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

The Directors of the Company, whose names appear under the heading "Management and Administration" are the persons responsible for the information contained in this Prospectus and accept responsibility accordingly. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of the information.

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# **Hermes Investment Funds Public Limited Company**

*(An umbrella investment company with variable capital and having segregated liability  
between its Funds incorporated with limited liability in Ireland  
under registration number 463628)*

## **PROSPECTUS**

### **INVESTMENT MANAGER**

**Hermes Investment Management Limited**

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The date of this Prospectus is 21 October 2009.

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## HERMES INVESTMENT FUNDS PUBLIC LIMITED COMPANY

### IMPORTANT INFORMATION

This Prospectus contains information relating to the Company, an open-ended investment company with variable capital and having segregated liability between its Funds incorporated in Ireland on 23 October 2008. It qualifies and is authorised in Ireland by the Financial Regulator as a UCITS for the purposes of the Regulations. The Company is structured as an umbrella fund in that the share capital of the Company may be divided into different classes of Shares with one or more classes representing a separate Fund of the Company. The creation of any Fund will require the prior approval of the Financial Regulator.

This Prospectus may only be issued with one or more Supplements, each containing information relating to a separate Fund. If there are different classes of Shares representing a Fund, details relating to the separate classes may be dealt with in the same Supplement or in separate Supplements for each class. The creation of further classes of Shares will be effected in accordance with the requirements of the Financial Regulator. This Prospectus and the relevant Supplement should be read and constituted as one document. To the extent that there is any inconsistency between this Prospectus and the relevant Supplement, the relevant Supplement shall prevail.

Applications for Shares will only be considered on the basis of this Prospectus (and any relevant Supplement) and the latest published annual report and audited financial statements and, if published after such report, a copy of the latest half-yearly report and unaudited financial statements. These reports will form part of this Prospectus.

The Class Z Stg£ Accumulating Shares of the Hermes UK Small and Mid Cap Companies Fund, Hermes UK Smaller Companies Fund, Hermes Pan European Small Cap Companies Fund, Hermes Global Emerging Markets Fund and the Hermes Quant Global Equity Fund have been admitted to the Official List of the Irish Stock Exchange and to trading on the Main Market of the Irish Stock Exchange. The Directors do not anticipate that an active secondary market will develop in relation to the Shares.

In relation to each class of Shares, issued or to be issued from the date of this Prospectus, an application may be made to the Irish Stock Exchange for those Shares to be admitted to the Official List and to trading on the Main Market of the Irish Stock Exchange. This document together with the relevant Supplement shall constitute listing particulars for the purpose of listing the Shares on the Irish Stock Exchange. Neither the admission of the Shares to the Official List, nor to trading on the Main Market of the Irish Stock Exchange, nor the approval of the listing particulars pursuant to the listing requirements of the Irish Stock Exchange shall constitute a warranty or representation by the Irish Stock Exchange as to the competence of service providers to or any other party connected with the Company, the adequacy of information contained in the listing particulars or the suitability of the Company for investment purposes. None of the Company's Shares are listed or proposed to be listed on any stock exchange other than the Irish Stock Exchange.

**The Company is both authorised and supervised by the Financial Regulator. The authorisation of the Company is not an endorsement or guarantee of the Company by the Financial Regulator and the Financial Regulator is not responsible for the contents of this Prospectus. The authorisation of the Company by the Financial Regulator does not constitute a warranty by the Financial Regulator as to the performance of the Company and the Financial Regulator shall not be liable for the performance or default of the Company.**

Statements made in this Prospectus are, except where otherwise stated, based on the law and practice currently in force in Ireland, which may be subject to change.

No person has been authorised to give any information or to make any representation in connection with the offering or placing of Shares other than those contained in this Prospectus, any Supplement and the reports referred to above and, if given or made, such information or representation must not be relied upon as having been authorised by the Company. The delivery of this Prospectus (whether or

not accompanied by the reports) or any issue of Shares shall not, under any circumstances, create any implication that the affairs of the Company have not changed since the date of this Prospectus or the relevant Supplement.

It is intended that applications may be made in jurisdictions outside Ireland to enable the Shares of the Company to be marketed freely in these jurisdictions. In the event that such registrations take place, local regulations in European Economic Area countries may require the appointment of paying agents and the maintenance of accounts by such agents through which subscription monies may be paid. Investors who choose or are obliged under local regulations to pay/receive subscription/redemption monies via an intermediary rather than directly to the Custodian bear a credit risk against that intermediate entity with respect to (a) subscription monies prior to the transmission of such monies to the Custodian and (b) redemption monies payable by such intermediate entity to the relevant investor. The fees and expenses in connection with the registration and distribution of Shares in such jurisdictions, which will be at normal commercial rates, may be borne by the Company and/or the Funds.

The distribution of this Prospectus and the offering and placing of Shares in certain jurisdictions may be restricted and, accordingly, persons into whose possession this Prospectus comes are required by the Company to inform themselves about and to observe such restrictions.

This Prospectus does not constitute an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

Potential investors should inform themselves as to:

- (i) the legal requirements within the countries of their nationality, residence, ordinary residence or domicile for the acquisition of Shares;
- (ii) any foreign exchange restrictions or exchange control requirements which they might encounter on the acquisition or sale of Shares; and
- (iii) the income tax and other taxation consequences which might be relevant to the acquisition, holding or disposal of Shares.

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

The Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission or other regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of these offering materials. Any representation to the contrary is unlawful.

The Shares are subject to restrictions on transferability and resale and may not be transferred or resold in the United States except as permitted under the 1933 Act and applicable state securities laws, pursuant to registration or exemption therefrom.

In order to ensure compliance with the restrictions referred to above, the Company is, accordingly, not open for investment by any US Person except in exceptional circumstances and then only with the

prior consent of the Directors. Please see Appendix IV for the definition of US Person and additional information on the restrictions pertaining to US Persons.

Shares may not be acquired or owned by, or acquired with the assets of, an ERISA Plan.

A prospective investor may be required at the time of acquiring Shares to represent that such investor is not (i) a US Person or acquiring Shares for the account or benefit, directly or indirectly, of a US Person, and (ii) an ERISA Plan or acquiring Shares with the assets of an ERISA Plan. The granting of prior consent by the Directors to an investment does not confer on the investor a right to acquire Shares in respect of any future or subsequent application.

The Shares have not been, nor will they be, qualified for distribution to the public in Canada as no prospectus for the Company or its Funds has been filed with any securities commission or regulatory authority in Canada or any province or territory thereof. This document is not, and under no circumstances is to be construed, as an advertisement or any other step in furtherance of a public offering of Shares in Canada. No Canadian Resident may purchase or accept a transfer of Shares unless he is eligible to do so under applicable Canadian or provincial laws.

In order to ensure compliance with the restrictions referred to above, the Funds are, accordingly, not open for investment by any US Persons and/or Canadian Residents except with the prior consent of the Company. A prospective investor may be required at the time of acquiring Shares to represent that such investor is (i) a Qualified Holder and, in particular, is not a US Person or Canadian Resident or acquiring Shares for the account or benefit, directly or indirectly, of a US Person or Canadian Resident, and (ii) not an ERISA Plan or acquiring Shares with the assets of an ERISA Plan. The granting of prior consent by the Company to an investment does not confer on the investor a right to acquire Shares in respect of any future or subsequent application.

Prospective UK resident investors must rely on their own examination of the legal, taxation, financial and other consequences of any investment in the Company including the risk involved. Prospective investors should not treat the contents of this Prospectus as advice relating to legal, taxation or other matters and, if in any doubt about the Company, its suitability, or what action should be taken, should consult a person authorised and regulated by the Financial Services Authority (“FSA”) under the Financial Services and Markets Act 2000 (“FSMA”) and qualified to advise on investments in collective investment schemes.

The Company is recognised under section 264 FSMA as a recognised collective investment scheme, and this Prospectus may be issued or distributed in the United Kingdom without restriction.

Prospective investors should note that most of the protections under FSMA do not apply to investments in the Company and that compensation under the Financial Services Compensation Scheme may not be available.

The Company is required under the rules to maintain at an address in the UK certain facilities in the interests of investors in the Funds in the UK. The Company has appointed Hermes Investment Management Limited to maintain the relevant facilities at its offices in the UK. Further details are set out in the Country Supplement for the United Kingdom.

Shareholders are required to notify the Company immediately in the event that they cease to be a Qualified Holder.

Where the Company becomes aware that any Shares are directly or beneficially owned by any person in breach of the above restrictions, the Company may direct the Shareholder to transfer his Shares to a person qualified to own such Shares or to request the Company to redeem Shares, in default of which, the Shareholder shall, on the expiration of 30 days from the giving of such notice, be deemed to have given a request in writing for the redemption of the Shares.

This Prospectus and any Supplements may also be translated into other languages. Any such translation shall only contain the same information and have the same meaning as the English

language Prospectus/Supplement. To the extent that there is any inconsistency between the English language Prospectus/Supplement and the Prospectus/Supplement in another language, the English language Prospectus/Supplement will prevail, except to the extent (and only to the extent) that it is required by law of any jurisdiction where the Shares are sold, that in an action based upon disclosure in a Prospectus in a language other than English, the language of the Prospectus/Supplement on which such action is based shall prevail.

**The value of Investments and the income derived therefrom may fall as well as rise and investors may not recoup the original amount invested in a Fund. The difference at any one time between subscription and redemption prices for Shares means that any investment should be viewed as medium to long term.**

Investors should read and consider the risk discussion under “The Company – Risk Factors” and the “Risk Factors” section in the relevant Supplement before investing in the Company.

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## DEFINITIONS

“*Account Opening Form*”, such account opening form as the Directors may prescribe for the purposes of opening an account in relation to the Company and/or relevant Fund.

“*Acts*”, the Irish Companies Acts, 1963 to 2009, as may be amended.

“*Administration Agreement*”, the agreement made between the Company and the Administrator dated 24 November 2008 as amended by the supplemental administration agreement between the Company and the Administrator dated 21 October 2009.

“*Administrator*”, Northern Trust International Fund Administration Services (Ireland) Limited, and/or such other person as may be appointed, in accordance with the requirements of the Financial Regulator, to provide administration services to the Company.

“*Auditors*”, Deloitte & Touche, Registered Auditors, Dublin.

“*Articles*”, the Articles of Association of the Company, as amended from time to time.

“*Business Day*”, shall have the meaning for any Fund as set out in the relevant Supplement.

“*Canadian Resident*”, a person resident in Canada for the purposes of the Income Tax Act of Canada.

“*CGRI Guidelines*”, means any corporate governance and/or responsible investment policies adopted by the Company from time to time.

“*Client Agreement*”, an agreement between the Investment Manager or its affiliate and an investor under which the investor has (i) appointed the Investment Manager or its affiliate to carry out investment management or advisory services on its behalf and/or (ii) agreed the fees to be paid by it to the Investment Manager or its affiliate.

“*Company*”, Hermes Investment Funds public limited company.

“*Custodian*”, Northern Trust Fiduciary Services (Ireland) Limited and/or such other person as may be appointed, with the prior approval of the Financial Regulator, to act as custodian to the Company.

“*Custodian Agreement*”, the agreement between the Company and the Custodian dated 24 November 2008.

“*Data Protection Legislation*”, the Data Protection Act 1988 as amended by the Data Protection (Amendment) Act 2003 as amended from time to time.

“*Dealing Day*”, such Business Day as the Directors may from time to time determine (with the approval of the Custodian) for dealings in a Fund, provided always that there shall be at least one Dealing Day per fortnight (see relevant Supplement).

“*Dealing Form*”, such dealing form as the Directors may prescribe for the purposes of dealing in Shares of the Company and relevant class of a Fund.

“*Directive*”, Council Directive of 20 December 1985 (85/611/EEC) on the co-ordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities, as amended by Council Directive of 22 March 1988 (88/220/EEC), Directive No. 95/26/EC of the Council and of the European Parliament of 29 June 1995 and Directive No. 2001/107/EC of the Council and of the European Parliament of 21 January 2002, Directive No. 2001/108/EC of the Council and of the European Parliament of 21 January 2002 and Commission Directive 2007/16/EC, as may be amended.

“*Directors*”, the directors of the Company or any duly authorised committee thereof.

“*Duties and Charges*”, in relation to any Fund, all stamp and other duties, taxes, governmental charges, brokerage, bank charges, interest, transfer fees, registration fees and other duties and charges whether in connection with the original acquisition or increase of the assets of the relevant Fund or the creation, issue, sale, conversion or repurchase of Shares or the sale or purchase of Investments or in respect of certificates or otherwise which may have become or may be payable in respect of or prior to or in connection with or arising out of or upon the occasion of the transaction or dealing in respect of which such duties and charges are payable but shall not include any commission payable to agents on sales and purchases of Shares or any commission, taxes, charges or costs which may have been taken into account in ascertaining the Net Asset Value of Shares in the relevant Fund.

“*ERISA Plans*”, (i) any retirement plan subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended (“ERISA”); (ii) any individual retirement account or plan subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended; or (iii) an entity whose assets include plan assets by reason of a plan’s investment in the entity (generally because 25% or more of a class of equity interests in the entity is owned by plans).

“*Euro*” or “*€*”, the single European currency unit referred to in Council Regulation (EC) No. 974/98 on 3 May 1998 on the introduction of the Euro.

“*Financial Regulator*”, the Irish Financial Services Regulatory Authority or any successor thereof.

“*Fund*”, a fund of assets established (with the prior approval of the Financial Regulator) for one or more classes of Shares, which is invested in accordance with the investment objective and policies applicable to such fund.

“*Global Supplement*”, a Supplement to this Prospectus which lists all Funds of the Company and Share Classes of the Funds currently approved by the Financial Regulator.

“*Investment*”, any investment which is permitted by the Regulations and the Articles and is authorised by the Memorandum of Association of the Company.

“*Investment Manager*”, Hermes Investment Management Limited, and/or such other person as may be appointed, in accordance with the requirements of the Financial Regulator, to provide investment management services to the Funds, or any of them.

“*Investment Management Agreement*”, the agreement between the Company and the Investment Manager dated 24 November 2008, as amended by the supplemental investment management agreements between the Company and the Investment Manager dated 5 June 2009 and 21 October 2009 respectively.

“*Irish Stock Exchange*”, the Irish Stock Exchange Limited.

“*Member State*”, a member state of the European Union; the member states at the date of this Prospectus being Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, The Netherlands and the United Kingdom.

“*Minimum Holding*”, a holding of Shares of any class having an aggregate value of such minimum amount as set out in the relevant Supplement.

“*Minimum Redemption*”, a minimum redemption for Shares of any class as set out in the relevant Supplement.

“*Minimum Subscription*”, a minimum subscription (whether initial or subsequent) for Shares of any class as set out in the relevant Supplement.

“*Net Asset Value*”, the net asset value of a Fund determined in accordance with the Articles.

“*Net Asset Value Per Share*”, the Net Asset Value divided by the number of Shares in issue of the relevant Fund subject to such adjustment, if any, as may be required where there is more than one class of Shares in the Fund.

“*Net Redemption Position*”, when on any Dealing Day total redemptions exceed total subscriptions.

“*Net Subscription Position*”, when on any Dealing Day total subscriptions exceed total redemptions.

“*Notices*”, the notices issued by the Financial Regulator in exercise of its powers under the Regulations.

“*OECD*”, the Organisation for Economic Co-operation and Development.

“*Prospectus*”, this document as it may be amended from time to time in accordance with the Notices and the requirements of the Financial Regulator together with, where the context requires or implies, any Supplement or addendum.

“*Qualified Holder*”, any person, corporation or entity other than (i) a US Person; (ii) an ERISA Plan; (iii) a Canadian Resident; (iv) any other person, corporation or entity which cannot acquire or hold Shares without violating laws or regulations whether applicable to it or the Company or otherwise or whose holding might result (either individually or in conjunction with other Shareholders in the same circumstances) in the Company incurring any liability to taxation or suffering pecuniary disadvantages which the Company might not otherwise incur or suffer or the Company being required to register or register any class of its securities under the laws of any jurisdiction (including without limitation, the 1933 Act or the 1940 Act); or (v) a custodian, nominee, or trustee for any person, corporation or entity described in (i) to (iv) above.

“*Regulated Markets*”, the stock exchanges and/or regulated markets listed in Appendix I.

“*Regulations*”, the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2003 (S.I. No. 211 of 2003) as amended by the European Communities (Undertakings for Collective Investment in Transferable Securities) (Amendment) Regulations, 2003 (S.I. No. 212 of 2003), as amended by the European Communities (Undertakings for Collective Investment in Transferable Securities) (Amendment No.2) Regulations, 2003 (S.I. No. 497 of 2003) as amended by European Communities (Undertaking for Collective Investment in Transferable Securities) (Amendment) Regulations 2007 (S.I. No. 832 of 2007), as may be amended.

“*Securities Lending Agent*”, Northern Trust Global Investments Limited and/or such other person as may be appointed to act as securities lending agent to the Company.

“*Share*”, a share of no par value in the Company designated as a participating share.

“*Share Class*” or “*Share Classes*”, such class of Shares in a Fund as the Directors may from time to time designate.

“*Shareholder*”, the registered holder of a Share.

“*Sterling*” or “*Stg£*”, the lawful currency of the United Kingdom.

“*Subscriber Shares*”, shares of Stg£1 each in the capital of the Company designated as “Subscriber Shares” in the Articles and issued for the purposes of incorporating the Company.

“*Supplement*”, any document issued by the Company expressed to be a supplement to this Prospectus in accordance with the requirements of the Financial Regulator.

“*Taxes Act*”, the Taxes Consolidation Act, 1997, as amended, (of Ireland).

“*UCITS*”, an Undertaking for Collective Investment in Transferable Securities established pursuant to the Directive.

“*United Kingdom*”, the United Kingdom of Great Britain and Northern Ireland.

“*United States*” and “*US*”, the United States of America, its territories, possessions, any state of the United States and the District of Columbia.

“*United States Dollars*”, “*US Dollars*”, and “*US\$*”, the lawful currency of the United States.

“*US Person*”, is defined in Appendix IV of this Prospectus. US Persons may not purchase Shares in the Company without the prior approval of the Directors.

“*Valuation Point*”, such time and day as the Directors may from time to time determine in relation to the valuation of the assets of a Fund (see relevant Supplement).

## **DIRECTORY**

### **Directors**

The Directors of the Company, whose business address is at:  
Georges Court  
54-62 Townsend Street  
Dublin 2  
Ireland

are as follows:

Paul McNaughton  
(Chairman)  
Justin Egan  
Brian Collins  
Mike Webb  
Patrick Galligan

### **Custodian**

Northern Trust Fiduciary Services (Ireland) Limited  
Georges Court  
54-62 Townsend Street  
Dublin 2  
Ireland

### **Sponsoring Broker**

J & E Davy  
Davy House  
49 Dawson Street  
Dublin 2  
Ireland

### **Registered Office**

Georges Court  
54-62 Townsend Street  
Dublin 2  
Ireland

### **Administrator, Registrar, Transfer Agent and Secretary**

Northern Trust International Fund Administration Services (Ireland) Limited  
Georges Court  
54-62 Townsend Street  
Dublin 2  
Ireland

### **Legal Advisers to the Company**

William Fry  
Fitzwilton House  
Wilton Place  
Dublin 2  
Ireland

### **Promoter, Investment Manager and Distributor**

Hermes Investment Management Limited  
Lloyds Chambers  
1 Portsoken Street  
London E1 8HZ  
England

### **Auditors**

Deloitte & Touche  
Registered Auditors  
Deloitte & Touche House  
Earlsfort Terrace  
Dublin 2  
Ireland

## **HERMES INVESTMENT FUNDS PUBLIC LIMITED COMPANY**

### **INTRODUCTION**

The Company is an open-ended investment company with variable capital and having segregated liability between its Funds incorporated in Ireland on 23 October 2008. The Company has been authorised by the Financial Regulator as a UCITS within the meaning of the Regulations.

The Company is structured as an umbrella fund in that different Funds of the Company may be established with the prior approval of the Financial Regulator. In addition, each Fund may have more than one class of Shares allocated to it. The Shares of each class allocated to a Fund will rank pari passu with each other in all respects except as to all or any of the following or as the Directors may otherwise determine:-

- currency of denomination of the class;
- dividend policy;
- the level of fees and expenses to be charged; and
- the Minimum Subscription, Minimum Redemption and Minimum Holding limits applicable.

The assets of each Fund will be separate from one another and will be invested in accordance with the investment objectives and policies applicable to each such Fund. The share capital of each Fund shall at all times equal its Net Asset Value.

