

PFS Hawksmoor Open-Ended Investment Company

(An investment company with variable capital incorporated with limited liability and registered in England and Wales under registered number IC000729)

Prospectus

This document is the Prospectus of PFS Hawksmoor Open-Ended Investment Company (the **Company**) which has been prepared in accordance with the Collective Investment Schemes Sourcebook of the Financial Services Authority Handbook of Rules and Guidance. Copies of this Prospectus have been sent to the Financial Services Authority and the Depositary.

Phoenix Fund Services (UK) Limited, the Authorised Corporate Director of the Company, is the person responsible for the information contained in this Prospectus. To the best of its knowledge, information and belief (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus does not contain any untrue or misleading statements or omit any matters required to be included in it by the Collective Investment Schemes Sourcebook.

This Prospectus is dated, and is valid as at 10 June 2011

NOTICE

This Prospectus is intended for distribution in the United Kingdom. The distribution of this Prospectus and the offering of shares in the Company may be restricted in other jurisdictions. Potential investors are required to inform themselves of the legal requirements and restrictions of their own jurisdiction and act accordingly. This Prospectus does not amount to a solicitation or offer by any person in any jurisdiction in which such solicitation or offer would be unauthorised or unlawful.

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

The Company is offering Shares in its Funds on the basis of the information contained in this Prospectus. No person has been authorised by the Company to give any information or to make any representations in connection with the offering of the shares other than those contained in this Prospectus, and, if given or made, such information or representations must not be relied upon.

The delivery of this Prospectus or the issue of Shares shall not, under any circumstances, create any implication that the affairs of the Company have not changed since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

This Prospectus is based on information, law and practice at the date hereof. The Company cannot be bound by an out of date prospectus when it has issued a new prospectus and investors should check with Phoenix Fund Services (UK) Limited that this is the most recently published prospectus. Further copies of this Prospectus are available, free of charge from Phoenix Fund Services (UK) Limited

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

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

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DEFINITIONS

“Accumulation Shares”	Shares in the Funds of the Company as may be in issue from time to time in respect of which income allocated thereto is credited periodically to capital pursuant to the FSA rules;
“ACD”	Phoenix Fund Services (UK) Limited, the authorised corporate director of the Company;
“ACD Agreement”	an agreement between the Company and the ACD;
“Administrator”	Phoenix Fund Services (UK) Limited, or such other entity as is appointed to act as administrator to the Company from time to time;
“Auditor”	Shipleys LLP, or such other entity as is appointed to act as auditor to the Company from time to time;
“Business Day”	a day on which the London Stock Exchange is open for business;
“Class” or “Classes”	in relation to Shares, means (according to the context) all of the Shares related to a single Fund or a particular class or classes of Share related to a single Fund;
“COLL”	reference to a rule or guidance in the COLL Sourcebook;
“COLL Sourcebook”	the Collective Investment Schemes Sourcebook of the FSA’s Handbook of Rules and Guidance as amended from time to time;
“Company”	PFS Hawksmoor Open-Ended Investment Company;
“Custodian”	The Bank of New York Mellon (International) Limited or such other entity as is appointed to act as custodian to the Company from time to time;
“Dealing Day”	Monday to Friday inclusive except for Bank Holidays in England and Wales and other days at the ACD’s discretion;
“Depositary”	The Bank of New York Trust and Depositary Company Limited, or such other entity as is appointed to act as Depositary;
“Directors”	the directors of the Company from time to time (including the ACD);
“EEA State”	a member state of the European Union and any other state which is within the European Economic Area;
“Eligible Institution”	one of certain eligible institutions as defined in the glossary of definitions to the FSA Handbook;
“EPM”	Efficient Portfolio Management;
“FSA”	the Financial Services Authority or any successor body which may assume its regulatory responsibilities from time to time;

“FSA Handbook”	the FSA Handbook of Rules and Guidance, as amended from time to time;
“Fund” or “Funds”	a sub-fund of the Company (being part of the Scheme Property of the Company which is pooled separately) to which specific assets and liabilities of the Company may be allocated and which is invested in accordance with the investment objective applicable to such sub-fund;
“ICVC”	investment company with variable capital;
“Income Shares”	Shares in the Funds of the Company as may be in issue from time to time in respect of which income distributed periodically pursuant to the FSA rules;
“Instrument of Incorporation”	the instrument of incorporation of the Company as amended from time to time;
“Investment Manager”	Hawksmoor Investment Management Limited, the investment manager appointed by the ACD in respect of the Company;
“Net Asset Value” or “NAV”	the value of the Scheme Property of the Company or of any Fund (as the context may require) less the liabilities of the Company (or of the Fund concerned) as calculated in accordance with the Instrument of Incorporation;
“OEIC Regulations”	the Open-Ended Investment Companies Regulations 2001 as amended or re-enacted from time to time;
“Register”	the register of Shareholders of the Company;
“Registrar”	Phoenix Fund Services (UK) Limited or such other entity as is appointed to act as Registrar to the Company from time to time;
“Regulations”	the OEIC Regulations and the FSA Handbook (including the COLL Sourcebook);
“Scheme Property”	the cash, securities or any other asset of the Company, or a Fund as the case may be, required under the COLL Sourcebook to be held for safekeeping by the Depositary;
“SDRT”	stamp duty reserve tax
“Share” or “Shares”	a share or shares in the Company (including larger denomination shares and fractions);
“Shareholder”	a registered holder of Shares in the Company;
“switch” or “switching”	the exchange where permissible of Shares of one Class or Fund for Shares of another Class or Fund;
“UCITS”	the EC Council Directive of 20 December 1985 (No 85/611/EEC), as amended on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities;

“UCITS Scheme”	an authorised collective investment scheme constituted in accordance with UCITS, shares in which can be sold to retail investors in the UK and EEA;
“UK”	the United Kingdom of Great Britain and Northern Ireland;
“Valuation Point”	the point, on a Dealing Day whether on a periodic basis or for a particular valuation, at which the ACD carries out a valuation of the Scheme Property of the Company or a Fund (as the case may be) for the purpose of determining the price at which Shares of a Class may be issued, cancelled or redeemed. The current Valuation Point is 10:00am London time on each Dealing Day with the exception of Christmas Eve and New Year’s Eve or a bank holiday in England and Wales, or the last Business Day prior to those days annually where the valuation may be carried out at a time agreed in advance between the ACD and the Depositary;
“Value Added Tax” or “VAT”	the UK tax imposed on the supply of goods and services or any other tax substituted for that tax or in respect of supplies, turnover or value added sales;

1. THE COMPANY

PFS Hawksmoor Open-Ended Investment Company (the “Company”) is incorporated in England and Wales as an ICVC under registration number IC000729. The Shareholders are not liable for the debts of the Company.

The Company is authorised by the FSA as a UCITS Scheme under the COLL Sourcebook and is an umbrella company for the purposes of the Regulations with each Fund being a UCITS Retail Scheme. Details of the investment objective and policies of the Funds, including their borrowing powers and investment restrictions, are set out in Appendices 1 and 2. The Eligible Markets on which the Funds may invest are listed in Appendix 3.

The Funds are not ring-fenced so that in the event that the Company is unable to meet liabilities attributable to any particular Fund out of the assets attributable to that Fund, the remaining liabilities may have to be met out of the assets attributable to other Funds. In the event that any assets are so reallocated, the ACD will advise Shareholders in the next succeeding annual or half yearly report to Shareholders.

The Company’s Head Office and the address for service in the UK on the Company of notices or other documents is at Springfield Lodge, Colchester Road, Chelmsford, Essex CM2 5PW.

The effective date of the authorisation order made by the FSA was 5 February 2009. The Instrument of Incorporation of the Company is registered with the Registrar of Companies. The Instrument of Incorporation and most recent annual and half yearly long reports of the Company may be inspected at the Head Office from where copies of those documents and this Prospectus can also be obtained.

The base currency of the Company is Pounds Sterling.

The minimum share capital of the Company is £1 and the maximum is £100,000,000,000.

2. THE SHARES

The Instrument of Incorporation allows for gross Income Shares and gross Accumulation Shares to be issued as well as net Income Shares and net Accumulation Shares. Each Fund may issue gross and net Income Shares and/or gross and net Accumulation Shares. Details of Share classes currently in issue for each Fund are detailed in Appendix 1.

Net Shares – Net Shares are Shares in respect of which income allocated to them is distributed periodically to the relevant Shareholders (in the case of income Shares) or credited periodically to capital (in the case of Accumulation Shares), in either case in accordance with relevant tax law, net of any tax deducted or accounted for by the Company.

Gross Shares – Gross Shares are income or accumulation Shares where, in accordance with relevant tax law, distribution or allocation of income is made without any tax being deducted or accounted for by the Company.

Each Class includes larger and smaller denomination shares in the ratio of 1: 1,000. Rights of Smaller denomination Shares are therefore in proportion to those of the larger denomination Shares in the same ratio.

Different Classes of Share may attract different charges and subscription and redemption levels. Details of the minimum subscription for each Class, and the rates of charges and expenses of each Class are set out in Appendix 1.

The Shares are not listed or traded on any Stock Exchange

Shares have no par value and, within each Class in each Fund subject to their denomination, are entitled to participate equally in the profits arising in respect of, and in the proceeds of, the liquidation of the Company or termination of a relevant Fund. Shares do not carry preferential or pre-emptive rights to acquire further Shares.

The ACD may, with the agreement of the Depositary and in accordance with the Instrument of Incorporation launch further Funds or issue new Classes of Shares subject to receiving FSA approval. On the launch of any new Fund or Class, this Prospectus will be updated.

All transactions in Shares are governed by English law.

3. DEALING IN THE SHARES

3.1 Initial Offer

Length of initial offer period	3 days
Initial price of share	£1
Arrangements for issuing Shares during initial offer and investing subscriptions received during initial offer	Shares will be issued at the initial price during the initial offer period, but money will not be committed to markets until the offer closes
Circumstances under which initial offer will end	The initial offer period will end if the ACD reasonably believes that the Share value has moved by more than 2%

3.2 Buying Shares

Shares may be purchased by sending a completed application form with a cheque for the subscription amount to the ACD at PO Box 10380, Chelmsford, Essex CM1 9JX or by telephone to the ACD on 0845 0264283. Applications can be made from 8:30am until 4:30pm on any Dealing Day.

