

Scheme Particulars

# **The Affirmative Fixed Interest Fund for Charities**

A common investment fund

## **The Affirmative Fixed Interest Fund for Charities**

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## **1 Definitions**

'BACS' – Bank Automated Clearing Services

'the Commissioners' – the Charity Commissioners for England and Wales

'Dealing Day' – the only days on which units will be created and cancelled, falling on the business day following a Valuation Day (usually the 1<sup>st</sup>, 11<sup>th</sup> and 21<sup>st</sup> calendar days of each month)

'the Distribution Account' – the account into which all sums available for distribution shall be transferred

'the Distribution Equalisation Reserve' – the reserve described in paragraph 14 hereof

'the Fund' – the Common Investment Fund constituted by the Scheme

'the Fund Manager' – Epworth Investment Management Limited

'FSA' – Financial Services Authority

'Investing Charities' – Charities investing in the Fund

'the Scheme' – the Scheme of the Charity Commissioners for England and Wales dated 6<sup>th</sup> June 2001 establishing the Fund

'the Trustee' – HSBC Bank plc

'units' – the income units into which the Fund is divided

'Valuation Day' – 10<sup>th</sup>, 20<sup>th</sup> and last calendar days of each month or the nearest preceding business day

## **2 Constitution of the Fund**

The Affirmative Fixed Interest Fund for Charities ('the Fund') is a Common Investment Fund established by the Scheme. It has been established by the Commissioners with HSBC Bank plc as the Trustee, which will control and supervise the Fund for the benefit of Investing Charities. Pursuant to Clause 42 of the Scheme, these Scheme Particulars have been approved by the Commissioners and adopted by the Fund Manager and are now issued by the Fund Manager. Where the Scheme and these Scheme Particulars are in conflict, the provisions of the Scheme shall prevail.

## **3 Relationship between Trustee and Fund Manager**

The Trustee has agreed to delegate certain of its duties in relation to the management of the Fund to the Fund Manager, a specialist investment and cash manager for Christian Churches and other charities, and which is regulated currently by FSA. The Trustee will monitor and supervise the Fund Manager on a continuing basis to ensure the Fund Manager complies with the Scheme and the Scheme Particulars.

## **4 Responsibilities of the Trustee and Fund Manager**

### **4.1 Trustee's Duties**

The Scheme in particular requires the Trustee:-

- (a) to supervise and oversee the Fund Manager's compliance with the Scheme;
- (b) to supervise and oversee the work of anybody to which its functions have been delegated;
- (c) to hold and control the property and investments of the Fund and to collect the income;
- (d) to create and cancel units in accordance with the instructions of the Fund Manager;
- (e) to appoint a Registrar and to supervise and oversee its performance;
- (f) to make distributions of income to the Participating Charities in proportion to their respective shares in the Fund;
- (g) to appoint or dismiss any person or persons engaged by the Trustee in connection with the Fund;
- (h) to make an annual report to the Participating Charities;
- (i) to wind up the Fund.

#### 4.2 Fund Manager's Duties

The Scheme in particular requires the Fund Manager:-

- (a) to give instructions to the Trustee on the creation and cancellation of units;
- (b) to manage the investments, to carry out valuations, and ensure the units are correctly priced;
- (c) to make and revise the written statement of investment policy, and these Scheme Particulars;
- (d) to keep records of units bought and sold, such records to be available for inspection free of charge to the Trustee at all times;
- (e) to prepare a report and accounts for the Fund in respect of each accounting period in accordance with the Charities Act 1993 and the Charities (Accounts and Reports) Regulations 1995 (as amended) and to appoint the Fund's auditors;
- (f) generally, to manage and administer the Fund, except those aspects of this which the Scheme requires to be done by the Trustee.

#### 5 Registrars

The Trustee has delegated to the Fund Manager pursuant to powers in the Scheme, the duties of acting as a Registrar to the Fund.

#### 6 Investment Objective and Policy

- 6.1 A policy statement has been prepared and agreed with the Trustee, set out in 6.2 and 6.3 below, containing the Investment Objective and Policy.
- 6.2 The Fund's Investment Objective is to maximise long term total returns consistent with commercial prudence, diversification and risk management. It is hoped that this will result in a yield in excess of that which can be achieved through UK Government Securities alone.
- 6.3 The Policy is:-
  - 6.3.1 to invest the Fund in a diversified portfolio comprising UK Government Securities (75% - 89%), Corporate Debt Securities (10% - 24%) and Cash and near cash (1% - 10%);
  - 6.3.2 that the Corporate Debt Securities be invested in well run companies characterised by financial strength and above average management teams. They will normally (but not exclusively) pursue long term sustainable growth strategies, whilst having regard to the wider interests of all parties including owners, lenders, employees, suppliers, customers/clients, the local and wider community;
  - 6.3.3 to establish a widely diversified portfolio to cover all significant sectors of the market, no sector of the market being automatically included or excluded;
  - 6.3.4 for the Fund to have an average life of between five and fifteen years and a yield reflecting the prevailing yield on UK Government Securities.
- 6.4 The Fund may be invested in any investments or property that the Fund Manager may select provided that without the prior written approval of the Commissioners, the Fund may not be invested in derivatives, nor may it underwrite or sub-underwrite new issues.