The base currency of the Company is Sterling. The base currency of each Fund will be determined by the Directors and will be set out in the relevant Supplement.

Details of the Funds of the Company and Share Classes of the Funds currently approved by the Financial Regulator are set out in the Global Supplement. Specific details concerning each Fund are set out in the Supplement for that Fund. On the establishment of any new Fund or the creation of a new class of Shares in an existing Fund, a Supplement will be issued in respect thereof and the Global Supplement will be updated accordingly.

## **INVESTMENT OBJECTIVES AND POLICIES**

### **General**

The specific investment objectives and policies for each Fund will be formulated by the Directors at the time of the creation of that Fund and set out in the relevant Supplement.

The investment objectives and policies for any Fund will, in the absence of unforeseen circumstances, be adhered to for at least three years following the date of admission of the initial class of Shares in a Fund to listing on the Official List and to trading on the Main Market of the Irish Stock Exchange and any change during this period will only occur in exceptional circumstances. Any alteration to the investment objective of a Fund at any time will be subject to the prior approval in writing of all of the Shareholders of that Fund, or, if a general meeting of the Shareholders of the Fund is convened, by a simple majority of the votes cast at such meeting. Any material alteration to the investment policy of a Fund at any time will be subject to the prior approval in writing of all of the Shareholders of that Fund, or, if a general meeting of the Shareholders of the Fund is convened, by a simple majority of the votes cast at such meeting. Shareholders will be given reasonable notice so as to enable them to redeem their Shares prior to the implementation of any alteration to the investment objectives or any material alteration of the investment policies of a Fund.

The stock exchanges and markets in which the Funds may invest are set out in Appendix I. These stock exchanges and markets are listed in accordance with the requirements of the Financial Regulator, it being noted that the Financial Regulator does not issue a list of approved exchanges or markets.

A Fund may utilise financial derivative instruments for investment purposes where this intention is disclosed in a Fund's investment policies.

A Fund may, subject to the conditions set out in Appendix III, invest in other Funds of the Company and/or other collective investment schemes. As an investor in such other collective investment schemes, the Fund will bear, along with other investors of the underlying schemes, its portion of the expenses of the underlying scheme including management, investment management and, administration and other expenses.

### **Investment and Borrowing Restrictions**

Investment of the assets of each Fund must comply with the Regulations. A detailed statement of the general investment and borrowing restrictions applicable to all Funds is set out in Appendix III. The Directors may impose further restrictions in respect of any Fund. Details will be set out in the relevant Supplement.

The Directors may also from time to time impose such further investment restrictions as may be compatible with or be in the interest of the Shareholders in order to comply with the laws and regulations of the countries where Shareholders of the Company are located or the Shares are marketed.

It is intended that the Company should, subject to the prior approval of the Financial Regulator and subject to compliance with any applicable restrictions which are imposed by the Irish Stock Exchange, have power to avail itself of any change in the investment restrictions laid down in the Regulations which would permit investment by the Company in securities or in any other forms of investment which, as at the date of this Prospectus, is restricted or prohibited under the Regulations. The Company will give Shareholders reasonable notice of its intention to avail itself of any such change which is material in nature and the Prospectus will be updated accordingly.

## **Investment in Financial Derivative Instruments and Efficient Portfolio Management**

The Company may, on behalf of each Fund, utilise financial derivative instruments for investment purposes, where this intention is disclosed in a Fund's investment policies, and/or for efficient portfolio management purposes. Investments in financial derivative instruments may include, but are not limited to, investments in futures (which may, for example, be used to manage cash flows on a short term basis by holding the future to gain exposure to an asset class pending direct investment), forwards, options, warrants, swaptions, contracts for differences, swaps (which may, for example, be used to manage interest rate and currency risk) and interest swaps (which may, for example, be used to manage inflation risk).

Efficient portfolio management means investment techniques involving transactions that are entered into for one or more of the following specific aims: the reduction of risk, the reduction of cost, or the generation of additional capital or income for a Fund with an appropriate level of risk, taking into account the risk profile of that Fund. New techniques and instruments may be developed which may be suitable for use by the Company and the Company (subject as aforesaid and to the requirements of the Financial Regulator) may employ such techniques and instruments. The Company will only utilise financial derivatives instruments which are included in its risk management process cleared by the Financial Regulator. A Fund may enter into stock lending, repurchase and/or reverse repurchase agreements for the purposes of efficient portfolio management in accordance with the provisions of Appendix II.

### **Dividend Policy**

The Directors are empowered to declare and pay dividends on any class of Shares in the Company. The dividend policy in respect of each Share Class shall be set out in the relevant Supplement.

### **Currency Hedging Policy**

The Investment Manager may employ currency hedging techniques, details of which will be set out in the relevant Supplement.

### **Common Investment Pools**

Subject to the Financial Regulator's requirements, the Company may establish common investment pools. Common investment pools are pools of assets to which Investments of some or all of the Funds may be allocated and in which, subject to the requirements of the Financial Regulator, assets of other Irish regulated collective investment schemes may be allocated. Common investment pools will only be established if the Company's service providers have been authorised by the Financial Regulator to operate such common investment pools and the Prospectus will be updated prior to implementing investment in such common investment pools.

## **RISK FACTORS**

Potential investors should consider the following risk factors before investing in the Company. Additional risk factors for the various Funds are set out in the relevant Supplements.

### **Investment Risk**

There is no assurance that any appreciation in the value of Investments will occur, or that the investment objectives of any Fund will be achieved. **The value of Investments and the income derived therefrom may fall as well as rise and investors may not recoup the original amount invested in a Fund. The difference at any one time between subscription and redemption prices for Shares means that any investment should be viewed as medium to long term. An investment should only be made by those persons who are able to sustain a loss on their investment.**

## **Currency Risk**

Assets of a Fund of the Company may be denominated in a currency other than the base currency of the relevant Fund and changes in the exchange rate between the base currency of the Fund and the currency of the asset may lead to a depreciation of the value of the relevant Fund's assets as expressed in the base currency.

Depending on an investor's currency of reference, currency fluctuations between that currency and the base currency of a Fund may adversely affect the value of an investment in that Fund.

A Fund may from time to time enter into currency exchange transactions such as currency exchange forward contracts. Currency exchange forward contracts do not eliminate fluctuations in the prices of a Fund's assets or in foreign exchange rates, or prevent loss if the prices of these assets should decline. Performance of a Fund may be strongly influenced by movements in foreign exchange rates because currency positions held by a Fund may not correspond with the assets held. To the extent that hedging at Share Class level is successful, the performance of the class is likely to move in line with the performance of the underlying Investments and investors in a hedged Share Class will not benefit if the class currency falls against the base currency and/or the currency in which the assets of the relevant Fund are denominated.

## **Taxation Risk**

The attention of potential investors is drawn to the taxation risks associated with investing in any Fund. Please see the heading "Taxation" below.

## **Liquidity Risk**

A listing on the Irish Stock Exchange will not necessarily provide liquidity to investors.

## **Emerging Markets Risk**

Certain Funds may invest in emerging markets. Emerging market regions are subject to special risks associated with investment in an emerging market including, but not limited to: generally less liquid and less efficient securities markets; generally greater price volatility; exchange rate fluctuations and exchange control; imposition of restrictions on the expatriation of funds or other assets; less publicly available information about issuers; the imposition of taxes; higher transaction and custody costs; settlement delays and risk of loss; difficulties in enforcing contracts; less liquidity and smaller market capitalisations; less well regulated markets resulting in more volatile stock prices; different accounting and disclosure standards; governmental interference; higher inflation; social, economic and political uncertainties; custodial and/or settlement systems may not be fully developed which may expose a Fund to risk in circumstances whereby the Custodian will have no liability; the risk of expropriation of assets and the risk of war.

## **Counterparty Risk to the Custodian**

The Company will be exposed to the credit risk of the Custodian as a counterparty or any depository used by the Custodian where cash is held by the Custodian or other depositaries. In the event of the insolvency of the Custodian or other depositaries, the Company will be treated as a general creditor of the Custodian or other depositaries in relation to cash holdings of the Funds. The Fund's securities are however maintained by the Custodian or other depositaries in segregated accounts and should be protected in the event of insolvency of the Custodian or other depositaries. Were such a counterparty to have financial difficulties, even if a Fund able to recover all of its capital intact, its trading could be materially disrupted in the interim, potentially resulting in material losses.

## **Settlement Risk**

Some Funds may have dealing procedures which provide for the settlement of subscriptions monies after the cut-off time for receipt of Account Opening Forms and/or Dealing Forms. These Funds bear the risk that investors fail to pay some or all of the relevant subscription monies or that such payments are not made within the timeframe set out in the relevant Supplement. The Company may pursue such investors to recover any losses suffered by the relevant Fund. However, the relevant Fund may suffer a loss if the Company is unable to recover these losses from such investors.

## **Corporate Debt Securities Risk**

Investors should note that cash interest rates vary over time. The price of debt securities will generally be affected by changing interest rates. A Fund may invest in corporate debt securities from companies with a range of credit worthiness. A default by the issuer of a debt security may result in a reduction in the value of that Fund.

Although certain Funds may invest in debt securities that invest and trade in the secondary market, the secondary market for corporate debt securities can often be illiquid and therefore it may be difficult to achieve fair value on purchase and sale transactions.

## **Government Debt Securities Risk**

Investors should note that in periods of low inflation the positive growth of Funds that invest in government debt securities may be limited.

## **Small and Mid Cap Companies**

The equity securities of small and mid cap companies tend to be more volatile and less liquid than the equity securities of large companies. As small and mid cap companies may experience more market price volatility than equity securities of larger companies, the Net Asset Value of any Funds which invest in small and mid cap companies may reflect this volatility. Small and mid cap companies, as compared with larger companies, may have a shorter history of operations, may not have as great an ability to raise additional capital, may have a less diversified product line making them susceptible to market pressure and may have a smaller public market for their shares.

Investment in small and mid cap companies may involve relatively higher investment costs and accordingly investment in Funds which invest in small and mid cap companies should be viewed as a long-term investment. Such Funds may however dispose of an investment made by it within a relatively short period of time, for example, to meet requests for redemption of Shares.

## **Volatility Risk**

The Net Asset Value of certain Funds may be subject to high volatility. The Directors will seek to manage the volatility of these Funds. However, prospective investors should be aware that investments are subject to normal market fluctuations and other risks inherent in investing in securities.

## **Financial Derivative Instruments Risk**

Each Fund may use financial derivative instruments including, but not limited to, futures, forwards, options, swaps, swaptions, contracts for differences, interest swaps and warrants, subject to the limits and conditions set out in Appendix II. These derivative positions may be executed either on exchange or over the counter. Such financial derivative instruments tend to have a greater volatility than the securities to which they relate and they bear a corresponding greater degree of risk. The primary risks associated with the use of such derivatives are (i) failure to predict accurately the direction of the market movements and (ii) market risks, for example, lack of liquidity or lack of correlation between the change in the value of the underlying asset and that of the value of a Fund's derivatives. These techniques may not always be possible or effective in enhancing returns or mitigating risk. A Fund's

investment in over the counter derivatives is subject to the risk of counterparty default. In addition, a Fund may have to transact with counterparties on standard terms which it may not be able to negotiate and may bear the risk of loss because a counterparty does not have the legal capacity to enter into a transaction, or if the transaction becomes unenforceable due to relevant legislation and regulation. To the extent that a Fund invests in financial derivative instruments, a Fund may take a credit risk with regard to parties with whom it trades and may also bear the risk of settlement default.

A Fund may be leveraged up to 100% of its Net Asset Value as a result of its use of financial derivative instruments. The total exposure associated with the investments of a Fund, including investments in financial derivative instruments, may amount to 200% of the Net Asset Value of a Fund. Any use of financial derivative instruments and the creation of any leverage will be in accordance with the requirements of the Financial Regulator.

### **Segregated Liability Risk**

The Company is structured as an umbrella fund with segregated liability between its Funds. As a matter of Irish law, the assets of one Fund will not be available to meet the liabilities of another. However, the Company is a single legal entity that may operate or have assets held on its behalf or be subject to claims in other jurisdictions that may not necessarily recognise such segregation.

### **Securities Lending Risk**

The Company may engage in a securities lending programme through the Securities Lending Agent. Fund Investments can be lent to counterparties over a period of time. A default by the counterparty, or fall in the value of the collateral below that of the value of the securities lent may result in a reduction in the value of a Fund.

## **MANAGEMENT AND ADMINISTRATION**

The Directors control the affairs of the Company and are responsible for the overall investment policy, which will be determined by them.

### **The Directors**

The Company shall be managed and its affairs supervised by the Directors whose details are set out below. The Directors are all non-executive directors of the Company.

**Paul McNaughton** (Chairman)(Irish): Paul McNaughton has over 20 years experience in the Banking/Finance, Fund Management & Securities Processing industry having previously spent 10 years with IDA (Ireland) both in Dublin and in the USA marketing Ireland as a location for multinational investment.

Paul established Bank of Ireland's IFSC Funds business before establishing Deutsche Bank's (now State Street) fund business in Ireland. Paul was overall Head of Deutsche Bank's Offshore Funds business, including their hedge fund administration businesses primarily based in Dublin and the Cayman Islands, before assuming the role of Global Head of Deutsche's Fund Servicing business worldwide. Paul left Deutsche Bank in August 2004 after the completion of the sale of Deutsche's Global Custody and Funds businesses to State Street Bank.

Paul holds an Hons Economics Degree from Trinity College Dublin. He was the founding Chairman of the DFIA (Dublin Funds Industry Association) and a member of the Irish Government Task Force on Mutual Fund Administration. He was instrumental in the growth of the funds business in Ireland both for traditional and alternative asset classes.

Paul is an advisor and non executive director of a number of investment companies and other financial companies in Ireland including several alternative/hedge fund entities.

**Justin Egan** (Irish): Justin is a Principal Consultant with Carne Global Financial Services. His areas of specialisation include product development, fund operations, regulation and compliance.

Prior to joining Carne in 2005, Justin was Head of Trustee Services and a Director of State Street Custodial Services (Ireland) Limited from 2003. From 2000 to 2003, he was a Director of State Street Fund Services (Ireland) Limited (formerly Deutsche International Fund Services (Ireland) Limited). He held several positions with State Street including Head of Market Data Services, Head of Valuations and Fund Accounting and Financial Controller.

Justin is a member of the Legal and Regulatory Committee of the Irish Funds Industry Association. He acts as an independent director to a number of investment funds and management companies. He qualified as a Chartered Accountant with KPMG (Fellow since 2003) and holds a Bachelor of Commerce Degree from University College, Dublin.

**Brian Collins** (Irish): Brian Collins joined the Bank of Ireland in 1963. Following various junior positions he joined the newly formed Corporate Banking Division in 1972. There he had responsibility at various levels for relationships with the major US and Japanese entities establishing in Ireland. He also had periods dealing with the major Irish corporate entities. In 1986 he moved to Hong Kong to open and manage the Bank of Ireland office there. In 1992 he returned home to head up Bank of Ireland International Finance in the IFSC. In 1996 he moved from there to head up Bank of Ireland Securities Services where he had a staff of 400, US\$120billion of client assets and was in charge of the Bank's alliance with State Street. He retired from Bank of Ireland in 2004.

Brian is a former member of the Bank of Ireland Group Operational Risk Committee and is a former chair of the Irish Funds Industry Association. He is a Fellow of the Institute of Bankers in Ireland, is a graduate of Trinity College Dublin and holds several other non executive directorships mostly in the funds industry.

**Patrick Galligan** (Irish American): Patrick joined Hermes in March 2007 and is Head of Risk. A graduate of Trinity College Dublin and University College Dublin, he is also a Fellow of the Institute of Chartered Accountants in Ireland and a member of the Association of Corporate Treasurers.

In the past 17 years, Patrick has gained significant experience in the management of the risk and compliance environments in both institutional and retail investment management. Having qualified as a Chartered Accountant with Ernst & Young in Dublin, Patrick joined Merrill Lynch International internal audit department in London in 1990. In 1992, Patrick moved to HSBC's Group Financial Services Audit division where he conducted reviews of HSBC's Asset Management businesses and Investment Banking activities around the globe.

In 1996, Patrick joined the Deutsche Bank Group where he was Global Chief Auditor for Deutsche Bank Group's Asset Management Division, which included the legacy businesses of Morgan Grenfell, DWS and Bankers Trust. Patrick played a central role in the investigation of the Morgan Grenfell Peter Young affair shortly after joining Deutsche. In 2001, Patrick was appointed as Head of Risk and Control for Deutsche Asset Management, where he was responsible for operational risk, counterparty credit risk, compliance monitoring and guideline monitoring. During his time with Deutsche he gained significant experience in large scale projects including outsourcings, systems implementations, and business acquisitions and disposals. Patrick was also responsible for establishing and managing the Business Outsource Management team at Deutsche Asset Management.

**Mike Webb** (British): Having completed a Law degree at Bristol University, Mike began his career in 1986 at Hambros Bank in the investment management division, concentrating on marketing and product development. In 1989, he became a director of Hambros' Unit Trust and Offshore Funds division. Mike left in 1991 to become marketing and sales director of Prolific Financial management where he was part of a small team that rebuilt the company's fortunes culminating in its sale to Scottish Provident.

In 1996, Mike moved to GT Global as the managing director of the company's retail business. Following the acquisition of GT Global by INVESCO in 1998, he became Chief Executive of INVESCO's retail business. In the preceding two years, he and his team helped to build a business generating over 70% of the profits of the UK company. In 2001, following the acquisition of Perpetual, Mike became Chief Executive of INVESCO Perpetual now one of the largest retail investment businesses in the UK. In 2003, he became Head of Distribution for INVESCO's UK business covering retail, international offshore, institutional and Defined Contribution businesses. Mike left INVESCO at the end of 2004 to take time off and travel extensively.

Mike joined Hermes in September 2006 as Head of Business Development.

Mike was also Deputy Chairman of AUTIF from 1999 to 2001 when the association became the IMA. He then served as Director of the IMA until 2004.

### **The Promoter, Investment Manager and Distributor**

The Company has appointed Hermes Investment Management Limited as investment manager pursuant to the Investment Management Agreement. The Investment Manager will be responsible for the management of the investment of the assets of each Fund of the Company in accordance with the investment objectives and policies described in this Prospectus and the Supplement for the relevant Fund, subject always to the supervision and direction of the Directors. The Company has also appointed Hermes Investment Management Limited as distributor. Hermes Investment Management Limited also acts as promoter of the Company.

The Investment Manager is a wholly owned subsidiary of BriTel Fund Trustees Limited and is part of the BT Pension Scheme Group. The Investment Manager is authorised by the Financial Services Authority to carry on regulated activities in the United Kingdom and is subject to the rules of the Financial Services Authority. The Investment Manager was incorporated under the laws of England and Wales and was established on 1 February 1990. As at 30 June 2009, funds under investment management and advice of Hermes Investment Management Limited, together with its affiliates, totalled approximately Stg£21 billion.

In making its investment decisions, the Investment Manager will take account of any CGRI Guidelines with regards to the holding of either individual securities or various categories or classes of securities.

The Investment Manager may, in accordance with the requirements of the Financial Regulator, appoint one or more sub-investment managers to whom it may delegate all or part of the day to day conduct of its investment management responsibilities in respect of any Fund. Details of any sub-investment managers will be provided to Shareholders on request and disclosed in the Company's periodic reports. The Investment Manager will arrange for the fees and expenses of any sub-investment manager to be paid out of the Investment Manager's fees.

If more than one sub-investment manager is appointed to a Fund, the Investment Manager shall allocate the assets of the Fund between the sub-investment managers in such proportions as it shall, at its discretion, determine.

#### **CGRI Guidelines and Activities**

The CGRI Guidelines are intended to provide guidance on the exercise of voting rights with a view to achieving best practice standards of corporate governance and equity stewardship and with the aim of adding value to and/or preserving value in the Funds. In exercising its voting rights (either through the Investment Manager or a duly appointed agent), the Company intends to have due regard to the CGRI Guidelines and the protection of shareholder rights.

The Company has appointed Hermes Equity Ownership Services Limited ("HEOS") to assist in CGRI Guideline matters with responsibility for advising the Investment Manager how to vote, on behalf of the Company, proxy voting forms received from the entities in which the Funds invest. HEOS will

vote in accordance with any CGRI Guidelines and HEOS's fees will be paid out of the assets of the Funds at normal commercial rates.

