Risk Level 3 Participating Shares
  - (4) Risk Level 4 Participating Shares
  - (5) Risk Level 5 Participating Shares

#### **4.2.2 The Targeted Risk Classes seek to target a maximum level of risk as described in section 4.2.4 (The Targeted Risk Classes) of this Offering Memorandum, below. The target risk percentage shown below for each of the Targeted Risk Classes represents the Investment Manager's target level of annual volatility in the markets for the assets to which such Targeted Risk Class is exposed:**

- (1) Risk Level 1 = 1% Risk
- (2) Risk Level 2 = 3% Risk
- (3) Risk Level 3 = 5% Risk
- (4) Risk Level 4 = 7% Risk
- (5) Risk Level 5 = 9% Risk

It is intended that the Optimum Participating Shares will be subject to the highest level of risk and that the Risk Level 5 Participating Shares will be subject to substantially more risk than the Risk Level 1 Participating Shares.

#### 4.2.3 The Optimum Participating Shares

- (a) None of the Cash Pool will be allocated to the Optimum Participating Shares and this Class will have a Class Asset Weighting of 100% to the Optimised Pool.
- (b) The Optimised Pool will be invested as per the Investment Policy for the Optimised Pool. The Investment Policy for the Optimised Pool does not have a risk target, rather it seeks to invest in those assets that are considered by the Investment Model to show the best risk and return characteristics at that point in time.

#### 4.2.4 The Targeted Risk Classes

- (a) Each of the Targeted Risk Classes has its own target maximum level of risk. The estimated level of risk to which each of the Targeted Risk Classes is subject shall be calculated regularly by the Investment Manager (at least monthly) and the Investment Manager may adjust the Class Asset Weighting of each of these Classes with the intention that the level of risk to which each Class is subject is, at the time of the calculation, in line with the targeted maximum level of risk for such Class. The Investment Manager will calculate actual and targeted risk levels based on its assessment of the level of volatility in the Optimised Pool (which it will determine principally by reference to the level of volatility in the markets in which the assets of the Optimised Pool are invested at that time).
- (b) Each of the Targeted Risk Classes will have an allocation of assets in the Optimised Pool. Consequently, it is principally on the basis of the level of risk of the assets within the Optimised Pool that the Investment Manager shall decide the Class Asset Weighting between the Optimised Pool and the Cash Pool for each of these Classes.
- (c) For each of the Targeted Risk Classes: (a) if Investment Manager considers that the level of risk exhibited by the Optimised Pool is less than the target level of risk for that Class, then such Class will have a 100% Class Asset Weighting to the Optimised Pool; and (b) where the level of risk exhibited by the Optimised Pool is above the target level of such Class, then such Class shall be given a Class Asset Weighting to the Cash Pool which is sufficient, in the opinion of the Investment Manager, to achieve the targeted level of risk for that Class, at that time.
- (d) The Class Asset Weighting for each of the Targeted Risk Classes will be determined by the Investment Manager based upon its assessment of the actual and targeted levels of risk for that Class at that time. The Investment Manager will assess such risk primarily on the basis of the volatility in the Optimised Pool (determined principally by reference to the historic level of volatility in the markets in which the assets of the Optimised Pool are to be invested after any rebalancing at that time of assets in the Asset Pools).

**For any or all of the Targeted Risk Classes, (1) the targeted level of risk may not be achieved when the Class Asset Weighting is reviewed and/or changed by the Investment Manager or at any time thereafter, and (2) the actual level of risk to which the Targeted Risk Class is exposed at any time may be significantly higher or lower than the targeted level of risk for such Class.**

### 4.3 Restriction on Ownership – Compulsory Redemption

#### 4.3.1 Restriction on Ownership

The Manager shall be entitled, in its sole and absolute discretion to accept or reject in whole or in part any applications for Participating Shares.

In particular, the Manager may refuse the issue, sale and/or transfer of Participating Shares to:

- (a) any person in breach of the law or requirements of any country or governmental authority including without limitation of the foregoing, any exchange control regulations applicable thereto;
- (b) an Excluded Person or a person who does not qualify as an Acceptable Investor; and/or
- (c) any person or persons in circumstances (whether directly or indirectly affecting such person or persons and whether taken alone or in conjunction with any person or persons connected or not, or any other circumstances appearing to the Manager to be relevant) which, in the opinion of the Manager might result in (i) Shareholders incurring any liability to taxation or suffering any other regulatory, pecuniary, legal or material administrative disadvantages which the Shareholders might not otherwise have incurred or suffered, or (ii) the Fund being required to comply with any registration or filing requirements or any other requirements (such as but not limited to requirements which could, in the opinion of the Manager, affect the Investment Objectives, and/or Investment Policy) in any jurisdiction with which it would not otherwise be required to comply.

The Articles of the Fund contain provisions enabling the Manager to require Shareholders either to redeem their Participating Shares or transfer their Participating Shares (to a Shareholder or to any other investor) if the holding thereof is in breach of any restrictions.

For the avoidance of doubt, any transfer of Participating Shares to a third party is subject to the prior approval of the Manager.

#### 4.3.2 Compulsory Redemption

- (a) The Manager shall have power (but shall not be under any duty) to impose such restrictions in respect of any Participating Shares as it may think necessary or desirable for any purpose including without limitation for the purpose of ensuring that no Participating Shares are acquired, held or redeemed by (or moneys paid on redemption are received by) any person in breach of the law or requirements of any country or governmental authority.
- (b) The Manager is entitled to require the Fund to compulsorily redeem Participating Shares held by any Shareholder the holding of which gives rise to a breach of any applicable laws or requirements in any jurisdiction or may, either alone or together with the Participating Shares held by other Shareholders, in the sole and conclusive opinion of the Manager:
  - (1) prejudice the tax status of the Fund or any Shareholder;
  - (2) cause the Fund or any Shareholder to suffer any regulatory, pecuniary, legal, taxation or material administrative disadvantage; or
  - (3) cause the Fund to be required to comply with any registration or filing requirements or any other requirements (such as but not limited to requirements which could, in the opinion of the Manager, affect any Investment Objectives, and/or Investment Policies) in any jurisdiction with which it would not otherwise be required to comply.
- (c) The Manager is also entitled to require the Fund compulsorily to redeem any Participating Shares held by the following persons or entities:

- (1) any person in breach of the law or requirements of any country or governmental authority including without limitation of the foregoing, any exchange control regulations applicable thereto;
  - (2) an Excluded Person or a person who has acquired Participating Shares following the date of this Prospectus but does not qualify as an Acceptable Investor;
  - (3) any person or persons in circumstances (whether directly or indirectly affecting such person or persons and whether taken alone or in conjunction with any person or persons connected or not, or any other circumstances appearing to the Manager to be relevant) which, in the opinion of the Manager might result in (i) any Shareholder incurring any liability to taxation or suffering any other regulatory, pecuniary, legal or material administrative disadvantages which the Shareholders might not otherwise have incurred or suffered, or (ii) the Fund being required to comply with any registration or filing requirements or any other requirements (such as but not limited to requirements which could, in the opinion of the Manager, affect any Investment Objectives, and/or Investment Policies) in any jurisdiction with which it would not otherwise be required to comply; and/or
  - (4) any person in breach of any restriction referred to in paragraph (a), above.
- (d) The Manager is also entitled to require the Fund compulsorily to redeem all (but not some) of the Participating Shares of any Class where:
- (1) the aggregate amount invested in the Fund or in the Class at any time does not justify or support the continued trading and existence of the Fund or the Class; or
  - (2) in any other circumstances in which the Manager determines in its absolute discretion that such compulsory redemption is in the best interests of the Fund or otherwise desirable.

Any such compulsory redemption shall be carried out in the manner provided for in the Articles and described in section 4.4.9 of this Offering Memorandum.

#### 4.3.3 Consent of Investment Manager

The Manager will not take any action referred to in this section 4.3 without the prior written consent of the Investment Manager unless directed to do so by the Directors of the Fund.

### **4.4 Subscription Procedure**

#### 4.4.1 Application Form

Prospective investors or Shareholders wishing to subscribe for Participating Shares must complete and submit to the Manager the relevant Application Form. The Manager may accept or reject any Application Form in its discretion, including any Application Form which is incomplete or inaccurate. Any Application Form duly given may not be withdrawn without the consent of the Manager, which may be given or withheld in its discretion.

#### 4.4.2 Subscription Price

For any given Class, Participating Shares of such Class will be offered at a price per Participating Share equal to (i) during the Initial Offering Period for such Class, the Initial Subscription Price and (ii) thereafter, in respect of any Dealing Day, the Subscription Price.

For any given Class, the Initial Subscription Price and the Subscription Price shall be computed by the Manager and will be final, conclusive and binding, in the absence of manifest error.

The Minimum Subscription, Minimum Top-up and Minimum Holding are described at sections 2.7 (Subscription, Redemption and Switching) and 2.8 (Minimum Holding) of this Offering Memorandum.

#### 4.4.3 The Initial Offer

For any given Class, applications for subscriptions of Participating Shares during the Initial Offering Period (submitted through Application Forms) and payment in cleared funds of the Initial Subscription Price per subscribed Participating Share must be received by the Manager on or before the last Business Day of the Initial Offering Period. With respect to the initial offer of Participating Shares, subscription monies received by the Manager during the Initial Offering Period may be (but shall not be required to be) invested by the Investment Manager but only in money market instruments or cash deposits in Pounds Sterling until the end of the Initial Offering Period. Any interest earned on such monies shall be added to the Fund for the benefit of all Shareholders. Participating Shares for which Application Forms have been received and accepted during the Initial Offering Period shall be issued on the last Business Day of the Initial Offering Period or within 3 Business Days thereafter.

#### 4.4.4 The Continuing Offer

After the Initial Offering Period, Participating Shares will be issued only on a Dealing Day.

(a) Any application for subscription for Participating Shares of any Class:

- (1) must be submitted through one or more Application Forms and must be received by the Manager on or before the Subscription Dealing Deadline; and
- (2) either (i) payment in cleared funds of the Subscription Price per subscribed Participating Share or (ii) evidence (which may take the form of a bank guarantee) satisfactory to the Manager that such Subscription Price will be received by the Manager and available for investment into the Fund on the relevant Dealing Day, must be received by the Manager on or before the Subscription Dealing Deadline;

in order for the application to be executed on the relevant Dealing Day (i.e. for the avoidance of doubt, on the Dealing Day that immediately follows such Subscription Dealing Deadline) at the Subscription Price computed on such Dealing Day.

(b) In relation to any application for subscription for Participating Shares of any Class submitted through an Application Form:

- (1) if the Application Form is received by the Manager after the Subscription Dealing Deadline; or
- (2) if the Manager does not receive either of the following before the Subscription Dealing Deadline: (i) (in a case where the Manager has not agreed to such Subscription Price being paid after the Subscription Dealing

Deadline) payment in cleared funds of the Subscription Price per subscribed Participating Share or (ii) evidence (which may take the form of a bank guarantee) satisfactory to the Manager that such Subscription Price will be received by the Manager and available for investment into the Fund on the relevant Dealing Day; or

- (3) in any case where the Manager has agreed to such Subscription Price being paid after the Subscription Dealing Deadline but such Subscription Price is not in fact received by the Manager and available for investment into the Fund on the relevant Dealing Day;

the application will be dealt with on the Next Dealing Day at the Subscription Price computed on such Next Dealing Day. For the purpose of this section 4.4.4, "Next Dealing Day" means the second Dealing Day that immediately follows such Subscription Dealing Deadline (excluding any Supplemental Dealing Day, except to the extent that it applies to the person(s) who requested it).

- (c) Any subscription monies held by the Manager may be (but shall not be required to be) held in interest bearing bank accounts in Pounds Sterling until the Dealing Day on which the application is dealt with. Any interest earned on such monies shall be added to the Fund for the benefit of all Shareholders.

#### 4.4.5 Applications under the Initial Offer and the Continuing Offer

Applications for subscription are subject to the terms specified in this Offering Memorandum and the Application Form.

Only persons who are (i) Acceptable Investors and (ii) neither Excluded Persons or within any other category of persons referred to in section 4.3.1 (Restriction on Ownership) of this Offering Memorandum may subscribe for Participating Shares. Participating Shares may only be issued in the names of companies, partnerships, entities, institutions, or individuals. Further, Participating Shares purchased for those under 18 years of age must be registered in the name of the parent or legal guardian.

Applications for subscription for Participating Shares must be given by indicating an amount of cash denominated in Pounds Sterling.

Payment for Participating Shares must be made in Pounds Sterling. The Manager will not issue any Participating Share until the Custodian has confirmed receipt of the Subscription Price in cash and in cleared funds.

Any application for subscription for Participating Shares may be rejected or scaled down in the absolute discretion of the Manager. Where scaled down or rejected, subscription monies not invested in Participating Shares and received by the Fund will be returned to the account from where the monies were initially paid, without interest.

The Manager may at its discretion satisfy any subscription request by procuring the transfer to an applicant of Participating Shares provided that such transfer is carried out at a price per subscribed Participating Share no greater than the Subscription Price on the relevant Dealing Day.

All fully paid Participating Shares are to be issued free from all liens and the Participating Shares of each Class are capable of trading on an equal basis.

#### 4.4.6 Form of Holding

The Registers will be kept by the Manager. The name and address of each Shareholder will be entered into the Register in respect of the Fund. Participating Shares will be issued in registered form. The Registers may be inspected at the registered office of the Fund. It

should be noted that the Register in respect of the Fund, which contains details of each Shareholder and its respective holdings, is open to the public for inspection under Jersey law. The Manager may, at its discretion, permit the issue, redemption or transfer of fractions of Participating Shares.

No certificates will be issued.

#### 4.4.7 Anti-Money Laundering

Measures aimed towards the prevention of money laundering may require a detailed verification of the identity of any person applying for the issue of Participating Shares. Depending on the circumstances of each such application, a detailed verification might not be required where the application is made through a recognized intermediary and the recognized intermediary confirms that it has carried out such detailed verification. This exception will only apply if such intermediary is within a country recognized as having sufficient anti-money laundering regulations.

By way of example an individual may be required to produce a copy of a passport or identification card duly certified by a notary public, together with evidence of his/her address such as a utility bill or bank statement and date of birth. In the case of corporate applicants this may require production of information specified by the Manager, which may include a certified copy of the certificate of incorporation (and any change of name), and of memorandum and articles of association (or equivalent), and of names, occupations, dates of birth and residential and business addresses of all directors. Original or certified copies of documents may need to be produced to the Manager.

The Manager reserves the right to request such information as it considers necessary to verify the identity of an applicant. In the event of a delay or failure by the applicant to produce any information required for verification purposes, the Manager may refuse to accept the application and subscription monies or return subscription monies (less expenses) if Participating Shares are issued and information required is not produced. It is further acknowledged that the Fund, the Company and each of the Fund Service Providers shall be held harmless by the applicant against any loss arising as a result of a failure to process the subscription if such information requested by the Manager has not been provided by the applicant or if such information provided to the Manager is inaccurate, incomplete or misleading.

#### 4.4.8 Data Protection

The information that a potential investor or Shareholder who is a natural person (an "investor") provides in any Application Form or in any way by whatever means and whether in relation to an application for Participating Shares or otherwise (together "personal data") will be held, controlled and processed by the Manager (as data controller) in confidence and in accordance with its obligations under the Data Protection (Jersey) Law 2005. Each investor consents to its personal data being disclosed to, held and processed by the Fund, the Auditors, the Custodian, the Investment Manager, any group company, delegate or appointee of or service provider or advisor to the Manager and/or any of foregoing, the investor's financial adviser (where appropriate), and/or any judicial, governmental, administrative or regulatory bodies for any of the following purposes:

- (a) to comply with any statutory or regulatory requirements applicable to or in-house procedures of any such person (including under anti-money laundering legislation and/or to verify the identity of the investor for the purpose of preventing fraud or other financial crime);
- (b) to manage or administer the investor's holdings in the Fund and any related account on an ongoing basis, to operate the Company and Fund or to carry out statistical analysis or market research;



- (c) to verify the identity of the Company or Fund in connection with any actual or proposed investments of the Fund or for any purpose which the Manager considers is in the legitimate business interests of the Company or Fund; and/or
- (d) for any other specific purpose to which the investor has given specific consent.

Any such disclosure of personal data shall be in accordance with the obligations of the Manager under the Data Protection (Jersey) Law 2005.

Each investor acknowledges that in the course of the processing and disclosure described above its personal data may be transferred to entities situated or operating in countries outside of the Channel Islands and the European Economic Area and that such countries may not have data protection laws equivalent to those in Jersey. The Manager will, where required to do so by law or where it considers appropriate, implement contracts which seek to ensure that any such entity is contractually bound to provide an adequate level of protection in respect of the personal data transferred to it.

#### 4.4.9 Other information

The Articles of the Fund provide that the Directors of the Fund may at their absolute discretion serve notice on any Shareholder requiring that Shareholder to disclose to the Fund (i) the identity and residence of any person (other than the holder) who has an interest in the Participating Shares held by such Shareholder and the nature of any such interest and/or (ii) any other information which the Directors believe in their absolute discretion to be necessary or desirable for the Fund or any Fund Service Provider to comply with any law, business or regulatory practice or guideline, policy or request of a governmental, regulatory, administrative or judicial body or to conduct its business more effectively. Any such notice shall require any information in response to such notice to be given within such reasonable time as the Directors of the Fund may determine. If any Shareholder is in default in supplying to the Fund the information required by the Fund within the prescribed period, the Directors of the Fund may at their absolute discretion serve a direction notice on the Shareholder on such terms as they think fit. The direction notice may direct that in respect of the Participating Shares in respect of which the default has occurred (the "default shares") the Shareholder shall not be entitled to vote in any (or any specified) meetings. Where the default shares represent at least 0.25% of the Class of Participating Shares concerned, the direction notice may additionally direct that no transfer of the Participating Shares shall be registered or redemption of the Participating Shares effected until the default is rectified.

#### 4.4.10 No underwriting without Custodian's consent

No person shall be allowed to enter on behalf of the Fund into underwriting or sub-underwriting contracts without the prior consent of the Custodian and unless the Fund or the Manager confirms in writing that all commissions and fees payable to the Manager under such contracts and all Investments acquired pursuant to such contracts shall form part of the assets of the Fund.