#### 7 Custody or Holding of Investments

All investments will be held in the name of the Trustee or such other institutions (for example, a nominee or custodian bank), as the Trustee may nominate. The custodian appointed will be HSBC Bank plc Institutional Fund Services. The Fund Manager is not permitted to undertake the functions of a custodian or custodial delegate.

## **8 Investing Charity's Status**

- 8.1 As the Fund is a Common Investment Fund established under the Charities Act 1993, s.24(7) of the Act allows any Church or other charitable organisation in England and/or Wales to invest in the Fund, unless precluded by a specific provision in its governing instrument.
- 8.2 A Church or charity proposing to invest in the Fund will be asked to sign a declaration of eligibility to invest in the Fund, which will be included in an Application Form for Investment. The declaration will say that the Investing Charity is a charity within the meaning of s.96 Charities Act 1993 (which includes Churches) and will also contain an undertaking to notify the Fund Manager if the organisation ceases to be charitable, together with an authority to realise the units in such an event. The Fund Manager will require evidence of the Investing Charity's status as a charity, whether by the supply of its registration number with the Commissioners, its exemption reference number issued by the Inland Revenue or in such other way as shall be reasonably required.
- 8.3 The Fund Manager is also required to comply with the Money Laundering Regulations 1993 and reserves the right to seek such information in relation to any investment as it may consider appropriate, before accepting it.
- 8.4 The Fund Manager and the Trustee reserve the right to decline any application for investment or to realise the investment and return the proceeds.

## **9 Issue of Units**

- 9.1 Investment in the Fund shall be made by the Investing Charity providing a cheque drawn on a United Kingdom Bank or Building Society, payable to 'HSBC as Trustee of The Affirmative Fixed Interest Fund for Charities' and accompanied by an Application Form for Investment provided by the Fund Manager duly signed on behalf of the Investing Charity by a person authorised for such purpose.
- 9.2 Applications must be submitted by 5pm on the business day before a Valuation Day. Units will be allocated on a Dealing Day and the Fund will issue and cancel units on a Dealing Day only. The Fund Manager reserves the right to defer the issue or cancellation of units for any reason.
- 9.3 Application money will not earn interest but will not be paid into the Bank earlier than two business days before the Valuation Date in order to obtain clearance by the Valuation Date.
- 9.4 Confirmation of the allocation of units will be sent to the Investing Charity within 2 working days after the Valuation Date. These will show the number of units and the issue price to four significant figures.
- 9.5 Quoted securities may be offered to the Fund in exchange for the issues of units on a Valuation Date. If accepted, securities are taken in at middle market valuation or at any other value the Fund Manager believes will not prejudice the other Investing Charities. The Fund Manager has absolute discretion as to what securities it will accept.
- 9.6 The Fund Manager will not normally accept a sum of less than £1,000 for investment, and reserves the right not to agree to realise units to a value of less than £1,000 or so as to leave units to less value than this. There is no maximum amount for investment.
- 9.7 The Fund Manager is entitled to assume that the persons signing the Application Form for Investment as trustees or officials of the Church or charitable organisation concerned, are duly authorised to make the investment in the Church/charitable organisation's name.

## **10 The Authorised Signatories**

- 10.1 The Investment Application Form will require one or more authorised signatories to be nominated, and contains an acknowledgement that the Fund Manager may act on the instructions of the authorised signatory or signatories.
- 10.2 The Investing Charity should notify the Fund Manager of any change in the authorised signatories in writing and the Trustee and the Fund Manager shall not be liable for any loss arising where they have acted on the instructions of the authorised signatories for the time being properly notified to the Fund Manager.