HEOS was incorporated under the laws of England and Wales on 30 June 2004. HEOS advises and represents pension funds and other long term investors in engagement with companies, voting and public policy issues. HEOS assists its clients in developing and implementing responsible asset management and ownership strategies

### **The Securities Lending Agent**

The Securities Lending Agent may be appointed as the lending agent for the Company under the terms of a securities lending management agreement. Under the terms of that agreement, the Securities Lending Agent would be appointed to manage the Company's securities lending activities. The income earned from stock lending will be allocated between the Company and the Securities Lending Agent and the allocation to the Securities Lending Agent will be at normal commercial rates. Full financial details of the amounts earned and expenses incurred with respect to stock lending for the Company, including fees paid or payable, will be included in the annual and half-yearly reports. The Directors will, at least annually, review the stock lending arrangements and associated costs.

### **The Administrator, Registrar and Transfer Agent and Secretary**

The Company has appointed Northern Trust International Fund Administration Services (Ireland) Limited as administrator, registrar, transfer agent and secretary pursuant to the Administration Agreement. The Administrator will have the responsibility for the administration of the Company's affairs including the calculation of the Net Asset Value and preparation of the financial statements of the Company, subject to the overall supervision of the Directors.

The Administrator is a private limited company incorporated in Ireland on 15 June 1990 and is an indirect wholly-owned subsidiary of Northern Trust Corporation. Northern Trust Corporation and its subsidiaries comprise the Northern Trust Group, one of the world's leading providers of global custody and administration services to institutional and personal investors. As at 30 June 2009, the Northern Trust Group's assets under custody and administration totalled in excess of US\$3.2 trillion.

### **The Custodian**

The Company has appointed Northern Trust Fiduciary Services (Ireland) Limited, as custodian of its assets pursuant to the Custodian Agreement. The Custodian provides safe custody for the Company's assets, which will be held under the control of the Custodian.

The Custodian is a private limited company incorporated in Ireland on 5 July 1990. Its main activity is the provision of custodial services to collective investment schemes. The Custodian is an indirect wholly-owned subsidiary of Northern Trust Corporation. Northern Trust Corporation and its subsidiaries comprise the Northern Trust Group, one of the world's leading providers of global custody and administration services to institutional and personal investors. As at 30 June 2009, the Northern Trust Group's assets under custody and administration totalled in excess of US\$3.2 trillion.

Under the terms of the Custodian Agreement, the Custodian has full power to delegate the whole or any part of its custodial functions but the liability of the Custodian will not be affected by the fact that it has entrusted to a third party some or all of the Investments in its safe-keeping. The parties to the Custodian Agreement consider that the Financial Regulator considers that, in order for the Custodian to discharge its responsibilities under the Regulations, the Custodian must exercise care and diligence in choosing and appointing such third parties as safekeeping agents so as to ensure that the third party has and maintains the expertise, competence and standing appropriate to discharge the responsibilities concerned, including, where relevant, using reasonable endeavours to procure the establishment and maintenance by each safekeeping agent of a business continuity plan to mitigate the effects of any force majeure event. The Custodian shall maintain an appropriate level of supervision over the third party and make appropriate enquiries from time to time to confirm that the obligations of the third party continue to be competently discharged, including, without limitation, the monitoring of a sub-

custodian's financial condition as reflected in its published financial statements and other publicly available financial information concerning it. For the avoidance of doubt, this does not purport to be a legal interpretation of the Regulations and the corresponding provisions of the Directive.

Where a Fund invests in markets where custodial and/or settlement systems are not fully developed, the assets of such Fund which are traded in such markets and which have been entrusted to sub-custodians, in circumstances where the use of such sub-custodians is necessary, may be exposed to risk in circumstances whereby the Custodian will have no liability. Prospective investors are referred to the section "Risk Factors" above and to any relevant risk factors set out in the Fund Supplements.

### **Legal Advisers**

The Company has appointed William Fry, Fitzwilton House, Wilton Place, Dublin 2, Ireland as its legal advisers.

### **Auditors**

The Company has appointed Deloitte & Touche, Registered Auditors, Dublin, as its auditors.

### **Conflicts of Interest**

Due to the widespread operations undertaken by the Directors, the Investment Manager, the Administrator and the Custodian and, where applicable, their respective holding companies, subsidiaries and affiliates (each an "Interested Party") conflicts of interest may arise. Subject to the provisions below, the Interested Parties may effect transactions where those conflicts arise and shall not (subject as below) be liable to account for any profit, commission or other remuneration arising. All such transactions must be in the best interests of Shareholders.

In the event that a conflict of interest does arise, the Directors will endeavour, so far as they are reasonably able, to ensure that it is resolved fairly and that investment opportunities are allocated on a fair and equitable basis.

Without prejudice to the generality of the foregoing, the following conflicts of interest may arise:

- (i) an Interested Party may acquire or dispose of any Investment notwithstanding that the same or similar Investments may be owned by or for the account of or otherwise connected with the Company;
- (ii) an Interested Party may acquire, hold or dispose of Investments notwithstanding that such Investments had been acquired or disposed of by or on behalf of the Company by virtue of a transaction effected by the Company in which the Interested Party was concerned provided that the acquisition by an Interested Party of such Investments is effected on normal commercial terms negotiated on an arm's length basis and such Investments held by the Company are acquired on the best terms having regard to the interests of the Company;
- (iii) an Interested Party may deal with the Company as principal or as agent, provided that:-
  - A. there is obtained a certified valuation of the transaction by a person approved by the Custodian (or the Directors in the case of a transaction with the Custodian) as independent and competent; or
  - B. the transaction is executed on best terms on an organised investment exchange in accordance with the rules of such exchange; or
  - C. where A and B are not practical, execution is on terms which the Custodian (or the Directors in the case of a transaction with the Custodian) is satisfied conforms with the principle that the transaction is in the best interest of the Shareholders and

is carried out as if effected on normal commercial terms negotiated at arm's length;

- (iv) certain of the Directors of the Company are or may in the future be connected with the Investment Manager and its affiliates. However, in their capacity as Directors of the Company, they will function as persons with independent fiduciary duties and will not be subject to the control of the Investment Manager. For the avoidance of doubt, the Directors shall not be liable to account to the Company in respect of such conflict, for example, as a result of receiving remuneration as directors or employees of the Investment Manager;
- (v) the Investment Manager's fee may be based on a percentage of the Net Asset Value of a Fund. The Investment Manager may provide valuation services to the Administrator (to assist in calculating the Net Asset Value of a Fund) in relation to Investments which are not listed or traded on a Regulated Market. This may result in a potential conflict of interest as the Investment Manager's fee will increase as the Net Asset Value of a Fund increases;
- (vi) the Company may invest in other collective investment schemes which may be operated and/or managed by an Interested Party. Where commission is received by the Investment Manager by virtue of an investment by the Company in the units/shares of any collective investment scheme, such commission will be paid into the property of the relevant Fund;
- (vii) the Company may purchase or hold an Investment the issuer of which is an Interested Party or where an Interested Party is its adviser or banker.

### **Meetings**

Shareholders in the Company will be entitled to attend and vote at general meetings of the Company. The annual general meeting of the Company will be held in Ireland normally within six months of the end of each financial year of the Company. Notices convening each annual general meeting will be sent to Shareholders together with the annual report and audited financial statements not less than twenty-one days before the date fixed for the meeting.

### **Accounts and Information**

The Company's accounting period ends on 31 December in each year and half-yearly reports will be prepared to each 30 June with the first annual report and audited financial statements being prepared for the period from the date of incorporation to 31 December 2009 and the first half-yearly report and unaudited financial statements prepared to 30 June 2009.

The Company prepares an annual report and audited financial statements within four months of the end of the financial period to which they relate i.e. by 30 April of each year. Copies of the half-yearly report and unaudited financial statements (made up to 30 June) are also prepared within two months of the end of the half year period to which they relate i.e. by 31 August of each year.

The annual report and audited financial statements and half-yearly report and unaudited financial statements will be sent to the Companies Announcement Office of the Irish Stock Exchange within four months of the Company's financial year end and two months of the half year period respectively. Copies of the annual report and audited financial statements and half-yearly report and unaudited financial statements will be sent, on request, to Shareholders.

Copies of the Prospectus, Supplements, annual and half-yearly reports of the Company may be obtained from the Company at its registered office at the address given under "Directory".

## VALUATION, SUBSCRIPTIONS AND REDEMPTIONS

### Calculation of Net Asset Value

The Net Asset Value of each Fund is expressed in its base currency. The calculation of the Net Asset Value of each Fund and the Net Asset Value attributable to each class thereof will be carried out by the Administrator in accordance with the requirements of the Articles, and details are set out under the heading “Statutory and General Information” below. Except when the determination of the Net Asset Value of any Fund has been suspended or postponed in the circumstances set out under the heading “Temporary Suspensions” below, the calculation of the Net Asset Value of each Fund, the Net Asset Value per Share (and, where there is more than one class in a Fund, the Net Asset Value attributable to each class and the Net Asset Value per Share per class) will be prepared as at each Valuation Point and will be available to Shareholders on request. The Net Asset Value per Share per class may differ between each class within a Fund. The Price (as defined below) shall also be made public at the offices of the Administrator during normal business hours and will be published daily on the Investment Manager’s website at [www.hermes.co.uk](http://www.hermes.co.uk) and will be kept up to date. The Net Asset Value per Share may also be published in such newspapers and/or other publications as may be necessary where the Company is registered in jurisdictions outside Ireland and Shareholders in the relevant jurisdictions will be notified where such publication takes place. The Price (see definition in the paragraph headed “Single Swinging Pricing”) of each class which is listed on The Irish Stock Exchange will, upon calculation, be notified immediately by the Administrator to the Irish Stock Exchange.

The Net Asset Value attributable to any class of Shares within a Fund will be determined by deducting the share of liabilities of that class from its share of the assets of the Fund. The Net Asset Value of each Share of each class will be determined by dividing the Net Asset Value attributable to the class by the number of Shares of that class and rounding the result to four decimal places.

Where there are different classes of Shares in a Fund, the relevant Supplement shall state whether or not a hedging policy is being adopted in respect of any class of such Fund. The costs and liabilities/benefits arising from instruments entered into for the purposes of hedging the currency exposures for the benefit of a class of a Fund shall be attributable exclusively to that class.

### Single Swinging Pricing

Shares in each Fund (unless otherwise stated in the relevant Supplement) will be issued and redeemed at a single price (the “Price”) (excluding subscription or redemption charges, if any) which will be the Net Asset Value per Share, which may be adjusted on any Dealing Day in the manner set out below depending on whether or not the relevant Fund is in a Net Subscription Position or in a Net Redemption Position on such Dealing Day. Where there is no dealing on the Fund or Share Class of the Fund on any Dealing Day, the Price will be the Net Asset Value per Share unadjusted.

The basis on which the Investments are valued for the purpose of calculating the buying and selling price of Shares is as stipulated in the Articles. The total proceeds of the sale of an Investment may be less than, and the total purchase price of an Investment may be more than, the last traded price used in calculating the Share price, for example, due to dealing charges, or through dealing at prices other than the last traded price. Under certain circumstances (for example, large volumes of deals) this may have an adverse effect on the Shareholders’ interest in a Fund. In order to mitigate this effect, called “dilution”, the Directors have the power to apply a dilution adjustment (“Dilution Adjustment”). A Dilution Adjustment is an adjustment to the Share price. The Directors shall comply with the Financial Regulator’s requirements in its application of any such Dilution Adjustment.

The Dilution Adjustment for each Fund will be calculated by reference to the estimated costs of dealing in the underlying Investments of that Fund, including any dealing spreads (“Spreads”), commissions and transfer taxes.

### ***Dilution Adjustment and Large Deals***

In the event of the Fund being in a Net Subscription Position on any Dealing Day, the Company may make a Dilution Adjustment to the Net Asset Value per Share of the relevant Share Classes to cover the Duties and Charges and Spreads, being the costs involved in restructuring the Fund's portfolio in respect of the net issue of Shares on that Dealing Day.

In the event of the Fund being in a Net Redemption Position on any Dealing Day, the Company may make a Dilution Adjustment to cover the Duties and Charges and Spreads, being the costs involved in restructuring the Fund's portfolio in respect of the net redemption of Shares on that Dealing Day.

The purpose of any Dilution Adjustment would be to preserve the value of the underlying Investments of a Fund.

The need to apply a Dilution Adjustment will depend on the volume of sales (where they are issued) or redemptions (where they are cancelled) of Shares. The Directors may apply a Dilution Adjustment on the issue and redemption of such Shares if, in its opinion, the existing Shareholders (for sales) or remaining Shareholders (for redemptions) might otherwise be adversely affected, and if applying a Dilution Adjustment, so far as practicable, is fair to all Shareholders and potential Shareholders. In particular, the Dilution Adjustment may be applied in circumstances where:

- (a) over a dealing period a Fund has experienced a large level (as determined by the Directors) of net issues or redemptions relative to its size;
- (b) a Fund is in continual decline (i.e. is experiencing a net outflow of redemptions).

The Dilution Adjustment will involve adding to, when the Fund is in a Net Subscription Position, and deducting from, when the Fund is in a Net Redemption Position, the Net Asset Value per Share such figure as the Directors consider represents an appropriate figure (not exceeding 3.5% of the Net Asset Value per Share) to meet the relevant Duties and Charges and Spreads. The resultant amount will be the Price.

The Price of each Class in the Fund will be calculated separately but any Dilution Adjustment will in percentage terms affect the Price of each Class in an identical manner.

On any occasion when a Dilution Adjustment is not made there may be an adverse impact on the total assets of the relevant Fund which may otherwise constrain the future growth of that Fund. It should be noted that as dilution is directly related to the inflows and outflows of monies from a Fund, it is not possible to predict accurately whether or not dilution will occur at any particular future point in time, and how frequently the Directors will need to make such a Dilution Adjustment.

The application of this pricing methodology will comply with the requirements of the Financial Regulator.

### **Subscriptions**

The Directors may issue Shares of any class of any Fund and on such terms as they may from time to time determine. The terms and conditions applicable to the issue of Shares of any class together with subscription and settlement details and procedures will be set out in the relevant Supplement. Shares shall be issued at the Net Asset Value per Share plus any charges as specified in the relevant Supplement. All Shares will be in registered form and evidenced by entry on the Company's register of shareholders and confirmations of ownership in writing will be issued to Shareholders. No share certificates will be issued.

Under the Articles, the Directors are given authority to effect the issue of Shares and have absolute discretion to accept or reject in whole or in part any application for Shares without assigning any reason therefor. The Directors have power to impose such restrictions as they think necessary to ensure that no Shares are acquired by any person which might result in the legal and beneficial

ownership of Shares by persons who are not Qualified Holders or expose the Company to adverse tax or regulatory consequences.

If an application is rejected, any monies received will be returned to the applicant (minus any handling charge incurred in any such return) as soon as possible by telegraphic transfer (but without interest, costs or compensation).

No Shares of any Fund will be issued or allotted during a period when the determination of Net Asset Value of that Fund is suspended.

### **Anti-Money Laundering**

As at the date of this Prospectus, measures provided for in the Criminal Justice Act 1994 which are aimed towards the prevention of money laundering may require detailed verification of each applicant's identity. In the case of corporate applicants, this may require production of a certified copy of the certificate of incorporation (and any change of name), memorandum and articles of association (or equivalent), the names, occupations, dates of birth and residential and business address of the directors of the company.

Depending on the circumstances of each application, a detailed verification may not be required where (a) the investor is a regulated credit or financial institution, or (b) the application is made through a regulated financial intermediary. These exceptions will only apply if the financial institution or intermediary referred to above is located in a country which has ratified the recommendations of the Financial Action Task Force and has equivalent anti money laundering legislation to that in place in Ireland. Applicants may contact the Administrator in order to determine whether they meet the above exceptions.

The Administrator reserves the right to request such information as is necessary to verify the identity of an applicant. In the event of delay or failure by the applicant to produce any information required for verification purposes, the Administrator may refuse to accept the application and subscription monies and return all subscription monies or compulsorily repurchase such Shareholder's Shares and/or payment of repurchase proceeds may be delayed (no repurchase proceeds will be paid nor will any interest accrue thereto if the Shareholder fails to produce such information) and none of the Company, the Directors, the Investment Manager or the Administrator shall be liable to the subscriber or Shareholder where an application for Shares is not processed or Shares are compulsorily repurchased in such circumstances. If an application is rejected, the Administrator will return application monies or the balance thereof by telegraphic transfer in accordance with any applicable laws to the account from which it was paid at the cost and risk of the applicant. The Administrator may refuse to pay repurchase proceeds where the requisite information for verification purposes has not been produced by a Shareholder.

It is expected that the anti-money laundering provisions contained in the Criminal Justice Act 1994 will be repealed and replaced when the Criminal Justice (Money Laundering And Terrorist Financing) Bill 2009 is enacted. This Bill will transpose into Irish law the Third Money Laundering Directive (2005/60/EC) (the "AML Directive"). The AML Directive is designed to enhance the existing anti-money laundering regime, and will introduce a risk-based approach to determine the level of detail and documentation required to verify the identity of customers. The Bill is due to be enacted prior to the end of 2009 and, once enacted, the Company will be subject to its requirements.

### **Data Protection**

Prospective investors should note that, by completing the Account Opening Form and the Dealing Form, they are providing to the Company personal information, which may constitute personal data within the meaning of the Data Protection Legislation. This data will be used for the purposes of administration, transfer agency, statistical analysis, research and disclosure to the Company, its delegates and agents. By signing the Account Opening Form and the Dealing Form, investors acknowledge that they are providing their consent to the Company, its delegates and its or their duly

authorised agents and any of their respective related, associated or affiliated companies obtaining, holding, using, disclosing and processing the data for any one or more of the following purposes:

- (a) to manage and administer the investor's holding in the Company and any related accounts on an on-going basis;
- (b) for any other specific purposes where the investor has given specific consent;
- (c) to carry out statistical analysis and market research;
- (d) to comply with legal and regulatory obligations applicable to the investor and the Company;
- (e) for disclosure or transfer whether in Ireland or countries outside Ireland including without limitation the United States of America, which may not have the same data protection laws as Ireland, to third parties including financial advisers, regulatory bodies, auditors, technology providers or to the Company and its delegates and its or their duly appointed agents and any of their respective related, associated or affiliated companies for the purposes specified above; and/or
- (f) for other legitimate business interests of the Company.

Pursuant to Data Protection Legislation, investors have a right of access to their personal data kept by the Company and the right to amend and rectify any inaccuracies in their personal data held by the Company by making a request to the Company in writing.

The Company undertakes to hold any personal information provided by investors in confidence and in accordance with Data Protection Legislation.

By signing the Account Opening Form and the Dealing Form, prospective investors consent to the recording of telephone calls made to and received from investors by the Company, its delegates, its duly appointed agents and any of their respective related, associated or affiliated companies for record keeping, security and/or training purposes.

### **Redemptions**

Shareholders may redeem their Shares in any Fund on any Dealing Day in accordance with the procedures and the price set out in the relevant Supplement.

If total requests for redemption or switching on any Dealing Day for any Fund exceed 10% of the Net Asset Value of that Fund, each redemption or switching request in respect of Shares in such Fund may, at the sole discretion of the Directors, be reduced rateably so that the total number of Shares of each Fund for redemption or switching on that Dealing Day shall not exceed 10% of the Net Asset Value of that Fund. Any redemption or switching request so reduced shall be carried forward to the next Dealing Day and effected in priority to subsequent redemption or switching requests on the following (and, if necessary, subsequent) Dealing Day(s). If redemption or switching requests are so carried forward, the Directors shall procure that the Shareholders whose dealings are affected thereby are promptly informed.

### **Switching**

Shareholders of any Share Class within a Fund may switch free of charge to another Share Class within this Fund or to the same or another Share Class of another Fund as the Directors may permit and as set out in the relevant Supplement. On the establishment of any new Fund (or class thereof) the Directors shall specify the switching rights relating to such Fund (or class thereof).

Switching may be effected by submission of a Dealing Form to the Administrator or by such other means, such as by means of written instructions, as the Administrator may prescribe from time to time where such means are in accordance with the requirements of the Financial Regulator.

If the switch would result in the Shareholder holding a number of Shares in the original class or Fund with a value of less than the Minimum Holding, the Administrator may, at its discretion, convert the whole of the applicant's holding of Shares in the class or Fund or refuse to effect any switch. No

switches will be made during any period in which the rights of Shareholders to require the redemption of their Shares are suspended.