## 4.5 Redemption Procedure

### 4.5.1 Redemption Price

Participating Shares redeemed on any Dealing Day shall be redeemed at a price per Participating Share equal to the Redemption Price for that Dealing Day. The calculation of the Redemption Price may be subject to the deduction of a Market Value Levy, being a charge which may be levied at such a rate as may be determined by the Directors or the Investment Manager for the purpose of reducing Dilution in respect of any redemption of Participating Shares.

Settlement of the Redemption Price shall be in cash denominated in Pounds Sterling, except where and to the extent that the Manager and the redeeming Shareholder agree to payment in specie from the assets of the Fund.

For any given Class, the Redemption Price shall be computed by the Manager and will be final, conclusive and binding, in the absence of manifest error.

The Manager shall endeavour to arrange settlement of the Redemption Price in Pounds Sterling within five (5) Business Days immediately following the relevant Dealing Day, by bank transfer or as otherwise provided in the relevant Redemption Notice. No interest shall be paid on any Redemption Price amount regardless of the date or dates on which it is paid. Any costs incurred by the Manager in transferring any redemption monies will be deducted from those redemption monies (including the costs of making payment in a currency other than Pounds Sterling, if permitted by the Manager).

The Minimum Redemption and Minimum Holding are described at sections 2.7 (Subscription, Redemption and Switching) and 2.8 (Minimum Holding) of this Offering Memorandum.

The payment of any Redemption Price (i) shall at all times be subject to any requisite official consents first having been obtained and to the Shareholder providing such information and documents as the Manager shall in its absolute discretion require; and (ii) shall generally only be made to the account from which any subscription monies were paid by the Shareholder and shall generally not be made to third parties.

### 4.5.2 Redemption Process

Shareholders wishing to redeem all or part of their holding of Participating Shares must complete and submit a form of Redemption Notice to the Manager. The Manager may, in its discretion, accept or reject any Redemption Notice which is incomplete or inaccurate. Any Redemption Notice duly given may not be withdrawn without the consent of the Manager, which may be given or withheld in its discretion.

Subject as hereinafter provided, Participating Shares are redeemable only on each Dealing Day.

A Redemption Notice must be received by the Manager on or before the Redemption Dealing Deadline, in order to be executed on the relevant Dealing Day (being the Dealing Day immediately following such Redemption Dealing Deadline), at the Redemption Price computed on such Dealing Day.

If a Redemption Notice is received by the Manager after such Redemption Dealing Deadline, it will be dealt with on the Next Dealing Day at the Redemption Price computed on such Next Dealing Day. For the purpose of this section 4.5.2 "Next Dealing Day" means the second Dealing Day that immediately follows such Redemption Dealing Deadline (excluding any Supplemental Dealing Day, except to the extent that it applies to the person(s) who requested it). A Redemption Notice may be given by indicating either the

amount in cash denominated in Pounds Sterling or the number of Participating Shares to be redeemed.

Notwithstanding the foregoing and except as otherwise specified in this Offering Memorandum, with respect to any given Shareholder in any given Class, a Redemption Notice may only be given for the equivalent of an amount at least equal to the lesser of (i) the Minimum Redemption and (ii) the total value of such Shareholder's holding.

For the avoidance of doubt, the Manager may in its discretion treat any Redemption Notice not complying with the foregoing as having no effect and disregard it.

The Manager may at its discretion satisfy any Redemption Notice by procuring the purchase by the Manager or the Investment Manager from the Shareholder of the relevant Participating Shares provided that such purchase is carried out at a price no less than the Redemption Price on the relevant Dealing Day.

#### 4.5.3 Suspension of Redemption

The attention of potential investors and Shareholders is drawn to the fact that during any period of suspension of the calculation of the Values, no subscriptions or redemptions of any kind may be effected in respect of any Participating Shares. See section 5.1 (Calculations on each Dealing Day) of this Offering Memorandum for more details.

## 4.6 Transfer Procedure

The Articles provide as follows:

- (a) All transfers of Participating Shares shall be effected by transfer in writing in any usual or common form in use in Jersey or in such other form as the Manager may allow.
- (b) The instrument of transfer of a Participating Share shall state the full name and address of (and, if required by the Manager, the nationality of and such other information as the Manager may require in connection with) the transferor and the transferee and be signed by or on behalf of the transferor and (in the case of partly paid Participating Shares, if any) by the transferee also. The transferor shall be deemed to remain the holder of the Participating Share to be transferred until the name of the transferee is entered in the Register in respect thereof.
- (c) No transfer of Participating Shares may be effected without prior approval of the Manager and the Manager may, in its absolute discretion and without assigning any reason therefore, decline to register any transfer of Participating Shares. For so long as any Participating Shares are listed on the Official List of the CISE, the Manager may not exercise this discretion to decline to register any transfer of Participating Shares where this would prevent dealings in such Participating Shares from taking place on an open and proper basis.
- (d) The registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine, provided that such registration of transfers shall not be suspended for more than thirty days in any year.
- (e) All instruments of transfer which shall be registered shall be retained by the Fund, but any instrument of transfer which the Directors may decline to register shall (except in the case of fraud) be returned to the person depositing the same.

There are no pre-emption rights for current Shareholders. The purchasers of a Participating Share may be existing Shareholders or third parties.

There may be no transfer which would result in the transferee or transferor holding fewer Participating Shares than the Minimum Holding described at section 2.8 (Minimum Holding) of this Offering Memorandum, or which would result in a transfer being made to any person that is not an Acceptable Investor or that is an Excluded Person or which would otherwise be in contravention of any of the restrictions described in section 4.3 (Restriction on Ownership – Compulsory Redemption) of this Offering Memorandum.

#### **4.7 Dealing Days**

The Manager may, if it determines in its sole and absolute discretion and with the agreement of the Investment Manager:

- (a) change the frequency or date of Dealing Days, provided that Dealing Days occur at least once in every calendar month, in which case, Shareholders will be given notice of not less than one month or (if greater) such period as would ensure that at least two Dealing Days (not including any Supplemental Dealing Days) occurs between the date of the notice and the date on which such change to the frequency or date of Dealing Days becomes effective (provided that no more than 5 Business Days' notice shall be required at any time that the determination of the Values has been suspended for a period exceeding 2 months). A change to the frequency or date of Dealing Days may be made under this paragraph (a) at any time and in any circumstances but a temporary change may only be made: (1) in exceptional circumstances, having regard to the interests of holders; and (2) with the approval of the Custodian; and/or
- (b) at the request of one or more persons, and with the approval of the Custodian, designate any Business Day as a Supplemental Dealing Day for such person(s). Only applications to subscribe for, to Switch or to redeem Participating Shares which are received from the person(s) who requested the Supplemental Dealing Day will be processed on such Supplemental Dealing Day and all other such applications will be processed on the next ordinary Dealing Day. The Manager will only permit subscriptions for, Switching of or redemptions of Participating Shares on a Supplemental Dealing Day to the extent that they will not have any material adverse effect on other Shareholders. Neither the Manager nor the Investment Manager, nor any director or Associate of either of them, may request a Supplemental Dealing Day.

## **5. VALUATION, NO DIVIDENDS AND EXPENSES**

### **5.1 Calculations on each Dealing Day**

#### **5.1.1 Determination of Values**

In respect of each Dealing Day (including each Supplemental Dealing Day), the Manager shall:

- (a) determine the Values for such Dealing Day in Pounds Sterling as at the Valuation Time for such Dealing Day, with each of the Values rounded to the nearest £0.0001;
- (b) having determined the Values, notify the CISEA of the Class Asset Value and the Class Share Value of each Class and the Net Asset Value of the Fund as soon as practicable thereafter.

#### **5.1.2 Subject as hereinafter provided, the Pool Asset Value of each of the Asset Pools shall be determined:**

- (a) in Pounds Sterling and shall be equal to difference between (1) the value of the gross assets of the Fund comprised in or attributable to the relevant Asset Pool as at the relevant Valuation Time and (2) the value of the gross liabilities of the Fund comprised in or attributable to the relevant Asset Pool as at such Valuation Time;
- (b) on the basis of the prices of all the assets and liabilities attributable to the Asset Pool, as determined by the Manager in accordance with the principles as set out below, available at the relevant Valuation Time (provided that the Manager, in its absolute discretion, may permit some other method or principles of valuation to be used if it considers that such method of valuation more accurately reflects the fair Pool Asset Value);
- (c) on the basis that the gross assets of the Fund comprised in or attributable to the relevant Asset Pool shall include the aggregate of all investments held, financial instruments owned and contracts entered into and the sum of any cash and accrued interest comprised in or attributable to the Asset Pool; and
- (d) on the basis that the gross liabilities of the Fund comprised in or attributable to the relevant Asset Pool shall include the aggregate of all its liabilities comprised in or attributable to the Asset Pool including any contracts entered into, any borrowings, any accrued expenses, any contingencies for which the Manager determines reserves are required and any other expenses.

#### **5.1.3 Method of Valuation**

The valuation of any of the assets and/or liabilities of the Fund shall be made in the following manner and shall be final, conclusive and binding for all in the absence of manifest error:

- (a) The value of any security, financial instrument or contract negotiated or listed on any exchange will be determined on the basis of the mid-price (being the mean of the bid-price and offer-price) at the relevant Valuation Time.

- (b) The value of any security, financial instrument or contract negotiated on any organized market will be based on the last mid-price available (being the mean of the last bid-price and offer-price available) at the relevant Valuation Time.
- (c) The value of participating shares or units of collective investments schemes will be based on the last mid-price available (being the mean of the last bid-price and offer-price available) from the undertakings for collective investments concerned (or any other publicly available source chosen by the Manager) at the relevant Valuation Time.
- (d) Where at any Valuation Time, the Fund is exposed to securities, financial instruments or contracts which are not negotiated or listed on an exchange market or organized market, or where (1) the price determined in compliance with subparagraphs (a) to (c) above for any such security, financial instrument or contract is, in the opinion of the Manager, not representative of the fair value of the said security, financial instrument or contract or (2) the price of such security, financial instrument or contract is not available, then in any such case:
  - (1) such securities, financial instruments or contracts will be valued on the basis of the probable liquidation price which shall be estimated prudently and in good faith by the Manager; and
  - (2) the Investment Manager may require the Manager to invoke the provisions of section 5.1.4 of this Offering Memorandum (Temporary Suspension of Calculation of Values).
- (e) All other securities, financial instruments or contracts shall be valued at their fair market value based on their foreseeable realization value.

In a case where, for the valuation of a security, financial instrument or contract of the Fund, there are differences between the prices provided to the Manager by third parties, the Manager shall determine the value of such security, financial instrument or contract prudently and in good faith.

For the purposes of the calculation of the Values, all income, other receipts, expenses and liabilities (including all fees payable to the Fund Service Providers) shall be taken into account and accrued on each Dealing Day.

The value of assets of the Fund not listed or quoted on a Recognised Market shall be determined by a professional person or firm approved by the Custodian as qualified to value such investments and such professional person may, with the approval of the Custodian, be the Manager (or any Associate of the Manager) or the Directors of the Fund.

#### 5.1.4 Temporary Suspension of Calculation of Values

The Manager may, with the agreement of the Investment Manager, suspend the determination of the Values in exceptional circumstances, having regard to the interests of Shareholders. Such circumstances may (without limitation) include the following:

- (a) during any period when any stock exchange or market (organized or not), on which any of the securities, financial instruments or contracts the Fund holds or is exposed to, are listed, quoted or negotiated, is closed for a reason other than for ordinary holidays and as the case may be weekends, or during which dealings therein are restricted or suspended, or where for any part of the securities, financial instruments or contracts the Fund is exposed to, listed, quoted or negotiated on such exchanges or markets, there are no available prices or counterparts or a restriction or suspension of dealings, or more generally a lack of liquidity; and/or

- (b) during any period subsequent to an emergency situation as a result of which the Fund is not able to dispose of securities, financial instruments or contracts attributable to it, or is only able to do so under conditions seriously prejudicial to Shareholders, or the Manager is not able to perform a proper valuation thereof, or is only able to do so in a manner seriously prejudicial to Shareholders; the Manager shall determine in its sole and absolute discretion whether such an emergency situation has occurred; and/or
- (c) during any period when there is a breakdown in the means of communication, information or calculation, normally employed in determining the price or value of any securities, financial instruments or contracts the Fund is exposed to, the current prices in any exchange or market as aforesaid, or when for any other reason the price or value of any of the securities, financial instruments or contracts the Fund is exposed to cannot reasonably be promptly and accurately ascertained; and/or
- (d) during any period when the Fund is unable to repatriate funds in order to pay for the redemption of Participating Shares or during which, in the opinion of the Investment Manager, it is impossible to transfer funds necessary for the liquidation or acquisition of investments or payments necessary to redeem Participating Shares (including but not limited to the imposition of, or any change in, any exchange controls, capital restrictions or other similar restrictions imposed by any monetary authority or other authority, de facto or de jure), under normal conditions; and/or
- (e) if any Fund Service Provider or any other service provider to the Fund is unable to perform its duties or functions where such inability is caused by or is directly or indirectly due to war damage, the act of any Government or other competent authority, civil commotion, rebellion, storm, tempest, fire, accident or any other event which is beyond the control of such person.

The attention of potential investors and Shareholders is drawn to the fact that during any period of suspension of the calculation of the Values, no subscriptions or redemptions of any kind may be effected in respect of any Participating Shares. Any Application Form, Switching Form or Redemption Notice (as the case may be) in respect of a Dealing Day during any period of suspension shall be executed on the Dealing Day next following the end of such suspension at the Subscription Price and/or Redemption Price (as the case may be) prevailing on such next following Dealing Day. For the avoidance of doubt, no such Application Form, Switching Form or Redemption Notice shall be capable of being withdrawn during a period of suspension or otherwise without the consent of the Manager, which it may give or withhold in its discretion. All reasonable steps will be taken to bring any such period of suspension to an end as quickly as practical. Such steps may include the designation of a Supplemental Dealing Day and/or a change to the dates on which Dealing Days occur.

## **5.2 No Right to Dividends**

The Participating Shares carry no right to receive any dividends.

## **5.3 Charges, Expenses and Fees**

### **5.3.1 General**

Any expense or liability of the Fund may be amortised over such period as the Directors may determine and the Directors may at any time and from time to time determine to lengthen or shorten any such period. Subject to applicable law, on any issue of shares the Fund may pay any brokerage or commission of such amount as may from time to time be determined by the Directors.

### 5.3.2 Organizational and Initial Offering Expenses

Certain costs and expenses associated with the establishment of the Company and the Fund including, without limitation, CISEA listing fees, government incorporation charges, fees relating to professional fees and expenses in connection with the preparation of this Offering Memorandum and the preparation of its constitutional documents, certain costs and expenses incurred by the Fund Service Providers in the execution of their duties and such other expenses as are authorised pursuant to the Investment Management Agreement, the Management Agreement and/or the Custody Agreement have been or will be paid by the Investment Manager and charged to (and paid by) the Fund over a five year period. Although expected to exceed £100,000, a maximum of £100,000 will be charged to the Fund for such costs and expenses.

The Investment Manager may bear certain costs in relation to the Fund as described in section 6.4.2 (The Investment Management Agreement) of this Offering Memorandum.

### 5.3.3 Other Operating Expenses

The custody, operating, legal, accounting, secretarial, bookkeeping, insurance and auditing expenses of the Company and of the Fund will be applied to and borne by the Fund. Such expenses may include, in particular without limitation, administrative costs, licensing and filing expenses, income taxes, withholding taxes, transfer taxes, marketing costs, registration costs, the cost of maintaining the registration with all government and stock market authorities with respect to the Classes, the cost of printing and distributing this Offering Memorandum, application forms, redemption notices, any annual or other reports, certain costs and expenses incurred by the Directors of the Fund, the Directors of the Company and the Fund Service Providers in the execution of their duties and such other expenses as are authorised in the Articles, the Investment Management Agreement, the Management Agreement and/or the Custody Agreement. The fees of the Fund Service Providers shall be paid from the assets of the Fund.

Transactional expenses, such as but not limited to, brokerage commissions (including inter alia commissions and any other expenses due to brokers), related third party expenses, exchange, clearing and regulatory expenses, duties, levies and fees of the agents of the Custodian will be applied to the Fund.

Expenses shall be allocated as set out in section 2.4 of this Offering Memorandum.

### 5.3.4 Investment Manager

The Investment Management Agreement provides that the Fund shall pay the Investment Manager such fees as are agreed between the Fund and the Investment Manager from time to time. At the date of this Offering Memorandum, the following such fees have been agreed:

- (a) an annual fee equal to 1.5% of the Net Asset Value of the Fund which is payable monthly in arrears; and
- (b) in respect of any period during which any employee or director of any member of the Investment Manager's Group acts as a Director of the Fund and does not charge a fee for so acting, a fee of £10,000 per annum (such amount to be RPI Indexed) for each such Director (or a proportionate amount for any period less than a year), which is only payable on and from the beginning of the first financial year that the Fund has assets under management of £100,000,000.

The Fund may increase the fees payable to the Investment Manager in accordance with section 6.11 (Certain other Resolutions). The Fund may also pay certain brokerage fees to the Investment Manager - see section 6.8 (Transactions with Connected Persons) for more information.



### 5.3.5 Manager

The Management Agreement provides that the Fund shall pay the Manager such fees as are agreed between the Fund and the Manager from time to time. The fees payable to the Manager pursuant to the Management Agreement are, at the date of this Offering Memorandum:

- (a) an establishment fee of £10,000 and a fee of £3,000 for all work in connection with listing the six initial Classes of Participating Shares on the CISE, payable in advance;
- (b) a fee payable monthly in arrears not exceeding 11 basis points (0.11%) calculated on the Net Asset Value, subject to minimum annual fees of £49,500 in the first year, £59,500 in the second year and £100,000 in the third year;
- (c) £20,000 per annum to provide two Directors to the board of directors of the Fund (including all corporate governance work to be undertaken on behalf of the Fund), payable quarterly in arrears; and
- (d) annual maintenance fees in connection with the listing of Participating Shares on the CISE at £3,500 per annum, payable in advance.

The Fund may increase the fees payable to the Manager in accordance with section 6.11 (Certain other Resolutions).