## **11 Redemption of Units**

- 11.1 If an Investing Charity wishes to redeem its investment in the Fund or part thereof, it shall provide a redemption request to the Fund Manager in writing in the manner from time to time required by the Fund Manager and signed by the authorised signatory or signatories, containing the Investing Charity's Bank details for the payment being made by BACS.
- 11.2 Redemptions will be made 4 working days after the Valuation Day immediately following receipt of the redemption request.
- 11.3 Payment of the proceeds of a realisation will normally be made to the Investing Charity's bank account by BACS.
- 11.4 The Trustee reserves the right to transfer property or investments in settlement of a redemption request.
- 11.5 Confirmation of a redemption giving the number of units redeemed will be issued within two days of the Valuation Date.
- 11.6 The Fund Manager may, with the prior agreement of the Trustee, and must, if the Trustee so requires, without notice to Investing Charities, suspend the issue and redemption of units for a period if the Fund Manager (or the Trustee in the case of any requirement by it) is of the opinion that there is good and sufficient reason to do so having regard to the interests of the Investing Charities or potential Investing Charities. Units will not be issued during a period of suspension.

## **12 Pricing of Units, Valuation and Publication of Prices**

- 12.1 The units, which are single priced, will be priced on a forward basis in accordance with the provisions of the Financial Services (Regulated Schemes Regulations) 1991.
- 12.2 The Fund will be valued at the close of business on each Valuation Day. Dealing for purchase and redemption of units will only take place on a Dealing Day. The Fund may also be valued on other days at the discretion of the Manager, and the Manager will ensure that at least two valuations during each calendar month will be not less than fourteen days apart, but dealing will not be permitted except of Dealing Days and any other day the Manager deems to be a Dealing Day.
- 12.3 For valuation purposes, the assets of the Fund, including income received and accrued, and taxation recoverable, are valued at closing mid-market prices on the valuation date.
- 12.4 Unit prices for issue and redemption purposes are calculated by dividing the total valuation of the assets of the Fund by the total units in issue, and are increased in the case of the issue price or decreased in the case of the redemption price by an amount representing the estimated transaction charges incurred in purchasing or selling assets. These costs represent both brokers commissions and the difference between the market makers' bid and offer prices. The amount of the increase or decrease currently standing at 0.15% of the assets of the Fund, is set by the Fund Manager and may be varied by them at any time. These prices may not be greater than the applicable creation price on that day plus the preliminary charge, nor less than the cancellation price. The Fund Manager will notify the Trustee of the maximum issue price and minimum redemption price at which the Fund Manager will deal. The unit price will be set in a form that is accurate to at least four significant figures.
- 12.5 No preliminary or redemption charges are currently levied, although the Fund Manager may, subject to the prior written consent of the Commissioners, include a preliminary charge payable to the Fund Managers of a maximum of 1%.  
  
The proposed introduction of and/or increase in the actual or maximum amount of a preliminary and/or redemption charge shall be subject to:-
  - 12.5.1 The Fund Manager giving notice in writing to the Investing Charities of its intention to introduce or to increase the charge
  - 12.5.2 The Scheme Particulars having been revised subject to the prior written approval of the Commissioners to reflect the proposed introduction or increase of the amount of charge
  - 12.5.3 90 days having elapsed since the revised Scheme Particulars became available.
- 12.6 The Fund is a Charity and is therefore exempt from stamp duty.
- 12.7 The buying and maximum selling prices for the units will be published daily on the internet and can be found at [www.epworthinvestment.co.uk](http://www.epworthinvestment.co.uk).

### **13 Allocation and Distribution of Income**

- 13.1 All income received from the investments and cash deposits of the Fund shall be collected by the Trustee.
- 13.2 On or within 7 days of the last days of January, April, July and October in each year, the Trustee shall transfer out of the income of the Fund to the Distribution Account, the amount available for distribution. The amount available for distribution shall be calculated by aggregating the total income, including any tax rebates, whether already received or not, arising during the relevant period and deducting therefrom any costs and expenses accrued at that date. Such costs will include the Trustee's and Fund Manager's fees, as well as other costs such as Auditors' and Registrars' charges. Transfers are also permitted to be made to or from the Distribution Equalisation Reserve.
- 13.3 The funds in the Distribution Account allocated to the units shall be distributed quarterly, without deduction of tax, on the 15th days of March, June, September and December, in respect of the previous quarter.

### **14 Distribution Equalisation Reserve**

The Trustee has power under the Scheme to create and maintain from the income of the Fund, a Distribution Equalisation Reserve, for the purpose of avoiding fluctuations in the amount distributed to unit holders. The amount set out for this by the Trustee may not exceed one half of any amount available for distribution. The amount set by the Trustee will be held as the Distribution Equalisation Reserve Account in the books of the Fund. The Distribution Equalisation Reserve is part of the Fund and interest earned on it will be added to the Fund.