Applications received by the ACD up to 10:00am on a Dealing Day will be dealt with on that day. Applications received after 10:00am on a Dealing Day will be dealt with on the following Dealing Day.

The minimum initial investment for each Class of Shares in each Fund is detailed in Appendix 1.

The ACD may at its discretion accept subscriptions for holdings at less than the minimum amounts set out in Appendix 1.

The number of shares issued will be the greatest number of larger denomination shares with the balance of the subscription amount being used to purchase smaller denomination shares.

Settlement will normally be made by bankers draft, telegraphic transfer or cheque. Payment will be made in Sterling and accompany the application for Shares. The ACD may cancel any purchase contract where the payment is not honoured in full within 4 days of the relevant Dealing Day. The purchaser remains liable for any loss incurred by the ACD in the case of non-settlement.

Purchasers will receive a contract note setting out the details of the transaction including the number and price paid for Shares. The contract note will normally be issued no later than the close of business on the day following the Dealing Day on which the purchase is made or (if later) the day on which the issue price is determined. Purchasers will also receive (if applicable) a notice of their right to cancel the purchase. Further details concerning cancellation rights are given at Section 3.5.

Share Certificates will not be issued in respect of Shares. Ownership of the Shares will be evidenced by entry of the applicant's name in the Register of Shareholders.

An initial fee is charged on the purchase of Shares. The ACD may at its absolute discretion waive this charge. The current initial fees are set out in Appendix 1.

Shares may not be issued during any period of suspension (described in more detail at Section 3.7). Applicants for shares will be notified of any suspension of dealing and, unless withdrawn, their applications will be considered as at the next Dealing Day following the ending of the suspension.

The ACD has the right to reject any application for shares in whole or in part on reasonable grounds relating to the circumstances of the investor. If the ACD does reject the application then the whole of the balance of the subscription amount will be returned at the risk of the investor.

The Company is subject to the Money Laundering Regulations 2007. In order to comply with these regulations the ACD may require verification of the identity of any applicant for Shares or of the person on whose behalf the application is being made. Where such verification has been requested, the ACD reserves the right to refuse to issue Shares (or pay the proceeds of a redemption) to the applicant until sufficient information has been supplied to satisfy the ACD's identification requirements.

3.3 Redeeming Shares

Shareholders are entitled to redeem part or all of their Shareholdings.

Instructions to redeem shares should be addressed to the ACD at PO Box 10380, Chelmsford, Essex CM1 9JX, by telephone to the ACD on 0845 0264282 or fax to 0845 2991178 between 8:30am and 4:30pm on any Dealing Day. The ACD may require instructions received by telephone to be confirmed in writing on a renunciation form.

Instructions received by the ACD up to 10:00am on a Dealing Day will be dealt with on that Dealing Day. Instructions received after 10:00am will be dealt with on the next following Dealing Day.

The minimum value of Shares in each Class of Shares for each Fund which may be redeemed is detailed in Appendix 1.

The ACD may, in its absolute discretion, accept redemptions for lower amounts. The ACD may also at its discretion refuse to redeem Shares if as a result of the redemption the redeeming Shareholder will hold less than the minimum amount of Shares required to be held in the Class of Share concerned.

The ACD may charge a fee on the redemption of Shares. The current fees are set out in Appendix 1. The ACD is entitled to deduct the redemption charge out of the proceeds of the redemption.

Contract notes will normally be issued no later than the close of business on the day following the day on which the redemption is effected and the issue price is determined. Contract notes will be sent to the address of the Shareholder appearing on the Register of Shareholders, and in the case of joint Shareholders to the address of the first named Shareholder.

Settlement will normally be made by cheque in Sterling, unless otherwise requested, within 4 Business Days of receipt of a renunciation form or other signed confirmation of redemption from the Shareholder that is acceptable to the ACD.

Shares may not be redeemed during any period of suspension (except as described in Section 3.7 below). Shareholders requesting redemptions at such times will be notified of the suspension and, unless withdrawn, redemption applications will be considered as at the next Dealing Day following the end of such suspension.

Where the ACD becomes aware that for a Shareholder to continue to hold legally or beneficially any or all shares in the Company that would result in a breach of law or governmental regulation or requirement of any jurisdiction, or may result in the Company incurring any additional liability to taxation or any other liability, then the ACD may give notice to the Shareholder to transfer the shares to another person or to satisfy it that the Shareholder is suitably qualified to hold the shares or if no such action is taken within 30 days of the notice then the ACD may compulsorily redeem the shares.

As permitted by the Instrument of Incorporation, the ACD may permit deferrals of redemptions at any Valuation Point to the next Valuation Point if requested redemptions exceed 10% of the relevant Fund's Scheme Property. In such circumstances any redemption requests relating to the earlier Valuation Point will be dealt with in priority to redemption requests received at the next following Valuation Point.

3.4 **Switching**

Shareholders are entitled (subject to certain restrictions) to switch all or part of their Shareholding in a Class or a Fund for Shares in another Class within the same Fund or for Shares of the same or another Class within a different Fund.

The ACD may, at its discretion, refuse an application to switch Shares if as a result of the switch the original shareholding will fall below the minimum amount for the Class concerned or if the Shareholder is applying for less than the minimum amount of Shares to be held in the new Class or Fund. Alternatively, the ACD may require the Shareholder to switch the entire Shareholding to Shares of the new Class or Fund in order to meet minimum holding requirements.

The ACD may at its discretion charge a fee on the switching of Shares between Funds or on a switch between Classes of the same Fund. The current fees are set out in Appendix 1. Where a switching fee is charged the ACD will adjust the number of new Shares to take account of the charge.

Please note that a switch of Shares in one Fund for Shares in any other Fund is treated as a redemption and sale and will, for persons subject to UK taxation, be a realisation for the purposes of capital gains taxation (see Section 7 for further explanation of taxation).

A Shareholder exchanging Shares in one Fund for Shares in any other Fund will not under any circumstances be entitled to withdraw from or cancel the transaction.

3.5 **Cancellation**

Applicants for Shares who have been given advice on the investment may have the right to cancel the transaction within 14 days of receipt of a cancellation notice sent to them by the ACD (see Section 3.2). An applicant will not have the right to cancel if:

- (a) the applicant is a professional investor;
- (b) the applicant entered into the transaction on a non-advised execution only basis; or
- (c) the purchase is made pursuant to a customer agreement with an authorised person or during negotiations with a view to entering into such an agreement.

Shareholders switching Shares (see Section 3.4) will not be entitled to cancel the transaction.

Where the investment is made by lump sum payment an applicant opting to cancel may not get a full refund of the subscription amount if the purchase price of the Shares falls before

the cancellation request is received by the ACD. In such cases an amount equal to the shortfall in the Share value will be deducted from the subscription repayment. Where the purchase price has not yet been paid the applicant will be required to pay the amount of the shortfall to the ACD.

Investors paying by regular payment plan, where this facility is available, will only be entitled to cancel within the 14 day period following the receipt of the cancellation notice and will receive back the full amount of the first payment.

3.6 *In specie* Redemptions

On a redemption of Shares the ACD may at its discretion arrange that instead of making a payment in cash for the price of the Shares, certain identified property of the relevant Fund is transferred to the Shareholder. In such cases, the ACD will serve a notice on the Shareholder within 2 days of receipt of the redemption instructions that it proposes to make an *in specie* redemption. The Shareholder may within 4 days of receiving the notice serve a notice on the ACD requiring that the ACD realise the selected Scheme Property and pay the proceeds to the Shareholder. The selection of the Scheme Property will be made by the ACD in consultation with the Depositary to ensure that such a redemption will not result in any Shareholder (including the redeeming Shareholder) unfairly benefiting or being disadvantaged.

3.7 Suspension of Dealing

In exceptional circumstances, the ACD may, with the prior agreement of the Depositary, or shall immediately if the Depositary requires it, temporarily suspend dealing in Shares (which includes selling, redeeming and switching), provided that the ACD (or the Depositary as appropriate) is of the opinion that there is good and sufficient reason for doing so, it is in the interests of the Shareholders, and the suspension period is only allowed to continue for as long as it is justified having regard to the interests of the Shareholders. The ACD will notify Shareholders as soon as is practicable of any decision to suspend dealings in Shares and the exceptional circumstances that have led to the decision to do so. The ACD and Depositary will keep the suspension under ongoing review and will conduct a formal review of the reasons for the suspension at least every 28 days. Shareholders will be kept informed in writing of updates concerning any suspension. The FSA will be notified immediately of any suspension of dealings in shares (and the reasons for it) and will be kept informed of the results of the formal reviews and provided with any updated information concerning the suspension.

The ACD will whilst the suspension period is in force consider any requests to withdraw redemption applications made before the suspension.

Shares may not be created or cancelled while the suspension remains in force.

Recalculation of prices will commence at 10:00am on the first Dealing Day immediately following the end of the suspension period.

The Instrument of Incorporation of the Company grants powers to the ACD to require, with the agreement of the Depository, or at its discretion permit at the request of a Shareholder, the direct issue and cancellation of Shares. In such circumstances the ACD will ensure that such issues and cancellations are made in accordance with the COLL Sourcebook and that at each Valuation Point there are at least as many Shares in issue of any Class as there are Shares registered to Shareholders for the Class. The ACD will not, when arranging the issue or cancellation of Shares in these circumstances do, or omit to do anything that would result in its or an associate's benefit to the detriment of Shareholder or that would otherwise result in the unfair treatment of Shareholders.

[3.8 Electronic communication

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

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

4. VALUATION AND PRICING

The Scheme Property of the Company and each Fund will normally be valued at 10:00am on each Dealing Day for the purpose of calculating the price at which Shares in the Company may be issued, sold, repurchased or redeemed.

The ACD reserves the right to revalue the Company or any Fund at any time if it considers it desirable to do so.

Additional valuations may also be carried out in accordance with the OEIC Regulations and the FSA Regulations in connection with a scheme of amalgamation or reconstruction, or on the day the annual or half yearly accounting period ends.

The Net Asset Value of the Scheme Property shall be the value of its assets less the value of its liabilities. All the Scheme Property (including receivables) is to be included, subject to the following provisions.