### 5.3.6 Custodian

The Custody Agreement provides that the Fund shall pay the Custodian such fees as are agreed between the Fund and the Custodian from time to time. At the date of this Offering Memorandum, the following such fees have been agreed:

Fee Type	Fee Basis	Amount
Custody Fee	Calculated on the Net Asset Value ("NAV") of the Optimised Pool and the Cash Pool (the "Asset Pools")	<p>First GBP75 million – 6 basis points</p> <p>Next GBP25 million – 5 basis points</p> <p>Thereafter – 4 basis points</p> <p><b>NOTE:</b></p> <p>There will be a minimum annual total NAV Custody Fee of GBP20,000.00</p>
Security Purchase/Sale Transaction Fee	Calculated on any purchase/sale over any Asset Pool or Class of Participating Shares	£35 per trade
Other cash payment	Calculated on any movement of monies over any Asset Pool or Class of Participating Shares that does not relate to a	£35 per transaction

	security purchase/sale transaction	
Receipt of monies	Calculated on any monies received	No Charge
FX Transaction fee	Calculated on any FX trade	There are no fees/commissions for FX trades. All charges are included in the FX rate
Third Party Bank Deposits	Calculated on each rollover and includes any increase or decrease in the amount	£35 per transaction
Sub-custodian fees	As per clause 17.1 of the Agreement with the exception of clause 17.2.4	Included in Custody Fee
Set-up Fee	One-off fee for on boarding the Fund which is inclusive of the Custodian's transaction fees but not the sub-custodian's transaction fee.	£2,500.00

The Fund may increase the fees payable to the Custodian in accordance with section 6.11 (Certain other Resolutions).

## 5.4 Charges to Investors

This section of the Offering Memorandum sets out the fees and charges which are payable by Shareholders and potential investors in the Fund.

### 5.4.1 Redemption fees

No fee shall be charged upon the redemption of Participating Shares.

### 5.4.2 Switching fees

No Subscription Charge or other fee will be charged upon the Switching of Participating Shares.

### 5.4.3 Subscription Charge

On the subscription for Participating Shares, the Manager shall be entitled to charge the Subscription Charge and pay it to the Investment Manager (to retain for its own account and/or for the account of the Fund). The Investment Manager shall allocate these charges between the Fund and itself on such basis it shall consider appropriate and may, in its absolute discretion, allocate any or all of such charges to itself.

#### 5.4.4 Supplemental Dealing Days

The Manager may charge such fee for designating a Supplemental Dealing Day as it shall agree in its discretion with the person requesting the Supplemental Dealing Day. Such fee (currently charged at £450) must be agreed before such Supplemental Dealing Day is designated and shall not exceed the (direct and indirect) cost to the Fund of the creation of such Supplemental Dealing Day.

### 5.5 Jersey Taxation

#### 5.5.1 Jersey Taxation

The following summary of the anticipated treatment of the Company and holders of Participating Shares (other than residents of Jersey) is based on Jersey taxation law and practice as it is understood to apply at the date of this document. It does not constitute legal or tax advice and does not address all aspects of Jersey tax law and practice (including such tax law and practice as it applies to any land or building situate in Jersey). Prospective investors should consult their professional advisers on the implications of acquiring, buying, selling or otherwise disposing of Participating Shares in the Fund under the laws of any jurisdiction in which they may be liable to taxation.

#### 5.5.2 Taxation of the Company

The Company is regarded as resident for tax purposes in Jersey and on the basis that the Company is neither a financial services company nor a utility company for the purposes of the Income Tax (Jersey) Law 1961, as amended, and the Fund is a collective investment fund, the Company and the Fund are subject to income tax in Jersey at a rate of zero per cent. Participating Shares carry no rights to dividends. Holders of Participating Shares will not be subject to any tax in Jersey in respect of the holding, sale, redemption or other disposition of Participating Shares.

The attention of Jersey resident investors is drawn to Article 134A of the Income Tax (Jersey) Law 1961 (as amended), the effect of which may be to render their gains chargeable to Jersey income tax.

Stamp duty of up to 0.75% is payable on the grant of probate or letters of administration in Jersey in respect of a deceased natural person (i) who died domiciled in Jersey, on the value of the entire estate and (ii) otherwise, on the value of so much of the estate as is situate in Jersey.

Jersey has introduced a 5% general sales tax ("**GST**") on goods and services supplied after 1 June 2011. The Company will obtain international services entity ("**ISE**") status, for which an annual fee is payable. GST is not chargeable on any supplies of goods and/or services by an ISE. The Directors of the Fund intend to conduct the business of the Fund such that no GST will be incurred by the Fund.

On 1 July 2005, agreements on the taxation of savings income which were entered into between Jersey and each of the EU Member States came into effect. These agreements provided the same provisions as the EU Savings Tax Directive and required, in certain circumstances, the retention of tax from payments made by certain Jersey collective investment vehicles to EU resident individuals. The Manager has taken advice and received confirmation from the Jersey Income Tax Office acting as the competent authority that administers these agreements that the Company is outside the scope of the agreements.

## **5.6 Taxation elsewhere**

Capital gains, dividends and interest on securities held by the Fund may be subject to withholding or capital gains taxes imposed by other jurisdictions (including by the country of origin of the issuers of any such securities).

Capital gains and redemption payments on Participating Shares may be subject to withholding or capital gains taxes imposed by other countries, including the country of origin of the Shareholder. Prospective investors, wherever resident, should take professional advice as to the tax consequences of them acquiring, holding, redeeming and disposing of Participating Shares under the relevant laws of any jurisdiction to which they are subject, as well as any exchange control requirements which may be applicable to such investors in such jurisdiction.

## **5.7 Anti Money Laundering**

The combined effect of the relevant Jersey laws is to make it an offence for any person to provide assistance to a criminal to obtain, conceal, retain or invest funds if that person knows or suspects or, in some cases (e.g. terrorist funding or the offences of concealing or transferring) should have known or suspected that those funds are the proceeds of criminal conduct. Such assistance is punishable on conviction by a maximum of 14 years' imprisonment, or a fine, or both. It is a defence that the person concerned reported his/her knowledge or suspicion to the law enforcement agencies at the first available opportunity.

## 6. MANAGEMENT AND CONTROL

### 6.1 The Company

The Company is The Optimised Funds Company PCC, which was incorporated on 14 March 2008 and is a protected cell company incorporated in Jersey under the Companies (Jersey) Law 1991.

The Articles of the Company allow for more than one protected cell to be established (namely, protected cells in addition to the Fund).

The Fund is a protected cell of the Company which was created by the Company on 20 March 2009 under the Companies (Jersey) Law 1991.

The Articles of the Company provide that Founders Shares in the Company may only be issued to or held by Bridport & co. (Jersey) Limited (or such persons as are approved by it in writing).

Any assets of the Company which do not form part of the assets of the Fund may be invested in such manner as the Directors of the Fund determine in their discretion. In relation to such assets, the Company has no investment policy and no investment restrictions. The Company, when not acting in respect of the Fund, has no borrowing limits. The investment objectives and investment policies of the Fund are described in section 3 of this Offering Memorandum.

### 6.2 The Directors of the Fund

Details of the Directors of the Fund as at the date of this Offering Memorandum are as follows:

Full Name	The Viscount Bridport
Date of Birth	17th March 1948
Nationality	British/Swiss (dual nationality)
Principal Occupation	Managing Partner – Bridport & Cie S.A., Geneva
Relevant Experience/Former Positions Held	<p>Alexander Bridport has both UK and Swiss nationality, born 1948, educated at Eton College and Sorbonne University in Paris. Kleinwort Benson Ltd 1967-1979. 1973 first AIBD (now ICMA) representative for the UK. Chase Manhattan Ltd 1983-1985 Executive Director. Chase Manhattan (Switzerland) S.A. 1985-1986 General Manager Investment Banking. Shearson Lehman Brothers (Switzerland) 1986-1990 General Manager Investment Banking. He was appointed Managing Director Shearson Lehman Brothers, New York, 1988.</p> <p>In addition to being a director of Bridport Jersey and Geneva, Alexander Bridport is on the board of directors of the following companies:</p> <p>Avenue Capital Credit Opportunities Limited, Guernsey  Camomille Global Opportunities Fund Limited, Grand Cayman  Montpelier Global Fund Limited, Grand Cayman  Montpelier Capital Advisors (Monaco) SAM  Notz, Stucki &amp; Cie SA, Geneva</p>

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Relevant Interests– Positions in Investment Manager and Associate Companies	Managing Partner – Bridport & cie S.A., Geneva Director - Bridport & co. (Jersey) Limited Shareholder – Parkwell Limited, Jersey
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Full Name	Jason Norman Bell
Date of Birth	15th June 1972
Nationality	British
Principal Occupation	Managing Director, Bridport & co. (Jersey) Limited
Relevant Experience/Former Positions Held	UK Citizen, born 1972. In 1990 he joined C.I.M.B.L. trainee program, the Channel Islands largest money market brokers, leaving in 1999 after 5 years as a senior Broker on the Sterling desk. Joined Bridport as a fixed interest salesperson, and became Manager one year later. Started Discretionary Management service in 2001. Became a Director in 2001. Expanded the company's business lines to include Money Brokerage service in 2005 and equity execution service in 2007. Became Managing Director in 2007. He is a director of Parsimony Limited, a privately owned investment company with assets exceeding CHF500 million, and also of Camomille Global Opportunities Fund, Cayman Islands, which currently has assets under management in excess of CHF 250 million.
Relevant Interests– Positions in Investment Manager and Associate Companies	Managing Director – Bridport & co. (Jersey) Limited Shareholder – Parkwell Limited, Jersey Company Secretary – Parkwell Limited, Jersey

Full Name	Mr Mark E Creasey
Date of Birth	23rd April 1965
Nationality	British
Principal Occupation	Fund Services Director – JTC (Jersey) Limited
Relevant Experience/Former Positions Held	Mark is a Chartered Certified Accountant, qualifying with KPMG in Jersey in 1995. He has more than 20 years experience in the finance industry. In 1998, he joined Standard Bank Jersey Limited, where he held a number of senior roles, including six years as a director in their Funds division. In 2011 he moved to JTC (Jersey) Limited where he is a director in the fund services business area. He is a director of a number of collective investment funds and has experience in both conventional and Sharia compliant structures. He is a fellow of the Chartered Association of Certified Accountants and is a Member of the Chartered Institute for Securities & Investment. Mark holds and has held a number of directorships across several business sectors in both private and quoted companies.

Full Name	Mr Martin Cudlipp
Date of Birth	
Nationality	British
Principal Occupation	Fund Services Director

Relevant Experience/Former Positions Held	Having previously held the position of Associate Director in the Global Wealth Management division at Royal Bank of Canada, Martin joined JTC Group to further strengthen our Private Client Services team and has subsequently moved across to Corporate Services. He has over 20 years' experience in the formation and administration of international wealth management structures and has worked with clients from the UK, Europe and South Africa.
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All of the Directors of the Fund act in a non-executive capacity. The business address of each of the Directors of the Fund is the registered office of the Company. None of the Directors of the Fund has had any convictions in relation to indictable offences, been involved in any bankruptcies, individual voluntary arrangements, receiverships, compulsory liquidations, creditors voluntary liquidations, administrations, company or partnership voluntary arrangements, any composition or arrangements with its creditors generally or any class of its creditors of any company where they were a director or partner with an executive function, nor have any had any public criticisms by statutory or regulatory authorities (including recognised professional bodies) nor has any Director of the Fund ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

At the date of this Offering Memorandum, the Directors of the Company and the Directors of the Fund are the same individuals. At any time in the future, the Directors of the Company may not be the same as the Directors of the Fund.

No Director of the Fund is (or will be, while a Director of the Fund) a director of the Custodian.

The Directors of the Fund are subject to appointment and removal by Shareholder Ordinary Resolution.

At the date of this Offering Memorandum:

- (a) The Fund does not have any loan capital outstanding or created but unissued, nor any mortgages, charges, debentures or other borrowings or indebtedness in the nature of borrowings, including bank overdrafts, liabilities under acceptances or acceptance credits, finance leases, hire purchase commitments, guarantees, other commitments or contingent liabilities.
- (b) No shares of the Fund are under option or agreed conditionally or unconditionally to be put under option.
- (c) To the best of the knowledge of the Directors of the Fund, there are no legal or arbitration proceedings either in progress or being contemplated/threatened against either the Company or the Fund.
- (d) No outstanding loans have been made by the Company or the Fund to any of the Directors of the Fund.

### 6.3 Directors' Remuneration, Service Agreements and Interests

- (a) The Directors of the Fund may receive such remuneration as may be determined by the board of Directors of the Fund (subject to the limitations set out at section 6.11 (Certain other Resolutions) of this Offering Memorandum). As at the date of this Offering Memorandum the directors' fees shall be as follows:
  - (1) Mr Mark Creasey and Mr Martin Cudlipp: nil. (As at the date of this Offering Memorandum, the services of these individuals are provided by the

Manager pursuant to and in consideration for the fees payable under the Management Agreement); and

- (2) The Viscount Bridport and Mr Jason Bell: nil. (As each of these Directors is an employee or director of a member of the Investment Manager's Group, a fee is payable to the Investment Manager in respect of these Directors under the Investment Management Agreement - see section 5.3.4 (Investment Manager) in section 5.3 (Charges, Expenses and Fees) of this Offering Memorandum).
- (b) Service agreements between the Fund and the Directors of the Fund may be entered into. Currently, no service agreements have been concluded between the Fund and the Directors of the Fund. Service agreements between the Company and the Directors of the Company may be entered into. Currently, no service agreements have been concluded between the Company and the Directors of the Company.
- (c) No Director of the Fund has any controlling or material interest, direct or indirect, in any assets which have been or are proposed to be acquired or disposed of by the Fund. Save as disclosed herein, no Director of the Fund has a material interest in any contract or arrangement entered into by the Fund or the Company which is unusual in its nature or conditions or which is significant in relation to the business of the Fund within the current or immediately preceding financial year. No Director of the Fund or connected person or Director of the Company or connected person has any interests in the share capital of the Company or the Fund or any option on share capital of the Company or the Fund.
- (d) There is no share qualification for Directors of the Fund.
- (e) A Director of the Fund shall not vote at a meeting of the Directors in respect of any contract or arrangement or any other proposal whatsoever in which he has any material interest otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company, the Fund or the Investment Manager. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.
- (f) There are no provisions for the retirement of Directors of the Fund in respect of their age.
- (g) Each Director of the Fund is required to declare in writing to the Fund any remuneration or other benefits payable to him by virtue of his office as director of any company (or as director of any subsidiary of any such company) any shares or securities of which company have been acquired for investment by the Fund. Any fees paid to any Director of the Fund in connection with any appointments held by such Director as the direct result of investments made by the Fund shall be the subject of account to Fund unless full disclosure of such fees has been made to the Secretary and the Shareholders.

The Directors may call an extraordinary general meeting whenever they think fit, and extraordinary general meetings shall be convened on such requisitions, or in default may be convened by such requisitionists, and in such manner as provided by the Companies (Jersey) Law 1991.

## **6.4 The Investment Manager and Promoter**

### **6.4.1 The Investment Manager and Promoter**

The Investment Manager and Promoter is Bridport & co. (Jersey) Limited.



Bridport & co. (Jersey) Limited was established in Jersey in 1993, it has an issued and paid up share capital of CHF 220,000 and is regulated by the Jersey Financial Services Commission for the conduct of Investment Business and Fund Services Business. Bridport & co. (Jersey) Limited is 100% beneficially owned by Parkwell Limited, a company incorporated in Jersey. The majority of the shares in Parkwell Limited are owned by directors and employees of Parkwell Limited's subsidiary companies. Parkwell Limited is also the 100% beneficial owner of Bridport & cie s.a., which was established in Geneva in 1991 by two individuals, the Viscount Bridport and Thomas Bartholdi, and is regulated by the Swiss Federal Banking Commission.

The Investment Manager's Group offers impartial, independent advisory, trading and discretionary management services. Bridport has a diverse range of relationships, which includes private individuals, multi-national corporations, hedge fund managers and banks. The Investment Manager has historically specialised in providing services in niche areas of the financial markets which are not covered by larger institutions, and it is because of this that it believes its independence, focus, and experience offers a significant advantage to its client base.

The directors of the Investment Manager are The Viscount Bridport, Mr Thomas Bartholdi, Mr Jason Bell, Mr Jason Jones and Mrs Patricia Wilshin. The business address of each of the directors of the Investment Manager is 6 Bond Street, St Helier, Jersey JE2 3NP. Information in relation to The Viscount Bridport and Mr Jason Bell is provided in section 6.2 (The Directors of the Fund) of this Offering Memorandum. Information in relation to Mr Thomas Bartholdi, Mr Jason Jones and Mrs Patricia Wilshin is set out below:

Full Name	Thomas Karl Bartholdi
Date of Birth	1st December 1956
Nationality	Swiss
Principal Occupation	Managing Partner – Bridport & cie S.A., Geneva
Relevant Experience/Former Positions Held	Co-Founder of Bridport & cie s.a., Thomas Bartholdi is a Swiss citizen, born 1956, apprenticeship with the Bank of Zuzwil, Bank J Vontobel & Co in Zurich, trader in the fixed-income division 1976-1981. Deutsche Bank (Suisse) S.A., Geneva 1981-1986. Chase Manhattan Bank (Suisse) V.P. head of trading and sales 1986-1989. Samuel Montagu, Senior V.P. 1990. Great Pacific Capital in Geneva, Director of Portfolio Management 1991.
Relevant Interests– Positions in Investment Manager and Associate Companies	Managing Partner – Bridport & cie S.A., Geneva Director, Bridport & co. (Jersey) Limited Shareholder – Parkwell Limited, Jersey

Full Name	Jason Eric Jones
Date of Birth	25th June 1968
Nationality	British
Principal Occupation	Director – Bridport & co. (Jersey) Limited
Relevant Experience/Former Positions Held	Jersey born, British citizen born 25th June 1968. Started his career with Charterhouse as a Fund Dealer 1986, prior to beginning his career as an Investment Manager with Hill Samuel 1988, Royal Bank of Canada 1993, Deutsche Bank 1996 Le Masurier James & Chinn 2003. In 2006 he joined Bridport to run the discretionary asset management service.