### **15 Management Charges and Other Expenses**

- 15.1 The Fund pays to the Fund Manager an Annual Management Charge based on the Valuation of the Fund at the last working day of each month. The charge, the current rate of which is 0.2% plus VAT p.a. accrues daily and is payable on the last day of each month.
- 15.2 The Trustee is also entitled to be paid remuneration out of the Fund and may also pay from the Fund any reasonable expenses incurred in administering and winding-up the Fund. The fees of the Trustee of the Fund shall initially be 0.04% of the value of the Fund.
- 15.3 The Trustee may retain from the income or capital of the Fund any reasonable costs or expenses incurred in administering or winding up the Fund or otherwise. These costs will include auditors' fees and expenses, administration and registration costs, costs incurred in respect of unitholder meetings, and legal and other professional fees related to the Fund.
- 15.4 The Trustee and the Fund Manager shall not be entitled to increase their fees above the following maximums, without the prior consent of the Commissioners:-  
The Trustee: 0.06% p.a. of the value of the Fund  
The Fund Manager: 1% p.a. of the value of the Fund
- 15.5 Increases in the charges of the Trustee and the Fund Manager, for which the Commissioners' prior consent is needed, shall not become effective until the Investing Charities have had notice of this for a period of 90 days. Any proposed increase in the actual or maximum amount of the Fund Manager's or the Trustee's fees shall be subject to:-
- 15.5.1 The Fund Manager giving notice in writing to the Investing Charities of its intention to increase such fees
- 15.5.2 The Scheme Particulars having been revised subject to the prior written consent of the Commissioners to reflect the proposed increase
- 15.5.3 90 days having elapsed since the revised Scheme Particulars became available.

## **16 Register of Holders and Evidence of Holding**

- 16.1 The Trustee will keep a register of all Investing Charities, in which it shall record the following:
- (a) the name of each Investing Charity;
  - (b) the number and type of units;
  - (c) the names and addresses of the authorised signatories;
  - (d) the address to which communications with the officers of the Investing Charity are to be sent; and
  - (e) such other information as the Trustee may from time to time decide it is expedient or appropriate to record.
- 16.2 No certificates in respect of any holdings shall normally be issued, but written confirmation of an allocation or redemption of units will be sent to the Investing Charity within 2 working days after the Valuation Date. If an Investing Charity makes a request accordingly, the Trustee shall provide a certificate of the number and type of units held by that Investing Charity.
- 16.3 The Register shall be available for inspection by any Investing Charity free of charge during normal office hours at the offices of Epworth Investment Management, 9 Bonhill Street, London EC2A 4PE.

## **17 Accounts and Meetings**

- 17.1 Accounts are prepared half-yearly as at 31st October and 30th April in each year, and audited annually as at 31st October.
- 17.2 The Investing Charities shall be invited to an Annual Meeting of the Fund at which time the Trustee and the Fund Manager shall present reports on the activities of the Fund during the previous 12 months.

## **18 Risk Warning**

- 18.1 The Trustee and the Fund Manager undertake to use due skill, care and diligence in carrying out their respective duties, whether under the Scheme, the Management Agreement or otherwise as imposed by law.
- 18.2 The value of the units in the Fund and the income from them can fall as well as rise. Past performance is not necessarily a guide to future returns. Units in the Fund are intended only for long-term investment.
- 18.3 The units are only realisable on the business day after a Valuation Date used for dealing (usually the 1<sup>st</sup>, 11<sup>th</sup> and 21<sup>st</sup> calendar days of each month).

## **19 Taxation**

As a charity, the Fund is not liable to tax on its income under current legislation and may allocate and distribute income to Investing Charities without deducting tax. This tax position may change.

## **20 Acceptance of Terms and Conditions**

By completing the Application Form for Investment, the Investing Charity acknowledges and accepts these terms and conditions and the provisions of the Scheme. Further copies of these Scheme Particulars will be provided on request to Investing Charities.

## **21 Complaints**

Complaints should be addressed at the first instance to the Compliance Officer of the Fund Manager at 9 Bonhill Street, London EC2A 4PE, who will endeavour to ensure that the complaint is investigated thoroughly and as soon as reasonably practical.

**22 Conflict of Interest**

The Fund Manager offers investment advice services to other organisations. It may recommend investment in the Fund to its charitable clients. It shall be entitled to retain its proper fees received from its clients for such services.

**23 Names, Addresses and Contacts**

The names and addresses of the Trustee, the Fund Manager, the Auditors, FSA, and the principal Custodian are set out overleaf.

**24 Amendment, Winding up and Applicable Law**

24.1 With the exception of any increase in the charges of either the Trustee or the Fund manager which require the prior consent of the Commissioner and shall only take effect 90 days after notification has been given, the Fund Manager may amend these Scheme Particulars at any time. Amendments will be notified in writing to the Investing Charities.

24.2 The Trustee has the power under the Scheme to wind up the Fund at any time.

24.3 These terms and conditions are governed by and construed in accordance with English law.

**25 Information**

25.1 For further information on the terms on which investments are made with the Fund, reference may be made to the Scheme and the Investment Policy.