- 4.1 Property which is not cash (or other assets dealt with in paragraph 4.2 below) or a contingent liability transaction shall be valued as follows and the prices used shall (subject as follows) be the most recent prices which it is practicable to obtain:
- (a) units or shares in a collective investment scheme:
 - (i) If a single price for buying and selling units or shares is quoted, at that price; or
 - (ii) If separate buying or selling prices are quoted, at the average of the two prices provided the buying price has been reduced by any initial charge included therein and the selling price has been increased by any exit or redemption charge attributable thereto; or
 - (iii) If, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no recent price exists, at a value which, in the opinion of the ACD, is fair and reasonable or at the last price available if fair and reasonable.
 - (b) exchange-traded derivative contracts:
 - (i) if a single price for buying and selling the exchange-traded derivative contract is quoted, at that price; or
 - (ii) if separate buying and selling prices are quoted, at the average of the two prices;
 - (c) over-the-counter derivative contracts shall be valued in accordance with the method of valuation as shall have been agreed between the ACD and the Depositary;
 - (d) any other transferable security:
 - (i) If a single price for buying and selling the security is quoted, at that price; or
 - (ii) If separate buying and selling prices are quoted, at the average of the two prices; or
 - (iii) If, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if the most recent price available does not reflect the ACD's best estimate of the value, at a value which, in the opinion of the ACD, is fair and reasonable;
 - (e) property other than that described in (a), (b), (c) and (d) above, at a value which, in the opinion of the ACD, represents a fair and reasonable mid-market price.

- 4.2 Cash and amounts held in current and deposit accounts and in other time-related deposits shall be valued at their nominal values.
- 4.3 Property which is a contingent liability transaction shall be treated as follows:
- (a) If a written option, (and the premium for writing the option has become part of the scheme property), deduct the amount of the net valuation of premium receivable. If the property is an off-exchange derivative the method of valuation shall be agreed between the ACD and Depositary;
 - (b) If an off-exchange future, include at the net value of closing out in accordance with a valuation method agreed between the ACD and the Depositary;
 - (c) If any other form of contingent liability transaction, include at the net value of margin on closing out (whether as a positive or negative value). If the property is an off-exchange derivative, include at a valuation method agreed between the ACD and the Depositary.
- 4.4 In determining the value of the scheme property, all instructions given to issue or cancel shares shall be assumed to have been carried out (and any cash paid or received) whether or not this is the case.
- 4.5 Subject to paragraphs 4.6 and 4.7 below, agreements for the unconditional sale or purchase of property which are in existence but uncompleted shall be assumed to have been completed and all consequential action required to have been taken. Such unconditional agreements need not be taken into account if made shortly before the valuation takes place and, in the opinion of the ACD, their omission will not materially affect the final net asset amount.
- 4.6 Futures or contracts for differences which are not yet due to be performed and unexpired and unexercised written or purchased options shall not be included under paragraph 4.5.
- 4.7 All agreements are to be included under paragraph 4.5 which are, or ought reasonably to have been, known to the person valuing the property assuming that all other persons in the ACD's employment take all reasonable steps to inform it immediately of the making of any agreement.
- 4.8 Deduct an estimated amount for anticipated tax liabilities (on unrealised capital gains where the liabilities have accrued and are payable out of the property of the Scheme; on realised capital gains in respect of previously completed and current accounting periods; and on income where liabilities have accrued) including (as applicable and without limitation) capital gains tax, income tax, corporation tax and advance corporation tax, value added tax, stamp duty and stamp duty reserve tax.
- 4.9 Deduct an estimated amount for any liabilities payable out of the scheme property and any tax thereon treating periodic items as accruing from day to day.

- 4.10 Deduct the principal amount of any outstanding borrowings whenever payable and any accrued but unpaid interest on borrowings.
- 4.11 Add an estimated amount for accrued claims for tax of whatever nature which may be recoverable.
- 4.12 Add any other credits or amounts due to be paid into the scheme property.
- 4.13 Add a sum representing any interest or any income accrued due or deemed to have accrued but not received and any stamp duty reserve tax provision anticipated to be received.
- 4.14 Add the total amount of any cost determined to be, but not yet, amortised relating to the authorisation and incorporation of the Company and of its initial offer or issue of shares.
- 4.15 Currencies or values in currencies other than the base currency or (as the case may be) the designated currency of a Fund shall be converted at the relevant valuation point at a rate of exchange that is not likely to result in any material prejudice to the interests of shareholder or potential shareholders.

For the above purposes, instructions given to issue or cancel Shares are assumed to have been carried out (and any cash paid or received); and uncompleted arrangements for the unconditional sale or purchase of property are (with certain exceptions) assumed to have been completed and all consequential action taken.

Each Fund will have credited to it the proceeds of all Shares issued in respect of it, together with the assets in which such proceeds are invested or reinvested and all income, earnings, profits, or assets deriving from such investments. All liabilities and expenses attributable to a Fund will be charged to it.

4.16 **Pricing Basis**

There is a single price for buying, selling and switching Shares in a Fund which represents the Net Asset Value of the Fund concerned.

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

The prices of Shares are published daily on the Investment Manager's website at www.hawksmoorim.co.uk or are available by calling the ACD on 0845 0264282.

Neither, the ACD nor the Company can be held responsible for any errors in the publication of the prices. The Shares in the Company will be issued and redeemed on a forward pricing basis which means that the price will not necessarily be the same as the published price.

4.17 Equalisation

An income equalisation amount representing the value of income attributable to the Shares accrued since the record date for the last income distribution for Income Shares or deemed distribution for Accumulation Shares is included in the price of shares and so reflected as a capital sum in the price. Being a return of capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

For Accumulation Shares, the equalisation amount is reinvested alongside the taxed income.

This means that no adjustment need be made to the cost of the shares in calculating the relevant capital gains tax.

Equalisation only applies to shares purchased during the relevant accounting period. It is the average amount of income included in the price of all shares issued during that period.

Details of charges payable are contained in section 6.

5. MANAGEMENT AND ADMINISTRATION

5.1 The Authorised Corporate Director

The ACD is Phoenix Fund Services (UK) Limited, whose registered office and head office is at Springfield Lodge, Colchester Road, Chelmsford Essex CM2 5PW. It is currently the only director of the Company.

The ACD is a company limited by shares with an authorised and issued share capital of £450,000 fully paid. The ACD was incorporated in England and Wales on 18 May 2007.

The ACD is the sole director of the Company.

As at the date of this Prospectus, the directors of the ACD are:

- Mr SA King
- Mr SD Mathieson

The ACD is authorised and regulated by the Financial Services Authority and, by virtue of this is authorised to carry on investment business in the United Kingdom.

The ACD may act as an authorised unit trust manager or authorised corporate director to other clients and Funds, and to companies in which the Company may invest, although it does not currently do so. The list of clients and funds for which the ACD acts are listed in Appendix 5. It may also delegate its activities and retain the services of another person to assist in its functions.

The agreement between the ACD and the Company (the "ACD Agreement") is for a minimum period of 3 years terminable on 6 months notice in writing. The Company agrees to indemnify the ACD against losses, liabilities, costs, claims, actions, damages, expenses or

demands incurred by the ACD acting as ACD except where caused by the fraud, negligence, or wilful default of the ACD. A copy of the agreement between the ACD and the Company is available to shareholders on request.

5.2 The Depositary

The Company has appointed The Bank of New York Trust and Depositary Company Limited as the depositary of the Company (the "Depositary"). The Depositary is responsible for the safekeeping of the Scheme Property (other than tangible moveable property) of the Company and has a duty to take reasonable care to ensure that the Company is managed in accordance with the provisions of the COLL Sourcebook relating to the pricing of, and dealing in, Shares and to the proper allocation of income in the Funds.

The Depositary is a private limited company and was incorporated in England and Wales under the Companies Act 1985 (registered number 3588038) on 25 June 1998. Its registered and head office is at One Canada Square, Canary Wharf, London E14 5AL. Its ultimate holding company is the Bank of New York Inc., incorporated in New York.

The principal business activity of the Depositary is to act as trustee and depositary of regulated collective investment schemes. It is authorised and regulated by the FSA.

The Depositary may appoint other persons to assist in the holding of the assets of the Company. It has delegated custody services to The Bank of New York Mellon (International) Limited under a custody agreement dated 17 February 2009.

The appointment of the Depositary has been made under an agreement between the Company, the ACD and the Depositary. The Depositary Agreement may be terminated on 6 months written notice by the Depositary or the Company. However, the Depositary is not permitted to retire voluntarily except on the appointment of a new depositary. The Financial Services Authority is entitled to prior notification of any proposal by the ACD to replace the Depositary.

The Depositary Agreement provides indemnities to the Depositary (except in respect of losses arising from its fraud, wilful default or its failure to exercise due care and diligence) and (to the extent permitted by the Regulations) exempts it from liability for special, indirect or consequential loss or damage.

The Depositary is entitled to act as depositary to other companies (as well as carrying on its custodial and other businesses, including with the Company).

5.3 The Investment Manager

The ACD has appointed Hawksmoor Investment Management Limited (the "Investment Manager") to provide investment management and advisory services to the ACD. The Investment Manager is authorised and regulated by the FSA under the registration number 472929.

The Investment Manager's Agreement may be terminated on 6 months' written notice by the Investment Manager or the ACD or may be terminated immediately by the ACD when the ACD considers that it is in the interests of the Shareholders to do so.

Under the Investment Manager's Agreement the ACD provides indemnities to the Investment Manager (except in the case of any matter arising as a direct result of its fraud, negligence, default or bad faith). The ACD may be entitled under the indemnities in the ACD Agreement to recover from the Company amounts paid by the ACD under the indemnities in the Investment Manager's Agreement.

5.4 The Administrator and Registrar

The ACD will act as the Administrator to the Funds with responsibility for administration functions in relation to dealings in Shares and calculation of the Net Asset Value of the Funds.

The ACD will also act as Registrar with responsibility for maintaining the Share Register. The Share Register is kept at the offices of the ACD where it may be inspected by Shareholders.

5.5 The Auditors

The auditors of the Company are Shipleys LLP or 10 Orange Street, Haymarket, London WC2H 7DQ.

6. CHARGES AND EXPENSES

6.1 Dealing Charges

Details of the initial fees, redemption fees and switching fee where applicable for each Fund are set out in Appendix 1.

6.2 Management and Administration fees

The ACD is entitled to receive from each Fund an annual management fee, the details of which are set out in Appendix 1. The management fee accrues daily and is payable monthly in arrears and is calculated by reference to the Net Asset Value of the Funds as at the last valuation point of that month.