Relevant Interests– Positions in Investment Manager and Associate Companies	Director – Bridport & co. (Jersey) Limited
Full Name	Mrs Patricia Wilshin
Date of Birth	6 <sup>th</sup> February 1969
Nationality	British
Principal Occupation	Director – Bridport & co. (Jersey) Limited
Relevant Experience/Former Positions Held	Jersey born, British citizen born 6th February 1969. Started her career with Phillips & Drew 1985 in Equity Settlement before moving on to the Institutional Trading Desk, Channel Island Portfolio Management 1988, Matheson Securities (CI) Ltd 1990, Brewin Dolphin 1996, Standard Bank 1997, Insinger de Beaufort 1998. Joined Bridport in 2006 and is Director – Fixed Interest.
Relevant Interests– Positions in Investment Manager and Associate Companies	Director – Bridport & co. (Jersey) Limited Shareholder – Parkwell Limited, Jersey

#### 6.4.2 The Investment Management Agreement

The Investment Manager has been appointed by the Manager with the approval of the Fund to act in respect of the Fund pursuant to the Investment Management Agreement as a delegate of the Manager and agent of the Fund. The Investment Management Agreement is dated 29 June 2009.

Subject to the overall control of the Manager and the Directors of the Fund, the Investment Manager is responsible pursuant to the Investment Management Agreement for the investment of the assets of the Fund and, together with the Manager, for the promotion of the Fund.

The Investment Management Agreement provides as follows:

- (a) Unless the Investment Manager (or any of its nominees or delegates) has acted with bad faith, fraud, negligence, recklessness, wilful default, wilful misconduct, failure to exercise due care and diligence or has failed to comply with the duties, obligations, undertakings and terms of the Investment Management Agreement, the Investment Manager shall not be liable to the Manager, the Fund or any Shareholder or otherwise for any error of judgment or for any loss suffered by the Manager or the Fund or any of the shareholders of the Fund in connection with the subject matter of the Investment Management Agreement.
- (b) Unless the Investment Manager (or any of its nominees or delegates) has acted with bad faith, fraud, negligence, recklessness, wilful default, wilful misconduct, failure to exercise due care and diligence or has failed to comply with the duties, obligations, undertakings and terms of the Investment Management Agreement: (a) the Investment Manager shall not be liable for any loss or damage suffered by the Manager, the Fund or any Shareholder arising directly or indirectly out of anything done or omitted by the Investment Manager in the performance of its duties under the Investment Management Agreement; and (b) the Investment Manager shall not be responsible for any loss or damage which the Manager, the

Fund or any Shareholder may sustain or suffer as the result or in the course of the discharge of its duties under the Investment Management Agreement.

- (c) The Fund has undertaken to indemnify and keep the Investment Manager indemnified against all actions, proceedings, claims and demands (including reasonable legal and professional fees and expenses arising there from or incidental thereto) which may be brought or made against the Investment Manager in respect of any loss or damage sustained or suffered in connection with the performance of the Investment Manager's duties save to the extent that such loss or damage arises directly or indirectly from the Investment Manager (or any of its nominees or delegates) having acted with bad faith, fraud, negligence, recklessness, wilful default, wilful misconduct, failure to exercise due care and diligence or having failed to comply with the duties, obligations, undertakings and terms of the Investment Management Agreement.
- (d) The Investment Manager shall be entitled to resign its appointment under the Investment Management Agreement by giving not less than six months' notice in writing to the Manager.
- (e) The Manager may terminate the appointment of the Investment Manager: (a) by giving not less than six months' notice in writing to the Investment Manager provided that the Manager shall appoint a new Investment Manager to act in place of the retiring Investment Manager before such termination takes effect; (b) by giving notice in writing to the Investment Manager (which shall be effective immediately upon receipt) if the Investment Manager goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Manager) or becomes bankrupt as defined in Article 8 of the Interpretation (Jersey) Law 1954 or if a receiver is appointed of any of the assets of the Investment Manager; or (c) by giving not less than three months' notice in writing to the Investment Manager if the Investment Manager shall commit any material breach of its obligations under the Investment Management Agreement and (if such breach shall be capable of remedy) shall fail within one month of receipt of notice in writing served by the Manager requiring it to do, to make good such breach.

Pursuant to the Investment Management Agreement, the Investment Manager may (but is not obliged) to pay any or all costs or expenses of the Fund which would (or may) cause the total expense ratio for the Fund (as calculated by the Manager) for any year ending on an Accounting Date to exceed 2% and to require repayment by the Fund at any time thereafter upon demand. Such amounts shall not bear interest against the Fund except to the extent they remain unpaid for 30 days after written demand by the Investment Manager.

## **6.5 The Custodian**

### **6.5.1 The Custodian**

The Custodian is BNP Paribas Securities Services S.C.A., Jersey Branch, of Liberte House, 19-23 La Motte Street, St Helier, Jersey, JE2 4SY.

The Fund has appointed BNP Paribas Securities Services S.C.A., Jersey Branch to act as Custodian. The Custodian's registered office is 3 Rue d'Antin, 75002 Paris, France. Its place of business in Jersey is Liberte House, 19-23 La Motte Street, St Helier, Jersey.

The Custodian is a Société en Commandite par Actions ('partnership limited by shares') with BNP Paribas S.A. acting as the sole shareholder. The principal business activity of the Custodian is the provision of specialist securities services and investment operations support to a wide range of financial intermediaries, institutional investors and issuers. It

was incorporated in France on 17 April 1936 and has an authorised and issued share capital of €165,279,835.

The ultimate parent company of the Custodian is BNP Paribas S.A., a company incorporated in France.

The Custodian is regulated by the Jersey Financial Services Commission to carry out deposit taking business under the Banking Business (Jersey) Law 1991 and fund services business, investment business and money services business under the Financial Services (Jersey) Law 1998. The Custodian holds (either itself or through its agents or delegates) all the assets of the Fund and all documents of title to such assets but has no responsibility for selecting the investments of the Fund.

#### 6.5.2 The Custody Agreement

The Custodian has been appointed by the Fund to act in respect of the Fund pursuant to the Custody Agreement. The Custody Agreement is dated 23 April 2014.

The Custodian shall hold and safeguard assets (pursuant to the terms of the Custody Agreement) and shall collect the interest, dividends, principal and other rights and advantages (whether in the form of cash or otherwise) arising from those assets when due on behalf of the Fund.

The Custodian may hold assets, act through and delegate all or any of its functions and powers to one or more sub-custodians in any part of the world in accordance with the Policy Statement and Guidance Notes published by the Jersey Financial Services Commission from time to time. The Custodian may add or remove sub-custodians from time to time. The Fund may by request obtain from the Custodian a list of the appointed sub-custodians and such information as to the relationship with any sub-custodian as it may reasonably request from time to time. The Custodian shall be responsible for the fees of each sub-custodian (but not for their expenses).

The Custodian shall be responsible for the acts and omissions of a sub-custodian which is BNP Paribas Securities Services S.C.A., Jersey Branch, Associate as if they were the Custodian's own acts and omissions. Other than where acting on Proper Instructions (as defined in the Custody Agreement) to appoint a specified sub-custodian, the Custodian shall exercise due care in the selection, appointment and periodic review of every sub-custodian which is not an BNP Paribas Securities Services S.C.A., Jersey Branch Associate. The Custodian shall not incur any liability whatsoever in relation to the insolvency or (subject to the preceding sentence) any act or omission of any such sub-custodian appointed by it in good faith.

The Custodian shall not be responsible for monitoring the solvency or creditworthiness or otherwise of any sub-custodian. The Custodian will use such reasonable endeavours as it considers appropriate to recover any loss suffered by the Fund as a result of any act, omission or insolvency of any sub-custodian and may require indemnification from the Fund to its satisfaction before taking any such action.

The Custodian shall not be liable to the Fund for any error of judgement or mistake of law or for any loss, damage, cost or expense suffered by the Fund in connection with the subject matter of the Custody Agreement unless such loss arose from a Breach of Duty (as defined in the Custody Agreement) by the Custodian or a sub-custodian.

The Custodian (and each sub-custodian) will not be responsible and will not incur any liability in respect of any loss, damage, cost or expense incurred or suffered by the Fund or its investors, however caused, in connection with:

- a) any errors made by the Fund or its agents, including in giving Proper Instructions;

- b) the Custodian or any sub-custodian relying and acting with or without enquiry on Proper Instructions (including any Proper Instructions to hold any asset with, or have it registered in the name of any person not chosen by the Custodian), on any notices, documents or other communications which it believes in good faith to be given or signed by the appropriate parties or on any Electronic Message (as defined in the Custody Agreement) which it believes to have originated from the Fund or the Investment Manager or otherwise to be genuine;
- c) the Custodian refusing to act on any Electronic Message or other communication which is not given in accordance with the Custody Agreement (and in such case the Custodian shall take reasonable steps to inform the Fund of such refusal);
- d) any action taken or not taken by the Custodian or any sub-custodian (including any resulting delay) which is permitted by the Custody Agreement;
- e) the settlement of transactions connected with the assets or any change in the Custodian's records relating to the assets unless and to the extent arising from a Breach of Duty by the Custodian or a sub-custodian;
- f) any Breach of Duty or other failure by: (a) a Securities System (as defined in the Custody Agreement); (b) any sub-custodian or its agents in an High-risk Market; (c) the Fund or any of its agents, advisers, administrators, investment managers or other service providers (including the Investment Manager);
- g) the default by any broker or third party in any obligation to deliver assets or pay cash (all payments of income and settlement proceeds are at the risk of the Fund);
- h) the collection, deposit or credit of invalid, fraudulent or forged securities;
- i) effecting delivery or payment against an expectation of receipt, save where such delivery or payment was contrary to local market practice;
- j) any statement in relation to (i) the assets which is stated to be a valuation or reconciliation of any of the assets or (ii) the valuation principles of the Fund. Any such statement shall be indicative and for information purposes only;
- k) any breach by the Fund or any person (other than the Custodian) of any Applicable Laws (as defined in the Custody Agreement), constitutional documents, the Fund Documents (as defined in the Custody Agreement) or any investment guidelines or restrictions of the Fund;
- l) any act or omission which the Custodian reasonably believes is required by Applicable Law;
- m) commercial or other investment risks inherent in investing or holding assets in a particular jurisdiction or country including political, legal, economic, exchange rate and currency risks, investment and currency repatriation restrictions and/or bankruptcy and insolvency risks of counterparties to asset transactions; or
- n) reasonable reliance on advice from legal counsel or other professional advisers.

The Custodian will not be responsible for or incur any liability for any indirect or consequential losses suffered by the Fund.

Notwithstanding any other provision of the Custody Agreement the aggregate liability of the Custodian for any claim or series of claims directly or indirectly as a consequence of the loss or non-availability of the assets shall be limited:

- (a) for securities or certificates, to their market value; and
- (b) for currency, to its face value,

at the time the loss or non-availability arises, plus interest (if applicable) on that amount from that date at the Custodian's prevailing rates during the relevant period in which such liability shall have been outstanding.

Subject to Applicable Law, the Custodian shall have no responsibility to advise the Fund with regard to any tax liability or exchange of information obligations in any jurisdiction, nor shall the Custodian have any liability to withhold or pay any tax, currently due or retroactively assessed (including but not limited to tax, interest and penalties), or exchange information with tax authorities in any jurisdiction whatsoever, in respect of income earned by, or payments, distributions or transfer orders made or executed to or for the account of, the Fund.

When the Custodian or any sub-custodian (i) acts as agent and on Proper Instructions arranges for the Fund to purchase or sell foreign exchange through another financial institution, or (ii) on Proper Instructions places such currencies with another financial institution, its obligations and the obligations of such financial institution in respect to any such foreign exchange transaction shall be contingent on the free and unencumbered transferability of the currency transacted on the action settlement date of the transaction and the Custodian or sub-custodian shall not be responsible for the failure of any counterparty (including any other financial institution) in such agency transaction to perform its obligations under the Custody Agreement. Reference in this paragraph to a financial institution includes any BNP Paribas Securities Services S.C.A., Jersey Branch Associate and any affiliate or agent of the Custodian or sub-custodian. The Fund accepts full responsibility for its use of third-party foreign exchange dealers and for the execution of any foreign exchange transactions and understand that it shall be responsible for any and all costs or interest charges which may be incurred by the Fund, the Custodian or any sub-custodian as a result of the failure or delay of third parties to deliver foreign exchange, provided that such failure is not the result of the Custodian's Breach of Duty.

No obligation or liability attaching to any asset shall be assumed by the Custodian or any sub-custodian by virtue of its holding or otherwise dealing with that asset pursuant to the Custody Agreement, and the Custodian and any sub-custodians shall have no personal liability whatsoever in that regard.

Where the Fund is acting as an agent or otherwise as an intermediary in respect of any transaction, (without affecting any rights the Custodian may have against the Fund's principal) the Custodian shall nevertheless treat the Fund as a principal in respect of such transactions and accordingly the Fund will be personally liable in respect of any amounts due to the Custodian pursuant to the Custody Agreement.

"Covered Persons" means (a) the Custodian, the BNP Paribas Securities Services S.C.A., Jersey Branch Associates and the sub-custodians and (b) the Connected Persons of each of them; and "Connected Persons" means directors, officers, employees, agents and nominees. The indemnity provisions summarised below shall be for the benefit of the Custodian and each of the Covered Persons and shall be enforceable by the Custodian for the benefit of itself and of each of the Covered Persons.

The Fund shall indemnify each of the Covered Persons against all liabilities, costs expenses, damages and losses (including any direct, indirect or consequential other reasonable professional costs and expenses) suffered or incurred by such Covered Person arising out of or in connection with the Custody Agreement, including in connection with:

- (a) the lawful exercise of its duties in connection with the Custody Agreement;
- (b) a breach of any obligation, warranty or representation by the Fund;

- (c) any investigation in connection with any Applicable Law or by any governmental, tax or regulatory body (or other person mentioned in the definition of Applicable Law);
- (d) the use of Electronic Messages by any person (it being acknowledged that the risks of omissions, errors, misstatement, fraud or unauthorised interventions by third parties are inherent within the use of Electronic Messages and the Fund assumes all and any risks involved with any use of Electronic Messages);
- (e) any claim made against any of the Covered Persons by a third party in connection with the Custody Agreement or any of the Covered Persons successfully defending itself against any allegation of wrongdoing (including any Breach of Duty);
- (f) any taxes or other governmental charges which may be imposed on or assessed against any person with respect to any asset or any transaction in any asset or the transition of any asset from or to another custodian or person or any non-settlement of any transaction;
- (g) any variation having occurred in rates of exchange between the date of conversion and the date of actual payment of any amount pursuant to any judgment or order for the payment of any amount under the Custody Agreement in a currency other than that in which such amount is payable under the Custody Agreement;
- (h) any inaccuracy of any information that has been or is at any time provided to the Custodian in connection with the Custody Agreement or any fraud or forgery by any person;
- (i) any of the Covered Persons relying on Proper Instructions; and
- (j) any misinterpretation of any Proper Instructions or other communication due to the quality of transmission.

The indemnity shall not cover any Covered Person to the extent that a claim under it results from a Breach of Duty by a Covered Person.

The indemnity shall not cover the Custodian, any BNP Paribas Securities Services S.C.A., Jersey Branch Associate, any sub-custodian for which the Custodian is responsible under the terms of the Custody Agreement or any of their Connected Persons to the extent that a claim under it results from a Breach of Duty by the Custodian or by a sub-custodian for which the Custodian is responsible under the terms of the Custody Agreement or any of its Connected Persons. The indemnity shall not cover any sub-custodian for which the Custodian is not responsible under the terms of the Custody Agreement or any of its Connected Persons to the extent that a claim under it results from a Breach of Duty by such sub-custodian or its Connected Persons.

If a payment due from the Fund under the indemnity provisions discussed above is subject to tax (whether by way of direct assessment or withholding at its source), the Covered Person shall be entitled to receive from the Fund such amounts as shall ensure that the net receipt, after tax, to the Covered Person in respect of the payment is the same as it would have been were the payment not subject to tax.

Nothing in the indemnity shall restrict or limit the general obligation at law of any of the Covered Persons to mitigate a loss it may suffer or incur as a result of an event that may give rise to a claim under the indemnity.

Either the Custodian or the Fund may terminate the Custody Agreement:

- (a) by giving not less than 180 days' notice to the other party or by immediate notice to the other party if required to do so by Applicable Law, or
- (b) by immediate notice at any time if the other party shall go into liquidation (except a voluntary liquidation for the purposes of reconstruction or amalgamation upon terms previously approved in writing by the other party) or be unable to pay its debts generally or commit any act of bankruptcy under the laws of Jersey or if a receiver is appointed of any of the assets of the Fund or the Custodian or if some event having an equivalent effect occurs, or
- (c) by immediate notice at any time if the other party shall commit any material breach of its obligations under the Custody Agreement and (if such breach shall be capable of remedy) shall fail to remedy the breach within thirty (30) days of receipt of a notice from the other party requiring it to do so.

Notwithstanding the paragraph above, the Custodian shall not retire or be removed unless and until a replacement custodian, reasonably satisfactory to the Fund and approved by the Jersey Financial Services Commission, has been appointed. The Fund shall use best endeavours to find a suitable replacement custodian as soon as practicable.

Not less than 120 days before the date of termination of the Custody Agreement, the Fund will give the Custodian the details of the successor custodian or other person to whom the assets are to be transferred. Subject thereto and to the terms of the Custody Agreement, the Custodian will, and will procure that any sub-custodian will, transfer any assets held by it (and all certified copies and original documents relating to the Fund in its possession which are valid and in force at the date of termination) in accordance with Proper Instructions.

Termination of the Custody Agreement will not affect accrued rights or existing commitments under the Custody Agreement and will be without prejudice to the completion of transactions already initiated. Upon termination of this Agreement the Fund shall pay such fees and reimburse such expenses to the Custodian as may be due or reimbursable in respect of the period up to the date of termination.

The Custodian shall be entitled to receive all fees, expenses and other monies owed to the Custodian in accordance with the Custody Agreement that have accrued up to the termination date and all reasonable out of pocket expenses and time charges at standard rates incurred by the Custodian in connection with the delivery or transfer of the Assets to the Fund or any succeeding custodian or trustee.

Upon any termination of the Custody Agreement, the Custodian shall not be required to deliver or transfer any assets to any successor custodian until full payment has been made by the Fund of all of its liabilities to the Custodian.