The general provisions on procedures for redemptions (including provisions relating to the cut-off time for receipt of Dealing Forms) will apply equally to switching.

The number of Shares to be issued in the new class and/or Fund will be calculated in accordance with the following formula:

$$A = \frac{B \times C \times D}{E}$$

Where

- A = number of Shares of the new class and/or Fund to be allocated
- B = number of Shares of the original class or Fund to be converted
- C = redemption price per Share on the relevant Dealing Day for the original class or Fund
- D = the currency conversion factor determined by the Administrator as representing the prevailing rate of exchange of settlement on the relevant Dealing Day applicable to the transfer of assets between the relevant Funds (where the base currencies of the relevant Funds are different) or where the base currencies of the relevant classes or Funds are the same D = 1
- E = subscription price per Share on the relevant Dealing Day for the new class and/or Fund

## **Subscriptions/Redemptions in Specie**

### **Subscription in Specie**

The Company may issue Shares of any class of Fund by way of exchange for Investments provided that:

- (a) in the case of a person who is not an existing Shareholder no Shares shall be issued until the person concerned has completed and delivered to the Administrator an Account Opening Form and Dealing Form as required under this Prospectus (or otherwise) and satisfied all the requirements of the Directors and the Administrator as to such person's application;
- (b) the nature of the Investments transferred into the Fund are such as would qualify as Investments of such Fund in accordance with the investment objectives, policies and restrictions of such Fund;
- (c) no Shares shall be issued until the Investments shall have been vested in the Custodian or any sub-custodian to the Custodian's satisfaction and the Custodian shall be satisfied that the terms of such settlement will not be such as are likely to result in any prejudice to the existing Shareholders of the Fund; and
- (d) the Custodian is satisfied that the terms of any exchange would not be such as would be likely to result in any prejudice to remaining Shareholders and provided that any such exchange shall be effected upon the terms (including provision for paying any expenses of exchange and any preliminary charge as would have been payable for Shares issued for cash) that the number of Shares issued shall not exceed the number which would have been issued for cash against payment of a sum equal to the value of the Investments concerned calculated in accordance with the procedures for the valuation of the assets of the Company. Such sum may be increased by such amount as the Directors may consider represents an appropriate provision for a Dilution Adjustment or Duties and Charges and Spreads which would have been incurred by the Fund in the acquisition of the Investments by purchase for cash or decreased by such amount as the Directors may consider represents any Dilution Adjustment or Duties and Charges and Spreads to be paid to the Fund as a result of the direct acquisition by the Fund of the Investments.

## **Redemption in Specie**

The Company may, at its discretion, redeem Shares of any class of a Fund by way of exchange for Investments provided that:

- (a) a Dealing Form is completed and delivered to the Administrator as required by this Prospectus and the redemption request otherwise satisfies all the requirements of the Directors and the Administrator as to such request and the Shareholder seeking redemption of Shares, agrees to such course of action;
- (b) the Company is satisfied that the terms of any exchange would not be such as would be likely to result in any prejudice to the remaining Shareholders, and elects that instead of the Shares being redeemed in cash, the redemption shall be satisfied in specie by the transfer to the Shareholder of Investments provided that the value thereof shall not exceed the amount which otherwise would have been payable on a cash redemption and provided that the transfer of Investments is approved by the Custodian. Such value may be reduced by such amount as the Directors may consider represents any Dilution Adjustment or Duties and Charges and Spreads to be paid to the Fund as a result of the direct transfer by the Fund of the Investments or increased by such amount as the Directors may consider represents any appropriate provision for Dilution Adjustment or Duties and Charges and Spreads which would have been incurred by the Fund in the disposition of the Investments to be transferred. The shortfall (if any) between the value of the Investments transferred on a redemption in specie and the redemption proceeds which would have been payable on a cash redemption shall be satisfied in cash. Any decline in the value of the Investments to be transferred in settlement of a redemption between the relevant Dealing Day and the day on which Investments are delivered to the redeeming Shareholders shall be borne by the redeeming Shareholders; and
- (c) if a redeeming Shareholder requests redemption of a number of Shares that represents 5% or more of the Net Asset Value of a Fund, the Directors may in their sole discretion redeem the Shares by way of exchange for Investments and in such circumstances the Company will, if requested by the redeeming Shareholder, sell the Investments on behalf of the Shareholder. The cost of the sale can be charged to the Shareholder.

If the discretion conferred upon the Company above is exercised, the Company shall notify the Custodian and shall supply to the Custodian particulars of the Investments to be transferred and any amount of cash to be paid to the Shareholder. All stamp duties and registration fees in respect of such transfers shall be payable by the Shareholder. Any allocation of Investments pursuant to an in specie redemption is subject to the approval of the Custodian.

## **Compulsory Redemption**

Some or all of the Shares of any class of any Fund may be redeemed compulsorily if:

- (a) in the opinion of the Directors, such redemption would eliminate or reduce the exposure of the Company or its Shareholders to adverse tax or regulatory consequences or if Shares are held by a Shareholder who is not a Qualified Holder;
- (b) a Shareholder's holding falls below the relevant Minimum Holding limit;
- (c) the holders of 75% in value of the relevant class approve of the redemption at a meeting of the Shareholders thereof of which not less than 21 days notice has been given;
- (d) at the discretion of the Directors, after the first anniversary of the first issue of Shares of the relevant class if the Net Asset Value of the Fund of which the class forms part falls below the amount and for such period specified in the relevant Supplement in respect of such Fund;

- (e) in the Directors' opinion, the holding of such Shares may result in regulatory, pecuniary, legal, taxation or material administrative disadvantage for the Company or its Shareholders as a whole; or
- (f) a Shareholder has not completed the anti-money laundering procedures to the satisfaction of the Company and/or the Administrator.

### **Transfer of Shares**

Shares are (save as described below) freely transferable and may be transferred in writing in a form approved by the Directors or by such other means as the Company may prescribe from time to time where such means are in accordance with the requirements of the Financial Regulator. Shares in classes which are available only to investors who have entered into a Client Agreement can only be transferred to investors who have a Client Agreement in place. Prior to the registration of any transfer, transferees must complete an Account Opening Form and provide such other information (e.g. as to identity) as the Company may reasonably require. The Directors may decline to register any transfer of a Share where they reasonably believe that such transfer would result in the legal or beneficial ownership of such Share by a person who is not a Qualified Holder or expose the Company to adverse tax or regulatory consequences.

### **Temporary Suspensions**

The Company may temporarily suspend the determination of the Net Asset Value of any Fund and the issue and redemption of Shares of any class of any Fund during the whole or any part of any period:-

- (a) when any of the principal markets on which any significant portion of the Investments of the relevant Fund from time to time are quoted, listed, traded or dealt in is closed (otherwise than for customary weekend or ordinary holidays) or during which dealings therein are restricted or suspended or trading on any relevant futures exchange or market is restricted or suspended;
- (b) when, as a result of political, economic, military or monetary events or any other circumstances outside the control, responsibility and power of the Directors, any disposal or valuation of Investments of the relevant Fund is not, in the opinion of the Directors, reasonably practicable without this being seriously detrimental to the interests of owners of Shares in general or the owners of Shares of the relevant Fund or if, in the opinion of the Directors, the redemption price cannot fairly be calculated or such disposal would be materially prejudicial to the owners of Shares in general or the owners of Shares of the relevant Fund;
- (c) during which any breakdown occurs in the means of communication normally employed in determining the value of any of the Investments of the Company or when for any other reason the value of any of the Investments or other assets of the relevant Fund cannot reasonably or fairly be ascertained;
- (d) when the Company is unable to repatriate funds required for the purpose of making redemption payments or when such payments cannot, in the opinion of the Directors, be effected at normal prices or normal rates of exchange or during which any transfer of funds involved in the realisation or acquisition of Investments or when payments due or redemption cannot, in the opinion of the Directors, be effected at normal prices or normal rates of exchange;
- (e) any period when proceeds of the sale or redemption of Shares cannot be transmitted to or from the Company or the Fund's account; or
- (f) upon the publication of a notice convening a general meeting of Shareholders for the purposes of resolving to wind up the Company.

The Company, where possible, will take all necessary steps to bring any period of suspension to an end as soon as possible.

In the event of any suspension as set out above, the Company will immediately publish such fact on the Investment Manager's website on [www.hermes.co.uk](http://www.hermes.co.uk) and will immediately (and in any event during the Business Day on which the suspension occurred) notify the Financial Regulator, the Irish Stock Exchange and any other competent authority in a Member State or other country in which Shares are marketed.

### **Market Timing**

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

### **Currency of Payment and Foreign Exchange Transactions**

Subscription monies must be paid in the currency of denomination of the relevant Share Class.

Where a Shareholder is switching between Share Classes, subscription monies may be paid in a currency other than the currency of denomination of the Share Class into which the Shareholder is investing. In these circumstances, any necessary foreign exchange transactions may be arranged by the Administrator (at its discretion) for the account of, and at the risk and expense of, the applicant at the time the request for the switch is received and accepted. The exchange rate applicable to any such transactions will be the prevailing exchange rate quoted by the Administrator's bankers.

## **FEES AND EXPENSES**

### **Establishment Expenses**

All fees and expenses (including any listing costs) relating to the establishment of the Company and the initial Funds of the Company and the fees of the advisers to the Company and the listing of the Shares of the Funds on the Irish Stock Exchange ("establishment expenses") all in aggregate not exceeding Stg£150,000 will be borne by the Company and will be amortised over the first five financial years of the lifetime of the Company or such other period as the Directors may determine and advise to Shareholders, for example via the Company's financial statements. These establishment expenses will be charged as between the various Funds established by the Company within the amortisation period on such terms and in such manner as the Directors deem fair and equitable and provided that each Fund will bear its own direct establishment costs and listing costs (where applicable). Any new Fund established after the amortisation period will bear its own direct establishment costs and the cost of listing its Shares on the Irish Stock Exchange, if applicable, and such costs will be amortised over the first five financial years after their launch or such other period as the Directors may determine and advise to Shareholders, for example via the Company's financial statements. Details of these costs will be set out in the relevant Supplement for such Funds.

Value Added Tax (if any) on fees payable by the Company will be borne by the Company.

### **Service Providers' Fees**

The fees of service providers to the Funds shall be as set out in the relevant Supplement. The Investment Manager may, in accordance with its responsibilities for the distribution of the Company, and at its sole discretion, agree to pay trailer fees to distributors and/or sub-distributors and/or retrocession fees to Shareholders out of the fees which it receives from the Company in certain circumstances.

## **Subscription Fee**

The Articles authorise the Directors to charge a preliminary fee on the issue of Shares of some classes up to a maximum of 5.25% of the Net Asset Value per Share, such fee being payable to the Investment Manager.

## **Directors' Fees**

The Directors shall be entitled to a fee and remuneration for their services at a rate to be determined from time to time by the Directors. The fees of any Director in any one financial year shall not exceed €50,000 without the approval of the board of Directors. The total fees of the Directors during the first financial period of the Company are estimated not to exceed €110,000. The Directors may also be paid, inter alia, for travelling, hotel and other expenses properly incurred by them in attending meetings of the Directors or in connection with the business of the Company.

## **Operational Expenses**

The Company will also pay out of the assets of each Fund:-

- (a) any fees in respect of circulating details of the Net Asset Value (including publishing prices) and Net Asset Value per Share;
- (b) stamp duties;
- (c) taxes (other than taxes taken into account as Duties and Charges) and contingent liabilities as determined from time to time by the Directors;
- (d) company secretarial fees;
- (e) rating fees (if any);
- (f) brokerage or other expenses of acquiring and disposing of Investments;
- (g) fees and expenses of the auditors, tax, legal and other professional advisers of the Company;
- (h) fees and expenses of any portfolio monitoring and/or proxy voting agents;
- (i) fees connected with listing of Shares on any stock exchange;
- (j) fees and expenses in connection with the distribution of Shares and costs of registration and listing of the Company in jurisdictions outside Ireland;
- (k) costs of preparing, printing and distributing the Prospectus and Supplements, any simplified prospectus or key investor information document issued in accordance with the Regulations ("Simplified Prospectus"), reports, financial statements and any explanatory memoranda;
- (l) any necessary translation fees;
- (m) any costs incurred as a result of periodic updates of the Prospectus of the Company, any Supplements and/or Simplified Prospectus, or of a change in law or the introduction of any new law (including any costs incurred as a result of compliance with any applicable code, whether or not having the force of law);
- (n) the Financial Regulator's industry funding levy;
- (o) fees connected with the winding up of the Company and/or any Fund;

- (p) any other fees and expenses relating to the management and administration of the Company or attributable to the Investments;
- (q) in respect of each financial year of the Company in which expenses are being determined, such proportion (if any) of the establishment expenses and reconstruction expenses (if any) as are being amortised in that year;
- (r) all other liabilities of the Company of whatsoever kind and nature except liabilities represented by Shares in the Company and reserves (other than reserves authorised or approved by the Directors for Duties and Charges or contingencies).

The above expenses shall be charged as between each Fund and class thereof on such terms and in such manner as the Directors (with the consent of the Custodian) deem fair and equitable.

All fees and expenses, Duties and Charges will be charged to the Fund (and class thereof, if appropriate) in respect of which they were incurred or, where an expense is not considered by the Directors to be attributable to any one Fund (or class thereof), the expense will normally be allocated to classes of all Funds pro rata to the Net Asset Value of the relevant Funds. Expenses of the Company which are directly attributable to a specific class of Shares are charged against the income available for distribution to the holders of such Shares. In the case of any fees or expenses of a regular or recurring nature, such as audit fees, the Directors may calculate such fees and expenses on an estimated figure for yearly or other periods in advance and accrue the same in equal proportions over any period.

### **Commission Sharing**

Neither the Investment Manager nor any of its affiliates may retain the benefit of any cash commission or rebate paid or payable by any broker or dealer to the Investment Manager or affiliate in respect of any business placed with such broker or dealer by any such person, for and on behalf of the Company.

The Investment Manager or any affiliate may enter into transactions for the provision to the Investment Manager or any affiliate for goods and services which assist in the provision of investment services to the Company. The execution of all such transactions shall be on a best execution basis and the Company will pay brokerage which is not in excess of customary institutional full brokerage rates for the service provided.

Details of any commission sharing arrangements entered into will be set out in the periodic reports of the Company.

## **ALLOCATION OF ASSETS AND LIABILITIES**

The Articles require the establishment of a separate Fund for different classes of Shares in the following manner:

- (a) the records and accounts of each Fund shall be maintained separately in the base currency of the relevant Fund;
- (b) the liabilities of each Fund shall be attributable exclusively to that Fund;
- (c) the assets of each Fund shall belong exclusively to that Fund, shall be segregated in the records of the Custodian from the assets of other Funds, shall not be used to discharge directly or indirectly the liabilities of or claims against any other Fund and shall not be available for any such purpose;

- (d) the proceeds from the issue of each class of Share shall be applied to the relevant Fund established for that class of Share, and the assets and liabilities and income and expenditure attributable thereto shall be applied to such Fund subject to the provisions of the Articles;
- (e) where any asset is derived from another asset, the derived asset shall be applied to the same Fund as the assets from which it was derived and on each revaluation of an asset the increase or diminution in value shall be applied to the relevant Fund;
- (f) in the case where an asset or a liability of the Company cannot be considered as being attributable to a particular Fund, the Directors shall have the discretion, to determine the basis upon which such asset or liability shall be allocated between the Funds and the Directors shall have power at any time and from time to time subject to the approval of the Auditors to vary such basis, provided that the approval of the Auditors shall not be required in any case where the asset or liability is allocated between all Funds pro rata to their Net Asset Values.

## TAXATION

### General

*The information given is not exhaustive and does not constitute legal or tax advice. Prospective investors should consult their own professional advisers as to the implications of their subscribing for, purchasing, holding, switching or disposing of Shares under the laws of the jurisdictions in which they may be subject to tax.*

The following is a brief summary of certain aspects of Irish and United Kingdom tax law and practice relevant to the transactions contemplated in this Prospectus. It is based on the law and practice and official interpretation currently in effect, all of which are subject to change.

Dividends (if any) and interest which any of the Funds receive with respect to their Investments (other than securities of Irish issuers) may be subject to taxes, including withholding taxes, in the countries in which the issuers of Investments are located. It is anticipated that the Company may not be able to benefit from reduced rates of withholding tax in double taxation agreements between Ireland and such countries.

If this position changes in the future and the application of a lower rate results in a repayment to the Company, the Net Asset Value will not be re-stated and the benefit will be allocated to the existing Shareholders rateably at the time of the repayment.

### Irish Taxation

The Directors have been advised that on the basis that the Company is resident in Ireland for taxation purposes the taxation position of the Company and the Shareholders is as set out below.

#### Definitions

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

“Exempted Irish Investor”

means:

- an Intermediary;
- a pension scheme which is an exempt approved scheme within the meaning of Section 774 of the Taxes Act or a retirement annuity contract or a trust scheme to which Section 784 or 785 of the Taxes Act applies;
- a company carrying on life business within the meaning of Section 706 of the Taxes Act;
- an investment undertaking within the meaning of Section 739(B)(1) of the Taxes Act;
- a special investment scheme within the meaning of Section 737 of the Taxes Act;
- a unit trust to which Section 731(5)(a) of the Taxes Act applies;
- a charity being a person referred to in Section 739D(6)(f)(i) of the Taxes Act;
- a qualifying management company within the meaning of Section 734(1) of the Taxes Act;
- a specified company within the meaning of Section 734(1) of the Taxes Act;

- a person entitled to exemption from income tax and capital gains tax under Section 784A(2) of the Taxes Act where the Shares held are assets of an approved retirement fund or an approved minimum retirement fund;
- a qualifying savings manager within the meaning of Section 848B of the Taxes Act in respect of Shares which are assets of a special savings incentive account within the meaning of Section 848C of the Taxes Act;
- a person who is entitled to exemption from income tax and capital gains tax by virtue of Section 787I of the Taxes Act and the Shares are assets of a PRSA;
- a credit union within the meaning of Section 2 of the Credit Union Act, 1997;
- an Irish Resident company investing in a money market fund being a person referred to in Section 739D(6)(k)(I) of the Taxes Act;
- the National Pensions Reserve Fund Commission;
- an Irish Resident company being a person referred to in section 739D(6)(m) of the Taxes Act; or
- any other Irish Resident or Irish Ordinary Resident who may be permitted to own Shares under taxation legislation or by written practice or concession of the Revenue Commissioners without giving rise to a charge to tax in the Company or jeopardising tax exemptions associated with the Company,

provided that they have completed a Relevant Declaration.

#### “Foreign Person”

means a person who is neither an Irish Resident nor an Irish Ordinary Resident for tax purposes who has provided the Company with the Relevant Declaration under Schedule 2B of the Taxes Act and in respect of whom the Company is not in possession of any information that would reasonably suggest that the Relevant Declaration is incorrect or has at any time been incorrect.

#### “Intermediary”

means a person who:-

- carries on a business which consists of, or includes, the receipt of payments from an investment undertaking on behalf of other persons; or
- holds shares in an investment undertaking on behalf of other persons.

“Ireland” means the “Republic of Ireland”.

#### “Irish Ordinary Resident”

- in the case of an individual, means an individual who is ordinarily resident in Ireland for tax purposes;
- in the case of a trust, means a trust that is ordinarily resident in Ireland for tax purposes.

An individual who has been resident in Ireland for three consecutive tax years becomes ordinarily resident with effect from the commencement of the fourth tax year.

An individual who has been ordinarily resident in Ireland ceases to be ordinarily resident at the end of the third consecutive year in which s/he is not resident.

#### “Irish Resident”

- in the case of a company, means a company that is resident in Ireland for tax purposes;
- in the case of an individual, means an individual who is resident in Ireland for tax purposes;
- in the case of a trust, means a trust that is resident in Ireland for tax purposes.

#### Residence – Individual

An individual will be regarded as being resident in Ireland for a particular twelve month tax year if s/he:

- spends 183 days or more in Ireland in that twelve month tax year; or
- has a combined presence of 280 days in Ireland, taking into account the number of days spent in Ireland in that twelve month tax year together with the number of days spent in Ireland in the preceding twelve month tax year. Presence in a twelve month tax year by an individual of not more than 30 days in Ireland will not be reckoned for the purpose of applying the two year test. Presence in Ireland for a day means the personal presence of an individual at the end of the day (midnight).

#### Residence – Trust

A trust will be regarded as resident in Ireland for tax purposes if a majority of its trustees are resident for tax purposes in Ireland.