The fees and expenses of the Investment Manager shall be paid by the ACD out of the annual management fee.

The ACD is entitled to receive payment for expenses detailed in section 6.5 below, including and not restricted to Administration expenses incurred for Fund valuation and accounting based on charges of 0.105% of the first £50 million, 0.085% on the next £50 million, 0.055% on the next £100 million and 0.025% thereafter (with a minimum fee of £21,000 per annum). This is based on the value of the property of the relevant Fund represented by the Net Asset Value calculated at the Valuation Point coinciding with, or immediately before, the beginning of the relevant monthly charge period.

Fees and expenses in respect of dealing and management accounting will be subject to charges of £25 per transaction (with a minimum fee of £2,500 per annum) and £1,500 per annum.

Minimum fees for Administration, Dealing and Management accounting expenses will be charged at a rate of £12,500 per annum for the first 6 months of operation, £20,000 per annum for the subsequent 6 months of operation and at a rate of £27,000 per annum thereafter, or until such time as the minimum fee rate is exceeded.

The ACD will give Shareholders at least 60 days notice of any material increases in fees.

6.3 Dilution levy

The actual cost of purchasing or selling assets and investments for the portfolio of a Fund may deviate from the mid-market value used in calculating each Fund's Share price, due to dealing charges, taxes, and any spread between buying and selling prices of the investments. These costs have an adverse effect on the value of the Fund which is referred to as 'dilution'.

The COLL Sourcebook permits the ACD to mitigate the effect of dilution by charging a dilution levy on the purchase or redemption of Shares in a Fund. The dilution levy is payable at the same time as payment is due for a sale or redemption. The ACD will calculate any such levy in accordance with the COLL Sourcebook and will ensure that it is fair to all Shareholders of the Fund concerned. The levy is not retained by the ACD but is paid into the Scheme Property.

Circumstances in which the ACD may exercise this discretion include

- (a) on "large deals". For these purposes a large deal which would be a sale, redemption or switching of Shares valued at 5% of the Scheme Property in a single transaction or transactions taking place on a single dealing day totalling 5% of the Scheme Property;
- (b) on a Fund experiencing large levels of net sales relative to its size;
- (c) in any other case where the ACD is of the opinion that the interests of Shareholders require the imposition of a dilution levy.

As dilution is directly related to the inflows and outflows of monies to and from the Funds, it is not possible to predict accurately when dilution is likely to occur. Consequently it is also not possible to accurately predict how frequently the ACD will need to make such a dilution levy.

The dilution levy if it is charged will be up to a rate of 1%.

On the occasions when dilution levy is not applied, there may be an adverse impact on the total assets of the relevant Funds.

6.4 **Depositary's fees**

The Depositary is entitled to receive out of the property of each Fund for its own account, by way of remuneration, a periodic charge (and value added tax thereon) which will accrue daily and be payable monthly. The rate of the Depositary's periodic charge will be such amount as the Company and the Depositary may from time to time agree. The current rate of the Depositary's periodic charge in respect of each Fund is as follows subject to a minimum charge of £5,000 per annum:

For the first £70 million @ 0.04%

for the next £30 million @ 0.03%

for the next £50 million @ 0.02%

on the balance above £150 million 0.01%

An additional fee of £2,000 per annum will be charged for each Fund. In the case of Funds where more than one investment adviser is appointed, an additional fee will be applied at the rate of £2,000 per adviser per annum after the first.

These rates may be subject to change from time to time, with the agreement of the Depositary and the ACD. In addition the Depositary will be entitled to make charges consisting of custody fees, transaction fees and other related fees. The custody fees range from 0.01% to a maximum of 0.70% pa depending on the geographic location of the shares and the transaction fees range from £10 to a maximum of £175 per transaction.

The Depositary will be reimbursed by the Company for expenses properly incurred in performing or arranging for the performance of functions conferred on it by the Regulations, or the Depositary Agreement or by general law. These functions may (without limitation of the foregoing) include custody, insurance, acquisition and dealing with assets of the Company; making deposits or loans, dealing with borrowings, effecting foreign currency dealings and effecting efficient portfolio management transactions, as permitted by the FSA Regulations; collection of income or capital; submission of tax returns and handling tax claims; preparation of the Depositary's annual report; calling shareholders' meetings and communicating with shareholders; preparing, clearing and dispatching distribution warrants; obtaining professional advice; conducting legal proceedings; carrying out administration relating to the Company; and supervision of certain of the activities of the ACD.

The amount or rate of any expenses shall be determined either by the Depositary or by reference to the scale or tariff or other basis from time to time agreed between the ACD and the Depositary and notified to the ACD by the Depositary provided that in either case such charges shall be at least as favourable as if they had been effected on normal commercial terms negotiated at arm's length between the Depositary and a comparable customer.

Any service charges or additional remuneration payable to the Depositary as above shall accrue due when the relevant transaction or other dealing is effected or relevant service is

provided or as may otherwise be agreed between the Depositary and the ACD and shall be paid to the Depositary as soon as practicable after they have accrued.

On a winding-up of the Company, a Fund or the redemption of a class of shares, the Depositary will be entitled to its pro rata fees and expenses to the date of termination and any additional expenses necessarily realised in settling or receiving any outstanding obligations. No compensation for loss of office is provided for in the agreement with the Depositary.

6.5 Other Expenses

The following expenses may also be paid out of the Scheme Property of the Company or each Fund (as the case may be) so far as permitted by the COLL Sourcebook:

- (a) broker's commission, fiscal charges and other disbursements (including stamp duty and/or stamp duty reserve tax) which are necessary to be incurred in effecting transactions for the Company and normally shown in contract notes, confirmation notes and difference accounts as appropriate;
- (b) fees and expenses in respect of the establishment and maintenance of the register of Shareholders, including any sub-registers kept for the purpose of the administration of Individual Savings Accounts are payable quarterly out of the property of the Funds, currently charged at the rate of £12 per annum per shareholder account, with minimum payment of £5,000 per annum per Fund;
- (c) any costs incurred in publishing the price of the Shares in a national or other newspaper or any other form of media;
- (d) any cost incurred in producing and dispatching payments made by the Company or a Fund (as the case may be), or the yearly and half yearly reports of the Company;
- (e) any fees, expenses or disbursements of any legal or other professional adviser of the Company;
- (f) any costs incurred in taking out and maintaining an insurance policy in relation to the Company;
- (g) any costs incurred in respect of meetings of Shareholders convened for any purpose;
- (h) any liability arising after the transfer of property to another authorised fund in consideration of units or shares in such other fund in accordance with COLL 6.7.15R;
- (i) interest on permitted borrowings and charges incurred in effecting or terminating such borrowings or in negotiating or varying the terms of such borrowings;
- (j) taxation and duties payable in respect of the Scheme Property or the issue or redemption of Shares;
- (k) the audit fees of the Auditors (including VAT) and any expenses of the Auditors;

- (l) periodic fees of the FSA, together with any corresponding fees of any regulatory authority in a country or territory outside the UK in which Shares in the Funds are or may be marketed;
- (m) any expense incurred in relation to company secretarial duties and the duties of the Registrar including the cost of maintenance of minute books and other documentation required to be maintained by the Company;
- (n) any payment otherwise due by virtue of a change to the Regulations;
- (o) any costs incurred which are associated with independent risk monitoring or daily “value at risk” or “VaR” calculations (part of the risk monitoring process);
- (p) any costs incurred in amending the Instrument of Incorporation or this Prospectus including costs in respect of meetings of shareholders and/or directors convened for the purposes which include the purpose of amending the Instrument of Incorporation or this Prospectus;
- (q) payments or costs in relation to the preparation of the Simplified Prospectus (either in respect of the Company or a Fund);
- (r) any VAT or similar tax relating to any charge or expense set out herein; and
- (s) any other payment permitted to be paid out of the Scheme Property under the Regulations as provided for in the Instrument of Incorporation of the Company.

The ACD is also entitled to be paid by the Company out of the Scheme Property any expenses incurred by the ACD or its delegates of the kinds described above.

Expenses are allocated between capital and income in accordance with the Regulations. The applicable policy for each Fund is set out in Appendix I. Where expenses are deducted in the first instance from income if, and only if, this is insufficient, deductions will be made from capital (save for any charge made in respect of SDRT under paragraph 7.7 “Stamp Duty Reserve Tax”). If deductions were made from capital, this could have an adverse effect on a Fund’s capital and constrain growth.

The establishment costs of any Fund launched after the issue of this Prospectus may be borne by that Fund.

Value Added Tax will be added to all these payments, where applicable.

Further charges for taxation may be paid out of the Scheme Property as described in Section 7 below.

7. TAXATION

7.1 General

The following information is only a summary of the taxation position of the Company and Shareholders. It does not constitute legal or tax advice and prospective investors should consult their own professional advisers as to the implications of subscribing for, purchasing, holding, switching or disposing of Shares in the Funds under the laws of the jurisdiction in which they may be subject to tax.

7.2 The Company

Each Fund is treated as a separate entity for UK tax purposes. The Funds are exempt from UK tax on capital gains realised on the disposal of investments held within them.

Dividends from UK companies are received by a Fund with a tax credit and no further tax is payable by a Fund on that income. Income received by a Fund from transactions in futures or options contracts is exempt from tax.

The Funds will each be subject to corporation tax at 20% on other types of income but after deducting allowable expenses (which include the gross amount of any interest-type distributions made).

Income from foreign securities may be subject to withholding tax. Where this is the case the Company will be entitled to a tax credit for the withholding against its UK corporation tax liability.

7.3 Shareholders' Income

Dividend distributions to Shareholders will be made with a tax credit equivalent to one ninth of the net dividend paid (equivalent to 10% of the grossed up amount). For individual Shareholders, the aggregate amount of the distribution and the tax credit will be subject to income tax and the credit will satisfy the Shareholders' basic or lower rate tax liability. Shareholders liable to income tax at the higher rate will be liable on the grossed up amount but with the benefit of the tax credit. The tax credit is not reclaimable by non-taxpayers (including holders of Shares through Individual Savings Accounts).

Corporate Shareholders who receive dividend distributions may have to divide them into two (the division will be indicated on the tax voucher). Any part representing dividends received from a UK company will be treated as dividend income (that is, franked investment income) and no further tax will be due on it. The remainder will be received as an annual payment after deduction of tax at the lower rate, and corporate Shareholders may be liable to tax on the grossed up amount, with the benefit of the income tax credit attached.