### 6.5.3 Arrangements where no Custodian

The Fund shall arrange for the safe custody of the assets of the Fund if at any time there is no replacement Custodian available or the Custodian goes into administration or liquidation or an order is made or a resolution passed to put it into administration or liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation), if a receiver is appointed to its undertaking or any part thereof or becomes bankrupt as defined in Article 8 of the Interpretation (Jersey) Law 1954. If no replacement Custodian can be found within 6 months (calculated from the date that the retirement or removal became or would have become effective under such paragraph if a replacement could have been found), the Directors of the Fund shall call a meeting of Shareholders to be held within 3 months to consider whether to terminate the Fund.



## 6.6 The Manager

### 6.6.1 The Manager

The Manager is JTC (Jersey) Limited.

The Manager is a company incorporated in Jersey on 23 March 1987 with limited liability under the Companies (Jersey) Law 1991. The Manager has an issued and fully paid-up share capital of £250,000 divided into 250,000 shares of £1 each. The ultimate holding company of the Manager is JTC Group Limited, a company incorporated in Jersey.

The principal business of the Manager is the provision of administrative services to companies, trusts and collective investment schemes. The Manager is registered to conduct "fund services business" under the Financial Services (Jersey) Law 1998. The Manager is regulated by the Jersey Financial Services Commission.

### 6.6.2 The Management Agreement

The Manager has been appointed by the Fund pursuant to an assignment and novation of the Management Agreement dated 27 January 2012. The Management Agreement is dated 29 June 2009.

Subject to the overall control of the Directors of the Fund, the Manager is responsible pursuant to the Management Agreement for (i) the administration of the Fund, calculating the Values (including the valuation of the assets and liabilities of the Fund) and the issue, redemption and cancellation of Participating Shares, (ii) determining the number of Participating Shares in issue from time to time, keeping and arranging for the safe-keeping and inspection in Jersey of such returns, records and accounting information of the Fund as are required by the law, maintaining the Register in respect of the Fund, acting as secretary of the Fund, and providing the registered office of the Fund, (iii) providing investment management services to the Fund and (iv) acting as secretary and registrar and providing administrative services to the Company. All or part of these functions may be delegated.

The Management Agreement provides as follows:

- (a) Unless the Manager (or any of its nominees or delegates) has acted with bad faith, fraud, negligence, recklessness, wilful default, wilful misconduct, failure to exercise due care and diligence or has failed to comply with the duties, obligations, undertakings and terms of the Management Agreement, the Manager shall not be under any liability, on account of anything done or suffered by the Manager in good faith, in accordance with or in pursuance of instructions given to it in accordance with the Management Agreement.
- (b) Unless the Manager (or any of its nominees or delegates) has acted with bad faith, fraud, negligence, recklessness, wilful default, wilful misconduct, failure to exercise due care and diligence or has failed to comply with the duties, obligations, undertakings and terms of the Management Agreement: (a) the Manager shall not be liable for any loss or damage suffered by the Fund arising directly or indirectly out of anything done or omitted by the Manager in the performance of its duties under the Management Agreement; and (b) the Manager shall not be responsible for any loss or damage which the Fund may sustain or suffer as the result or in the course of the discharge of its duties under the Management Agreement.
- (c) The Fund has undertaken to indemnify and keep the Manager indemnified against all actions, proceedings, claims and demands (including reasonable legal and professional fees and expenses arising there from or incidental thereto) which may be brought or made against the Manager in respect of any loss or damage sustained or suffered in connection with the performance of the Manager's duties

save to the extent that such loss or damage arises directly or indirectly from the Manager (or any of its nominees or delegates) having acted with bad faith, fraud, negligence, recklessness, wilful default, wilful misconduct, failure to exercise due care and diligence or having failed to comply with the duties, obligations, undertakings and terms of the Management Agreement.

- (d) The term of the Management Agreement is for an initial period of two years (the "Initial Term"), which shall be automatically renewed for a successive two year term upon the expiry of the Initial Term (a "Renewal Term") and likewise upon the expiry of a Renewal Term, in each case unless: (a) notice of non-renewal is delivered by the Fund to the Manager no later than ninety (90) days prior to the expiry of the Initial Term or any Renewal Term, as the case may be, or unless the Management Agreement is otherwise terminated as provided for therein; or (b) notice of non-renewal is delivered by the Manager to the Fund no later than 6 months prior to the expiry of the Initial Term or any Renewal Term, as the case may be, or unless the Management Agreement is otherwise terminated as provided for therein.
- (e) The Management Agreement may be terminated by the Fund or the Manager immediately on written notice to the other party at any time if: (a) the other party (the "Defaulting Party") shall be materially in breach of any of the terms of the Management Agreement and, if such breach is capable of remedy, shall not have remedied such breach within 30 days after service of notice by the party not in breach requiring the Defaulting Party to remedy such breach; or (b) any party shall go into administration or liquidation or an order shall be made or a resolution shall be passed to put any party into administration or liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation); or (c) a receiver shall be appointed to the undertaking of any party or any part thereof; or (d) any party becomes bankrupt as defined in Article 8 of the Interpretation (Jersey) Law 1954.
- (f) The Management Agreement may be terminated by the Fund immediately if at any time: (a) the Manager (or any of its nominees or delegates) has acted with bad faith, fraud, negligence, recklessness, wilful default, wilful misconduct, failure to exercise due care and diligence or has failed to comply with the duties, obligations, undertakings and terms of the Management Agreement; (b) the Manager is no longer permitted or qualified to perform its obligations under the Management Agreement pursuant to any applicable law or regulation (including in circumstances where the Manager ceases to hold the relevant Regulatory Consents to carry on the Manager's activities) and in the event that the foregoing occurs, the Manager shall inform the Fund and provide full details without delay; (c) the Manager becomes or is deemed to become resident for tax purposes to carry on business elsewhere than in Jersey and the Fund has not approved such tax residency; or (d) on three months' notice if a Special Resolution to remove the Manager is passed.
- (g) On termination of the appointment of the Manager under the provisions of the Management Agreement, the Manager shall be entitled to receive all fees and other moneys accrued and due up to the date of such termination but shall not be entitled to compensation in respect of such termination.
- (h) The resignation or termination of the Manager's appointment by the Manager shall not take effect until the earlier of the date a new Manager shall have been appointed by the Fund and the date 3 months after it would have taken effect if a replacement Manager could have been found. The Fund shall use reasonable endeavours to find a suitable replacement before or as soon as practicable after the date such resignation or termination would otherwise become effective.

### 6.6.3 Replacement of the Manager

Upon the retirement or dismissal of the Manager, a new Manager shall, subject to the approval of an officer of the Jersey Financial Services Commission, be appointed by the Fund as soon as possible. Such appointment may be subject to approval in accordance with the procedure described in section 6.11 (Certain other Resolutions) of this Offering Memorandum.

## 6.7 Conflicts of Interest

The Investment Manager, the Manager, the Custodian, the Company, the Fund, any Associate thereof or any individual connected therewith (together an "**Interested Party**") may contract with or enter into financial, banking or other transactions or be interested in any such contract or transaction with the Company or the Fund and shall not be liable to account to the Company, the Fund or Shareholders for any profits or benefits derived by or in connection with any such transaction, provided that it is conducted on arm's length terms.

- (a) The services provided by the Fund Service Providers to the Fund and the Company are not exclusive and the Fund Service Providers may provide existing or new services to other persons at any time. The Investment Management Agreement, Custody Agreement and Management Agreement contain provisions which permit Interested Parties to engage in transactions and activities notwithstanding the existence of any conflicts of interest and to charge and retain for their own benefit all fees, commissions, profits or other benefits arising out of or in connection with any such transactions or activities.
- (b) Any Interested Party may own Participating Shares with the same rights as any other Shareholder thereof provided that all purchases or sales of Participating Shares are conducted for any such Interested Party at the relevant published Subscription Price or Redemption Price and provided further that the Fund may not own shares in the Company.
- (c) An Interested Party may also buy, hold and deal in any investments on its own account notwithstanding that similar investments are dealt in by the Investment Manager as part of the property of the Company or the Fund. Such Interested Party shall not be liable to account either to the Fund, the Company or to any shareholder of the Fund for any profits or benefits made or derived by or in connection with any such transaction.
- (d) The Investment Manager may purchase investments from or sell investments to an Interested Party who is a market maker on any applicable investment exchange, provided that such sale or purchase complies with the rules of such investment exchange.

The Class Share Value is determined, in good faith, by the Manager in accordance with its own principles and methodology as more fully detailed in section 5 of this Offering Memorandum. As such, there is a conflict of interest between the Manager in determining the Net Asset Value and the fact that the fees payable to it are calculated by reference to the Net Asset Value and there is a conflict of interest between the Investment Manager in confirming the Net Asset Value and the fact that the fees payable to it are calculated by reference to the Net Asset Value. Procedures and controls to address potential conflicts of interest that may arise are in place.

A number of the Directors of the Fund (The Viscount Bridport and Mr Jason Bell) are currently also directors of the Investment Manager and any future Directors of the Fund may also be directors of the Investment Manager. In addition, Mr Mark Creasey is a Director of the Fund and an employee of the Manager, as is Mr Martin Cudlipp. Any future Directors may also be Directors or employees of the Manager or the Custodian. This may

have led and may in the future lead to conflicts of interest for such Directors, including but not limited to the following circumstances: (i) in the Investment Manager, Custodian, Manager and Fund agreeing the terms of the Investment Management Agreement, Management Agreement and Custody Agreement and agreeing from time to time the fees payable under those agreements; (ii) the determination by the Fund whether and how to enforce the terms of any of those agreements; and (iii) in the Investment Manager or Manager determining how to carry out its duties under the Investment Management or under the Management Agreement where their own interests conflict with those of the Fund.

In relation to conflicts of interest see also the section entitled "Conflicts of Interest" in the Appendix to this Offering Memorandum.

## **6.8 Transactions with Connected Persons**

Neither the Fund, nor any person on behalf of the Fund, shall enter into underwriting or sub-underwriting contracts without the prior consent of the Custodian and unless the Fund or the Investment Manager provides confirmation in writing that all commissions and fees payable to the Investment Manager under such contracts and all investments acquired pursuant to such contracts shall form part of the assets of the Fund.

If cash forming part of the assets of the Fund is deposited with the Custodian, or with any Associate of it (being an institution licensed to accept deposits), interest must be received on the deposit at a rate not lower than the prevailing commercial rate for a deposit of that size and term. No cash forming part of the assets of the Fund will be deposited with the Investment Manager or the Manager or any Associate of either of them (other than with the Custodian or any Associate of it which is an institution licensed to accept deposits).

All transactions carried out by or on behalf of the Fund must be at arm's length.

- (a) In particular, any transactions between the Fund and the Manager, Investment Manager, any of the Directors or any of their Associates as principal may only be made with the prior written consent of the Custodian. All such transactions must be disclosed in the annual report of the Fund.
- (b) The Custodian has given its written approval by letter dated 16 October 2012 to the Investment Manager providing brokerage services to the Fund on condition that (i) the Investment Manager does not charge more than 0.15% of the value of the transaction for such brokerage services and (ii) a report is provided by the Investment Manager to the Custodian within one month of the end of each calendar month summarising all such transactions during the relevant month.

## **6.9 Material Contracts**

### **6.9.1 Summary of agreements**

The Investment Management Agreement, Custody Agreement and Management Agreement are described in brief summary above.

### **6.9.2 Consultation and Availability of Documents**

This Offering Memorandum contains summary information only that is necessarily incomplete. The documents listed below contain important provisions that should be reviewed carefully by potential investors and their advisers. Copies of the documents listed below (as well as copies of the most recent annual report and accounts of the Fund, if any, and a copy of the Listing Sponsor Agreement whereby the Manager is appointed as CISE listing sponsor for the Fund) are available for inspection upon request or at the registered

office of the Manager (which is set out in the Directory section of this Offering Memorandum).

The following documents are material to any decision to invest in the Fund:

- (a) the Articles of the Fund;
- (b) the Investment Management Agreement;
- (c) the Custody Agreement;
- (d) the Management Agreement; and
- (e) the Articles of the Company.

Nothing in any of the documents listed above shall exclude the jurisdiction of the courts of Jersey to entertain an action concerning the Fund.

Shareholders have rights and obligations pursuant to the Articles of the Fund. Where there is any inconsistency between the Articles of the Fund and the terms of this Offering Memorandum, the terms of the Articles shall prevail.

## **6.10 Amendment of agreements and Offering Memorandum**

The Investment Management Agreement, the Management Agreement and/or the Custody Agreement may, subject to the requirements of applicable law and any regulatory conditions, be altered without consulting Shareholders, provided that the Custodian certifies in writing that in its opinion the proposed alteration:

- (a) is necessary to make possible compliance with fiscal or other statutory or official requirements; or
- (b) does not materially prejudice Shareholders' interests, does not to any material extent release the Custodian, Investment Manager or any other person from any liability to Shareholders and does not increase the costs and charges payable from the assets of the Fund; or
- (c) is necessary to correct a manifest error.

In all other cases, no such alteration may be made except with the approval of a Special Resolution.

The Manager shall notify Shareholders within 1 month of any changes to this Offering Memorandum, the Investment Management Agreement, the Management Agreement, the Custody Agreement or any other offering or constitutive documents of the Fund (other than the Articles of the Fund), unless the Custodian certifies in writing that in its opinion the changes will not prejudice the Shareholders' interests. The Manager shall file a copy of any such certification with the Jersey Financial Services Commission.

Notwithstanding the above provisions, but subject to the requirement for approval by Shareholders in certain circumstances set out in section 6.11(Certain other Resolutions) of this Offering Memorandum, the Fund may at any time agree with any of the Fund Service Providers to amend the fees payable to such Fund Service Provider.

The Articles of the Fund may be amended by Special Resolution.

The Articles of the Company may be amended without notice to or the consent of Shareholders.

Other than as set out in this section 6.10 and section 6.11 (Certain other Resolutions) of this Offering Memorandum, the Fund may update or amend this Offering Memorandum from time to time without the consent of Shareholders.

## 6.11 Certain other Resolutions

The Fund may:

- (a) vary the Investment Objective, the Investment Policy, the Investment Restrictions and any undertaking or representation contained in this Offering Memorandum, but only with the approval of a Special Resolution (see also section 3.5 (Amendment to Investment Objective, Policy, Strategy and Restrictions) of this Offering Memorandum);
- (b) vary the Investment Strategy, but only if approved by a Shareholder Ordinary Resolution (see also section 3.5 (Amendment to Investment Objective, Policy, Strategy and Restrictions) of this Offering Memorandum);
- (c) appoint a new Manager, but only if (i) approved by or subject to ratification by a Shareholder Ordinary Resolution; or (ii) the terms do not differ materially from those previously applicable and the Fund, the new Manager and the Custodian confirm in writing to the Jersey Financial Services Commission that the interests of the Shareholders are not adversely affected;
- (d) terminate the Management Agreement (in addition to its other rights of termination) in the manner and with the approval described in section 6.6.2 (The Management Agreement) of this Offering Memorandum;
- (e) appoint or cause or permit the Manager to appoint a new Investment Manager, but only if (i) approved by or subject to ratification by a Shareholder Ordinary Resolution; and (ii) the identity of the new Investment Manager is approved by the Jersey Financial Services Commission;
- (f) accept liability for any fees or charges payable to a Fund Service Provider which are not disclosed in this Offering Memorandum but only if approved by a Special Resolution (however, this requirement does not limit the Fund's ability to accept liability for such other costs and expenses in connection with the Fund as the Directors of the Fund think fit);
- (g) increase the fees payable to the Directors of the Fund:
  - (1) upon 3 months' notice to Shareholders, up to a maximum amount of £75,000 in aggregate (with such amount to be RPI Indexed) or up to any other maximum amount which has been approved by a Special Resolution; or
  - (2) if approved by a Special Resolution; and
- (h) increase the fees payable to any Fund Service Provider if approved by a Special Resolution (or, upon 3 months' notice to Shareholders, up to any maximum figure approved by a Special Resolution).

## **7. GENERAL INFORMATION**

### **7.1 Reports and Accounts**

Within four months of each Accounting Date the Manager will send to the Shareholders and the CISEA the audited accounts of the Fund prepared in accordance with International Financial Reporting Standards as adopted by the European Union and relevant International Financial Reporting Interpretations Committee interpretations issued by the International Accounting Standards Board, (collectively "IFRS") and a report by the Investment Manager thereon, including income and capital statements made up to the relevant Accounting Date of the previous financial year. See section 2.4 (The Asset Pools) of this Offering Memorandum regarding the allocation of income and expenses between the Asset Pools.

At least two reports will be published and distributed to Shareholders in respect of each financial year of the Fund, although only the accounts prepared as at each Accounting Date are required to be audited.

Copies of all reports and accounts of the Fund will be made available to prospective shareholders upon request and are available for inspection during usual business hours by Shareholders at the registered office of the Manager.

The financial year of the Fund ends on the Accounting Date of the Fund in each year.

### **7.2 Side Letters**

The Investment Manager and/or the Manager may enter into arrangements with certain Shareholders with respect to the full or partial rebate of any fees or other amounts payable to the Investment Manager and/or the Manager. Such arrangements may be confidential and may not be disclosed to other Shareholders and may be entered into without notice to or the approval of the Fund or any other person. The Directors may take such action as they consider necessary to ensure that any such arrangements do not prejudice the Fund or any Shareholders.

### **7.3 Publication of Prices**

The Manager may publish, at its sole discretion, with respect to any Class, the latest Class Share Value, in any public medias such as but not limited to Reuters. The Class Share Value may also be obtained during normal working hours on any Business Day at the registered office of the Manager. Whilst any Class of Participating Shares are listed on the Official List of the CISE, the Class Share Value of each such Class will be published on Reuters.

### **7.4 Share Capital**

#### **7.4.1 Share Capital of the Fund**

The authorized share capital of the Fund is divided into an unlimited number of Founders Shares and an unlimited number of Participating Shares. Such Participating Shares may be issued in any of the Classes determined by the Directors. No holder of Participating Shares is entitled to any pre-emptive or conversion rights.

All shares in the Fund for the time being unissued shall be under the control of the Directors who may allot or dispose of the same to such persons, on such terms and in such manner as they think fit.