#### Residence – Company

Irish tax legislation provides that a company incorporated in Ireland will be regarded for all tax purposes as being tax resident in Ireland. A company which has its central management and control in Ireland is resident in Ireland irrespective of where it is incorporated. A company which does not have its central management and control in Ireland but which is incorporated in Ireland is resident in Ireland except where:-

- the company or a related company carries on a trade in Ireland, and either the company is ultimately controlled by persons resident in EU Member States or in countries with which Ireland has a double taxation treaty, or the company or a related company are quoted companies on a recognised Stock Exchange in the EU or in a taxation treaty country;

or

- the company is regarded as not resident in Ireland under a double taxation treaty between Ireland and another country.

It should be noted that the determination of a company’s residence for tax purposes can be complex in certain cases and declarants are referred to the specific legislative provisions that are contained in Section 23A of the Taxes Act.

“Relevant Declaration” means the declaration relevant to the Shareholder as set out in Schedule 2B of the Taxes Act. The Relevant Declaration for investors who are neither Irish Resident nor Irish Ordinary Resident (or Intermediaries acting for such investors) is set out in the application form accompanying this Prospectus.

## “Taxable Irish Person”

means any person, other than

- a Foreign Person; or
- an Exempted Irish Investor.

## The Company

The Company will be regarded as resident in Ireland for tax purposes if the central management and control of its business is exercised in Ireland and the Company is not regarded as resident elsewhere. It is the intention of the Directors that the business of the Company will be conducted in such a manner as to ensure that it is Irish Resident for tax purposes.

The Directors have been advised that the Company qualifies as an investment undertaking as defined in Section 739B of the Taxes Act. Under current Irish law and practice, on that basis, it is not chargeable to Irish tax on its income and gains.

However, tax can arise on the happening of a “chargeable event” in the Company. A chargeable event includes any distribution payments to Shareholders or any encashment, redemption, cancellation or transfer of Shares. A chargeable event also includes the appropriation or cancellation of Shares of a Shareholder by the Company for the purposes of meeting the amount of appropriate tax payable on any gain arising on the transfer of an entitlement to a Share. It also includes the end of an eight year period following the acquisition of the Shares regardless of whether the Shares have been encashed, redeemed, cancelled or transferred. No tax will arise on the Company in respect of chargeable events in respect of a Shareholder who is neither Irish Resident nor Irish Ordinary Resident at the time of the chargeable event provided that the necessary signed Relevant Declaration is in place and the Company is not in possession of any information which would reasonably suggest that the information contained therein is not or, is no longer materially correct. In the absence of a signed and completed Relevant Declaration there is a presumption that the investor is Irish Resident or Irish Ordinary Resident. A chargeable event does not include:

- an exchange by a Shareholder, effected by way of an arms length bargain with the Company of Shares in the Company for other Shares in the Company;
- any transaction (which might otherwise be a chargeable event) in relation to Shares held in a recognised clearing system as designated by order of the Irish Revenue Commissioners;
- a transfer by a Shareholder of the entitlement to a Share where the transfer is between spouses and former spouses, subject to certain conditions;
- an exchange of Shares arising on a qualifying amalgamation or reconstruction of the Company with another investment undertaking (within the meaning of Section 739H of the Taxes Act);
- any transaction in relation to, or in respect of, relevant Shares in an investment undertaking which transaction only arises by virtue of a change of court funds manager for that undertaking.

If the Company becomes liable to account for tax if a chargeable event occurs, the Company shall be entitled to deduct from the payment arising on a chargeable event an amount equal to the appropriate tax and/or where applicable, to appropriate or cancel such number of Shares held by the Shareholder or such beneficial owner as are required to meet the amount of tax. The relevant Shareholder shall indemnify and keep the Company indemnified against loss arising to the Company by reason of the Company becoming liable to account for tax on the happening of a chargeable event if no such deduction, appropriation or cancellation has been made.

Please see the “Shareholders” section below dealing with the tax consequences for the Company and the Shareholders of chargeable events in respect of: -

- (i) Shareholders who are neither Irish Resident nor Irish Ordinary Resident; and
- (ii) Shareholders who are either Irish Resident or Irish Ordinary Resident.

Finance Act 2008 introduced an amendment to the eight year deemed disposal rule for Taxable Irish Persons. This allows the Company the option of electing to value the Shares at bi-annual dates (meaning 30 June or 31 December) rather than at the date of the deemed eight year disposal itself. Therefore, the Directors will make an irrevocable election to allow the Shares in the calculation of the gain on a deemed disposal for Taxable Irish Persons to be valued at the later of the previous 30 June or 31 December prior to the date of the deemed disposal rather than at the date of the deemed disposal itself.

Where less than 10% of the net asset value of Shares in the Company is held by Taxable Irish Persons, the Directors will elect not to apply a withholding tax to a deemed disposal of Shares in the Company and the Administrator will advise the Irish Revenue Commissioners of this election. Shareholders who are Taxable Irish Persons will therefore be required to return any gain and account for appropriate tax on the deemed disposal directly to the Irish Revenue Commissioners. Shareholders should contact the Administrator to ascertain whether the Directors have made such an election in order to establish their responsibility to account to the Irish Revenue Commissioners for any relevant tax.

Where less than 15% of the net asset value of Shares in the Company is held by Taxable Irish Persons, the Directors will elect not to repay Shareholders any overpaid tax and as such Shareholders must seek repayment of any overpaid tax directly from the Irish Revenue Commissioners. Shareholders should contact the Administrator to ascertain whether the Directors have made such an election in order to establish whether they must seek repayment of any overpaid tax directly from the Irish Revenue Commissioners.

Dividends received by the Company from investment in Irish equities may be subject to Irish dividend withholding tax at the standard rate of income tax (currently 20%). However, the Company can make a declaration to the payer that it is an investment undertaking within the meaning of Section 739B of the Taxes Act beneficially entitled to the dividends which will entitle the Company to receive such dividends without deduction of Irish dividend withholding tax.

## **Shareholders**

- (i) Shareholders who are neither Irish Resident nor Irish Ordinary Resident

The Company will not have to deduct tax on the occasion of a chargeable event in respect of a Shareholder if (a) the Shareholder is neither Irish Resident nor Irish Ordinary Resident, (b) the Shareholder has made a Relevant Declaration and (c) the Company is not in possession of any information which would reasonably suggest that the information contained therein is not, or is no longer materially correct. In the absence of a Relevant Declaration tax will arise on the happening of a chargeable event in the Company regardless of the fact that a Shareholder is neither Irish Resident nor Irish Ordinary Resident. The appropriate tax that will be deducted is as described below in paragraph (ii).

To the extent that a Shareholder is acting as an Intermediary on behalf of persons who are neither Irish Resident nor Irish Ordinary Resident, no tax will have to be deducted by the Company on the occasion of a chargeable event provided that the Intermediary has made a Relevant Declaration that they are acting on behalf of such persons and the Company is not in possession of any information which would reasonably suggest that the information contained therein is not, or is no longer materially correct.

Shareholders who are neither Irish Resident nor Irish Ordinary Resident and who have made Relevant Declarations in respect of which the Company is not in possession of any information which would reasonably suggest that the information contained in the Relevant Declaration is not, or is no longer materially correct, will not be liable to Irish tax in respect of income from their Shares and gains made on the disposal of their Shares. However, any corporate Shareholder which is not Irish Resident and which holds Shares directly or indirectly by or for a trading branch or agency in Ireland will be liable to Irish tax on income from their Shares or gains made on disposals of the Shares.

Where tax is withheld by the Company on the basis that no Relevant Declaration has been filed with the Company by the Shareholder, Irish legislation does not provide for a refund of tax. Refunds of tax will only be permitted in the following circumstances:

- i. The appropriate tax has been correctly returned by the Company and within one year of making of the return the Company can prove to the satisfaction of the Revenue Commissioners that it is just and reasonable for such tax which has been paid to be repaid to the Company.
- ii. Where a claim is made for a refund of Irish tax under Section 189, 189A and 192 of the Taxes Act (relieving provisions relating to incapacitated persons, trusts in relation thereto and persons incapacitated as a result of drugs containing thalidomide) the income received will be treated as net income chargeable to tax under Case III of Schedule D from which tax has been deducted.
- iii. Where an Irish Resident company is within the charge to tax on a relevant payment from the Company and tax has been deducted by the Company from such a payment, then such tax can be offset against the Irish corporation tax assessable on the Shareholder, with any excess being reclaimable.

(ii) Shareholders who are Irish Resident or Irish Ordinary Resident

Unless a Shareholder is an Exempted Irish Investor, makes a Relevant Declaration to that effect and the Company is not in possession of any information which would reasonably suggest that the information contained therein is not, or is no longer materially correct, tax at the standard rate of income tax (currently 20%) will be required to be deducted by the Company from a distribution (where payments are made annually or at more frequent intervals) to a Shareholder who is Irish Resident or Irish Ordinary Resident. Similarly, tax at the standard rate plus 3% (i.e. currently 23%) will have to be deducted by the Company on any other distributions or on any gain arising to the Shareholder (other than an Exempted Irish Investor who has made a Relevant Declaration) on an encashment, redemption, cancellation or transfer of Shares by a Shareholder who is Irish Resident or Irish Ordinary Resident.

There are a number of Irish Residents and Irish Ordinary Residents who are exempted from the provisions of the above regime once Relevant Declarations are in place. These are Exempted Irish Investors. Additionally, where Shares are held by the Courts Service no tax is deducted by the Company on payments made to the Courts Service. The Courts Service will be required to operate tax on payments to it by the Company when they allocate those payments to the beneficial owners.

Irish Resident corporate Shareholders who receive distributions (where payments are made annually or at more frequent intervals) from which tax has been deducted will be treated as having received an annual payment chargeable to tax under Case IV of Schedule D of the Taxes Act from which tax at the standard rate has been deducted. In general, such Shareholders will not be subject to further Irish tax on any other payments received in respect of their shareholding from which tax has been deducted. An Irish Resident corporate Shareholder whose Shares are held in connection with a trade will be taxable on any Irish income or gains as part of that trade with a set-off against corporation tax payable for any tax deducted by the Company. In general, non-corporate Shareholders who are Irish Resident or Irish Ordinary Resident will not be subject to further Irish tax on income from their Shares or gains made on disposal of the shares where tax has been deducted by the Company on payments received. Where a currency gain is made by a Shareholder on the disposal of his or her

Shares, such a Shareholder may be liable to capital gains tax in the year of assessment in which the Shares are disposed of.

Any Shareholder who is Irish Resident or Irish Ordinary Resident and receives a distribution (where payments are made annually or at more frequent intervals) or a gain on an encashment, redemption, cancellation or transfer of Shares from which tax has not been deducted by the Company, may be liable to income tax or corporation tax on the amount of such distribution or gain. Any other Shareholder who is Irish Resident or Irish Ordinary Resident and receives any other distributions or a gain on an encashment, redemption cancellation or transfer from which tax has not been deducted by the Company may be liable to income tax or corporation tax on the amount of the gain. Whether any further tax is payable by such non-corporate Shareholders will depend on whether their tax returns are correctly filed before the specified return date.

### **Stamp Duty**

Generally, no stamp duty is payable in Ireland on the issue, transfer, repurchase or redemption of Shares in the Company. Where any subscription for or redemption of Shares is satisfied by the in specie transfer of Irish securities or other Irish property, Irish stamp duty might arise on the transfer of such securities or property.

No Irish stamp duty will be payable by the Company on the conveyance or transfer of stock or marketable securities provided that the stock or marketable securities in question have not been issued by a company registered in Ireland and provided that the conveyance or transfer does not relate to any immovable property situated in Ireland or any right over or interest in such property or to any stock or marketable securities of a company (other than a company which is an investment undertaking within the meaning of Section 739B of the Taxes Act) which is registered in Ireland.

No Stamp Duty will arise on reconstructions or amalgamations of investment undertakings under Section 739H of the Taxes Act, provided the reconstructions or amalgamations are undertaken for bona fide commercial purposes and not for the avoidance of tax.

### **Capital Acquisitions Tax**

The disposal of Shares will not be subject to Irish gift or inheritance tax (Capital Acquisitions Tax), provided that the Company falls within the definition of an investment undertaking (within the meaning of Section 739B of the Taxes Act) and that:

- (i) at the date of the gift or inheritance, the donee or successor is neither domiciled nor Ordinary Resident in Ireland;
- (ii) at the date of the disposition, either the Shareholder disposing of the Shares is neither domiciled nor Ordinarily Resident in Ireland or the disposition is not subject to Irish law; and
- (iii) the Shares are comprised in the gift or inheritance at the date of the gift or inheritance and at the valuation date.

## **United Kingdom Taxation**

### **Taxation of the Company in the United Kingdom (“UK”)**

The Board of Directors intend that the affairs of the Company should be managed and conducted so that it does not become resident in the UK for UK taxation purposes. Accordingly, and provided that the Company is not trading in the UK through a fixed place of business or agent situated therein that constitutes a “permanent establishment” for UK taxation purposes and that all its trading transactions in the UK are carried out through a broker or investment manager acting as an agent of independent status in the ordinary course of its business, the Company will not be subject to UK corporation tax or income tax on its profits. The Board of Directors and the Investment Manager each intend that the respective affairs of the Company and the Investment Manager are conducted so that these

requirements are met insofar as this is within their respective control. However it cannot be guaranteed that the necessary conditions will at all times be satisfied.

Certain interest and other income received by the Company which has a UK source may be subject to withholding taxes in the UK.

### **Taxation of Shareholders in the United Kingdom**

Subject to their personal circumstances, Shareholders resident in the UK for taxation purposes will be liable to UK income tax or corporation tax in respect of dividends or other distributions of an income nature made by the Company, whether or not such dividends or distributions are reinvested. Except in the case of a Shareholder which is a company which directly or indirectly controls not less than 10% of the voting power of the Company, no credit will be available against a Shareholder's UK taxation liability in respect of income distributions by the Company for any taxes suffered or paid by the Company on its own income.

Chapter V of Part XVII of the UK Income and Corporation Taxes Act 1988 ("ICTA") provides that if an investor who is resident or ordinarily resident in the UK for taxation purposes holds a "material interest" in a collective investment scheme (as defined for the purposes of section 756A of the ICTA) that constitutes an "offshore fund" and that collective investment scheme does not qualify as a "distributing fund" throughout the period during which the investor holds that interest, any gain accruing to the investor upon the sale, redemption or other disposal of that interest (including a deemed disposal on death) will be taxed at the time of such sale, redemption or other disposal as income ("offshore income gains") and not as a capital gain. The Shares will constitute "material interests" in an "offshore fund" for the purpose of those provisions of the ICTA.

This treatment would not apply where the relevant Class of Shares is certified by the UK HM Revenue & Customs ("HMRC") as a "distributing fund" throughout the period during which the Shares have been held.

It is intended that the investment and distribution policies of each Fund will be exercised so as to enable the Distributing Classes (as defined in the Supplements) in each Fund to qualify as a "distributing fund" and it is intended to apply to the HMRC for certification thereof in respect of each account period of the Distributing Classes. Such certification is granted retrospectively and there can be no guarantee that certification will be obtained for any account period, or once obtained, it will continue to be available for future account periods of the Distributing Classes. The effect of certification as a "distributing fund" would be that, where certification is obtained in respect of all account periods of the Distributing Classes during which a Shareholder has held Shares in a Distributing Class, any gains arising to such a Shareholder who is resident or ordinarily resident in the UK on a sale, redemption or other disposal of Distributing Shares would be taxed as capital gains and not as offshore income gains.

A new framework is proposed for the taxation of investments in offshore funds to replace the present distributing funds regime which would operate by reference to whether a fund opts into a reporting regime ("reporting funds") or not ("non-reporting funds"). Under the proposed framework, investors in reporting funds would be subject to tax on the share of the reporting fund's income attributable to their holding in the fund, whether or not distributed, but any gains on disposal of their holding would be subject to capital gains tax. HMRC would be able to approve a fund (or class of shares in a fund) in advance as a reporting fund. Investors in non-reporting funds would not be subject to tax on income retained by the non reporting fund but any gains on disposal of their holding would be subject to tax as offshore income gains. The new regime will be enacted under regulations made pursuant to the Finance Act 2008 and will have effect on a date to be appointed by Treasury order. To the extent that the Distributing Classes in each Fund could satisfy the requirements to qualify as a reporting fund, the Board of Directors intend to apply to the HMRC for certification of the Distributing Classes in each Fund as a reporting Fund.

The Board of Directors do not currently intend to apply for certification of Shares other than Distributing Classes a distributing fund, or once the reporting fund regime is in force, as a reporting

fund, although they reserve their right to seek such certification of Shares other than Distributing Classes Shares should they deem it necessary. Accordingly, any gain arising to Shareholders in the Company resident or ordinary resident in the UK on a sale, redemption or other disposal of the Shares (other than Distributing Classes) (including a deemed disposal on death) will be taxed as offshore income gains rather than capital gains. One consequence of this treatment is that such investors who are individuals will not be able to benefit from a lower rate of UK capital gains tax or capital gains tax exemptions or reliefs.

The conversion of Shares of one Fund for Shares of another Fund will amount to a disposal of the original Shares for tax purposes and accordingly a chargeable gain (or taxable income where certification of the original Shares as a “distributing fund” has not been obtained) or an allowable capital loss may be realised. The conversion of Shares of one Class for Shares of another Class in the same Fund will only amount to a disposal if the original Shares have not at any time been of a Class certified as a “distributing fund” and the new Shares are of a Class so certified.

Persons within the charge to UK corporation tax should note that the regime for the taxation of most corporate debt contained in the UK Finance Act 1996 (the “loan relationships regime”) provides that, if at any time in an accounting period such a person holds a material interest in an offshore fund within the meaning of the relevant provisions of the ICTA, and there is a time in that period when that fund fails to satisfy the “non-qualifying investments” test, the material interest held by such a person will be treated for that accounting period as if it were rights under a creditor relationship for the purposes of the loan relationships regime. An offshore fund fails to satisfy the “non-qualifying investments” test at any time when more than 60% of its assets by market value comprise government and corporate debt securities or cash on deposit or certain derivative contracts or holdings in other collective investment schemes which at any time in the relevant accounting period do not themselves satisfy the “non-qualifying investments” test. The Shares will constitute material interests in an offshore fund and on the basis of the investment policies of the Company, the Company could invest more than 60% of its assets in government and corporate debt securities or as cash on deposit or in certain derivative contracts or in other non-qualifying collective investment schemes and hence could fail to satisfy the “non-qualifying investments” test. In that eventuality, the Shares will be treated for corporation tax purposes as within the loan relationships regime with the result that all returns on the Shares in respect of such a person’s accounting period (including gains, profits and losses) will be taxed or relieved as an income receipt or expense on a “fair value accounting” basis. Accordingly, such a person who acquires Shares in the Company may, depending on its own circumstances, incur a charge to corporation tax on an unrealised increase in the value of its holding of Shares (and, likewise, obtain relief against corporation tax for an unrealised reduction in the value of its holding of Shares).

The attention of individuals ordinarily resident in the UK for taxation purposes is drawn to Chapter 2 of Part 13 of the Income Tax Act 2007 which contains anti-avoidance provisions dealing with the transfer of assets to overseas persons in circumstances which may render such individuals liable to taxation in respect of undistributed income profits of the Company.

The attention of persons resident or ordinarily resident in the UK for taxation purposes is drawn to the provisions of section 13 Taxation of Chargeable Gains Act 1992 (“section 13”). Section 13 could be material to any such person who has an interest in the Company as a “participator” for UK taxation purposes (which term includes a shareholder) at a time when any gain accrues to the Company (such as on a disposal of any of its investments) which constitutes a chargeable gain or an offshore income gain if, at the same time, the Company is itself controlled in such a manner and by a sufficiently small number of persons as to render the Company a body corporate that would, were it to have been resident in the UK for taxation purposes, be a “close” company for those purposes. The provisions of section 13 would result in any such person who is a Shareholder being treated for the purposes of UK taxation as if a part of any chargeable gain or offshore income gain accruing to the Company had accrued to that person directly, that part being equal to the proportion of the gain that corresponds to that person’s proportionate interest in the Company. No liability under section 13 could be incurred by such a person, however, in respect of a chargeable gain or an offshore income gain accruing to the Company if the aggregate proportion of that gain that could be attributed under section 13 both to that person and to any persons connected with him for UK taxation purposes does not exceed one-tenth of the gain. Section 13 does not currently apply to Shareholders who are individuals domiciled outside

the UK. The UK Government proposes in Finance Act 2008 to extend section 13 with effect from 6 April 2008 to Shareholders who are individuals domiciled outside the UK, subject to the remittance basis in particular circumstances.