Interest distributions are paid with a 20% income tax credit. The tax credit attached to the interest distribution will satisfy the tax liability of Shareholders subject to lower or basic rate income tax. Shareholders liable to income tax at the higher tax rate must pay further tax on

the gross interest payment. UK residents not liable to tax on some or all of their income may reclaim the appropriate part of the tax credit from HM Revenue & Customs.

Shareholders liable to pay corporation tax will be treated as receiving interest with a 20% income tax credit attached.

7.4 Income Equalisation

Income equalisation applies in relation to the Funds.

Part of the purchase price of a Share reflects the relevant share of accrued income received or to be received by the Company. This capital sum is returned to a Shareholder with the first allocation of income in respect of a Share issued during an accounting period.

The amount of income equalisation is either the actual amount of income included in the issue price of that Share or is calculated by dividing the aggregate of the amounts of income included in the price of Shares issued or sold to Shareholders in an annual or interim accounting period by the number of those Shares and applying the resultant average to each of the Shares in question.

7.5 Capital Gains

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

The amount representing the income equalisation in the Share's price is a return of capital and is not taxable in the hands of Shareholders. This amount should be deducted from the cost of Shares in computing any capital gain realised on the disposal.

7.6 General

Non-UK resident Shareholders may be entitled to a refund from HM Revenue & Customs of the tax credit (or a proportion of it) in respect of income distributions (other than foreign income distributions), depending on their personal circumstances and the terms of any double taxation agreement which exists between their country of residence and the UK.

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

7.7 Stamp Duty Reserve Tax (SDRT)

SDRT is charged on the value of Shares redeemed by the ACD and on certain other transfers of shares. It is charged to the Fund at the rate of 0.5% of the value of the redeemed (or transferred) Shares. Relief can be claimed on the charge where:

- (a) more Shares are issued than redeemed during a two-week period including the week of the redemption and the following week; and/or

(b) the Fund invests in exempt assets (for example Government bonds or foreign shares).

Certain transactions in chargeable securities are exempt from a SDRT charge, such as:

- (i) a pro rata in specie redemption (ie where the Shareholder receives a proportionate share of each asset held in a Fund rather than cash), such events are unusual in fund dealings;
- (ii) certain third party transfers, such as transfers for no consideration in money or money's worth between Shareholders; and
- (iii) switches between Income and Accumulation Shares, which are not treated as redemptions.

The relief is calculated by the ACD for each Class of Share in a Fund in accordance with the provisions set out in the HM Revenue & Customs regulations. This charge may have an adverse effect on the value of the Fund. FSA's rules allow the cost of SDRT to be met directly from the Fund's assets or to be recovered from investors on the purchase or redemption of shares in a Fund.

The ACD's current policy is not to charge investors for SDRT provisions as the liability for the tax is met by the ACD. However, the ACD reserves the right to apply the SDRT charge in the future.

8. RISK FACTORS

Potential investors should consider the following risk factors before investing in the Company (or in the case of specific risks applying to specific Funds, in those Funds).

8.1 General Risks

The investments of the Company are subject to market fluctuations and other risks inherent in investing in securities. The value of investments and the income derived from them may fall as well as rise and investors may not recoup the original amount they invest in a Fund. There is no certainty that the investment objective of a Fund will actually be achieved. The ACD does not guarantee any yield or return on capital in any Fund. Other risks applicable to the Funds in general are:

8.1.1 Effect of Initial and Redemption Charges

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

In particular, where a redemption charge is payable, investors should note that the percentage rate at which the redemption charge is calculated is based on the market value rather than the initial value of the Shares. If the market value of the Shares has increased the redemption charge will show a corresponding increase. Current redemption charges are detailed in Appendix 1.

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

8.1.2 Dilution and SDRT provisions

Where the ACD requires the payment of a dilution levy to offset the effects of dilution caused by dealing charges, taxes, and any spread between buying and selling prices of the investments (see Section 6.3) this will increase the purchase price of Shares or reduce the sale proceeds.

Certain investment transactions can attract SDRT. When a payment for SDRT results in the diminution in value of the Shares, an additional charge may be levied in addition to the price of the Shares when issued or deducted when sold.

8.1.3 Suspension of Dealings in Shares

Investors are reminded that in certain circumstances their right to redeem Shares (including a redemption by way of switching) may be suspended (see Section 3.7).

8.1.4 Liabilities of the Company

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

Notwithstanding the above, a Shareholder is not liable to make any further payment to the Company or Fund after he has paid the price on purchase of the Shares.

8.1.5 Charges to Capital

Where the investment objective of a Fund is income generation rather than capital growth, or the generation of income and capital growth have equal priority, all or part of the ACD's fee may be charged against capital instead of against income. The treatment of the ACD's fee may increase the amount of income (which may be taxable) available for distribution to Shareholders in the Fund concerned but may constrain capital growth.

Where charges are made to the income of a Fund, but insufficient income is available to meet those charges, all or part of the charges may also be taken from the capital of the Fund, which may constrain capital growth.

8.2 Risks specific to investing in The Vanbrugh Fund

Investors should take account of the following potential risks when considering investing in The Vanbrugh Fund.

8.3 Emerging Markets

Where Funds invest in some overseas markets these investments may carry risks associated with failed or delayed settlement of market transactions and with the registration and custody of securities.

Investment in emerging markets may involve a higher than average degree of risk.

Investors should consider whether or not investment in such Funds is either suitable for or should constitute a substantial part of an investor's portfolio.

Companies in emerging markets may not be subject:

- (a) to accounting, auditing and financial reporting standards, practices and disclosure requirements comparable to those applicable to companies in major markets;
- (b) to the same level of government supervision and regulation of stock exchanges as countries with more advanced securities markets.

and may be affected by:

- (i) restrictions on foreign investment in emerging markets may preclude investment in certain securities by certain Funds and, as a result, limit investment opportunities for the Fund concerned. Substantial government involvement in, and influence on, the economy may affect the value of securities in certain emerging markets;
- (ii) the reliability of trading and settlement systems in some emerging markets may not be equal to that available in more developed markets, which may result in delays in realising investments; and/or
- (iii) lack of liquidity and efficiency in certain of the stock markets or foreign exchange markets in certain emerging markets may mean that from time to time the ACD may experience more difficulty in purchasing or selling holdings of securities than it would in a more developed market.

Accordingly, certain emerging markets may not afford the same level of investor protection as would apply in more developed jurisdictions.

8.3.2 Overseas investments

A Fund which invests overseas in non-sterling denominated investments may be affected by fluctuations in rates of currency exchange in addition to the usual securities market fluctuations.

Investments in some overseas markets may carry risks associated with failed or delayed settlement of market transactions and with the registration and custody of securities.

8.3.3 Derivatives

The Company permits the use of derivatives for investment purposes by a Fund, however, this policy is not currently applied and may not be applied without giving the required 60 day notice to Shareholders. If derivatives are used for the purpose of meeting the investment objective of the Fund it is not intended that the use of derivatives would significantly raise the risk profile.

Currently the Funds may be invested in derivatives in line with the investment objectives of a Fund but solely for the purposes of hedging with the aim of reducing the risk profile of the Funds in accordance with the principles of Efficient Portfolio Management. Derivatives can expose the Scheme Property to a higher degree of risk. For example, because of the effect of gearing, relatively small market movements can result in disproportionately high levels of loss. Off exchange transactions can carry higher levels of risk due to lack of liquidity, difficulty in valuing the investment and determining a fair price. For an explanation of the Fund's hedging strategy please refer to Appendix 2.

8.3.4 Credit and Fixed Interest Securities

Fixed interest securities are particularly affected by trends in interest rates and inflation. If interest rates go up, the value of capital may fall, and vice versa. Inflation will also decrease the real value of capital.

The value of a fixed interest security will fall in the event of the default or reduced credit rating of the issuer. Generally, the higher the rate of interest, the higher the perceived credit risk of the issuer. High yield bonds with lower credit ratings (also known as sub-investment grade bonds) are potentially more risky (higher credit risk) than investment grade bonds.

8.3.5 Specific Persons

The Investment Manager has complete discretion over the investment decisions within the Fund. The performance of the Fund is therefore directly linked to the ability of the Investment Manager. Shareholders should be aware that, whilst no change in the Investment Manager is anticipated, a change, for whatever reason, may adversely affect the performance of the Fund.

9. TERMINATION AND AMALGAMATION

The Company shall not be wound up except as an unregistered company under Part V of the Insolvency Act 1986 or under the COLL Sourcebook. A Fund may only be wound up under the COLL Sourcebook. Where the Company or a Fund is to be wound up under the COLL Sourcebook, such winding up may only be commenced following approval by FSA. FSA may only give such approval if the ACD provides a statement (following an investigation into the affairs of the Company) either that the Company will be able to meet its liabilities within 12 months of the date of the statement or that the Company will be unable to do so. The Company may not be wound up under the COLL Sourcebook if there is a vacancy in the position of the ACD at the relevant time.

The Company will be wound up if:

- (a) an extraordinary resolution to that effect is passed by the Shareholders;
- (b) the order declaring the Company to be an authorised collective investment scheme is revoked;
- (c) if the ACD or Depositary requests the FSA to revoke the order declaring the Company to be an authorised ICVC and the FSA has agreed that on the conclusion of the winding up of the Company it will accede to that request;
- (d) if the Share capital of the Company falls below the prescribed minimum;
- (e) on the effective date of a duly approved scheme of reconstruction which results in all the property of the reconstructed scheme becoming the property of two or more authorised or recognised schemes; or if a court scheme is initiated under Part V of the Insolvency Act 1986 for an unregistered company.

A Fund may be terminated if:

- (i) an extraordinary resolution to that effect has been passed by meeting(s) of the Class(es) of Shares of the Fund;
- (ii) the FSA has agreed to and approved a request by the ACD for the termination of the Fund; and
- (iii) a solvency statement is lodged with the FSA in respect of the liabilities of the Company relating to the Fund

The ACD may make a request to FSA to wind up a Fund if at any time after the first anniversary of the issue of the first Shares of the Fund the net value of the assets attributable to the Fund is less than £1,000,000.

The ACD will carry out the following procedure for winding up the Company or a Fund as appropriate:

- (1) in the case of an amalgamation or reconstruction the ACD will wind up the Company in accordance with the approved scheme of amalgamation or reconstruction;
- (2) in any other case, the ACD shall as soon as practicable after the Company or Fund falls to be wound up and after notifying Shareholders of the proposal to wind up the Company or Fund, realise the Scheme Property (and in the case of a Fund, the Scheme Property attributable to that Fund).