#### 7.4.2 Founders Shares in the Fund

The Investment Manager is the only holder of Founders Shares in the Fund and as such is entitled to receive notice of general meetings of the Fund and to attend thereat. Founders Shares carry no right to vote at any general meetings of the Fund. Founders Shares are not redeemable. The holding of Founders Shares creates no interest, direct or indirect, in the net assets or profits attributable to the Fund.

The Articles of the Fund provide that Founders Shares in the Fund may only be issued to or held by Bridport & co. (Jersey) Limited (or such persons as are approved by it in writing).

#### 7.4.3 Participating Shares

Participating Shares are redeemable shares which carry no rights to dividends and such rights on a winding up of the Fund as are described in section 7.5 (Termination) of this Offering Memorandum.

Participating Shares have the right to receive notice of, attend at and vote in person or by proxy at general meetings of the Fund. At any such general meeting:

- (a) a Participating Share shall carry no right to vote on the day of its issue;
- (b) on a show of hands every Shareholder who is present in person or by proxy shall have one vote; and
- (c) on a poll every Shareholder present in person or by proxy shall be entitled to one vote for each whole £1.00 of Participating Shares held by such Shareholder (determined by reference to Class Share Value).

Any Participating Shares held or held directly or beneficially by any one or more of the Directors of the Fund, any Fund Service Provider or any Associate of any of them shall not carry the right to vote on any resolution at any general meeting of the Fund where such Director, Fund Service Provider or Associate has a material interest in (i) the subject matter of the resolution or (ii) in any business to be contracted by the Fund which is to be considered by the resolution. Any such Director, Fund Service Provider or Associate or a representative or proxy for them shall not be counted for the purposes of determining if a quorum is present at any such general meeting.

The Custodian shall have the right: (a) to require the Directors to call a general meeting of the Fund (or in default, at the expense of the Fund, itself to call a general meeting of the Fund) to consider any matter which it considers appropriate); and (b) to speak at any general meeting of the Fund and at any class meeting of the holders of Participating Shares.

#### 7.4.4 Share Capital of the Company

The authorized share capital of the Company is divided into an unlimited number of Founders Shares. All shares in the Company for the time being unissued shall be under the control of the Directors who may allot or dispose of the same to such persons, on such terms and in such manner as they think fit.

The Investment Manager is the only holder of Founders Shares in the Company. Only the holders of Founders Shares in the Company have the right to receive notice of, attend at and vote in person or by proxy at general meetings of the Company. On a poll each holder of Founders Shares is entitled to one vote for each Founders Share held by it. Founders



Shares are not redeemable. Shareholders are not entitled to receive notice of general meetings of the Company or to attend and vote thereat. The holding of Founders Shares in the Company creates no interest, direct or indirect, in the net assets or profits attributable to the Fund. In a winding-up, the net assets of the Company which are not assets of the Fund are distributed among the holders of Founders Shares in proportion to the amount which at the time of the commencement of the winding up had been actually paid up on their Founders Shares in the Company.

#### 7.4.5 Indemnities

The Articles of the Fund contain provisions, insofar as the Companies (Jersey) Law 1991 allows, indemnifying and exempting the present and former Directors of the Fund, secretary and other officers and servants of the Fund from liability in the discharge of their duties, by reason of his being or having been such a director, secretary or other officers or servant of the Fund.

The Articles of the Fund also contain provisions limiting the liability of the Fund and Fund Service Providers in certain circumstances, entitling the Fund and each Fund Service Provider to rely on certain declarations received from Shareholders and permitting the Fund to arrange for the purchase and maintenance in the name and at the expense of the Fund of insurance cover for the benefit of any present or former director, officer, secretary, agent, servant or employee of the Fund against any liability which is incurred by any such person by reason of the fact that he is or was a director, officer, secretary, agent, servant or employee of the Fund.

#### 7.4.6 Variation of Class Rights

Subject to the provisions of the Companies (Jersey) Law 1991, all or any of the special rights attached to any Class for the time being issued may from time to time (whether or not the Fund is being wound up) be altered or abrogated with the consent in writing of the holders of the majority of the issued Participating Shares of that Class or with the sanction of a resolution passed at a separate general meeting of the holders of Participating Shares of such Class. Different Classes may be treated as a single Class for these purposes, if the special rights attached to such Classes will be affected in a similar manner by such variation.

The rights attached to any Class having preferential rights are (unless otherwise expressly provided by the conditions of issue of the Participating Shares) inter alia deemed not to be varied by (a) the creation, allotment or issue of further shares ranking *pari passu* therewith; or (b) the creation, allotment or issue of Founders Shares; or (c) the allotment, issue or redemption of Participating Shares of any Class; or (d) the payment of any redemption amount on any Participating Shares; or (e) the exercise by the Directors of certain of their discretions in relation to the Asset Pools (including the allocation of assets, liabilities, income and expenditure) and the exercise by any liquidator of certain powers provided under the Articles of the Fund on the winding-up of the Fund; or (f) the variation of the special rights attached to any other class of shares (provided that by such variation the rights of holders of the first class as to distribution, redemption or return of capital on a winding up are not thereby reduced or abrogated).

#### 7.4.7 Recording of Communications

7.4.8 Any communication (including any telephone call) between any shareholder or potential investor and the Fund, the Company, any Fund Service Provider or any officer, employee or agent of any of them may be recorded and each such Shareholder or potential investor by engaging in any such communication, consents to such recording.

### 7.5 Termination

#### 7.5.1 Termination of the Fund

- (a) The Fund is of unlimited duration, though the Fund may be wound up, inter alia, on the passing of a Special Resolution.
- (b) On a winding up of the Fund, the net assets of the Fund available for distribution among the holders of shares in the Fund will be applied in the payment to Shareholders of the proceeds of the sale of any net assets of the Fund then remaining, such payment being made in proportion to the total of the Class Share Value immediately before the commencement of the winding-up of all Participating Shares held by each such Shareholder.
- (c) A liquidator may make distributions of the assets of the Fund *in specie*.

#### 7.5.2 Termination of the Company

- (a) The Company is of unlimited duration, though it may be wound up, inter alia, on the passing of a special resolution of the Company (as defined in the Companies (Jersey) Law 1991) by the Investment Manager as the holder of all the Founders Shares in the Company. The Investment Manager may in its sole and absolute discretion convene a general meeting of the Company and (as the holder of all the Founders Shares in the Company) exercise its voting power to wind up the Company at any time, however the Investment Manager will not voluntarily wind-up the Company while the Fund is in existence.
- (b) In the course of the winding up of the Company, the Fund must:
  - (1) be transferred to another cell company;
  - (2) be wound up;
  - (3) be continued as a body corporate or cell under the law of another jurisdiction;
  - (4) be incorporated independently of the Company; or
  - (5) be merged with another company.
- (c) On a winding up of the Company, its net assets available for distribution among the holders of the Founders Shares in the Company shall be applied first in repaying to such holders the amount paid up on their Founders Shares respectively, and if such net assets shall be more than sufficient to repay to such holders the whole amount paid up on the Founders Shares, the balance shall be distributed among such holders in proportion to the amount which at the time of the commencement of the winding up had been actually paid up on their Founders Shares respectively.
- (d) A liquidator may make distributions of the assets of the Company in specie.

## **8. RISK FACTORS**

An investment in Participating Shares is speculative due to the risks and considerations inherent to the investments made and the strategy adopted by the Fund and the level of risk will differ between the different Classes. It is consequently risky to invest in Participating Shares and, depending on the Class or Classes in which investment is made, it may be very risky. An investment in Participating Shares should only be made after consultation with independent qualified sources of investment, legal, accounting and tax advice. No one should consider subscribing for more than he can comfortably afford to lose, furthermore, it is considered completely inappropriate for anybody to borrow money to invest in any speculative investment.

The following risk factors should be considered carefully, but are not meant to be an exhaustive listing of all potential risks associated with an investment in Participating Shares. These risk factors are indicated for information purposes only and notably cannot be deemed to be a complete description of the risks related to an investment in Participating Shares. When considering investing in Participating Shares, any potential investor should bear in mind that Participating Shares may decline abruptly in value and should be prepared to sustain a total loss of their investment in Participating Shares.

For any given Class, potential investors should read this Offering Memorandum in its entirety before determining whether to subscribe for Participating Shares.

### **8.1 General Risks**

#### **8.1.1 Introduction**

The price of Participating Shares of the Fund may fall as well as rise and consequently any Shareholder may not get back the full amount invested. Past performance is not necessarily a guide to future performance. An investor who realises Shares after a short period may, in addition, not realise the amount originally invested in view of the Subscription Charge which may be charged on the issue of shares. The difference at any one time between the sale price (including the Subscription Fee) and the redemption price of Shares means an investment should be viewed as medium to long term. There can be no assurance that investors will receive from the Fund on redemption of their Participating Shares an amount equal to their investment in the Fund. The Fund may sustain losses that may never be recovered and it is possible that an investment may have zero value.

Taking a longer-term view of investments and riding out the ups and downs of the markets will help to ensure a sound average return. Deciding when to sell is, however, a major factor in defining the outcome of an investment. Whilst the Fund looks to preserve capital as much as to enhance it (the degree of such capital preservation is subject to the risk level of Participating Shares into which a person decides to invest), the very fact that it is exposed to the markets means that there can be times when its value falls. Consequently, it is just as important to seek advice before selling an investment as it is before making one.

#### **8.1.2 Investment Strategy/No Guarantee**

The performance of the Fund is affected by the selection of investments by the Investment Manager. The performance of the Fund depends to a large extent on the correct assessment of future price movements of bond, stock, foreign currency and other financial instruments. There can be no assurance that the Fund's Investment Manager will be able to correctly predict such prices. Consequently, there is no guarantee (whether from the Investment Manager's Group or any other party) that the Fund will meet its investment objective.

### 8.1.3 Market Risk

The assets of the Fund are subject to market fluctuations. There can be no assurance that appreciation will occur or that losses will not be incurred. Asset allocation will vary during market cycles.

### 8.1.4 Market Limits

Many exchanges and boards of trade limit the amount of fluctuation permitted in asset prices during (both individually and in aggregate) a single trading day. Once the daily limit has been reached in a particular security/contract, no trades may be made that day at a price beyond that limit, or trading may be suspended for specified periods during the trading day.

### 8.1.5 Market Risk Competition

Financial instruments of the kind proposed to be invested in by the Fund and the issuers or counterparts of such instruments are likely to be affected by, among other things: changing supply and demand; governmental laws; regulations and enforcement activities; trade; fiscal and monetary programmes and policies; and national and international political and economic developments. The effect of such factors on the prices of such instruments in general is difficult to predict. Such regulation or intervention could adversely affect the Fund's performance.

### 8.1.6 Volatility and Risk

For any or all of the Targeted Risk Classes, (1) the targeted level of risk may not be achieved when the Class Asset Weighting is reviewed and/or changed by the Investment Manager or at any time thereafter, and (2) the actual level of risk to which the Targeted Risk Class is exposed at any time may be significantly higher or lower than the targeted level of risk for such Class.

Volatility is not the only measure and may not be an accurate measure of risk. Volatility is a variable, and the way in which volatility is measured will affect its value.

### 8.1.7 Counter-party Risk

The purchase or sale of any investment incurs counterparty risk, as there is normally a delay between the time a deal is agreed and the time the trade is actually settled.

The event of default, bankruptcy or insolvency of a counterparty, broker, other such entity or the issuer of a security, may mean it is not possible to purchase/sell the investment either at all, or at the price originally agreed with such person, or to deal at the same, or a price near the original transaction with an alternative counterparty.

The Fund could also experience delays in liquidating its positions and therefore incur losses due to adverse price movements in the value of its investment during the period in which the Fund seeks to enforce the rights of the Fund. The Fund may also be unable to realise any gains on its investments during such period and may also incur fees and expenses seeking to enforce its rights.

For cash deposits, the default, bankruptcy or insolvency of a bank where monies have been placed on deposit may mean the total loss of such monies.

### 8.1.8 Operational Risk

The operational efficiency in the actual implementation of the strategy adopted by the Fund in order to realise such investments or take such positions are subject to (i) market fluctuations, (ii) reliability of counterparts and (iii) operational efficiency in the actual implementation of the strategy adopted by the fund in order to realise such investments or take such positions.

Consequently, investments are subject to inter alia, market risks, credit exposure and operational risks.

#### 8.1.9 Currency Risks

The Investment Manager may invest in assets denominated in currencies other than Pounds Sterling. Therefore it is possible that movements in local currency values may result in exchange gains or losses when realized proceeds are converted. Ultimately exchange gains or losses will affect the Net Asset Value of each class. The Investment Manager may hedge exchange risks from time to time, but is not obliged to do so and even where such hedging is employed, there is no guarantee that this will have the intended effect.

#### 8.1.10 Currency Contracts

The Investment Manager may purchase and sell spot or forward currency in order to hedge the value of some or all of the assets denominated in currencies other than Pounds Sterling.

#### 8.1.11 Market Volatility/Liquidity

Since certain markets are in the early stages of development, and all markets are subject to the influence of (the following list is not exhaustive) political, economic or other developments, natural disasters, terrorism, sentiment, fraud, government policy, taxation, social and religious instability and various other factors that may have an unforeseen impact on asset price values, in one or more of the countries in which the Investment Manager may invest, all markets may experience periods of volatility which are higher than historical highs and/or a potential lack of liquidity. No guarantee can be given that a liquid market for any investment will exist at any particular time. Where such conditions do exist, this could have a serious adverse impact on the Class Asset Value and may cause the Manager to suspend valuations.

In addition to the above risks, other factors may have an impact on liquidity, which may affect the ability of the Fund to redeem Participating Shares.

In the course of performing its duties, the Fund may be required to accept in specie redemptions from an underlying investment, fund or company. In such a situation, the investments received by the Fund may be illiquid and not readily realisable.

In addition to the above, the attention of potential investors is drawn to the fact that (i) due to the frequency of dealing days, an investment in Participating Shares must be considered as illiquid and this illiquidity involves a high degree of risk, and (ii) in case of suspension or interruption of the calculation of the Net Asset Value of the Fund as more particularly detailed in section 5 of this Offering Memorandum no subscriptions nor redemptions of Participating Shares may be effected.

A significant difference may be observed between the value of Participating Shares published immediately before such a suspension or interruption and their value published immediately after such suspension or interruption has ceased.

#### 8.1.12 Early Termination

Whilst the fund does not propose to purchase illiquid investments, unforeseeable events (e.g. those mentioned 8.1.11 above) may mean that certain financial instruments held by the Fund may become highly illiquid and might have little or no marketable value. It is possible that at the time of sale or distribution, certain securities held by the Fund would be worth less than the initial cost of such securities, or that, due to their illiquidity, they may be liquidated under conditions less favourable than the ones that prevailed at the time of their valuation. The Fund may consequently suffer a loss.

#### 8.1.13 Non-publicly traded securities

It may be difficult to deal in investments for which there is no recognisable market or to obtain reliable information about their value or the extent of the risks to which such investments are exposed. Whilst it is not the intention of the Fund to purchase such securities, unforeseeable events (e.g. those mentioned in 8.1.11 above) may mean that the fund becomes the holder of such securities.

#### 8.1.14 Inflation

The purchasing power of cash can be eroded over time by inflation. Consequently, in times of inflation simply keeping savings in notes and coins generates a loss. Returns need to be assessed against the rate of inflation to establish the true benefit being derived.

#### 8.1.15 Listing

Whilst the Participating Shares are listed on the CISE they will not currently be able to be traded in uncertificated form in any clearance system (such as CREST) or required to be dealt in on any securities exchange, nor will there be any market maker in the Participating Shares. Participating Shares may however be transferred or redeemed subject to and in accordance with the terms of this Offering Memorandum, and share prices in respect of past Dealing Days are published or are available on request from the Manager.

#### 8.1.16 Gearing and leverage

Gearing and leverage each refers to the process of increasing the investable assets of the Fund through the use of borrowed funds, usually secured against the Fund's assets. Whilst the Fund is able to borrow as described in section 3.4 (Investment Restrictions) of this Offering Memorandum, it is only allowed to do so subject to the Investment Restrictions. Whilst it is not the intention of the Directors of the Fund that the Fund will undertake borrowing for speculative purposes, the use of borrowing to meet liquidity requirements will ultimately increase the investable assets of the Fund during the period of such borrowing, and thus will increase market exposure, albeit on a limited basis, whilst any such borrowing is in place.

#### 8.1.17 The Investment Model

The Investment Manager may determine which securities will be analysed by using the Investment Model, which consequently determines which securities it will hold, sell and acquire. The Investment Manager will determine the process and calculations of the Investment Model and it may amend the Investment Model at any time. Accordingly, the Shareholders must rely upon the ability of the Investment Manager to make investments consistent with the Fund's investment objective and policies. Shareholders will not have the opportunity to evaluate the relevant economic, financial and other information that will be used by the Investment Manager in its selection of investments or the processes and calculations made by the Investment Model.

#### 8.1.18 Concentration Risk

The Fund may invest all, or a significant proportion of its assets in (a) one asset class, region, country and/or sector, and/or (b) investments that have similar characteristics or correlate highly with one another.

#### 8.1.19 Reliance on the Manager and the Custodian

The Fund is dependent upon the expertise and abilities of the Manager who is appointed to operate and administer the Fund and administer the Company and, therefore, the incapacity or retirement of principals of the Manager may adversely affect the Fund's performance.

The Fund is also dependent upon the expertise and abilities of the Custodian who is appointed to hold the assets of the Fund and, therefore, the incapacity or retirement of principals of the

Custodian may adversely affect the Fund's performance. The Custodian has adopted appropriate policies and procedures to minimise any such effect.

#### 8.1.20 Reliance on the Investment Manager

The Fund is dependent upon the expertise and abilities of the Investment Manager who is appointed to manage the investments of the Fund and to promote the Fund. The Fund is therefore dependent upon the services of key employees of the Investment Manager. The death, disability or other termination of such key employees by the Investment Manager could have an adverse impact on the business of the Fund. The Fund relies exclusively on the Investment Manager for the management of its assets, and accordingly, there could be adverse consequences in the event that the Investment Manager ceases to be available to devote its services to the Fund. The Investment Manager renders advisory services to a number of persons including banks, corporations, funds, hedge funds, trusts and individuals. Although the Investment Manager has undertaken to act in a manner which is considered fair and equitable, situations may arise in which the Investment Manager's activities on behalf of other clients may disadvantage the Fund, such as the inability of the market fully to absorb orders for the purchase or sale of particular investments placed by the Investment Manager for the Fund and other clients at prices and in quantities which would be obtainable if the same were being placed only by the Fund.