The attention of companies resident in the UK for taxation purposes is drawn to the fact that the “controlled foreign companies” legislation contained in Chapter IV of Part XVII of the ICTA could apply to any UK resident company which is, either alone or together with persons connected or associated with it for taxation purposes, deemed to be interested in 25% or more of any chargeable profits of the Company arising in an accounting period, if at the same time the Company is controlled (as “control” is defined in section 755D of the ICTA) by persons (whether companies, individuals or others) who are resident in the UK for taxation purposes or is controlled by two persons taken together, one of whom is resident in the UK for tax purposes and has at least 40% of the interests, rights and powers by which those persons control the Company, and the other of whom has at least 40% and not more than 55% of such interests, rights and powers. The “chargeable profits” of the Company do not include any of its capital gains. The effect of these provisions could be to render such companies liable to UK corporation tax in respect of the undistributed income of the Company.

Transfers of Shares will not be liable to UK stamp duty unless the instrument of transfer is executed within the UK when the transfer will be liable to UK ad valorem stamp duty at the rate of 0.5% of the consideration paid rounded up to the nearest GBP5. No UK stamp duty reserve tax is payable on transfers of Shares, or agreements to transfer Shares.

### **European Savings Directive**

The Company may be affected by the European Union Council Directive 2003/48/EC (the “Savings Directive”) which was published in the Official Journal of the European Union on 26 June 2003 and came fully into force on 1 July 2005. This Savings Directive places a number of compliance obligations on the representatives and agents of the Company who are located within the European Union member states as well as certain participators in certain jurisdictions outside of the EU.

The Savings Directive (or similar obligations introduced in jurisdictions outside of the EU) may affect the attractiveness of Shares in the Company to certain categories of investor. Potential investors should note that, both under the Savings Directive and potentially under the similar obligations, payments of dividends, redemption proceeds and/or sale proceeds may be reported to their local tax authorities or, depending on the jurisdiction in which the agent, representative or other party is based, be subject to withholding tax.

Anyone considered to be a paying agent under the Savings Directive should make reference to the actual composition of the assets of the Funds of the Company when determining the status of any particular Fund in connection with the Savings Directive. Such entities should note that the home jurisdiction of the Company has elected to adopt the 15% asset test with regard to distributions. However, this does not constitute tax advice and investors should consult their own tax advisers.

## STATUTORY AND GENERAL INFORMATION

### 1. Incorporation, Registered Office and Share Capital

- (a) The Company was incorporated in Ireland on 23 October 2008 as an investment company with variable capital, limited liability and having segregated liability between its Funds under registration number 463628.
- (b) The registered office of the Company is presently at Georges Court, 54-62 Townsend Street, Dublin 2, Ireland.
- (c) On incorporation the authorised share capital of the Company was Stg£1,000,000 divided into 1,000,000 Subscriber Shares of a par value of Stg£1 each and 500,000,000,000 shares of no par value initially designated as participating shares. The unclassified shares are available for issue as Shares.

These Subscriber Shares may be repurchased by the Company at any time. The repurchase price will be Stg£1 per Subscriber Share.

- (d) As of the date of this Prospectus, no capital of the Company is under option or is agreed, conditionally or unconditionally to be put under option.
- (e) Neither the Subscriber Shares nor the participating shares carry pre-emption rights.

### 2. Share Rights

#### (a) Subscriber Shares

The holders of the Subscriber Shares shall:-

- (i) on a vote taken on a show of hands, be entitled to one vote per holder and, on a poll, be entitled to one vote per Subscriber Share;
- (ii) not be entitled to any dividends whatsoever in respect of their holding of Subscriber Shares; and
- (iii) in the event of a winding up or dissolution of the Company, have the entitlements referred to under “Distribution of Assets on a Liquidation” below.

#### (b) Shares

The holders of Shares shall:-

- (i) on a vote taken on a show of hands, be entitled to one vote per holder and, on a poll, be entitled to one vote per whole Share;
- (ii) be entitled to such dividends as the Directors may from time to time declare; and
- (iii) in the event of a winding up or dissolution of the Company, have the entitlements referred to under “Distribution of Assets on a Liquidation” below.

### 3. Voting Rights

This is dealt with under the rights attaching to the Subscriber Shares and Shares respectively referred to at 2 above. Shareholders who are individuals may attend and vote at general meetings in person or by proxy. Shareholders who are corporations may attend and vote at general meetings by appointing a representative or by proxy.

At any general meeting on a show of hands every holder of Shares who (being an individual) is present in person or (being a corporation) is present by duly authorised representative shall have one vote. On a poll every such holder present as aforesaid or by proxy shall have one vote for every Share held.

To be passed, ordinary resolutions of the Company in general meeting will require a simple majority of the votes cast by the Shareholders voting in person or (being a corporation) present by a duly authorised representative or by proxy at the meeting at which the resolution is proposed.

A majority of not less than 75% of the Shareholders present in person or (being a corporation) present by a duly authorised representative or by proxy and (being entitled to vote) voting in general meetings is required in order to pass a special resolution including a resolution to (i) rescind, alter or amend an Article or make a new Article and (ii) wind up the Company.

#### **4. Memorandum of Association**

The Memorandum of Association of the Company provides that the Company's sole object is the collective investment in transferable securities and/or other liquid financial assets referred to in Regulation 45 of the Regulations of capital raised from the public operating on the principle of spreading investment risk in accordance with the Regulations. The object of the Company is set out in full in Clause 3 of the Memorandum of Association which is available for inspection at the registered office of the Company.

#### **5. Articles of Association**

The following section is a summary of the principal provisions of the Articles of Association of the Company not previously referred to in this Prospectus.

##### Alteration of share capital

The Company may from time to time by ordinary resolution increase its capital, consolidate and divide its Shares or any of them into Shares of a larger amount, sub-divide its Shares or any of them into Shares of a smaller amount, or cancel any Shares not taken or agreed to be taken by any person. The Company may also by special resolution from time to time reduce its share capital in any way permitted by law.

##### Issues of shares

The Shares shall be at the disposal of the Directors and they may (subject to the provisions of the Acts) allot, offer or otherwise deal with or dispose of them to such persons, at such times and on such terms as they may consider in the best interests of the Company.

##### Variation of rights

Whenever the share capital is divided into different classes of Shares, the rights of any class may be varied or abrogated with the consent in writing of the holders of three quarters of the issued and outstanding Shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of that class of Shares and the necessary quorum shall be (other than an adjourned meeting) two persons holding Shares issued in that class (and at the adjourned meeting the necessary quorum shall be one person holding shares of that class or his proxy).

The special rights attaching to any Shares of any class shall not (unless the conditions of issue of such class of shares expressly provide otherwise) be deemed to be varied by the creation or issue of other Shares ranking *pari passu* therewith.

### Transfers of Shares

- (a) All transfers of Shares shall be effected by an instrument in writing in a form approved by the Directors but need not be under seal or by such other means as the Administrator may prescribe from time to time where such means are in accordance with the requirements of the Financial Regulator. No transfer of Subscriber Shares can be effected without the prior written consent of the Company.
- (b) The instrument of transfer of a share must be signed by or on behalf of the transferor. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Company's register of shareholders in respect of such Share.
- (c) The Directors may decline to register a transfer of Shares unless the instrument of transfer is deposited at the registered office of the Company together with such evidence as is required by the Directors to show the right of the transferor to make the transfer and satisfying the Directors as to their requirements to prevent money laundering as they may apply from time to time. The registration of transfers may be suspended for such times and at such periods as the Directors may determine provided always that such registration may not be suspended for more than thirty days in any one year.
- (d) The Directors shall decline to register any transfer of a Share where:
  - (i) they are aware or believe that such transfer would be likely to result in the legal or beneficial ownership of such Shares by a person who is not a Qualified Holder or expose the Company to adverse tax or regulatory consequences; or
  - (ii) to a person who is not already a Shareholder if, as a result of such transfer, the proposed transferee would not be the holder of a Minimum Holding.

### Directors

- (a) Any Director who devotes special attention to the business of the Company may be paid such extra remuneration as the Directors may determine. (See section headed "Fees and Expenses" above in relation to the Director's Fees).
- (b) A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director, and may act in a professional capacity to the Company on such terms as the Directors may determine.
- (c) Subject to the provisions of the Acts, and provided that he has disclosed to the Directors the nature and extent of any material interest of his, a Director notwithstanding his office:
  - (i) may be a party to, or otherwise interested in, any transaction or arrangement with the Company or any subsidiary or associated company thereof;
  - (ii) may be a Director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company thereof is otherwise interested; and
  - (iii) shall not be accountable, by reason of his office, to the Company for any benefit which he derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit.
- (d) A Director shall not generally be permitted to vote at a meeting of the Directors or a committee of Directors on any resolution concerning a matter in which he has, directly or indirectly, an interest which is material or a duty which conflicts or may conflict with the

interests of the Company. A Director shall not be counted in the quorum present at a meeting in relation to any such resolution on which he is not entitled to vote. Notwithstanding the foregoing, a Director shall be entitled to vote (and be counted in the quorum) in respect of resolutions concerning certain matters in which he has an interest including (inter alia) any proposal concerning any other company in which he is interested, directly or indirectly provided, that he is not the holder of or beneficially interested in 10% or more of the issued shares of any class of such company or of the voting rights available to members of such company (or of a third company through which his interest is derived).

- (e) There is no provision in the Articles requiring a Director to retire by reason of any age limit and no share qualification for Directors.
- (f) Directors are required to retire at the next annual general meeting after their third year in office. A retiring Director is eligible for re-appointment by the Shareholders, during the annual general meeting, subject to being appointed for a maximum of three consecutive three year periods.
- (g) The number of Directors shall not be less than two (2).
- (h) The quorum for meetings of Directors may be fixed by the Directors and unless so fixed shall be two (2).
- (i) The office of a Director shall be vacated in any of the following circumstances i.e. if:
  - (i) he ceases to be a Director by virtue of any provisions of the Acts or becomes prohibited by law from being a Director;
  - (ii) he becomes a bankrupt or makes any arrangement or composition with his creditors generally;
  - (iii) in the opinion of a majority of the Directors he becomes incapable by reason of mental disorder of discharging his duties as a Director;
  - (iv) he resigns from his office by notice to the Company;
  - (v) he is convicted of an indictable offence and the Directors determine that as a result of such conviction he should cease to be a Director;
  - (vi) by a resolution of a majority of his co-Directors, he is requested to vacate office;
  - (vii) the next annual general meeting after his third year in office is reached and he is not re-appointed either before or at that annual general meeting;
  - (vi) he shall for more than six (6) consecutive months have been absent without permission of the Directors from any meetings of the Directors held during that period and the Directors pass a resolution that he has by reason of such absence vacated office.

The Company may also, as a separate power, in accordance with and subject to the provisions of the Acts, by ordinary resolution of the shareholders, remove any Director (including any managing director or other executive director) before the expiry of his period of office notwithstanding anything to the contrary contained in the Articles or in any agreement between the Company and any such Director.

### Borrowing powers

The Directors may exercise all the powers of the Company to borrow or raise money (including the power to borrow for the purpose of repurchasing Shares) and to hypothecate, mortgage, charge or pledge its undertaking, property, assets or any part thereof. The Company may not borrow other than in accordance with the provisions of the Regulations.

### Dividends

No dividends are payable on the Subscriber Shares.

Subject to the provisions of the Acts, the Company may by ordinary resolution declare dividends on a class or classes of Shares, but no dividends shall exceed the amount recommended by the Directors. If the Directors so resolve and in any event on the winding up of the Company or on the total redemption of Shares, any dividend which has remained unclaimed for six (6) years shall be forfeited and become the property of the relevant Fund.

### Distribution of assets on a liquidation

- (a) If the Company shall be wound up the liquidator shall apply the assets of the Company in such manner as he thinks fit in satisfaction of creditors' claims.
- (b) The assets available for distribution among the members shall then be applied in the following priority:
  - (i) firstly, in the payment to the holders of the Shares of each class of each Fund of a sum in the currency in which that class is designated or in any other currency selected by the liquidator as nearly as possible equal (at a rate of exchange determined by the liquidator) to the Net Asset Value of the Shares of such class held by such holders respectively as at the date of commencement to wind up provided that there are sufficient assets available in the relevant Fund to enable such payment to be made. In the event that, as regards any class of Shares there are insufficient assets available in the relevant Fund to enable such payment to be made recourse shall be had to the assets of the Company (if any) not comprised within any of the Funds and not (save as provided in the Acts) to the assets comprised within any of the Funds;
  - (ii) secondly, in the payment to the holders of each class of Shares of any balance remaining in the relevant Fund, such payment being made in proportion to the number of Shares held;
  - (iii) thirdly, in the payment to the holders of the Shares of any balance then remaining and not comprised within any of the Funds, such payment being made in proportion to the value of each Fund and within each Fund to the value of each class and in proportion to the number of Shares held in each class.
- (c) If the Company shall be wound up (whether the liquidation is voluntary, under supervision or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Acts, divide among the members in specie the whole or any part of the assets of the Company, and whether or not the assets shall consist of property of a single kind, and may for such purposes set such value as he deems fair upon any one or more class or classes of property, and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no member shall be compelled to accept any assets in

respect of which there is liability and any member may instruct the liquidator to sell any assets, to which he is entitled, on his behalf.

### Indemnities

The Directors (including alternates), Secretary and other officers of the Company and its former directors and officers shall be indemnified by the Company against losses and expenses which any such person may become liable to by reason of any contract entered into or any act or thing done by him as such officer in the discharge of his duties (other than in the case of fraud, wilful default, bad faith, recklessness, breach of contract or negligence). The Administrator, the Investment Manager and the Custodian shall be entitled to such indemnity from the Company under such terms and subject to such conditions and exceptions and with such entitlement to have recourse to the assets of the Company with a view to meeting and discharging the costs thereof as shall be provided under the Administration Agreement, the Investment Management Agreement and the Custodian Agreement respectively

### The assets of the Company's Funds and the calculation of the Net Asset Value of the Shares

- (a) The Net Asset Value of each Fund shall be the value of all the assets comprised in the Fund less all the liabilities attributable to the Fund and subject to the Regulations.
- (b) The assets of the Company and each of the Funds shall be deemed to include (i) subscription monies receivable for Shares allocated, all cash in hand, on deposit or on call including any interest accrued thereon and all accounts receivable, (ii) all bills, demand notes, certificates of deposit and promissory notes, (iii) all bonds, forward currency transactions, time notes, shares, stock, convertibles, units of or participation in collective investment schemes/mutual funds, debentures, debenture stock, subscription rights, warrants, futures contracts, options contracts, swap contracts, contracts for differences, fixed rate securities, floating rate securities, securities in respect of which the return and/or repurchase amount is calculated by reference to any index, price or rate, financial instruments and other investments and securities owned or contracted for in respect of the Company, other than rights and securities issued by it; (iv) all stock and cash dividends and cash distributions to be received in respect of a Fund and not yet received by the Company but declared to stockholders on record on a date on or before the day as of which the Net Asset Value is being determined, (v) all interest accrued on any interest-bearing securities owned by the Company except to the extent that the same is included or reflected in, the principal value of such security, (vi) all other Investments of the Company, (vii) the establishment costs attributable to the Company and the cost of issuing and distributing Shares of the Company in so far as the same have not been written off and (viii) all other assets of the Company of every kind and nature including prepaid expenses as valued and defined from time to time by the Directors.
- (c) The valuation principles to be used in valuing the Company's assets are as follows:-
  - (i)
    - A. the amortised cost method of valuation may only be used in relation to Funds which comply with the Financial Regulator's requirements for money market funds and where a review of the amortised cost valuation vis-à-vis market valuation will be carried out in accordance with the Financial Regulator's guidelines;
    - B. money market instruments in a non-money market fund may be valued on an amortised basis in accordance with the Financial Regulator's requirements;
  - (ii) the value of an Investment which is quoted, listed or normally dealt in on a Regulated Market shall (save in the specific cases set out in the relevant

paragraphs below) be the last traded price on such Regulated Market as at the Valuation Point or the closing mid-market price when no last traded price is available, provided that:-

- A. if an Investment is quoted, listed or normally dealt in on more than one Regulated Market, the Directors may, in their absolute discretion, select any one of such markets for the foregoing purposes (provided that the Directors have determined that such market constitutes the main market for such Investment or provides the fairest criteria for valuing such securities) and once selected a market shall be used for future calculations of the Net Asset Value with respect to that Investment unless the Directors otherwise determine; and
  - B. in the case of any Investment which is quoted, listed or normally dealt in on Regulated Market but in respect of which for any reason, prices on that market may not be available at any relevant time, or, in the opinion of the Directors, may not be representative, the value therefor shall be the probable realisation value thereof estimated with care and in good faith by a competent person, firm or association making a market in such Investment (approved for the purpose by the Custodian) and/or any other competent person appointed by the Directors (and approved for the purpose by the Custodian);
  - C. in the case of any Investment which is quoted, listed or normally dealt in on a Regulated Market but which was acquired at a premium or at a discount outside or off the relevant market, the level of premium or discount at the date of valuation may be taken into account when valuing such Investment provided the Custodian ensures that the adoption of such procedure is justifiable in the context of establishing the probable realisation value thereof;
- (iii) the value of any Investment which is not quoted, listed or normally dealt in on a Regulated Market shall be the probable realisable value estimated with care and in good faith by a competent person, firm or association making a market in such Investment (approved for the purpose by the Custodian) and/or any other competent person appointed by the Directors (and approved for the purpose by the Custodian);
  - (iv) the value of any Investment which is a unit of or participation in an open-ended collective investment scheme/mutual fund shall be the latest available net asset value of such unit/participation as published by the collective investment scheme;
  - (v) the value of any prepaid expenses, cash dividends and interest declared or accrued as aforesaid and not yet received shall be deemed to be the full amount thereof unless in any case the Directors are of the opinion that the same is unlikely to be paid or received in full in which case the value thereof shall be arrived at after making such discount as the Directors (with the approval of the Custodian) may consider appropriate in such case to reflect the true value thereof;
  - (vi) cash in hand and cash deposits shall be valued at their nominal value plus accrued interest from the date on which the same were acquired or made;
  - (vii) treasury bills shall be valued at the closing mid-market price on the market on which same are traded or admitted to trading as at the Valuation Point, provided that where such price is not available, same shall be valued at the probable realisation value estimated with care and good faith by a competent person (appointed by the Directors and approved for the purpose by the Custodian);

- (viii) bonds, notes, debenture stocks, certificates of deposit, bank acceptances, trade bills and similar assets shall be valued at the latest available middle market dealing price on the market on which these assets are traded or admitted for trading (being the market which is the sole market or in the opinion of the Directors the principal market on which the assets in question are quoted or dealt in) plus any interest accrued thereon from the date on which same were acquired;
- (ix) the value of any exchange traded futures contracts and options (including index futures) which are dealt in on a Regulated Market shall be the settlement price as determined by the market in question, provided that if such settlement price is not available for any reason or is unrepresentative, same shall be valued at the probable realisation value estimated with care and good faith by a competent person (appointed by the Directors and approved for the purpose by the Custodian);
- (x) the value of any over the counter (“OTC”) derivatives contracts shall be valued at least daily at a price obtained from the counterparty or by an alternative valuation provided by a competent person (which may be the Investment Manager) appointed by the Company and approved by the Custodian for such purpose, or by any other means provided the value is approved by the Custodian. If a derivative instrument is valued at a price obtained from the counterparty, such price shall be verified at least weekly by a party independent of the counterparty (which may be the Investment Manager) approved for such purpose by the Custodian. If a derivative instrument is valued in any other way, the Company will follow international best practice and adhere to the principles on valuation of OTC instruments established by bodies such as IOSCO and AIMA and such alternative valuation shall be reconciled on at least a monthly basis to a valuation provided by the counterparty and any significant difference shall be promptly investigated and explained.