25.2 The Scheme Particulars shall be provided to Investing Charities prior to the submission of the Application Form for Investment.

25.3 The Fund Manager (if they shall not have already been provided), will provide to an Investing Charity upon the submission of an Application Form for Investment copies of:-

(a) the Scheme;

(b) the current Investment Policy Statement referred to in 4 above.

25.4 The Fund Manager will send to Investing Charities:-

(a) a further copy of the Scheme, these Scheme Particulars and the Investment Policy Statement on request;

(b) the Annual Accounts of the Fund as provided in 17.1 above as soon as reasonably practical following their preparation; and

(c) as soon as reasonably practical following any such being made, any variation to the Scheme, the Investment Policy Statement or these Scheme Particulars.

## **Schedule**

### **Corporate Trustee**

HSBC Bank plc  
8 Canada Square  
London  
E14 5HQ

### **Fund Manager**

Epworth Investment Management Ltd  
9 Bonhill Street  
London  
EC2A 4PE

### **Auditors**

Mazars LLP  
Tower Bridge House  
St Katherine's Way  
London  
E1W 1DD

### **FSA**

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

### **Custodian Bankers**

HSBC Bank plc  
Institutional Fund Services  
8 Canada Square  
London  
E14 5HQ

The Scheme

# The Affirmative Fixed Interest Fund for Charities

A common investment fund

By Order dated 2 February 2010

1364 09/10

General Charity - The Affirmative Fixed Interest Fund for Charities

LCD (Ldn)

1087227 / C-288502-77FO

Scheme

In the matter of the Charity called The Affirmative Fixed Interest Fund for Charities regulated by a Scheme of the Charity Commission of 6 June 2001 as affected by Schemes of the Charity Commission of 10 August 2006 and 27 February 2007; and in the matter of the Charities Act 1993

**Charity Commission**

THE CHARITY COMMISSION FOR ENGLAND AND WALES HEREBY ORDERS that the following Scheme be approved and established as the Scheme for the regulation of the above-mentioned Charity:-

## Common Investment Fund

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## **1 Administration of Charity**

- 1.1 The above-mentioned Charity and the property thereof shall be administered and managed subject to and in accordance with the provisions of this Scheme.
- 1.2 The name of the Charity shall be The Affirmative Fixed Interest Fund for Charities or such other name as may be approved by the Commission from time to time and approved by the Manager.

## **2 Interpretation**

In this Scheme, the following expressions shall have the following meanings:

"accounting period" means a period commencing on the day after the date of each balance sheet or interim balance sheet of the Fund and ending on the date of the next following balance sheet or interim balance sheet: provided that the first accounting period after the Fund is established shall be the period beginning with the day on which the Fund is established and ending with the date of the first balance sheet or interim balance sheet;

"accumulation unit" means a unit in the Fund and described as such in this Scheme;

"allocation date" means the date specified in the Scheme Particulars by which the transfer mentioned in clause 34.1 hereof shall be made;

"approved security" has the same meaning as listed in the Glossary to the FSA Handbook (when used in the COLL Sourcebook);

"associate" means in relation to a company: (a) an undertaking in the same group as that company, and (b) a representative or delegate of that company or of any undertaking in the same group, and "group" has the same meaning as in section 43A of the Value Added Tax Act 1994;

"Authorised Corporate Director" has the same meaning as listed in the Glossary to the FSA Handbook;

"authorised unit trust scheme" means a unit trust scheme which is authorised for the purposes of the FSMA by an authorisation order in force under section 243 of that Act;

"business day" means any day on which the London Stock Exchange is normally open for business, being a day other than a Saturday, Sunday, Christmas Day, Good Friday or a bank holiday;

"Charity" means both a charity within the meaning of section 96 of the Charities Act and also an "appropriate body" within the meaning of section 24(3B) of the Charities Act;

"Charities Act" means the Charities Act 1993;

"Commission" means the Charity Commission for England and Wales;

"collective investment scheme" means a collective investment scheme as defined by section 235(1) of the FSMA;

"COLL Sourcebook" means the New Collective Investment Schemes Sourcebook Instrument 2004 made by the Financial Services Authority, as amended or replaced from time to time;

"common deposit fund" means a common deposit fund established under section 25 of the Charities Act or section 22A of the Charities Act 1960;

"common investment fund" means a common investment fund established under section 24 of the Charities Act or section 22 of the Charities Act 1960;

"date of the balance sheet" shall be interpreted in the same way as in the Regulations;

"date of the interim balance sheet" means the date determined as such in accordance with the Scheme Particulars;

"distribution account" means the account referred to in clause 34.1 hereof;