#### 8.1.21 Other Conflicts of Interest

The Directors, the Custodian, the Investment Manager, the Manager, the Company, the Fund and their respective Associates may face certain conflicts of interest in relation to the Fund and they may be involved with other entities utilising investment strategies similar to that of the Fund and with other businesses in general. The Investment Manager may cause the Fund to invest in, or to be exposed to, financial instruments in which one or more of the Directors and the Fund Service Providers and the respective Associates of any of them have a financial interest, or to engage in transactions with brokers or others with which they have other financial or business relationships. Further, the Investment Manager may have conflicts of interest in allocating investment opportunities.

Although the constitutive documents of the Fund do not contain any procedures relating to the resolution of conflicts of interest, procedures and controls to address potential conflicts of interest that may arise are in place.

#### 8.1.22 Regulators

The Fund is not subject to any statutory compensation scheme. The Fund is subject to approval by the Jersey Financial Services Commission, therefore, potential investors are advised that all or most of the protections offered by the financial regulator in their country of domicile (if other than Jersey) may not apply.

#### 8.1.23 Exchange controls and other restrictions

The imposition of, or current controls and restrictions that may be in place/put in place in certain countries could have a detrimental effect on the value of assets which may be affected by such controls and restrictions. Furthermore, such controls and restrictions may delay the repatriation of proceeds and/or their conversion into another currency and/or may mean a charge is levied if such repatriation or conversion takes place where a minimum holding period is introduced.

#### 8.1.24 Withholding taxes, other taxes, information exchange

Capital gains made on and income derived from investments made by the Fund may be subject to withholding taxes and other domestic taxes in the countries in which the investments are made. Furthermore, investment in assets in certain countries may require the Investment Manager to disclose certain information regarding the beneficial owners of the assets to the appropriate authorities.

#### 8.1.25 US Newly Issued Securities

The Fund may not be eligible to participate in, or to invest in any class of securities which may participate in profits attributable to newly issued securities, as provided under applicable rules of the U.S. National Association of Securities Dealers.

#### 8.1.26 Protected Cell Structure

The Company is a protected cell company incorporated in Jersey. The assets of the Fund (which is a protected cell of the Company) are legally segregated pursuant to Jersey company law from the assets of any other protected cells of the Company which are formed by the Company. There is no guarantee that other jurisdictions not familiar with protected cell companies would uphold such legal segregation. Therefore, in the event that any such other protected cells of the Company became insolvent or exhausted their assets and were thus unable to meet all of their liabilities, the assets of the Fund and the assets of the Company attributable to the Fund may be applied to cover the liabilities of the insolvent protected cell if the jurisdiction of the creditors' proceedings does not recognize legal segregation. The Company, at the date of this Offering Memorandum, has not formed any protected cells other than the Fund. It should be noted that each class of Participating Shares does not constitute a different cell but rather constitutes a different class of shares of one single protected cell (being the Fund) and therefore assets attributable to one class of Participating Share are not legally separated from assets attributable to any other class of Participating Share.

#### 8.1.27 Rejected Applications and Forfeiture

There may be loss of investment opportunity or loss in the value of cash during any period of time in which any application money is not invested in the Fund.

#### 8.1.28 Redemption

The attention of potential investors and Shareholders is drawn to the fact that:

- Participating Shares may be compulsorily redeemed by the Manager in circumstances described in this Offering Memorandum;
- in the event that all or a significant part of any financial instruments in which the Fund participates is liquidated pursuant to such compulsory redemption on any given Dealing Day, the Class Share Value of the relevant Class may consequently suffer a material adverse effect; and
- if there are substantial redemptions of Participating Shares, it may be more difficult for the Investment Manager to ensure that sufficient funds are available without liquidating positions either at an inappropriate time or on unfavourable terms.

#### 8.1.29 Calculation of Values

The attention of potential investors is drawn to the fact that the Values are determined, in good faith, by the Manager in accordance with its own principles and methodology as more detailed in section 5 of this Offering Memorandum. Potential conflicts of interest in relation to the calculation of the Values are set out in section 6.7 (Conflicts of Interest) of this Offering Memorandum. The Manager and the Investment Manager will endeavour to ensure that any such conflict of interest will be resolved fairly.

In addition, the principles and methodology used by the Manager to calculate the Values may differ, even substantially, from those prospective investors and Shareholders may be used to.

There is a possibility that capital may be eroded as an indirect result of the redemption of Participating Shares by investors particularly where timing differences exist between the point at which the price of a fund is set and the time at which any underlying securities are sold in order to finance the proceeds of such redemptions.



#### 8.1.30 Fees and Expenses

Whether or not the Fund is profitable and whether or not Participating Shares of any given Class experience appreciation in value or not, the Fund, directly or through its Fund, is required to pay fees and expenses including fees to the Fund Service Providers. These expenses and fees will affect the performance of Participating Shares.

#### 8.1.31 Commissions from Brokers, Dealers or Banks

The Investment Manager does receive research and analysis from the brokers, dealers and or banks with whom it has relationships. Such research and analysis is normally supplied on the understanding that it will only continue to be so where a trading relationship exists.

The Investment Manager may accept such research and analysis, provided that they are used to ultimately benefit the customer and that the person supplying such will continue to agree to provide best execution and that neither the Fund nor the Investment Manager will be tied to utilising solely the services of such broker, dealer or bank exclusively.

#### 8.1.32 Investment Schemes

Investments in the Fund may involve a number of significant risk factors directly or indirectly due to the fact that the Fund invests directly or indirectly in other Investment Schemes. Potential investors (and more generally any and all persons interested in or relying on the performance of the Fund) should be aware that such performance will depend to a considerable extent on the performance of the Investment Schemes in which the Fund may invest.

When investing in the Fund, which in turn may and will invest in other funds, an investor, in effect, incurs the costs of two forms of investment advisory services: the management fee paid to the Investment Manager for selecting such funds and the management and other fees paid to the managers of the funds the Fund invests in. In addition, the investor bears a proportionate share of the fees and expenses of the Fund (including operating costs, payment expenses and administrative fees) and, indirectly, similar expenses of the funds the Fund invests in. An investor who meets the conditions imposed by fund managers of the funds in which the Fund invests could invest directly in such funds themselves, although it may be the case that access to these funds may be limited or unavailable.

#### 8.1.33 Changes in Applicable Law

The Fund must comply with various legal requirements in various jurisdictions. Should any of those laws change, the legal requirements to which the Fund and the Shareholders may be subject could differ materially from current requirements. This may affect the performance of the Participating Shares.

#### 8.1.34 Market Value Levy risk

The Directors have broad powers under the Articles of the Fund to impose a Market Value Levy in connection with the redemption of Participating Shares, being a charge which may be levied at such a rate as may be determined by the Directors for the purpose of reducing Dilution in respect of any redemption of Participating Shares. The exercise by the Directors or the Investment Manager of these powers will result in a redeeming Shareholder receiving less proceeds of redemption than would be the case had the Directors not exercised these powers and such reduction may, in certain market conditions or other circumstances, be substantial.

#### 8.1.35 Suspension of subscriptions, redemptions and Switching

The Manager has broad powers to suspend the determination of the Values, as described in section 5.1 of this Offering Memorandum. During any such period of suspension, no subscriptions or redemptions of any kind may be effected in respect of any Participating Shares. Accordingly,

investors will not be able to acquire, Switch or redeem any Participating Shares of any Class for the period of the suspension.

#### 8.1.36 Restrictions on ownership and compulsory redemption

Participating Shares may be compulsorily redeemed by the Fund in certain circumstances. The Manager has broad powers to impose restrictions on the ownership of Participating Shares and any investor in breach of such restrictions may be subject to sanctions. See section 4.3 of this Offering Memorandum for more information.

## 8.2 Investment in ETFs

It is the intention of the Manager that the assets of the Optimised Pool will be predominantly invested in Exchange Traded Funds ("ETFs").

Whilst the investment objectives of each ETF is generally to replicate an index's return, it is possible that tracking errors may occur, and as such, that returns may be greater or less than the targeted index over a specific period of time.

Below are some risks that relate to ETFs, however, investors should read all the risk warnings in this Offering Memorandum, with specific regard to the risk of investing in certain asset classes, regions, sectors and securities, as all of these may impact the value of an ETF.

ETFs are Investments that are subject to normal market fluctuations and other risks inherent in investing in securities. There is no assurance that any appreciation in the value of the investment in any ETF will occur or that the investment objectives of any ETF will actually be achieved. The value of investments in ETFs and the income (if any) derived there from may fall as well as rise and the Fund may not recoup all or any of the original amount invested by the Fund in an ETF.

ETFs may be denominated in currencies other than the base currency of the Fund. Currency fluctuations between the base currency of the Fund and the base currency of the relevant ETF may adversely affect the value of an investment in the Fund and may result in losses.

As with other funds, ETFs in certain circumstances may suspend the right to redeem investments made in them.

An ETF will be exposed to a credit risk on parties with whom it trades and may also bear the risk of settlement default. In the event of a bankruptcy or other default, the relevant ETF could experience both delays in liquidating the underlying securities and losses including a possible decline in value of the underlying securities during the period when the relevant ETF seeks to enforce its rights thereto. This will have the effect of reducing levels of capital and income in the ETF and lack of access to income during this period together with the expense of enforcing the rights of the ETF.

The market price of the shares of an ETF will fluctuate in accordance with changes in its net asset value and supply and demand on the relevant exchange. Whilst it is anticipated that for any ETFs purchased, the shares or units will be actively traded and that a liquid market will be in place, there is no guarantee that this will continue to be the case or that the shares or units of an ETF will trade at their net asset value. As, generally, the shares or units of an ETF are usually able to be dealt in by means of subscription and redemption (albeit normally in large multiples only), it is believed that large discounts or premiums to the net asset value of an ETF should not be sustainable. Whilst the creation/redemption feature generally included within ETFs is designed to make it likely that shares or units will trade close to their net asset value, disruptions to creations and redemptions may result in trading prices that differ significantly from the net asset value of the ETF.

Since foreign exchanges may be open on days when an ETF does not price its shares or units, the value of the securities in an ETF's portfolio may change on days when the Investment Manager may not be able to purchase or sell shares or units in the ETF.

Secondary market trading in an ETF may be suspended by a local exchange because of market conditions or for other reasons. In addition, trading in an ETF may be subject to suspensions in trading caused by extraordinary volatility pursuant to "circuit breaker" rules. There can be no assurance that the requirements necessary to maintain the listing of any ETF will continue to be met or will remain unchanged.

The performance of an ETF will normally be measured against its benchmark index.

- It should be noted that certain factors, may limit the ability of an ETF to achieve returns which reflect the benchmark index. For example, (i) an ETF that is required to comply with the standard investment and borrowing restrictions for UCITS, will normally be required (among other things) to limit holdings in any single investee company to 10% of its net asset value and (ii) an ETF which is also a distributing fund under the UK Income and Corporation Taxes Act 1988 (subject to certain exceptions) may be required to limit its holdings in other offshore funds to 5% of its net asset value. These restrictions could give rise to a difference between the performance of the benchmark index and the ETF if the benchmark index has one or more constituent holdings comprising a weighting that is greater than the relevant restriction.
- The performance of each ETF may be negatively affected by a general decline of the securities or the market segment relating to a benchmark index. ETFs generally invest in the securities included in, or representative of, the Benchmark Index regardless of their investment merit.
- If the benchmark index of an ETF concentrates in a particular industry, group of industries or sector, the ETF may be adversely affected by the performance of those securities and may be subject to price volatility. In addition, if an ETF concentrates in a single market or industry, it may be more susceptible to any single economic, market, political or regulatory occurrence affecting that market or industry.
- Differences between an ETFs constituent securities and those in its benchmark index, rounding of prices, changes to the benchmark index and regulatory policies may cause the ETF's performance not to match the performance of its benchmark index ("tracking error"). Tracking error may also result because the ETF incurs fees and expenses whilst its benchmark index is not affected by such expenses.

Although each ETF will be normally treated as bearing its own liabilities, where such ETF is a sub fund of a company, the company as a whole will remain liable to third parties. All liabilities, irrespective of whatever ETF they are attributable to, may (in the event of a winding up of the company or a redemption of all the shares or units of an ETF), unless otherwise agreed upon with the creditors, be binding on the company as a whole and, accordingly, liabilities of one ETF may impact on and be paid out of one of more other ETFs.

An investment manager of an ETF may employ various investment techniques, such as futures contracts, contracts for differences, stock lending and repos (together know as "derivatives") for the purposes of efficient portfolio management of an ETF or for investment purposes. A contract for difference is a contract whereby one party agrees to pay to the counterparty the difference in price of a security between two points in time. Such instruments involve certain special risks and may expose investors to a high risk of loss. The low initial margin deposits normally required to establish a position permit a high degree of leverage. As a result, a relatively small movement in the price of the underlying securities may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in a further loss exceeding any margin deposited. These derivative positions may be executed either on exchange or over the counter. Investment in derivatives involves exposure to normal market fluctuations and the other risks inherent in investment in securities. In addition, certain other risks arise; these include lack

of liquidity or lack of correlation between the change in the value of the underlying asset and that of the value of the ETF's investment managers' derivatives positions. These techniques may not always be possible or effective in enhancing returns or mitigating risk. The ETF's investment managers' investment in over the counter derivatives is subject to the risk of counterparty default. In addition, the ETF's investment managers may have to transact with counterparties on standard terms, which it may not be able to negotiate.

As ETFs are generally designed to track indices, they generally purchase all securities that make up such index in order to achieve a comparable return to that index. Due to these factors:

- investment managers of ETFs may be obliged to invest in some securities that may be illiquid and it may therefore be difficult to achieve fair value on purchase and sale transactions of such securities;
- investment managers of ETFs may also be obliged to invest in companies with a range of credit worthiness. A default by the issuer of a security may result in a reduction in the value of the fund;
- ETFs are denominated in various currencies and the securities in any one ETF may be denominated in several currencies. The value of an ETF may fall should the currency in which the ETF is denominated diverges in value from the securities the ETF has purchased in local currency.

Whilst ETFs may buy the underlying physical securities that make up the index that they are tracking (such ETFs may be known as "in-specie ETFs", "cash based ETFs" or "physical ETFs"), not all do. Swap based ETFs uses total return index swaps to replicate an index's performance. Investors in swap-based ETFs are essentially buying the performance of the index, not the physical securities it contains.

Swap-based ETFs can, in some instances, provide a more tax-efficient investment. They can also be a good way of gaining exposure to markets that cannot be accessed through cash-based funds, such as commodities. However, swap-based funds are generally considered a slightly riskier investment when compared to their cash-based equivalent, because of their exposure to counterparty risk. Under UCITS rules, where applicable, this risk is managed to a maximum of 10% of the value of the ETF. However, some providers, such as Barclays iShares, cap counterparty risk for swap-based funds at 5%

### **8.3 Investment in funds that are not ETFs**

Whilst the Investment Manager intends to invest in ETFs that track market indexes, it may consider it beneficial to invest in a fund whose stated objective is not to track any specific index. The Investment Manager may consider this to be beneficial where no ETF exists that gives the Investment Manager exposure to such asset class, sector, region or style of investing, or where such ETFs do exist, the Investment Manager, after considering factors such as liquidity, fees, listing particulars or any other factors the Investment Manager considers relevant, does not consider it prudent to invest, then the following applies:

(a) Nature of Fund of Funds

When investing in the Fund, which in turn may and will invest in other funds, an investor, in effect, incurs the costs of two forms of investment advisory services: the management fee paid to the Investment Manager for selecting such funds and the management and other fees paid to the managers of the funds the Fund invests in. In addition, the investor bears a proportionate share of the fees and expenses of the Fund (including operating costs, payment expenses and administrative fees) and, indirectly, similar expenses of the funds the Fund invests in. An investor who meets the conditions imposed by fund managers of the funds in which the Fund invests could invest directly in such funds themselves, although it may be the case that access to these funds may be limited or unavailable.

(b) Allocation of Assets

The Investment Manager allocates the assets of the Fund. It may be the case that the Investment Manager allocates assets to different funds that may on occasion be competing with each other for similar positions at the same time and may take opposite positions in the same or in a related security. It may be possible that the Investment Manager selects a fund on which a performance fee is payable, commencing from the date the fund is first invested in. The Fund may be required to pay an incentive fee based upon profits generated by one fund manager even though another fund manager or the Fund as a whole may have realised a loss.

(c) No Control over Funds

The Fund is not able to offer any assurance that it will be able to control or monitor the activities of the funds it may invest in on a continuous basis. A fund may use investment strategies that (i) differ from its past practices, (ii) are not fully disclosed to the Investment Manager and (iii) involve risks under some market conditions that are not anticipated by the Investment Manager. Some funds may have limited operating histories.

(d) Investment in funds

Investments made by the Fund in other investment vehicles may have redemption periods that affect liquidity.

(e) Leveraged funds/Derivatives

Whilst the Investment Manager does not intend to purchase funds that have an investment strategy such as that detailed below as a primary or significant strategy, it is possible that a fund manager may utilise such strategies for hedging purposes and that such hedge may not be perfect, leading to losses or cause the fund invested in to become illiquid or that the circumstances mentioned in paragraph (c) above may become applicable.

Certain investment practices or trading strategies such as investment in financial and commodity futures and in derivative instruments and use of other investment techniques entail separate and substantial risks. Leverage can be employed in a variety of ways including direct borrowing, margining, short selling and the use of futures, warrants, options and other derivative products. Generally, leverage is used to increase the overall level of investment in a portfolio. Higher investment levels may offer the potential for higher returns. This exposes investors to increased risk as leverage can increase the portfolio's market exposure and volatility; the risk of leverage in futures contracts and investing in warrants is that small price movements can result in large losses or profits. No assurance can be given that a liquid market will exist for any particular futures contract at any particular time. If assumptions made by investment managers are wrong or if the instruments do not work as anticipated, the relevant fund could lose more than if the fund had not used such investment techniques.