After paying out of all liabilities of the Company or Fund properly so payable and retaining provision for the costs of the winding up, the ACD shall distribute the proceeds to the Shareholders and to itself (upon production by them of evidence as to their entitlement) proportionately to their respective interests in the Company or Fund.

On winding up the Company, any unclaimed net proceeds or other cash held to the account of the Company after the expiry of one month from the date of dissolution of the Company will be paid by the ACD into court subject to the ACD having a right to receive out of it any expenses incurred by it in making that payment into court. On completion of the winding up, the Depositary shall notify the FSA and the ACD shall request the FSA to revoke the order of authorisation.

Following completion of a winding up of either the Company or a Fund, the ACD must prepare a final account showing how the Scheme Property has been distributed. The auditors of the Company shall make a report in respect of the final account stating their opinion as to whether the final account has been properly prepared. The auditors' report together with the final account will be sent to the FSA and the Shareholders within two months of the completion of the winding up of the Company or termination of the Fund as appropriate.

10. GENERAL INFORMATION

10.1 Instrument of Incorporation

The Instrument of Incorporation (including any amendments to it) is available for inspection free of charge at the ACD's offices at Springfield Lodge, Colchester Road, Chelmsford, Essex CM2 5PW during normal business hours.

The following documents may also be inspected free of charge at the same address:

- (a) the most recent annual and half-yearly reports of the Company; and
- (b) the material contracts referred to below.

Shareholders may obtain copies of the above documents from this address. The ACD may, at its discretion make a charge for copies of documents, except of the annual and half yearly reports which are available free of charge to any person on request.

10.2 **Material Contracts**

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

- (a) the Agreement dated 17 February 2009 between the Company and the ACD;
- (b) the Depositary Agreement dated 17 February 2009 between the Company, the ACD and the Depositary;
- (c) the Investment Manager's Agreement dated 17 February 2009 between the ACD and the Investment Manager.

Details of the above contracts are given in Section 5 above.

10.3 **Meetings of Shareholders and voting rights**

The Company does not hold annual general meetings. Copies of the service contract between the Company and the ACD will be provided to Shareholders on request.

The ACD may requisition a general meeting at any time.

The following provisions applying to the Company as a whole also apply to meetings of a Class or Fund as if they were general meetings of the Shareholders, but by reference to the Shares of the Class or Fund concerned and the Shareholders and prices of such Shares.

Shareholders who together hold not less than one-tenth in value of all of the shares may also requisition a general meeting of the Company. Such requisition must be in writing signed by the requisitioning Shareholders, state the objects of the meeting, and be deposited at the head office of the Company. The ACD must convene a general meeting within eight weeks of receiving a requisition.

Notices of meetings and adjourned meetings will be sent to Shareholders at their registered address. Shareholders will receive at least 14 days' notice of a general meeting.

The quorum for a meeting of shareholders is two shareholders present in person or by proxy. If at an adjourned meeting two shareholders are not present in person or by proxy then the quorum for that adjourned meeting will be one shareholder present in person or by proxy.

Except where an extraordinary resolution (requiring a majority of 75% of the votes validly cast in favour of the resolution) is required to be passed under the COLL Sourcebook or the Instrument of Incorporation, each resolution shall be proposed as an ordinary resolution requiring a simple majority of the votes validly cast in favour to be passed.

At any meeting of Shareholders or a Class of the Company or a Fund on a show of hands every shareholder who (being an individual) is present in person or (being a corporation) is represented in person by its properly authorised representative has one vote. A poll may be demanded by the Chairman of the meeting, by the Depositary, or by two or more Shareholders present in person or by proxy. On a poll every shareholder who is present in

person or by proxy will be entitled to a number of votes calculated in accordance with the value that his Shareholding bears in relation to the value of the Company or Fund as relevant. A Shareholder entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.

In the case of joint shareholders the vote of the senior Shareholder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority is determined by the order in which the names stand in the Register of Shareholders.

The ACD is entitled to receive notice of and attend any meeting of Shareholders but is not entitled to vote or be counted in the quorum. Neither the ACD nor any associate (as defined in the COLL Sourcebook) of the ACD holding shares shall be entitled to vote at such a meeting except in respect of shares which are held on behalf of a person who, if he himself were the registered Shareholder, would be entitled to vote and from whom voting instructions have been received.

Where all the Shares in a Fund are registered to, or held by, the ACD or its associates and they are therefore prohibited from voting on a resolution required to conduct business at a general meeting, it shall not be necessary to convene such a meeting and the resolution (whether an ordinary resolution or extraordinary resolution) may, with the prior written agreement of the Depositary, instead be passed with the written consent of Shareholders representing the requisite majority of the Shares in issue.

Shareholders shall be those persons entered on the register at a time determined by the ACD (which shall be not less than 48 hours before the time fixed for the meeting) which shall be stated in the notice of the meeting.

10.4 Variation of Class Rights

The rights attached to a Class of Shares in a Fund may be varied in accordance with the COLL Sourcebook.

10.5 Reports to Shareholders

The annual accounting period of the Company ends on 31 October in each year (the "accounting reference date") and the interim accounting period ends on 30 April in each year (the "interim accounting reference date") or such other date as the ACD may determine.

The Company's annual long report incorporating audited financial statements will be published within four months after the end of the financial year and the interim long report within two months of the end of the interim accounting period. Copies of the interim and annual long reports will be available on request from the ACD.

The ACD shall send a copy of the interim and annual short reports to any Shareholder whose name appears on the share register as at the relevant accounting reference date or interim accounting reference date as permitted by the FSA Regulations. Copies of all reports to

Shareholders will be available for inspection by the general public at the ACD's offices at Springfield Lodge, Colchester Road, Chelmsford, Essex CM2 5PW.

The ACD will provide the following information relating to the risk management of the Company to Shareholders on request:

- (a) the quantitative limits applying to the risk management of the Company;
- (b) the methods used in relation to (a); and
- (c) any recent development of the risk and yields of the main categories of investment.

10.6 Income Allocations

The Funds may issue Income Shares and Accumulation Shares (see details in Appendix 1). Income will be allocated for each of the Funds on the income allocation dates as set out for each Fund in Appendix 1.

In the case of Income Shares, the ACD will distribute income for the relevant Fund on or before the final and interim income distribution dates appropriate to each Fund as set out in Appendix 1.

In the case of Accumulation Shares, the ACD will reinvest the income allocated to the Fund concerned. Such income allocated will be reflected in the price of the Accumulation Shares as at the end of the relevant accounting period.

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

Distributions will be declared and paid as detailed in Appendix 1.

Distributions not claimed within a six year period will be forfeited and added back to the capital of the relevant Fund.

10.7 Complaints

Any complaints concerning the Company or the ACD should be referred to the compliance officer of the ACD at its registered office. If a complaint is not resolved to the satisfaction of the complainant it may be, subject to the status of the complainant, referred to the Financial Ombudsman Service at South Quay Plaza, 183 Marsh Wall, London E14 9SR. A copy of the

ACD's complaints procedure explaining how complaints will be dealt with is available on request from the ACD.

APPENDIX 1

THE FUND

The Vanbrugh Fund

Investment objective:	The investment objective of the Fund is to provide capital growth and income.	
Investment policy:	<p>The Fund's portfolio will consist primarily of a diversified range of open and closed ended funds, although significant exposure to other investments such as fixed interest securities are expected to be included in the portfolio from time to time. The portfolio will be actively managed, with the Investment Manager seeking to take advantage of inefficiencies in the pricing of closed ended funds and significant movements in financial markets.</p> <p>Through its investments, the portfolio will be exposed to a range of asset classes, underlying currencies, geographic spread and holding funds managed by a variety of fund management groups and style of investment manager.</p> <p>The Company permits the use of derivatives for investment purposes by the Fund, however, this policy is not currently applied and may not be applied without giving the required 60 day notice to Shareholders. If derivatives are used for the purpose of meeting the investment objective of the Fund it is not intended that the use of derivatives would significantly raise the risk profile but this cannot be guaranteed and the risk profile may increase as a result of a change in the investment policy for derivatives.</p>	
Launch date:	18 February 2009	
Type of fund:	UCITS Retail Scheme	
Share classes available:	A Shares	B Shares
Share types available:	Income	Income
Minimum initial investment:	£5,000	£2,000,000
Minimum holding in each fund:	£1,000	£500,000
Minimum subsequent purchase and redemptions in each fund:	£1,000	£500,000

Charges:		
Annual management charge (0.75% charged to income*):	1.5%	1%
Initial charge:	5.0%	0%
Switching charge:	0%	0%
Redemption charge**:	1.0%	0%
Accounting period ends:	31 October	
Interim accounting period ends:	30 April	
Income allocated:	31 December, 30 June	
Typical investor profile:	The Fund is aimed at investors willing to meet the minimum investment requirements for whom the spread of risk through investment in a range of collective investment schemes will be suitable. Investors in this Fund will be willing to accept a higher level of risk associated with exposure to volatile markets and the potential loss of some of all of their investment	

*The annual management charge will normally be charged 50% to the income of the Fund and 50% to the capital. Charges to the capital of the Fund may adversely affect capital growth.

**A redemption charge based on the value of the shares sold will be levied on the redemption of any class of shares of any Fund however the ACD may, at its sole discretion, in any particular case or generally, waive such charge.

APPENDIX 2

INVESTMENT POWERS AND RESTRICTIONS

The Scheme Property will be invested with the aim of achieving the investment objectives of the Funds but subject to any limits set out in a Fund's investment policy and the investment and borrowing set out in Chapter 5 of the COLL Sourcebook applicable to UCITS Retail Schemes which are summarised in this Appendix.

The scheme property of a UCITS Scheme must be invested to provide a prudent spread of risk. There are also strict limits on both the spread and concentration of investments held by the Company as outlined below. These limits do not apply until the later of 6 months after the date of the Company's authorisation order or the initial offer for Shares was made.

1. **The Scheme Property**

The Scheme Property of the Funds can only consist of:

- (a) Transferable securities;
- (b) Approved money market instruments;
- (c) Units in permitted collective investment schemes;
- (d) Approved derivatives, warrants and forwards (the underlying of which must be one of the UCITS eligible assets or financial indices, interest rates, foreign exchange rates or currencies); and
- (e) Deposits held with an approved bank, cash or near cash.