"duty of care" means a duty to exercise such care and skill as is reasonable in the circumstances, having regard in particular to any special knowledge or experience that the person subject to the duty has or holds itself out as having, and, in relation to the Trustee or the Manager, to any special knowledge or experience that it is reasonable to expect of a person acting as a Trustee or a Manager in the course of a business or profession;

"FSA Handbook" means the Handbook of Rules and Guidance issued by the Financial Services Authority, as amended or replaced from time to time;

"the FSMA" means the Financial Services and Markets Act 2000;

"Financial Services Authority" means the designated agency referred to in section 1 of and Schedule 1 to the FSMA;

"Fund" means the common investment fund constituted by this Scheme;

"government and public security" has the same meaning as listed in the Glossary to the FSA Handbook;

"income unit" means a unit in the Fund and described as such in this Scheme;

"independent" means that:

(a) a relevant party is not the same entity as another relevant party and that no director or employer of a relevant party acts as another relevant party or as a director or employee of another relevant party; and

(b) no relevant party nor any director or employee of a relevant party shall (without the prior written consent of the Commission) hold, either directly or indirectly, more than 15% of the voting share capital of any other relevant party; and

(c) there is no contractual commitment between any relevant parties which affects the independence of those relevant parties in relation to each other;

"Manager" means the body corporate appointed Manager in this Scheme, or any successor body appointed by an order pursuant to clause 26 or 27 of this Scheme, being a body which is (a) authorised by the Financial Services Authority to act either as an operator of a regulated collective investment scheme or as an operator of an unregulated collective investment scheme, and (b) independent of the Trustee;

"near cash" has the same meaning as listed in the Glossary to the FSA Handbook;

"non-UCITS retail scheme" has the same meaning as listed in the Glossary to the FSA Handbook;

"OEIC" means an open-ended investment company within the meaning of section 236 of the FSMA;

"Participating Charity" means a charity to which units in the Fund have been, and continue to be, allocated;

"power of intervention" includes:

(a) a power to give directions to a delegate, agent, nominee or custodian;

(b) a power to revoke the authorisation or appointment of a delegate, agent, nominee or custodian;

"recognised scheme" has the same meaning as listed in the Glossary to the FSA Handbook;

"Registrar" means a corporate body appointed by the Trustee as Registrar from time to time for the purpose of maintaining the register of Participating Charities under clause 28 of this Scheme;

"Regulations" means the Charities (Accounts and Reports) Regulations 2008, as amended or replaced from time to time;

"Scheme Particulars" means the rules and particulars of the Fund made under clause 44 of this Scheme, as amended or replaced from time to time;

"transferable security" has the same meaning as listed in the Glossary to the FSA Handbook (when used in the COLL Sourcebook);

"Trustee" means the body corporate appointed Trustee in this Scheme, or any successor body appointed by an order pursuant to clause 25 or 27 of this Scheme, being a body which is (a) authorised by the Financial Services Authority to either act as a Trustee of an authorised unit trust scheme or establish, operate or wind up an unregulated collective investment scheme, and (b) independent of the Manager;

"UCITS Directive" has the same meaning as listed in the Glossary to the FSA Handbook;

"units" means income units and/or accumulation units in the Fund or, where the context indicates, an investment which represents the right or interest (however described) of the participants in a collective investment scheme;

"valuation dates" means those dates on which the Manager shall value the Fund for the purposes of permitting the creation and cancellation of units.

### **3 Object**

The object of the Fund shall be the provision of a common investment fund for the investment of sums of money and other property from time to time transferred to the Fund by or on behalf of a Participating Charity: Provided that the Participating Charities shall be entitled, subject to the provisions of this Scheme, to the capital and income of the Fund in shares determined by reference to the amount or value of the moneys or property transferred to the Fund by or on behalf of each Participating Charity and to the value of the Fund at the time of the transfers.

### **4 Units**

The shares of the Participating Charities in the Fund shall consist of units (including fractions of a unit), each unit representing one undivided share in the property of the Fund, except in the circumstances mentioned in clause 5.2 below.

### **5 Types of units**

5.1 Units may be of two types:

(a) income units, in respect of which an appropriate part of the property of the Fund is distributed periodically to Participating Charities; and

(b) accumulation units, in respect of which an appropriate part of the property of the Fund is credited periodically to the capital of the Fund.

5.2 When both income and accumulation units are in issue, that part of the property of the Fund which is allocated to the accumulation units in accordance with the provisions of clause 34.4 shall be accumulated and capitalised by the Trustee, and the Trustee shall at the same time increase the number (including fractions) of undivided shares which together constitute the accumulation units then in existence in accordance with clause 34.5. Any accumulation units issued thereafter shall each represent when issued the same number (including fractions) of undivided shares in the capital of the property of the Fund as each other accumulation unit then in existence.