## 8.4 Risks Associated with Asset Classes

Further details are provided below of risks specific to securities, contracts and other asset classes in which the Fund may invest.

Whilst it is anticipated by the Investment Manager that the Fund will hold a range of asset classes, it is possible that the fund may only be invested in one asset class at any given point in time. The risks relating to each such asset class (and factors that may affect such asset class, or sub sector of such class) that the Investment Manager may invest in are described below.

A section on derivatives has been included below. Whilst the fund will not invest directly into derivatives, nor does it intend to purchase any assets which use such investments as their primary

investment strategy (or have a significant proportion of its assets invested in such investments), it is possible that assets into which the fund can invest may utilise such investments for hedging purposes. Generally speaking, it is not possible to perfectly hedge any investment via derivatives, and consequently significant price movements in an asset may occur as a result of imperfect hedges.

#### 8.4.1 Bond and fixed interest securities and funds

Interest rate fluctuations affect the capital value of investments. Where long term interest rates rise the capital value of securities is likely to fall, and vice versa.

The value of a bond will fall in the event of the default or reduced credit rating/worthiness of the issuer (or if credit spreads widen, relative to gilts), similarly an increase in credit rating/worthiness (or narrowing of credit spreads) can lead to capital appreciation. Generally the higher the yield to maturity on any bond, the higher the perceived credit risk of the issuer. The yield (and hence market price) at any given time will depend on the market environment. However, the impact of any default may be reduced by diversifying the portfolio across a wide spread of issuers and sectors.

In risk terms, corporate bond funds are often considered to be a "half way house" between equity funds and bank and building society accounts. However, unlike a bank or building society account where an investor's capital is secure (subject to the solvency of such bank or building society and the existence and terms of any investor protection scheme), corporate bond funds are not risk free. In view of the special risks associated with investment in funds containing investments which are below investment grade, such funds should generally be considered a greater risk than investment in blue chip equity funds.

Bond yields (and as a consequence bond prices) are determined by market perception as to the appropriate level of yields given the economic background. Key determinants include economic growth prospects, inflation, the government's fiscal position, short-term interest rates and international market comparisons, as well as the credit worthiness of the individual issuers. Returns from bonds are fixed - as at the time of purchase, the fixed coupon payments are known, as is the final redemption proceeds. This means that if a bond is held until its redemption date, the total return achieved is unaltered from its purchase date. However, over the life of a bond, the yield (and hence market price) at any given time will depend on the market environment at that time. Therefore, a bond sold before its redemption date is likely to have a different price to its purchase level and a profit or loss may be incurred.

The underlying investments of all bonds (and in particular High Yield bonds) are exposed to credit risk which reflects the ability of the borrower (i.e. bond issuer) to meet its obligations (i.e. pay the interest on a bond and return the capital on the redemption date). Generally the higher the quality of issuer, the lower the interest rate at which they can borrow money. Issuers of a lower quality will tend to have to pay more to borrow money to compensate the lender (the purchaser of a bond) for the extra risk taken.

#### 8.4.2 Commodity/Natural Resources Risk

Commodity prices are affected by (amongst other factors) the overall level of economic activity and industrial production. Historically, during periods of economic or financial instability, commodities and the securities of producers have been subject to extreme fluctuations in market price. The earnings and general financial conditions of producers are highly dependent on the market price of the underlying resources which, historically, have been extremely volatile. Natural disasters, such as earthquakes, droughts and floods, can lead to severe supply disruptions. These events may significantly influence prices of commodities and prices of natural resource equities. Similarly, supply interruptions as a result of social factors such as strikes and civil unrest can have a material impact on commodity prices. The production of some commodities can be concentrated in geographic regions or specific countries, and as such the impact of natural, political or social factors can have a significant effect, particularly if such production is concentrated in emerging market countries (see risks associated with emerging market investments below). Commodity

prices can be influenced, often unpredictably, by co-operative or co-ordinated actions, by producers or sovereign nations (e.g. OPEC members). New technology could lead to substitution of a commodity or commodities, thereby reducing demand. Similarly, new technology could lower production costs and increase supply of a commodity, influencing its price.

#### 8.4.3 Equity Investments

Investing in equity shares means that the investor is taking a stake in the performance of that company, participating in the profits it generates by way of dividends and any increase in its value by way of a rise in its share price. If the company fails, however, all the investment may be lost with it. The share price does not reflect a company's actual value, rather it is the stock market's evaluation of a company's future earnings and growth potential, coupled with the level of demand for it, that drives the price higher or lower as the case may be. Demand is a function of the market's assessment of which countries, industry sectors and individual companies offer the best prospects for growth. That assessment is influenced by a whole array of economic and political considerations. In addition, certain sectors of the equity market may be subject to other risks, such as

##### (a) Market Capitalisation Risk

The securities of small-to-medium-sized (by market capitalisation) companies, or financial instruments related to such securities, may have a more limited market than the securities of larger companies. Accordingly, it may be more difficult to effect transactions of such securities at an advantageous time or without a substantial change in price than securities of a company with a large market capitalisation and broad trading market. In addition, securities of small-to-medium-sized companies may have greater price volatility as they are generally more vulnerable to adverse market factors such as unfavourable economic reports.

##### (b) Growth Securities

Securities perceived as growth securities may be particularly sensitive to market movements because pricing may reflect future expectations, which are in themselves variable and may or may not be met.

##### (c) Country, Sector & Style funds

- (1) Funds that invest in a specific sector or follow a particular style may at times experience difficulties in realising their underlying holdings due to the specialist nature of those investments;
- (2) Funds that invest in a specific country carry a greater risk due to their concentration than a fund diversified across more countries, in return for a higher potential reward.

##### (d) Technology

Investment in technology related stocks can be more volatile than investments in more traditional or longer established industries. Accordingly, larger than average price movements can be expected.

#### 8.4.4 Property Investments

Property investments are also subject to the majority of the risks above. However, where investments are made directly (either by the Fund or through a property fund) into physical property, rather than indirectly where the shares of property companies are purchased, there may be additional risks not readily apparent to the investor such as:

##### (a) Exchange Rate Risk

Property funds may invest on a cross border basis, therefore fluctuations in exchange rates may affect the value of the fund.

(b) Landlord Obligations

The responsibility for repairing and insuring properties may differ between the landlord and tenant depending on the jurisdiction in which the property is situated in. Furthermore, agreements in place between the tenant and the landlord can affect valuations depending on whether or not any works carried out are recoverable by the landlord from the tenant. Therefore, should major works be required on any property within the fund, this may affect fund valuations.

(c) Lease Lengths

The length of lease agreed between landlord and tenant can significantly affect valuations, whilst a long lease may mean certainty of cash flows over the longer term, it may detract from the marketability of the property depending on the rights of the tenant should a property be sold. These factors may have a significant impact on fund values.

(d) Rent Reviews and Indexation

The value of the investment may alter significantly depending on the clauses relating to rent reviews and indexation. In certain jurisdictions, it may be common for leases to only contain upward only rent review clauses which can provide investors with a high degree of income security, whereas in other jurisdictions' such clauses are not common and therefore there is no downside protection should open market rental values collapse. Another variant for European shopping centres is where rents payable are linked to the tenant's sales, which may make income streams less certain.

(e) Market Transparency

Property valuation is a very subjective process as information on recent agreements between landlords and tenants can be difficult to obtain, therefore analysing trends in rent and yields poses additional difficulties.

(f) Liquidity and Valuations

Investments directly into property should be considered as illiquid investments, due to what can be very long periods of time between a property being put up for sale and being sold. The period of time prior to a sale being concluded may vary greatly depending on the market conditions at that time. The lack of disclosure rules in different jurisdictions', together with unreliable benchmarks, may cause valuations to be far from the property's quoted value.

(g) Taxation

The taxation of property and rents can differ greatly between different cities, regions and countries. Furthermore, Governments may decide to impose significant taxes on non local investors in the event that 'property hotspots' develop which may exclude the local population from the market.

#### 8.4.5 Hedge Fund Investments

Hedge Funds are investments that can employ a number of different strategies, therefore, any and all of the risks in this section on risk warnings may be present when an investment is made in such a fund, including, but not limited to those applying to derivatives, warrants, emerging markets, unregulated markets, grey markets, stabilisation and/or illiquid investments. Leverage or gearing is an extremely important factor to consider when investing in hedge funds, as a relatively small movement in the value of an underlying investment may cause significant swings in the valuation



of the fund concerned, and in some cases may lead to a complete loss of all monies invested. In addition, short selling of stocks may also lead to significant losses. Where a person owns a stock, the maximum loss that can be incurred is the value of that stock falling to nothing, whereas when a person sells a stock they do not own (with the expectation that they will be able to buy the stock at a lower price at a later date), the potential loss is unlimited, as the value of a stock can rise to many multiples of the price it was sold at, meaning the loss could be greater than the amount invested.

#### 8.4.6 Derivatives

While the Fund cannot invest directly in futures, options or warrants, ETFs and other funds in which the Fund may invest may do so. This brief statement discloses some, but not all, of the risks and other significant aspects of trading in futures, options and warrants.

##### (a) Futures

###### (1) Effect of 'Leverage' or 'Gearing'

Transactions in futures carry a high degree of risk. The amount of initial margin is small relative to the value of the futures contract so that transactions are 'leveraged' or 'geared'. A relatively small market movement will have a proportionately larger impact on the value of funds deposited, so that this may result in gains or losses. A total loss of initial margin funds and any additional funds deposited to maintain the position may also occur. If the market moves against the position or margin levels are increased, substantial additional funds may be required on short notice to maintain the position. If a request for additional funds is not met within the time prescribed, the position may be liquidated.

###### (2) Risk-Reducing Orders or Strategies

The placing of certain orders (e.g. 'stop-loss' orders, where permitted under local law, or 'stop-limit' orders) which are intended to limit losses to certain amounts may not be effective because market conditions may make it impossible to execute such orders. Strategies using combinations of positions, such as 'spread' and 'straddle' positions, may be as risky as taking simple 'long' or 'short' positions.

##### (b) Options

Transactions in options carry a high degree of risk. Purchasers and sellers of options have to familiarise themselves with the type of option (i.e. put or call) which they contemplate trading and the associated risks. They also have to calculate the extent to which the value of the options must increase for the position to become profitable, taking into account the premium and all transaction costs as well as the exercise price.

The purchaser of options may offset or exercise the options or allow the options to expire. The exercise of an option results either in a cash settlement or in the purchaser acquiring or delivering the underlying interest. If the option is on a future, the purchaser will acquire a futures position with associated liabilities for margin (see all of the section on Futures above). If the purchased options expire worthless, a total loss of the investment will be suffered which will consist of the option premium plus transaction costs.

Certain exchanges in some jurisdictions permit deferred payment of the option premium, exposing the purchaser to liability for margin payments on the option premium not exceeding the amount of the premium. The purchaser is still subject to the risk of losing the premium and transaction costs. When the option is exercised or expires, the purchaser is responsible for any unpaid premium

outstanding at that time. If the option is on a future the purchaser and the seller will have additional potential liabilities as above.

(c) Warrants

A warrant is a right to subscribe for shares, debentures, loan stock or government securities, and is exercisable against the original issuer of the securities. Warrants often involve a high degree of gearing, so that a relatively small movement in the price of the underlying security results in a disproportionately large movement in the price of the warrant. The prices of warrants can therefore be volatile. Some other instruments are also called warrants but are actually options (for example, a right to acquire securities which is exercisable against someone other than the original issuer of the securities, often called a "covered warrant").

#### 8.4.7 Unregulated Markets/Grey Markets/Stabilisation

Where a transaction is not regulated by the rules of any stock exchange or investment exchange, or the transaction is to be effected on a stock exchange or investment exchange which has not been recognised or designated as meeting certain standards for safeguarding investors, the risks that Shareholders are exposed to are necessarily greater.

(a) Transactions in Grey Markets, etc

There may not be sufficient published information concerning such investments on which to base a decision about purchasing or selling them: these are investments such as: -

- (1) investments for which application has been made for listing on a stock exchange or for admission to dealings on an investment exchange, where the investments' listing or admission has not yet taken place; and
- (2) investments whose listing on a stock exchange is suspended or whose listing has been discontinued, or which is subject to an announcement of a market authority suspending or prohibiting investments.

(b) Stabilisation

Stabilisation is an important factor in global markets; it is a price supporting process that very often takes place on the occasion of new issues, including rights issues. The effect of stabilisation can be to make the market price of a new issue temporarily higher than it would otherwise be. Stabilisation can also affect the market price of investments of the same class which are already in issue and of other investments whose price affects the price of the new issue. For example, if a company has announced a rights issue, stabilisation may cause the market price of its shares which are already in issue to be temporarily higher than it would otherwise be; and the same may apply if the company has announced an issue of convertible loan stock or of euro bonds with warrants to subscribe for its shares. The fact that there have been dealings in an investment in which stabilisation may be taking place does not necessarily mean that investors are interested in buying that investment or in buying it at the level at which those dealings have taken place. There are limits on the price at which shares, warrants or depository receipts may be stabilised but the limits do not apply where loan stock or bonds are being stabilised.

#### 8.4.8 Emerging Markets

Transactions in all forms of investment carry some degree of risk. Transactions on markets in "emerging market countries" or in "emerging market investments" may expose the investor to additional risks not typically associated with similar activities in more developed countries.

The classification of a country as an "emerging market country", while frequently based on relative economic, political and social development, is necessarily somewhat subjective. In general,

"emerging market countries" are characterised by an undeveloped or developing infrastructure, with significant potential for economic growth and increased capital markets participation by foreign investors.

Countries which could be described as "emerging market countries" will generally possess some, but not necessarily all, of the following characteristics:

- 2006 Per capita GNI of less than USD 11,115 (World Bank definition of low and middle-income economies);
- Recent or relatively recent economic liberalisation (including, but not limited to, a reduction in the state's role in the economy, privatisation of previously state-owned companies, and/or removal of foreign exchange controls and obstacles to foreign investment);
- Debt ratings below "investment grade" by major international rating agencies and a recent history of defaulting on, or rescheduling, sovereign debt;
- Recent liberalisation of the political system and a move towards greater public participation in the political process;
- and Non-membership of the Organisation of Economic Co-operation and Development (OECD).

The securities and other instruments of issuers and obligor's resident, domiciled, based in or principally engaged in business in any such countries, together with any derivative products related to the performance of such securities or other instruments, are referred to in this statement as "emerging market investments".

This statement cannot disclose all the risks and other significant aspects of trading on markets in emerging market countries or of investing in emerging market investments. Rather, it is intended to highlight some risks of which Shareholders should be aware.

#### 8.4.9 Country risk

Where a party trades, invests or deals in a jurisdiction other than that in which it is resident, doing business or domiciled, with a counterparty resident, doing business or domiciled in another jurisdiction or in a security or instrument of an issuer resident, doing business or domiciled in a another jurisdiction (or related derivative product) the value of which is affected or capable of being affected by events in that jurisdiction, he faces country risk.

Country risk is the risk that some event will occur in a particular country (e.g. natural disaster) which is beyond the control of the investor or its counterparty, but which affects the markets relevant to the transaction which they have entered into. Although this risk is present with respect to any country, it may be greater in an emerging market country, where the economic, political and social systems are often less well developed.

#### 8.4.10 Economic risk

The economies of emerging market countries tend to be less stable than those of more developed countries. They often experience greater fluctuations in economic factors which may contribute to financial instability, e.g. unpredictable changes in currency rates of exchange, interest rates and inflation rates. In addition, many emerging market countries are indebted to external organisations and to other countries and lack a well developed infrastructure of all sorts (physical, institutional, legal, regulatory, etc). Such factors can exacerbate such financial instability.

#### 8.4.11 Political Risk

An unstable political environment can have a significant effect on a country's financial stability. Many emerging market countries experience rapid and significant changes in their political environment on a regular basis. Such changes may be due to social, ethnic or religious strife, often coupled with periods of social unrest. They can result in dramatic changes in governmental policy (including changes in exchange controls and market regulation). Such instability or potential instability may make it difficult for investors or their counterparties to predict the effect of such changes on transactions which they enter into.

#### 8.4.12 Market Risk

The financial markets in emerging market countries are commonly smaller, more volatile, less well regulated and less liquid than those in more developed countries. Often there are no organised public markets for the securities or other instruments of issuers in those countries. These factors may all result in greater price volatility of securities and other instruments issued or traded in emerging market countries.

#### 8.4.13 Currency Risk

The value of emerging market investments may be affected by fluctuations in currency exchange rates and by exchange control regulations. Whilst it may be possible to hedge against these risks, they cannot be completely eradicated.

#### 8.4.14 Information Risk

It is often more difficult to obtain reliable information with respect to counterparties, issuers and obligors in emerging market countries than in more developed countries. In addition, the official data and statistics available to investors may be substantially less reliable than those available to investors in certain other countries. This can affect the investor's ability to assess the value of the security or other instrument, the status of an issuer and the overall risk associated with the emerging market investment.

#### 8.4.15 Settlement Risk

Settlement, custodial and clearing services in emerging market countries are typically not as highly developed as those in certain other countries. The possibility that investors in such countries lose their registration as owners of an emerging market investment through fraud, negligence or oversight is greater than in more developed countries. The investor may also suffer loss as a result of delays and inefficiencies in the provision of such services.

#### 8.4.16 Issuer and Credit Risk

Because emerging market countries are generally not as economically stable as more developed countries, there is a greater risk that issuers and obligors will experience difficulties in meeting their obligations to repay the principal or to pay interest/income or dividends. Some countries are currently in default of their sovereign debt obligations. These risks may be enhanced where the market is dominated by a small number of issuers and, therefore, investors may be exposed to greater concentrations of credit risk.

#### 8.4.17 Taxation Risk

The tax systems of emerging market countries tend to be subject to rapid and significant change. In addition, tax collection methods may not be as efficient as in more developed countries. This can result in foreign investors being expected to make up revenue shortfalls. Investors in these jurisdictions should also note that the benefits of double tax treaties may not be available.

#### 8.4.18 Legal and Regulatory Risk

Although some emerging market countries have mature and reliable legal systems, many have systems of an elementary nature. There is, therefore, considerable uncertainty in many areas of the law in those jurisdictions. The rights and protections available to investors in more developed countries may not be available, may not be capable of enforcement or may be enforced in an unpredictable manner.