The Scheme Property of the Company will not include an interest in any moveable or immoveable property.

The ACD intends that the Funds will normally be fully invested, but Scheme Property may be held in the form of cash or near cash when the ACD reasonably regards this as necessary in order to enable the redemption of units, efficient management of a Fund or for any one purpose which may reasonably be regarded as ancillary to the investment objectives of a Fund.

The Funds may invest in the shares of another scheme or fund operated by the ACD in so far as permitted by the COLL Sourcebook.

No Fund may invest in the Shares of another Fund of the Company.

2. **Transferable Securities**

Transferable Securities are:

- (a) shares in companies and other securities equivalent to shares in companies

- (b) debentures;
- (c) government and public securities;
- (d) warrants; and
- (e) any other negotiable securities which carry the right to acquire any such transferable securities by subscription or exchange.

A Fund may only invest in transferable securities that fulfil the following criteria (and subject to the investment limits set out below):

- (i) the potential loss which the Fund may incur with respect to holding the transferable security is limited to the amount paid for it;
- (ii) its liquidity does not compromise the ability of the ACD to comply with its obligation to redeem Shares at the request of any qualifying Shareholder;
- (iii) reliable valuation is available for it as follows:
 - (1) in the case of a transferable security admitted to or dealt in on an eligible market, where there are accurate, reliable and regular prices which are either market prices or prices made available by valuation systems independent from issuers;
 - (2) in the case of a transferable security not admitted to or dealt in on an eligible market, where there is a valuation on a periodic basis which is derived from information from the issuer of the transferable security or from competent investment research;
- (iv) it is negotiable; and
- (v) its risks are adequately captured by the risk management process of the ACD.

Transferable securities admitted to or dealt in on an eligible market will be deemed to meet the conditions in (ii) and (iv) unless the ACD has information that would lead to a different determination. The ACD will assess the liquidity risk that may result from investment in illiquid transferable securities in the light of its obligations to redeem Shares at the request of Shareholders.

Units in closed ended funds may be transferable securities provided that such funds meet the conditions set out in the COLL Sourcebook, which in summary are:

- (i) the closed end fund is subject to corporate governance mechanisms applied to companies (if it is an investment company or unit trust) or equivalent to those applied to companies (in the case of closed end funds constituted by contract). Equivalent corporate governance mechanisms include investors rights to vote on key decisions such as removal of the

asset manager, and amendments to the constitution or contract constituting the fund;

- (ii) any asset manager of the closed end fund is appropriately regulated for the purpose of investor protection;
- (iii) the assets of the closed end fund in contractual form should be separate and distinct from those of the asset manager with the fund subject to liquidation rules that adequately protect the investors.

An investment is not a transferable security if the title to it cannot be transferred, or can be transferred only with the consent of a third party (which does not include the issuing body corporate or any members or debenture holders of it).

Also an investment is not a transferable security unless the liability of the holder of it to contribute to the debts of the issuer is limited to any amount for the time being unpaid by the holder of it in respect of the investment.

Transferable securities held by a Fund must be approved securities, that is admitted to or dealt on an eligible market, and must remain so until disposed of by a Fund. Up to 10% in value of the Scheme Property may consist of transferable securities which are not approved securities. See Appendix 3 for details of the Eligible Markets of the Company

If a market ceases to be an eligible market, investments on that market cease to be approved securities and must then be included in the calculation of the 10% restriction on investing in non approved securities.

3. **Money Market Instruments**

A Fund may invest in money market instruments provided that:

- (a) They are approved money market instruments; that is:
 - (i) they are normally dealt in on an eligible money market;
 - (ii) they are liquid;
 - (iii) their value can be accurately determined at any time; or
- (b) they are approved instruments not admitted to or dealt on an eligible money market which have been issued by or guaranteed by a central, regional or local authority. A central bank of an EEA State, the European Central Bank, the European Union or the European Investment Bank, a non-EEA State or, in the case of a federal state, by one of the members making up the federation, or by a public international body to which one or more EEA States belong; or issued or guaranteed by an establishment subject to prudential supervision in accordance with criteria defined by Community law or by an establishment which is subject to and complies with prudential rules considered by the FSA

to be at least as stringent as those laid down by Community law; or issued by a body, any securities of which are dealt in on an eligible market.

Save that a Fund may invest up to 10% of the Scheme Property in money market instruments which do not meet these criteria provided they are liquid and have a value which can be determined accurately at any time.

In addition to instruments admitted to or dealt in on an eligible market a Fund may with the express consent of the FSA invest in an approved money-market instrument meeting the following requirements:

- (i) the issue or the issuer is regulated for the purpose of protecting investors and savings; and
- (ii) the instrument is issued or guaranteed by one of the bodies listed for the purpose in the COLL Sourcebook.

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

- (1) the instrument is an approved money-market instrument ;
- (2) appropriate information is available for the instrument (including information which allows an appropriate assessment of the credit risks related to investment in it), in accordance with the COLL Sourcebook; and
- (3) the instrument is freely transferable.

4. **Spread: Corporates and other Collective Investment Schemes**

Not more than 20% of the Scheme Property can be invested with a single body (for the limits on Government and Public Securities see section 6 below). For these purposes companies in the same group will comprise a single body. The specific limits are:

- (a) A Fund can invest up to 5% of the Scheme Property in transferable securities, or money market instruments issued by any single body. This limit rises to 10% in respect of up to 40% of the Scheme Property (covered Bonds can be excluded from the 40% limit). For these purposes certificates representing certain securities are treated as equivalent to the underlying security;
- (b) The limit of 5% in (a) is raised to 25% in value of the scheme property in respect of covered bonds, provided that when a Fund more than 5% in covered bonds issued by a single body, the total value of covered bonds held must not exceed 80% in value of the Scheme Property.
- (c) Not more than 20% of the Scheme Property can be deposits held with a single body. This limit includes amounts held in cash (except cash representing

distributable income or credited to a distribution account). In applying this limit all uninvested cash comprising capital property of a Fund (which does not include income property or amounts standing to the distribution account) held by the Depositary or any other company in the Depositary's group will be included in calculating the total sum of the deposits held for a Fund.

- (d) Not more than 20% of the Scheme Property can consist of transferable securities and money market instruments issued by the same group. When applying the limits set out in (a) this provision would allow the Company to invest up to 5% in the transferable securities of each of four group member companies, or 10% in two of them (if applying the 40% limit);
- (e) The exposure of a Fund to OTC derivatives must not exceed 5% to any one counterparty, unless the counterparty is an EEA credit institution in which case the limit rises to 10%. Exposure can be reduced to the extent that approved collateral meeting the requirements in the COLL Sourcebook is held by a Fund to offset that exposure. Positions held with the same counterparty can be netted in accordance with the Regulations.
- (f) a Fund's holdings in any combination of transferable securities (including covered bonds), money market instruments, deposits or OTC derivatives issued by a single body must not exceed 20% of the Scheme Property overall (after accounting for approved collateral held by a Fund to offset the exposure to OTC derivatives);
- (g) up to 100% of the Scheme Property can be invested in other UCITS Schemes and up to 30% in schemes meeting the conditions as set out in the COLL Sourcebook which broadly offer UCITS equivalent protection to investors. This may include UK authorised Non-UCITS Retail Schemes, schemes recognised under the Financial Services and Markets Act and schemes authorised in another EEA State or are authorised by the competent authority of certain OECD member countries provided that such schemes only invest in assets permitted to be held by UCITS Schemes and meet the investment limits for a UCITS Scheme.

However, no more than 20% of the Scheme Property can be invested in any one scheme (and then only provided that the scheme limits investment in other schemes to 10% of its property). Where the second Scheme is an umbrella scheme, these limits apply to each sub-fund as if it were a separate scheme.

- (h) where Scheme Property consists of warrants, the exposure created by the exercise of the right conferred by those warrants must not cause a Fund to exceed the limits set out above.

A Fund may invest in the units of other schemes operated by the ACD or for which the ACD acts as authorised corporate director, or the authorised fund manager subject to the requirements of the COLL Sourcebook.

5. **[Spread: Government and Public Securities]**

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

A Fund is permitted under the Instrument of Incorporation to invest more than 35% of the Scheme Property in the securities of any one body provided that the ACD and Depositary agree that the investment would be appropriate and:

- (a) no more than 30% is invested in any one issue; and
- (b) the investment consists of at least six different issues.

The Governments and bodies in which a Fund is permitted to invest, over 35% of the Scheme Property in these circumstances, as stated in the Instrument of Incorporation, are:

- (i) The Government of the United Kingdom or any other Member State of the European Union from time to time as specified in Appendix 4 Part I;
- (ii) The Government of any of the countries for the time being specified in Appendix 4, Part II; or securities issued by or on behalf of the European Investment Bank.]

6. **Derivatives**

The Company's Instrument of Incorporation permits the use of derivatives for investment purposes. However, it is not currently intended that derivatives will be used for any purpose other than the Efficient Portfolio Management of the Fund, although derivatives may, subject to the Manager obtaining and maintaining the requisite permissions from the FSA under the Financial Services and Markets Act 2000 and on giving not less than 60 days' notice to Shareholders in the Funds, use derivatives in pursuit of its investment objective in the future. If derivatives are used for the purpose of meeting the investment objective of the Fund it is not intended that the use of derivatives would significantly raise the risk profile.

A Fund may make transactions in approved derivatives (which include futures, options, contracts for differences (CFDs) and forwards), but will only do so for the purpose of hedging the Fund's investments in order to manage the risk profile of the Scheme Property, reduce costs and generate additional capital or income. The transactions must be in line with the Fund's investment objectives and be sufficiently covered by the Scheme Property to the extent permitted by the COLL Sourcebook.

Transactions in approved derivatives must be made on or under the rules of an eligible derivatives market. Eligible derivatives markets are regulated markets which the ACD, after consultation and notification with the Depositary, has decided are appropriate for the purpose of investment of or dealing in the Scheme Property with regard to the relevant criteria set out in the COLL Sourcebook and the Guidance on eligible markets issued by FSA as amended from time to time.

The eligible derivatives markets for the Company are set out in Appendix 3.