### **6 Qualification to participate**

Subject to section 24.7 of the Charities Act, any Charity shall be qualified to participate in the Fund. Any Charity applying to participate may be required by the Trustee to give a declaration of eligibility to participate and an indemnity against liabilities arising out of its ineligibility.

### **7 Trustee**

The body corporate called HSBC Bank plc is the Trustee of the Fund.

### **8 Scope of responsibility**

The Trustee shall be responsible for those aspects of the administration and management of the Fund and its property which are specified in clause 9 of this Scheme. To the extent of those duties and powers, the Trustee is a charity trustee of the Fund within the meaning of the Charities Act.

## **9 Duties and powers of Trustee**

- 9.1 The Trustee shall comply with the duty of care when exercising its powers and discharging its duties under this Scheme.
- 9.2 The following are the duties and powers of the Trustee -
- (a) the supervision and oversight of the Manager's compliance with this Scheme and the Scheme Particulars. In particular, the Trustee shall be satisfied on a continuing basis that the Manager is competently exercising the powers and competently discharging the duties conferred or imposed on it by or pursuant to the provisions of this Scheme, and that the Manager is maintaining adequate and proper records: Provided that the Trustee's duty in relation to supervising the Manager's functions under clause 19.2 is limited to ensuring that decisions about the constituents of the property of the Fund do not exceed the power of investment conferred on the Manager;
  - (b) the supervision and oversight of any Registrar or other delegate which it has appointed in accordance with the provisions of this Scheme;
  - (c) the custody and control of the property of the Fund and the collection of all income due to the Fund in accordance with clause 10;
  - (d) the creation and cancellation of units in accordance with the instructions of the Manager (except where the Scheme Particulars permit the Trustee to disregard those instructions);
  - (e) the appointment of a Registrar in accordance with clause 28.4;
  - (f) making distributions to Participating Charities holding income units and making allocations to Participating Charities holding accumulation units in proportion to their respective shares in the property of the Fund;
  - (g) the appointment or dismissal of any person or persons engaged by the Trustee in connection with the Fund;
  - (h) the making of an annual report on the discharge of its responsibilities for the management of the Fund;
  - (i) applying to the Commission for an order to remove the Manager and an order to appoint a new Manager;
  - (j) winding up the Fund.
- 9.3 The Trustee shall take all steps and execute all documents as are necessary to secure that instructions properly given to it by the Manager are carried out as to the exercise of rights (including voting rights) attaching to the ownership of property of the Fund.
- 9.4 The Trustee shall take all steps and execute all documents which are necessary to secure that the purchases and sales of investments for or of the Fund are properly completed.
- 9.5 The Trustee shall maintain such records as are necessary to enable it to comply with this Scheme and with section 41 of the Charities Act and to demonstrate that such compliance has been achieved.
- 9.6 The duties which are imposed on the Trustee by this Scheme are in addition to the duties which are otherwise imposed on charity trustees by law, and where the duties imposed by the general law have been qualified or restricted by this Scheme, the Scheme provisions shall apply so far as the general law may permit.

## **10 Income of the Fund**

The Trustee is responsible for the collection of any income due to be paid to the Fund and for claiming any repayment of tax which may be due, and shall hold any income received in trust for the Participating Charities in accordance with this Scheme.

## **11 Oversight and supervision of the Manager by the Trustee**

- 11.1 The Trustee shall oversee and supervise the Manager's compliance with this Scheme as provided in clause 9.2(a).
- 11.2 The Trustee shall not be responsible for the acts or defaults of the Manager in the exercise of the powers conferred on the Manager by this Scheme, or in the discharge of the duties imposed on the Manager by this Scheme, if the Trustee has complied with the duty of care when satisfying itself as to the matters specified in clause 9.2(a).
- 11.3 If the Trustee is not satisfied at any time as to the Manager's compliance with this Scheme or the Scheme Particulars, the Trustee shall inform the Commission promptly and in writing.

## **12 Delegation by the Trustee**

- 12.1 The Trustee may delegate any of its functions to any person, subject to any restriction imposed by or under the provisions of this Scheme.
- 12.2 The Trustee shall not delegate any function of oversight of the Manager to an associate of the Manager.
- 12.3 The Trustee shall require any delegate to report regularly to the Trustee on its performance of the functions delegated.
- 12.4 While the delegate continues to act for the Fund, the Trustee-
- (a) shall keep under review the arrangements under which the delegate acts and how those arrangements are being put into effect;
  - (b) if circumstances make it appropriate to do so, shall consider whether there is a need to exercise any power of intervention that it has; and
  - (c) if it considers that there is a need to exercise such a power of intervention, shall do so.
- 12.5 The Trustee shall keep the Manager informed of any delegation of its functions.
- 12.6 The Trustee shall be vicariously liable for the acts and defaults of the Manager when the Manager acts as the Trustee's delegate, but shall otherwise be liable for the acts and defaults of a delegate only if and insofar as it has failed to comply with the duty of care when selecting the person who is to act, when determining any terms on which the delegate is to act, or when carrying out its duties under sub-clause 12.4 of this clause.