Forward foreign exchange and interest rate swaps contracts for which market quotations are freely available will be valued by reference to market quotations (in which case there is no requirement to have such prices independently verified or reconciled to the counterparty valuation). If no such market quotations are available, interest rate swaps contracts will be valued in accordance with the previous paragraph;

- (xi) money market Investments of a Fund with a known residual maturity of less than three months and that have no specific sensitivity to market parameters, including credit risk may be valued using the amortised cost method of valuation in accordance with the requirements of the Financial Regulator. The Directors or their delegates shall review or cause a review to take place of deviations between the amortised method of valuation and the market value of Investments in accordance with the Financial Regulator’s requirements;
- (xii) notwithstanding any of the foregoing sub-paragraphs, the Directors with the approval of the Custodian may adjust the value of any Investment if, having regard to currency, applicable rate of interest, maturity, marketability and/or such other considerations as they may deem relevant, they consider that such adjustment is required to reflect the fair value thereof;
- (xiii) if in any case a particular value is not ascertainable as above provided or if the Directors shall consider that some other method of valuation better reflects the fair value of the relevant Investment then in such case the method of valuation of the relevant Investment shall be such as the Directors shall decide with the approval of the Custodian;

- (xiv) notwithstanding the foregoing, where at any time of any valuation any asset of the Company has been realised or contracted to be realised there shall be included in the assets of the Company in place of such asset the net amount receivable by the Company in respect thereof provided that if such amount is not then known exactly then its value shall be the net amount estimated by the Directors as receivable by the Company and provided that such adjustment method is approved by the Custodian;
  - (xv) the Directors, may, in order to comply with any applicable accounting standards, present the value of any assets of the Company in financial statements to Shareholders in a manner different to that set out in the Articles.
- (d) Any certificate as to Net Asset Value of Shares given in good faith (and in the absence of negligence or manifest error) by or on behalf of the Directors shall be binding on all parties.

## 6. **Circumstances of a Winding Up**

- (a) The Company shall be wound up in the following circumstances:
- (i) by the passing of a special resolution for a winding-up;
  - (ii) where the Company does not commence business within a year of being incorporated or where it suspends its business for a year;
  - (iii) where the number of members falls below the statutory minimum of 2;
  - (iv) where the Company is unable to pay its debts and a liquidator has been appointed;
  - (v) where the appropriate court in Ireland is of the opinion that the Company's affairs and the powers of the Directors have been exercised in a manner oppressive to members;
  - (vi) the appropriate court in Ireland is of the opinion that it is just and equitable that the Company should be wound up.
- (b) The Custodian Agreement provides that where the Custodian has given to the Company notice of termination and no new custodian shall have been appointed in accordance with the Articles within 120 days from the giving of such notice, the Custodian may require the Directors to convene a general meeting of the Company and propose at the meeting a resolution that the Company be wound up. The Custodian's appointment under the Custodian Agreement shall not however terminate until revocation of the authorisation of the Company by the Financial Regulator.

## 7. **Money Laundering**

The Company has a responsibility for compliance with money laundering regulations and, for that reason, existing Shareholders, potential subscribers for and transferees of Shares may be asked for proof of identity, and/or to fulfil other requirements. Until satisfactory proof of identity is provided and/or those requirements are fulfilled, the Directors reserve the right to withhold issuance, redemption and approval of transfers of Shares.

In case of delay or failure to provide satisfactory proof of identity, the Company and the Administrator may take such action as they see fit including the right to redeem issued Shares compulsorily. In addition, the Company will not pay/settle the proceeds of any redemption in circumstances where the Shareholder has failed to provide satisfactory evidence of their identity.

## 8. **Commissions**

Save as disclosed under the heading “Fees and Expenses” above, no commissions, discounts, brokerages or other special terms have been granted or are payable by the Company in connection with the issue or sale of any capital of the Company.

## 9. **Directors’ Interests**

Neither the Directors nor any connected person has any interest in the Shares or any options in respect of such Shares.

For the purposes of this paragraph “connected person” means in respect of any Director:-

- (a) his spouse, parent, brother, sister or child;
- (b) a person acting in his capacity as the trustee of any trust, the principal beneficiaries of which are the Director, his spouse or any of his children or any body corporate which he controls;
- (c) a partner of the Director; or
- (d) a company controlled by that Director.

There are no existing or proposed service contracts between any of the Directors and the Company.

Save for the contracts listed in paragraph 11 below, no Director is materially interested in any contract or arrangement subsisting at the date hereof which is unusual in its nature and conditions or significant in relation to the business of the Company.

Messrs Webb and Galligan are employees of the Investment Manager.

No Director has:

- (a) any unspent convictions in relation to indictable offences; or
- (b) been bankrupt or the subject of a voluntary arrangement, or has had a receiver appointed to any asset of such Director; or
- (c) been a director of any company which, while he was a director with an executive function or within 12 months after he ceased to be a director with an executive function, had a receiver appointed or went into compulsory liquidation, creditors voluntary liquidation, administration or company voluntary arrangements, or made any composition or arrangements with its creditors generally or with any class of its creditors; or
- (d) been a partner of any partnership, which while he was a partner or within 12 months after he ceased to be a partner, went into compulsory liquidation, administration or partnership voluntary arrangement, or had a receiver appointed to any partnership asset; or
- (e) had any public criticism by statutory or regulatory authorities (including recognised professional bodies); or
- (f) been disqualified by a court from acting as a director or from acting in the management or conduct of affairs of any company.

## 10. **Litigation**

The Company is not engaged in any litigation or arbitration proceedings and the Directors are not aware of any litigation or claim pending or threatened by or against the Company since its incorporation.

## 11. **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 Custodian Agreement. The Custodian Agreement provides that the appointment of the Custodian will continue in force for an initial period of three years and thereafter it will continue in force unless and until terminated by either party giving to the other not less than 120 days written notice although in certain circumstances (e.g. the insolvency of either party, unremedied breach after notice, etc.) the Agreement may be terminated forthwith by resolution of the Directors of the Company. The Custodian Agreement contains indemnities in favour of the Custodian excluding matters arising by reason of its unjustifiable failure to perform its obligations or the improper performance of its duties and obligations and provisions regarding the Custodian's legal responsibilities.
- (b) the Administration Agreement. The Administration Agreement provides that the appointment of the Administrator will continue in force for an initial term of three years and thereafter indefinitely unless and until terminated by either party giving to the other not less than 120 days written notice although in certain circumstances (e.g. the insolvency of any party, unremedied breach after notice, etc.) the Agreement may be terminated forthwith by notice in writing by either party to the other. The Administration Agreement contains indemnities in favour of the Administrator other than matters arising by reason of its fraud, wilful default or negligence in the performance of its duties and obligations, and provisions regarding the Administrator's legal responsibilities.
- (c) the Investment Management Agreement. The Investment Management Agreement provides that the appointment of the Investment Manager will continue in force unless and until terminated by either party giving to the other not less than 6 months written notice although in certain circumstances (e.g. the insolvency of either party, unremedied breach after notice, etc.) the Agreement may be terminated forthwith by notice in writing by either party to the other. The Investment Management Agreement contains indemnities in favour of the Investment Manager other than for matters arising by reason of its negligence, fraud or wilful default.

## 12. **Miscellaneous**

- (a) The Company does not have as at the date of this Prospectus any loan capital (including term loans) outstanding or created but unissued, or any outstanding mortgages, charges, debentures or other borrowings or indebtedness in the nature of borrowings, including bank overdraft, liabilities under acceptances or acceptance credits, obligations under finance leases, hire purchase, commitments, guarantees or other contingent liabilities.
- (b) The Company does not have, nor has it had since its incorporation, any employees.
- (c) Save as disclosed in paragraph 9 above, no Director has any interest direct or indirect in the promotion of the Company or in any assets which have been acquired or disposed of by or leased to the Company or are proposed to be acquired by, disposed of or leased to the Company, nor is there any contract or arrangement subsisting at the date of this document in which a Director is materially interested and which is unusual in its nature and conditions or significant in relation to the business of the Company.

- (d) The Company has not and does not intend to purchase or acquire nor agree to purchase or acquire any property.

**13. Inspection of Documents**

Copies of the following documents will be available for inspection at any time during normal business hours on any day (excluding Saturdays, Sundays and public holidays) and may be obtained, on request, free of charge, from the registered office of the Company in Dublin:-

- (a) this Prospectus and any Supplement or addendum thereto;
- (b) any Simplified Prospectus;
- (c) the Memorandum and Articles of Association of the Company;
- (d) the material contracts referred to under the heading “Material Contracts”;
- (e) the Regulations;
- (f) the relevant Notices;
- (g) the Acts;
- (h) the latest annual and half-yearly reports of the Company (when issued); and
- (i) a list of past and current directorships and partnerships held by each Director over the last five years.

## APPENDIX I

### Stock Exchanges and Regulated Markets

With the exception of permitted investment in unlisted securities, investment will be restricted to those stock exchanges and markets listed below in this Prospectus or any Supplement thereto or revision thereof each of which stock exchanges and markets is regulated, operates regularly, is recognised and is open to the public. These stock exchanges and markets are listed in accordance with the requirements of the Financial Regulator, it being noted that the Financial Regulator does not issue a list of approved markets and exchanges.

1. Stock exchanges in any Member State of the European Union, Norway, Iceland or Liechtenstein, Australia, Canada, Japan, Hong Kong, New Zealand, Switzerland or the United States.

2. The following stock exchanges:-

|               |  |
|---------------|--|
| in Argentina  | the Buenos Aires Stock Exchange<br>Mercado Abierto Electronico S.A.  |
| in Bangladesh | the Dhaka Stock Exchange   |
| in Brazil     | the Rio de Janeiro Stock Exchange<br>the Sao Paulo Stock Exchange<br>Bolsa de Mercadorias & Futuros  |
| in Chile      | the Santiago Stock Exchange<br>the Bolsa Electronica de Chile  |
| in China      | the Shanghai Stock Exchange<br>the Shenzhen Stock Exchange   |
| in Colombia   | the Bolsa de Valores de Columbia   |
| in Croatia    | the Zagreb Stock Exchange  |
| in Egypt      | the Egyptian Stock Exchange  |
| in India      | the National Stock Exchange of<br>India<br>the Delhi Stock Exchange<br>the Madras Stock Exchange<br>the Mumbai Stock Exchange<br>the Bangalore Stock Exchange Ltd<br>the Calcutta Stock Exchange<br>the Inter-connected Stock<br>Exchange of India Ltd |
| in Indonesia  | the Indonesian Stock Exchange<br>the Surabaya Stock Exchange   |
| in Israel     | the Tel Aviv Stock Exchange  |
| in Jordan     | the Amman Stock Exchange   |
| in Kenya      | the Nairobi Stock Exchange   |
| in Korea      | the Korea Stock Exchange (Stock<br>Market)   |

|                    |  |
|--------------------|--|
|                    | Korean Exchange (KOSDAQ)   |
| in Lebanon         | the Bourse de Beyrouth   |
| in Malaysia        | the Bursa Malaysia   |
| in Mauritius       | the Mauritius Stock Exchange   |
| in Mexico          | the Bolsa Mexicana de Valores<br>(Mexican Stock Exchange)  |
| in Morocco         | the Casablanca Stock Exchange  |
| in Nigeria         | the Nigerian Stock Exchange  |
| in Pakistan        | the Karachi Stock Exchange<br>(Guarantee) Limited<br>the Lahore Stock Exchange<br>the Islamabad Stock Exchange     |
| in Peru            | the Bolsa de Valores de Lima   |
| in Philippines     | the Philippines Stock Exchange   |
| in Russia          | the Russian Trading System Stock<br>Exchange (Level 1 or Level 2)<br>MICEX (Moscow Interbank<br>Currency Exchange) |
| in Singapore       | the Singapore Exchange   |
| in South Africa    | the JSE Securities Exchange  |
| in Sri Lanka       | the Colombo Stock Exchange   |
| in Thailand        | the Stock Exchange of Thailand<br>the Bangkok Stock Exchange   |
| in Taiwan          | the Taiwan Stock Exchange  |
| in Tunisia         | the Bourse de Tunis  |
| in Turkey          | the Istanbul Stock Exchange  |
| in UAE – Abu Dhabi | Abu Dhabi Securities Market  |
| in UAE – Dubai     | Dubai Financial Market (DFM)<br>Dubai International Financial<br>Exchange (DIFX)<br>Dubai Mercantile Exchange      |
| in Uruguay         | the Montevideo Stock Exchange  |
| in Venezuela       | the Bolsa de Valores de Caracas  |

3. The following regulated markets:-

- (a) the market organised by the International Capital Market Association;
- (b) the market conducted by “listed money market institutions” as described in the Bank of England publication “The Regulation of the Wholesale Cash and OTC Derivatives Markets (in Sterling, foreign currency and bullion)”;
- (c) NASDAQ in the United States;
- (d) the market in US Government Securities conducted by primary dealers regulated by the Federal Reserve Bank of New York;
- (e) the over-the-counter market in the United States regulated by the National Association of Securities Dealers Inc.;
- (f) the over-the-counter market in the United States conducted by primary and secondary dealers regulated by the Securities and Exchanges Commission and by the National Association of Securities Dealers
- (g) EASDAQ (European Association of Securities Dealers Automated Quotation);
- (h) NASDAQ Europe (the European Association of Securities Dealers Automated Quotation)<sup>1</sup>;
- (i) the market conducted by “listed money market institutions” as described in the Bank of England publication on “The Regulation of the Wholesale Cash and OTC Derivatives Markets (in Sterling, foreign currency and bullion)”.
- (j) AIM – the Alternative Investment Market in the UK, regulated and operated by the London Stock Exchange;
- (k) the over-the-counter market in Japan regulated by the Securities Dealers Association of Japan;
- (l) the French market for “Titres de Creance Negotiable” (over-the-counter market in negotiable debt instruments);
- (m) the over-the-counter market in Canadian Government Bonds, regulated by the Investment Dealers Association of Canada;
- (n) the Second Marche of the stock exchange set up in France in accordance with the laws of France;
- (o) the Korea Exchange (Futures Market);
- (p) the over-the-counter market in Czech government securities traded on the Short-Term Bond Market known as the TKD System;
- (q) the market in the United Kingdom known previously as the “Grey Book Market” that is conducted through persons governed by Chapter 3 of the Financial Services Authority’s Market Conduct Sourcebook (inter-professional conduct);
- (r) the Chicago Mercantile Exchange (CME) and the Chicago Board of Trade (CBOT);

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<sup>1</sup> NASDAQ Europe is a recently formed market and the general level of liquidity may not compare favourably to that found on more established exchanges.

- (s) Sydney Futures Exchange (SFE);
  - (t) Hong Kong Futures Exchange (HFE); and
  - (u) Singapore Exchange Limited (SGX).
4. Any approved derivative market: -
- (a) within the European Economic Area, Australia, Canada, Japan, Hong Kong, New Zealand, Switzerland and the United States which is not listed in paragraph 3 on which financial derivative instruments are traded;
  - (b) the following markets:
 

|                 |   |
|-----------------|---|
| in Brazil       | the Bolsa de Mercadorias & Futuros Bovespa      |
| in Malaysia     | the Malaysia Derivatives Exchange Berhad (Mdex) |
| in Mexico       | the Mexican Derivatives Exchange                |
| in South Africa | the South African Futures Exchange (SAFEX)      |
| in Turkey       | the Turkish Derivatives Exchange                |

The above markets are set out in the Articles and are listed in accordance with the requirements of the Financial Regulator, it being noted the Financial Regulator does not issue a list of approved markets or stock exchanges.

## APPENDIX II

### Financial Derivative Instruments/Efficient Portfolio Management

#### A. Investment in Financial Derivative Instruments (“FDI”)

The following provisions apply whenever a Fund proposes to engage in transactions in FDIs including, but not limited to, futures, forwards, swaps, inflation swaps (which may be used to manage inflation risk), options, swaptions and warrants, where the transactions are for the purposes of the efficient portfolio management of any Fund or for direct investment purposes (and such intention is disclosed in the Fund’s investment policy). Where it does intend to engage in transactions in relation to FDIs, the Company will employ a risk management process to enable it to manage, monitor and measure, on a continuous basis, the risk of all open derivative positions and their contribution to the overall risk profile of a Fund’s portfolio. The Company will, on request, provide supplemental information to Shareholders relating to the risk management methods employed, including the quantitative limits that are applied and any recent developments in the risk and yield characteristics of the main categories of investment.

The conditions and limits for the use of such techniques and instruments in relation to each Fund are as follows:

1. A Fund’s global exposure (as prescribed in the Notices) relating to FDI must not exceed its total Net Asset Value.
2. Position exposure to the underlying assets of FDI, including embedded FDI in transferable securities or money market instruments, when combined where relevant with positions resulting from direct investments, may not exceed the investment limits set out in the Notices. (This provision does not apply in the case of index based FDI provided the underlying index is one which meets with the criteria set out in the Notices).
3. A Fund may invest in FDIs dealt in over-the-counter (OTC) provided that the counterparties to over-the-counter transactions (OTCs) are institutions subject to prudential supervision and belonging to categories approved by the Financial Regulator.
4. Investment in FDIs are subject to the conditions and limits laid down by the Financial Regulator.

#### B. Efficient Portfolio Management - Other Techniques and Instruments

1. In addition to the investments in FDIs noted above in Section A of this Appendix II, the Company may employ other techniques and instruments relating to transferable securities and money market instruments for efficient portfolio management purposes subject to the conditions imposed by the Financial Regulator. Techniques and instruments which relate to transferable securities and money market instruments and which are used for the purpose of efficient portfolio management, including FDIs which are not used for direct investment purposes, shall be understood as a reference to techniques and instruments which fulfil the following criteria:
  - (a) they are economically appropriate in that they are realised in a cost-effective way;
  - (b) they are entered into for one or more of the following specific aims:
    - (i) reduction of risk;
    - (ii) reduction of cost;

- (iii) generation of additional capital or income for the Fund with a level of risk which is consistent with the risk profile of the Fund and the risk diversification rules set out in the Notices;
- (c) their risks are adequately captured by the risk management process of the Fund; and
- (d) they cannot result in a change to the Fund's declared investment objectives or add supplementary risks in comparison to the general risk policy as described in the sales documents.

Techniques and instruments (other than FDIs) which may be used for efficient portfolio management purposes are set out below and are subject to the following conditions:

## 2. Use of Repurchase/Reverse Repurchase and Stock Lending Arrangements

*For the purposes of this section, "relevant institutions" refers to those institutions which are credit institutions authorised in the EEA or credit institutions authorised within a signatory state (other than an EEA Member State) to the Basle Capital Convergence Agreement of July 1988 or a credit institution authorised in Jersey, Guernsey, the Isle of Man, Australia or New Zealand.*

- (a) Repurchase/reverse repurchase agreements, ("repo contracts") and stock lending arrangements may only be effected in accordance with normal market practice.
- (b) Collateral obtained under a repo contract or stock lending arrangement must be liquid and in the form of one of the following:
  - (i) cash;
  - (ii) government or other public securities;
  - (iii) certificates of deposit issued by relevant institutions;
  - (iv) bonds/commercial paper issued by relevant institutions or by non-bank issuers where the issue and issuer are rated A1 or equivalent;
  - (v) letters of credit with a residual maturity of three months or less, which are unconditional and irrevocable and which are issued by relevant institutions;
  - (vi) equity securities traded on a stock exchange in the EEA, Switzerland, Canada, Japan, the United States, Jersey, Guernsey, the Isle of Man, Australia or New Zealand.
- (c) Until the expiry of the repo contract or stock lending arrangement, collateral obtained under such contracts or arrangements:
  - (i) must be marked to market daily;
  - (ii) must equal or exceed, in value, at all times the value of the amount invested or securities loaned;
  - (iii) must be transferred to the Custodian, or its agent; and
  - (iv) must be immediately available to the Fund, without recourse to the counterparty, in the event of a default by that entity.

Paragraph (iii) is not applicable in the event that the Fund uses tri-party collateral management services of International Central Securities Depositories and relevant

institutions which are generally recognised as specialists in this type of transaction. The Custodian must be a named participant to the collateral arrangements.

(d) **Non-cash collateral:**

- (i) cannot be sold or pledged;
- (ii) must be held at the credit risk of the counterparty; and
- (iii) must be issued by an entity independent of the counterparty.