The underlying of a transaction in a derivative must consist of any one or more of the permitted investments for a UCITS Scheme (see list in paragraph 1 of this Appendix 2) **and**;

- (a) financial indices;
- (b) interest rates;
- (c) foreign exchange rates; and
- (d) currencies.

Derivatives of financial indices will be permitted if they satisfy the following criteria:

- (iv) the index is sufficiently diversified;
- (v) the index represents an adequate benchmark for the market to which it refers; and
- (vi) the index is published in an appropriate manner.

The ACD will have regard to the FSA guidance in the COLL Sourcebook in determining whether these criteria are met.

Exposure of the Scheme Property to the underlying asset of a derivative must not cause the Fund to exceed the limits for investment in such assets as set out in this Appendix and the COLL Sourcebook.

The addition of new eligible derivatives markets for a Fund requires the approval by resolution of Shareholders unless the ACD and the Depositary have agreed in writing that the addition is of minimal significance to the investment strategy of the Fund concerned, or the ACD has, not less than 60 days before the change, given notice in writing as set out above in the case of additional eligible securities markets.

Each derivative transaction must be fully covered by Scheme Property sufficient in value or amount to match the exposure arising from a derivative obligation to which the Fund is committed. Exposure includes the principal or notional principal created by the transaction taking into account the value of the underlying assets, any reasonably foreseeable market movements, counterparty risk and the time available

to liquidate any positions. A Fund may not enter into a derivative position which would result in the Fund's global exposure exceeding the net value of its Scheme Property.

Generally scheme property is not available for cover if it is the subject of a stocklending transaction, unless the ACD has taken reasonable care to determine that such Scheme Property is redelivered in time to meet the obligation for which cover is required.

In the case of off exchange (OTC) derivatives, which may only be futures, options or CFDs, the transaction may only be entered into once the Depositary is satisfied that the counterparty will agree to provide reliable and verifiable valuations on at least a daily basis and otherwise meet the conditions set out in the COLL Sourcebook.

Any OTC transactions must be with an approved counterparty (eligible institutions or approved banks or authorised principals). A derivative or forward transaction which would or could lead to delivery of scheme property to the Depositary in respect of a Fund may be entered into only if such scheme property can be held by the Fund concerned, and the ACD reasonably believes that the delivery of the property pursuant to the transaction will not lead to a breach of the COLL Sourcebook.

7. Efficient Portfolio Management (EPM)

A Fund may invest in derivatives for the purposes of EPM which means that the transactions must satisfy the following broad requirements:

- (a) A transaction must be reasonably believed by the ACD to be economically appropriate to the efficient portfolio management of a Fund in that they are realised in a cost effective way. This means that for transactions undertaken to reduce risk or cost (or both), the transaction alone or in combination will diminish a risk or cost of a kind or level which it is sensible to reduce and, for a transaction undertaken to generate additional capital or income, the Fund is likely (barring events which are not reasonably foreseeable) to derive a benefit from the transaction.
- (b) EPM may not include speculative transactions.
- (c) The purpose of an EPM transaction for a Fund must be to achieve one of the following in respect of a Fund:
 - (i) Reduction of risk. This allows for the use of the technique of cross-currency hedging in order to switch all or part of the scheme property away from a currency the ACD considers unduly prone to risk, to another currency. This aim also permits the use of tactical asset allocation (please see (ii))
 - (ii) Reduction of cost. The aims of reduction of risk or cost, together or separately, allow the ACD on a temporary basis to use the technique

of tactical asset allocation. Tactical asset allocation permits the ACD to undertake a switch in exposure by the use of derivatives rather than through sale and purchase of the scheme property.

- (iii) The generation of additional capital or income for a Fund with a risk level which is consistent with the risk profile of the Fund concerned and the rules in the COLL Sourcebook.

The generation of additional capital or income may arise out of taking advantage of price imperfections or from the receipt of a premium for writing of covered call or covered put options (even if the benefit is obtained at the expense of the chance of yet greater benefit) or pursuant to stocklending as permitted by the COLL Sourcebook.

The relevant purpose must relate to Scheme Property (whether precisely identified or not) which is to be or is proposed to be acquired for a Fund; and anticipated cash receipts of the Fund, if due to be received at some time and likely to be received within one month.

The ACD has adopted a risk management process that takes account of the investment objectives and policies of the Funds which enables the ACD to monitor and measure as frequently as appropriate the risk of the a Fund's positions and their contribution to the overall risk profile of the Fund.

The ACD will notify the requisite details of the risk management process to the FSA and will notify the FSA in advance of any material alteration to it.

8. **Concentration**

A Fund

- (a) must not acquire transferable securities other than debt securities which:
 - (vii) do not carry a right to vote on any matter at a general meeting of the body corporate that issued them; and
 - (viii) represent more than 10% of these securities issued by that body corporate;
- (b) must not acquire more than 10% of the debt securities issued by any single body;
- (c) must not acquire more than 25% of the units in a collective investment scheme;
- (d) must not acquire more than 10% of the money market instruments issued by any single body; and

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

9. **Stock lending**

A Fund may enter into a stock lending arrangement in accordance with the COLL Sourcebook if it reasonably appears to the ACD to be appropriate to do so with a view to generating additional income for the Fund with an acceptable degree of risk.

Briefly, such transactions are those where a Fund or the Depositary delivers securities which are the subject of the transaction in return for which it is agreed that securities of the same kind and amount should be redelivered to the Fund or the Depositary at a later date. The Fund or the Depositary at the time of delivery receives collateral to cover against the risk of the future redelivery not being completed. There is no limit on the value of the property of the Company which may be the subject of stocklending transactions.

Such transactions must always comply with the requirements of the Taxation of Chargeable Gains Act 1992. The transactions must also comply with the requirements of the COLL Sourcebook and the Guidance on Stocklending issued by FSA as amended from time to time.

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

10. **Borrowing**

The ACD may, on the instructions of the Company and subject to the COLL Sourcebook, borrow money from an Eligible Institution or an Approved Bank for the use of the Company on terms that the borrowing is to be repayable out of the Scheme Property.

Borrowing must be on a temporary basis, must not be persistent, and in any event must not exceed three months without the prior consent of the Depositary, which may be given only on such conditions as appear appropriate to the Depositary to ensure that the borrowing does not cease to be on a temporary basis.

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

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

APPENDIX 3

ELIGIBLE MARKETS

A market is eligible for the purposes of the COLL Sourcebook if it is:

- (a) a regulated market as defined in the FSA Handbook; or
- (b) a market in an EEA State which is regulated, operates regularly and is open to the public.

A market not falling within (a) or (b) above is eligible for these purposes if:

- (i) the ACD, after consultation with the Depositary, decides that market is appropriate for these purposes on the basis that it is regulated, operates regularly, is recognised, is open to the public, is adequately liquid and has adequate arrangements for unimpeded transmission of income and capital to or for the order of investors; and
- (ii) the Depositary has taken reasonable care to determine that:
 - (1) adequate custody arrangements can be provided for the investment dealt in on that market; and
 - (2) all reasonable steps have been taken by the ACD in deciding whether that market is eligible

The eligible markets of the Company are as follows:

Eligible Securities Markets

Australia	The Australian Stock Exchange
Canada	Montreal Exchange
	Toronto Stock Exchange
	TSX Venture Exchange
Hong Kong	Hong Kong Stock Exchanges
Japan	Tokyo Stock Exchange, 1st and 2nd Sections
	Osaka Securities Exchange
	Nagoya Stock Exchange

	Sapporo Stock Exchange
Korea	Korea Stock Exchange (KSE)
Mexico	Mexican Stock Exchange
New Zealand	New Zealand Stock Exchange (NZSE)
Singapore	Stock Exchange of Singapore (SES)
South Africa	JSE Securities Exchange
Switzerland	The Swiss Exchange (SWX)
Thailand	The Stock Exchange of Thailand (SET)
United Kingdom	The Alternative Investment Market (AIM)
United States of America	The New York Stock Exchange (NYSE)
	The NASDAQ Stock Market (NASDAQ)
	The American Stock Exchange (AMEX)

Eligible Derivatives Markets

United Kingdom	London International Financial Futures and Options Exchange (LIFFE)
United States of America	Chicago Mercantile Exchange

APPENDIX 4

MEMBER STATES OF THE EUROPEAN UNION, SPECIFIED COUNTRIES AND BODIES

Part I

Member States of the European Union as at the date of this Prospectus

United Kingdom	Greece	Hungary
Belgium	Portugal	Latvia
France	Spain	Lithuania
Germany	Austria	Malta
Italy	Finland	Poland
Luxembourg	Sweden	Slovakia
The Netherlands	Cyprus	Slovenia
Denmark	Czech Republic	Romania
Ireland	Estonia	Bulgaria

Part II

Countries and bodies specified for the purposes of Appendix 2, Section 5

Australia	Korea
Brazil	New Zealand
Canada	Norway
Chile	Singapore
Egypt	Switzerland
Hong Kong	Turkey
Japan	United States
	The European Investment Bank

APPENDIX 5

AUTHORISED COLLECTIVE INVESTMENT SCHEMES OF WHICH THE ACD IS THE AUTHORISED CORPORATE DIRECTOR

PFS Somerset Capital Management Investment Funds ICVC

PFS Brompton UK Recovery Unit Trust

PFS Greenaway Fund

PFS Pandynamic Fund

PFS Prodigy Capital Partners Fund

PFS RMB Investment Funds

PFS Taube Global Fund

PFS Twentyfour Investment Funds

The PFS Home Investment Funds

The PFS Investment Funds

Total Clarity

APPENDIX 6

DIRECTORY OF CONTACT DETAILS

The Company and Head Office:

PFS Hawksmoor Open-Ended Investment Company
Springfield Lodge, Colchester Road, Chelmsford, Essex CM2 5PW

Authorised Corporate Director:

Phoenix Fund Services (UK) Limited
Springfield Lodge, Colchester Road, Chelmsford, Essex CM2 5PW

Investment Manager:

Hawksmoor Investment Management Limited
3 Barnfield Crescent, Exeter, Devon EX1 1QT

Administrator and Registrar:

Phoenix Fund Services (UK) Limited
PO Box 10380, Chelmsford, Essex CM1 9JX

Custodian:

The Bank of New York Mellon (International) Limited
One Canada Square, Canary Wharf, London E14 5AL

Depository:

The Bank of New York Trust and Depository Company Limited
One Canada Square, Canary Wharf, London E14 5AL

Legal Advisers:

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