(e) **Cash collateral:**

Cash may not be invested other than in the following:

- (i) deposits with relevant institutions;
  - (ii) government or other public securities;
  - (iii) certificates of deposit as set out in paragraph 2(b)(iii) above;
  - (iv) letters of credit as set out in paragraph 2(b)(v) above;
  - (v) repurchase agreements, subject to the provisions herein;
  - (vi) daily dealing money market funds which have and maintain a rating of AAA or equivalent. If investment is made in a linked fund, as described in paragraph 3.4 of Appendix III, no subscription, conversion or redemption charge can be made by the underlying money market fund.
- (f) In accordance with paragraph 1(d), invested cash collateral held at the risk of the Fund other than cash collateral invested in government or other public securities or money market funds, must be invested in a diversified manner. The Fund must be satisfied, at all times, that any investment of cash collateral will enable it to meet with its repayment obligations.
- (g) Invested cash collateral may not be placed on deposit with, or invested in securities issued by, the counterparty or a related entity.
- (h) Notwithstanding the provisions of paragraph 2(c)(iii), a Fund may enter into stock lending programmes organised by generally recognised International Central Securities Depositories Systems provided that the programme is subject to a guarantee from the system operator.
- (i) The counterparty to a repo contract or stock lending arrangement must have a minimum credit rating of A2 or equivalent, or must be deemed by a Fund to have an implied rating of A2. Alternatively, an unrated counterparty will be acceptable where the Fund is indemnified against losses suffered as a result of a failure by the counterparty, by an entity which has and maintains a rating of A2 or equivalent.
- (j) The Company must have the right to terminate the stock lending agreement at any time and demand the return of any or all of the securities loaned. The agreement must provide that, once such notice is given, the borrower is obligated to redeliver the securities within 5 business days or other period as normal market practice dictates.
- (k) Repo contracts, stock borrowing or stock lending agreements do not constitute borrowing or lending for the purposes of Regulation 70 and Regulation 71 respectively.

## APPENDIX III

### INVESTMENT AND BORROWING RESTRICTIONS

Investment of the assets of the relevant Fund must comply with the Regulations. The Regulations provide:

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|------------|---|
| <b>1</b>   | <b>Permitted Investments</b>  |
|            | Investments of each Fund are confined to:   |
| <b>1.1</b> | Transferable securities and money market instruments, as prescribed in the UCITS Notices, which are either admitted to official listing on a stock exchange in a Member State or non-Member State or which are dealt on a market which is regulated, operates regularly, is recognised and open to the public in a Member State or non-Member State.  |
| <b>1.2</b> | Recently issued transferable securities which will be admitted to official listing on a stock exchange or other market (as described above) within a year.  |
| <b>1.3</b> | Money market instruments, as defined in the Notices, other than those dealt on a regulated market.  |
| <b>1.4</b> | Units of UCITS.   |
| <b>1.5</b> | Units of Non-UCITS as set out in the Financial Regulator's Guidance Note 2/03.  |
| <b>1.6</b> | Deposits with credit institutions as prescribed in the Notices.   |
| <b>1.7</b> | Financial derivative instruments as prescribed in the Notices.  |
| <b>2</b>   | <b>Investment Restrictions</b>  |
| <b>2.1</b> | Each Fund may invest no more than 10% of its Net Asset Value in transferable securities and money market instruments other than those referred to in paragraph 1 as accords with the requirements of the Financial Regulator.   |
| <b>2.2</b> | Each Fund may invest no more than 10% of its Net Asset Value in recently issued transferable securities which will be admitted to official listing on a stock exchange or other market (as described in paragraph 1.1) within a year. This restriction will not apply in relation to investment by a Fund in certain US securities known as Rule 144A securities provided that: <ul style="list-style-type: none"> <li>- the securities are issued with an undertaking to register with the US Securities and Exchanges Commission within one year of issue; and</li> <li>- the securities are not illiquid securities i.e. they may be realised by the UCITS within seven days at the price, or approximately at the price, at which they are valued by the Fund.</li> </ul> |
| <b>2.3</b> | Each Fund may invest no more than 10% of its Net Asset Value in transferable securities or money market instruments issued by the same body provided that the total value of transferable securities and money market instruments held in the issuing bodies in each of which it invests more than 5% is less than 40%.   |
| <b>2.4</b> | The limit of 10% (in 2.3) is raised to 25% in the case of bonds that are issued by a credit institution which has its registered office in a Member State and is subject by law to special public supervision designed to protect bond-holders. If a Fund invests more than 5% of its Net Asset Value in these bonds issued by one issuer, the total value of these investments may not exceed 80% of the Net Asset Value of the Fund. <b>To avail of this provision the prior approval of the Financial Regulator is required.</b>   |
| <b>2.5</b> | The limit of 10% (in 2.3) is raised to 35% if the transferable securities or money market   |

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|             | instruments are issued or guaranteed by a Member State or its local authorities or by a non-Member State or public international body of which one or more Member States are members.  |
| <b>2.6</b>  | The transferable securities and money market instruments referred to in 2.4 and 2.5 shall not be taken into account for the purpose of applying the limit of 40% referred to in 2.3.   |
| <b>2.7</b>  | Each Fund may not invest more than 20% of its Net Asset Value in deposits made with the same credit institution.<br><br>Deposits with any one credit institution, other than credit institutions authorised in the EEA or credit institutions authorised within a signatory state (other than an EEA Member State) to the Basle Capital Convergence Agreement of July 1988 or a credit institution authorised in Jersey, Guernsey, the Isle of Man, Australia or New Zealand, held as ancillary liquidity, must not exceed 10% of its Net Asset Value.<br><br>This limit may be raised to 20% in the case of deposits made with the trustee/custodian.   |
| <b>2.8</b>  | The risk exposure of a Fund to a counterparty to an OTC derivative may not exceed 5% of its Net Asset Value.<br><br>This limit is raised to 10% in the case of credit institutions authorised in the EEA, credit institutions authorised within a signatory state (other than an EEA Member State) to the Basle Capital Convergence Agreement of July 1988 or credit institutions authorised in Jersey, Guernsey, the Isle of Man, Australia or New Zealand.   |
| <b>2.9</b>  | Notwithstanding paragraphs 2.3, 2.7 and 2.8 above, a combination of two or more of the following issued by, or made or undertaken with, the same body may not exceed 20% of its Net Asset Value: <ul style="list-style-type: none"> <li>- investments in transferable securities or money market instruments;</li> <li>- deposits, and/or</li> <li>- counterparty risk exposures arising from OTC derivatives transactions.</li> </ul>   |
| <b>2.10</b> | The limits referred to in 2.3, 2.4, 2.5, 2.7, 2.8 and 2.9 above may not be combined, so that exposure to a single body shall not exceed 35% of its Net Asset Value.  |
| <b>2.11</b> | Group companies are regarded as a single issuer for the purposes of 2.3, 2.4, 2.5, 2.7, 2.8 and 2.9. However, a limit of 20% of its Net Asset Value may be applied to investment in transferable securities and money market instruments within the same group.  |
| <b>2.12</b> | Each Fund may invest up to 100% of its Net Asset Value in different transferable securities and money market instruments issued or guaranteed by any Member State, its local authorities, non-Member States or public international body of which one or more Member States are members.<br><br>The individual issuers must be listed in the prospectus and may be drawn from the following list:<br><br>OECD Governments (provided the relevant issues are investment grade), European Investment Bank, European Bank for Reconstruction and Development, International Finance Corporation, International Monetary Fund, Euratom, The Asian Development Bank, European Central Bank, Council of Europe, Eurofima, African Development Bank, International Bank for Reconstruction and Development (The World Bank), The Inter American Development Bank, European Union, Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac), Government National Mortgage Association (Ginnie Mae), Student Loan Marketing Association (Sallie Mae), Federal Home Loan Bank, Federal Farm Credit Bank, Tennessee Valley Authority. |

|            |  |
|------------|--|
|            | Each Fund must hold securities from at least 6 different issues, with securities from any one issue not exceeding 30% of its Net Asset Value.  |
| <b>3</b>   | <b>Investment in Collective Investment Schemes (“CIS”)</b>   |
| <b>3.1</b> | Investments made by a Fund in units of a UCITS or other CIS may not exceed, in aggregate, 10% of the assets of the Fund.   |
| <b>3.2</b> | Notwithstanding the provisions of paragraph 3.1, where the investment policy of a Fund states that it may invest more than 10% of its assets in other UCITS or collective investment undertakings, the following restrictions shall apply instead of the restrictions set out at section 3.1 above: <ul style="list-style-type: none"> <li>(a) Each Fund may not invest more than 20% of its Net Asset Value in any one CIS.</li> <li>(b) Investments in non-UCITS CIS may not, in aggregate, exceed 30% of the Funds’ Net Asset Value.</li> </ul>   |
| <b>3.3</b> | The CIS in which a Fund invests may not itself invest more than 10% of its Net Asset Value in other open-ended CIS.  |
| <b>3.4</b> | When a Fund invests in the units of other CIS that are managed, directly or by delegation, by the Investment Manager or by any other company with which the Investment Manager is linked by common management or control, or by a substantial direct or indirect holding, the Investment Manager or other company may not charge subscription, conversion or redemption fees on account of the Fund’s investment in the units of such other CIS.   |
| <b>3.5</b> | Where a commission (including a rebated commission) is received by the Investment Manager or an investment adviser by virtue of an investment in the units of another CIS, this commission must be paid into the property of the Fund.   |
| <b>3.6</b> | The following investment restrictions apply where a Fund invests in other Funds of the Company:- <ul style="list-style-type: none"> <li>• a Fund will not invest in a Fund of the Company which itself holds shares in other Funds of the Company;</li> <li>• a Fund investing in such other Fund of the Company will not be subject to subscription or redemption fees;</li> <li>• the Investment Manager will not charge an investment management fee to a Fund in respect of that portion of the Fund’s assets invested in another Fund of the Company; and</li> <li>• investment by a Fund in another Fund of the Company will be subject to the limits set out in paragraphs 3.1 to 3.3 above.</li> </ul> |
| <b>4</b>   | <b>Index Tracking UCITS</b>  |
| <b>4.1</b> | A Fund may invest up to 20% of its Net Asset Value in shares and/or debt securities issued by the same body where the investment policy of the Fund is to replicate an index which satisfies the criteria set out in the Notices and is recognised by the Financial Regulator.   |
| <b>4.2</b> | The limit in 4.1 may be raised to 35%, and applied to a single issuer, where this is justified by exceptional market conditions.   |
| <b>5</b>   | <b>General Provisions</b>  |

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| <b>5.1</b> | The Company may not acquire any shares carrying voting rights which would enable it to exercise significant influence over the management of an issuing body.  |
| <b>5.2</b> | <p>A Fund may acquire no more than:</p> <ul style="list-style-type: none"> <li>(i) 10% of the non-voting shares of any single issuing body;</li> <li>(ii) 10% of the debt securities of any single issuing body;</li> <li>(iii) 25% of the units of any single CIS;</li> <li>(iv) 10% of the money market instruments of any single issuing body.</li> </ul> <p>NOTE: The limits laid down in (ii), (iii) and (iv) above may be disregarded at the time of acquisition if at that time the gross amount of the debt securities or of the money market instruments, or the net amount of the securities in issue cannot be calculated.</p>  |
| <b>5.3</b> | <p>5.1 and 5.2 shall not be applicable to:</p> <ul style="list-style-type: none"> <li>(i) transferable securities and money market instruments issued or guaranteed by a Member State or its local authorities;</li> <li>(ii) transferable securities and money market instruments issued or guaranteed by a non-Member State;</li> <li>(iii) transferable securities and money market instruments issued by public international bodies of which one or more Member States are members;</li> <li>(iv) shares held by a Fund in the capital of a company incorporated in a non-member State which invests its assets mainly in the securities of issuing bodies having their registered offices in that State, where under the legislation of that State such a holding represents the only way in which the Fund can invest in the securities of issuing bodies of that State. This waiver is applicable only if in its investment policies the company from the non-Member State complies with the limits laid down in 2.3 to 2.11, 3.1, 3.2, 5.1, 5.2, 5.4, 5.5 and 5.6, and provided that where these limits are exceeded, paragraphs 5.5 and 5.6 below are observed.</li> <li>(v) Shares held by the Company in the capital of subsidiary companies carrying on only the business of management, advice or marketing in the country where the subsidiary is located, in regard to the repurchase of Shares at Shareholders' request exclusively on their behalf.</li> </ul> |
| <b>5.4</b> | A Fund need not comply with the investment restrictions herein when exercising subscription rights attaching to transferable securities or money market instruments which form part of their assets.   |
| <b>5.5</b> | The Financial Regulator may allow recently authorised Funds to derogate from the provisions of 2.3 to 2.12, 3.1, 3.2, 4.1 and 4.2 for six months following the date of their authorisation, provided they observe the principle of risk spreading.   |
| <b>5.6</b> | If the limits laid down herein are exceeded for reasons beyond the control of a Fund, or as a result of the exercise of subscription rights, the Fund must adopt as a priority objective for its sales transactions the remedying of that situation, taking due account of the interests of its Shareholders.  |
| <b>5.7</b> | <p>The Company may not carry out uncovered sales of:</p> <ul style="list-style-type: none"> <li>- transferable securities;</li> <li>- money market instruments *;</li> <li>- units of CIS; or</li> <li>- financial derivative instruments.</li> </ul>  |
| <b>5.8</b> | A Fund may hold ancillary liquid assets.   |

\* Any short selling of money market instruments by the Company is prohibited.

## **Borrowing Restrictions**

The Regulations provide that the Company in respect of each Fund:

- (a) may not borrow, other than borrowings which in the aggregate do not exceed 10% of the Net Asset Value of the Fund and provided that this borrowing is on a temporary basis. Borrowing may be secured on the assets of the Fund. Credit balances (e.g. cash) may not be offset against borrowings when determining the percentage of borrowings outstanding;
- (b) may acquire foreign currency by means of a back-to-back loan. Foreign currency obtained in this manner is not classed as borrowings for the purpose of the borrowing restriction in paragraph (a), provided that the offsetting deposit: (i) is denominated in the base currency of the Fund and (ii) equals or exceeds the value of the foreign currency loan outstanding. However, where foreign currency borrowings exceed the value of the back-to-back deposit, any excess is regarded as borrowing for the purposes of paragraph (a) above.

## APPENDIX IV

### DEFINITION OF US PERSON AND RELATED INFORMATION

#### Information Related to Definition of US Person(s)

Each subscriber for Shares will be required to certify to the Company, among other things, that the Shares are not being acquired and will not at any time be held for the account or benefit, directly or indirectly, of any US Person (as defined below) or any non-US person subject to the restrictions described herein. Shareholders are required to notify the Company immediately of any change in such information. **EACH SHAREHOLDER WILL BE REQUIRED TO VERIFY THAT IT IS NOT A US PERSON THAT IS PROHIBITED FROM OWNING SHARES IN THE COMPANY.**

Each prospective Shareholder is urged to consult with its own advisors to determine the suitability of an investment in the Shares, and the relationship of such an investment to the purchaser's overall investment programme and financial and tax position. By subscribing for Shares, each purchaser of Shares represents that, after all necessary advice and analysis, its investment in the Company is suitable and appropriate, in light of the foregoing considerations.

ERISA PLANS AND PERSONS ACQUIRING SHARES WITH THE ASSETS OF AN ERISA PLAN MAY NOT PURCHASE SHARES IN THE FUNDS.

THE TAX AND OTHER MATTERS DESCRIBED IN THIS PROSPECTUS DO NOT CONSTITUTE, AND SHOULD NOT BE CONSIDERED AS, LEGAL OR TAX ADVICE TO PROSPECTIVE SHAREHOLDERS.

THE SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED. THE COMPANY IS NOT AND WILL NOT BE REGISTERED UNDER THE US INVESTMENT COMPANY ACT OF 1940, AS AMENDED. THE INVESTMENT MANAGER IS NOT REGISTERED AS AN INVESTMENT ADVISER UNDER THE US INVESTMENT ADVISERS ACT OF 1940, AS AMENDED.

#### Definition of US Person(s)

A "US Person" is a person described in any the following paragraphs:

1. With respect to any person, any individual or entity that would be a US Person under Regulation S of the US Securities Act of 1933. The Regulation S definition is set forth below. **Even if you are not considered a US Person under Regulation S, you can still be considered a "US Person" within the meaning of this Prospectus under Paragraphs 2, 3 and 4, below.**
2. With respect to any person, any individual or entity that would be excluded from the definition of "Non-United States person" in Commodity Futures Trading Commission ("CFTC") Rule 4.7. The definition of "Non-United States person" is set forth below.
3. With respect to individuals, any US citizen or "resident alien" within the meaning of US income tax laws as in effect from time to time. Currently, the term "resident alien" is defined under US income tax laws to generally include any individual who (i) holds an Alien Registration Card (a "green card") issued by the US Immigration and Naturalization Service or (ii) meets a "substantial presence" test. The "substantial presence" test is generally met with respect to any current calendar year if (i) the individual was present in the US on at least 31 days during such year and (ii) the sum of the number of days on which such individual was present in the US during the current year, 1/3 of the number of such days during the first preceding year, and 1/6 of the number of such days during the second preceding year, equals or exceeds 183 days.

4. With respect to persons other than individuals, (i) a corporation or partnership created or organised in the United States or under the law of the United States or any state, (ii) a trust where (a) a US court is able to exercise primary supervision over the administration of the trust and (b) one or more US persons have the authority to control all substantial decisions of the trust and (iii) an estate which is subject to US tax on its worldwide income from all sources.

#### **Regulation S Definition of US Person**

1. Pursuant to Regulation S of the US Securities Act of 1933, as amended (the “Act”), “US Person” means:
  - (i) any natural person resident in the United States;
  - (ii) any partnership or corporation organised or incorporated under the laws of the United States;
  - (iii) any estate of which any executor or administrator is a US person;
  - (iv) any trust of which any trustee is a US person;
  - (v) any agency or branch of a foreign entity located in the United States;
  - (vi) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a US Person;
  - (vii) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organised, incorporated, or (if an individual) resident in the United States; or
  - (viii) any partnership or corporation if:
    - (A) organised or incorporated under the laws of any non-US jurisdiction; and
    - (B) formed by a US Person principally for the purpose of investing in securities not registered under the Act, unless it is organised or incorporated, and owned, by accredited investors (as defined in Rule 501(a) under the Act) who are not natural persons, estates or trusts.
2. Notwithstanding (1) above, any discretionary account or similar account (other than an estate or trust) held for the benefit or account of a non-US Person by a dealer or other professional fiduciary organised, incorporated, or (if an individual) resident in the United States shall not be deemed a “US Person”.
3. Notwithstanding (1) above, any estate of which any professional fiduciary acting as executor or administrator is a US Person shall not be deemed a “US Person” if:
  - (i) an executor or administrator of the estate who is not a US Person has sole or shared investment discretion with respect to the assets of the estate; and
  - (ii) the estate is governed by non-US law.
4. Notwithstanding (1) above, any trust of which any professional fiduciary acting as trustee is a US Person shall not be deemed a “US Person” if a trustee who is not a US Person has sole or shared investment discretion with respect to the trust assets, and no beneficiary of the trust (and no settlor if the trust is revocable) is a US Person.

5. Notwithstanding (1) above, an employee benefit plan established and administered in accordance with the law of a country other than the United States and customary practices and documentation of such country shall not be deemed a “US Person”.
6. Notwithstanding (1) above, any agency or branch of a US Person located outside the United States shall not be deemed a “US Person” if:
  - (i) the agency or branch operates for valid business reasons; and
  - (ii) the agency or branch is engaged in the business of insurance or banking and is subject to substantive insurance or banking regulation, respectively, in the jurisdiction where located.
7. The International Monetary Fund, the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the United Nations, and their agencies, affiliates and pension plans, and any other similar international organisations, their agencies, affiliates and pension plans shall not be deemed “US Persons”.

The Directors may amend the definition of “US Person” without notice to Shareholders as necessary in order best to reflect then-current applicable US law and regulation. Contact your sales representative for a list of persons or entities that are deemed to be “US Persons”.

#### **Definition of “Non-United States Person”**

CFTC Rule 4.7 currently provides in relevant part that the following persons are considered “Non-United States persons”:

1. a natural person who is not a resident of the United States or an enclave of the US government, its agencies or instrumentalities;
2. a partnership, corporation or other entity, other than an entity organised principally for passive investment, organised under the laws of a non-US jurisdiction and which has its principal place of business in a non-US jurisdiction;
3. an estate or trust, the income of which is not subject to US income tax regardless of source;
4. an entity organised principally for passive investment such as a pool, investment company or other similar entity, provided, that units of participation in the entity held by persons who do not qualify as Non-United States persons or otherwise as qualified eligible persons (as defined in CFTC Rule 4.7(a)(2) or (3)) represent in the aggregate less than ten per cent. of the beneficial interest in the entity, and that such entity was not formed principally for the purpose of facilitating investment by persons who do not qualify as Non-United States persons in a pool with respect to which the operator is exempt from certain requirements of Part 4 of the CFTC’s regulations by virtue of its participants being Non-United States persons; and
5. a pension plan for the employees, officers or principals of an entity organised and with its principal place of business outside the United States.