**13 Safe custody of documents**

The safe custody of all documents of title relating to the property of the Fund shall be the responsibility of the Trustee. Subject to clauses 14 and 15 hereof, all property of the Fund shall be held on trust for the Participating Charities in the name of the Trustee or under the custody and control of the Trustee as provided by this Scheme.

**14 Appointment of Custodian and custodial delegates**

- 14.1 The Trustee may, subject to the following provisions of this clause, permit documents of title relating to the property of the Fund, or any of them, to be in the possession or under the control of some other person as custodian ("the Custodian"), provided that such person shall have any necessary authority under the FSMA to undertake the safe custody of documents.
- 14.2 While the Custodian continues to act for the Fund, the Trustee-
- (a) shall keep under review the arrangements under which the Custodian acts and how those arrangements are being put into effect;
  - (b) if circumstances make it appropriate to do so, shall consider whether there is a need to exercise any power of intervention that it has; and
  - (c) if it considers that there is a need to exercise such a power of intervention, shall do so.
- 14.3 The Trustee may authorise a Custodian appointed under this clause to sub-delegate any of its functions, provided that the Trustee is satisfied that:
- (a) any sub-delegation of any functions by the Custodian is reasonably necessary in the interests of the Fund;
  - (b) any person appointed as delegate, sub-delegate, agent, or nominee of the Custodian or any sub-custodians (hereafter collectively referred to as "custodial delegates") shall have any necessary authority under the FSMA to undertake the safe custody of documents;
  - (c) the Trustee shall be kept informed of the appointment from time to time of any named custodial delegates;
  - (d) services provided by custodial delegates are properly supervised by the Custodian (or, as the case may be, by appropriate custodial delegates); and
  - (e) the terms of any sub-delegation are sufficient to protect the best interests of the Fund.
- 14.4 In exercising its powers under this clause to appoint a Custodian or permitting sub-delegation to custodial delegates, the Trustee shall have regard to the need for arrangements for the safe custody of documents of title relating to the property of the Fund, including safeguarding those documents from misappropriation, loss or destruction.
- 14.5 In exercising its powers under this clause to appoint a Custodian or permitting the sub-delegation to custodial delegates, the Trustee shall have regard to the need to protect the Fund by such means as it thinks fit against any loss occasioned by the Custodian or by any custodial delegates as a result of any negligence, default, fraud and insolvency.
- 4.6 The Manager shall not be permitted to undertake any functions of custody or control as Custodian or custodial delegate.
- 14.7 The Trustee shall be liable for the acts and defaults of a Custodian only if and insofar as it has failed to discharge the duty of care when selecting the person who is to act, when determining any terms on which the Custodian is to act, and when carrying out its duties under sub-clauses 14.2 to 14.5 of this clause.
- 14.8 If the Trustee has authorised the Custodian to sub-delegate under sub-clause 14.3, the Trustee shall be liable for the acts or defaults of the custodial delegate only if and insofar as it has failed to comply with the duty of care when authorising the sub-delegation, or when carrying out its duties under sub-clause 14.3 insofar as they relate to the authorisation of the sub-delegate.
- 14.9 The power provided by this clause to delegate the safe custody of documents is in addition to any such power which is given by law.

## **15 Power to appoint Nominees**

- 15.1 The Trustee may, subject to the following provisions of this clause, appoint a body corporate as its Nominee to hold the property of the Fund, provided that such person shall have any necessary authority under the FSMA to undertake nomineeeeship.
- 15.2 While the Nominee continues to act for the Fund, the Trustee-
- (a) shall keep under review the arrangements under which the Nominee acts and how those arrangements are being put into effect;
  - (b) if circumstances make it appropriate to do so, shall consider whether there is a need to exercise any power of intervention that it has; and
  - (c) if it considers that there is a need to exercise such a power of intervention, shall do so.
- 15.3 The Trustee may authorise a Nominee appointed under this clause to sub-delegate any of its functions, provided that the Trustee is satisfied that:
- (a) any sub-delegation of any functions by the Nominee is reasonably necessary in the interests of the Fund;
  - (b) any person appointed as delegate, sub-delegate, or agent, of the Nominee or any sub-nominees (hereafter collectively referred to as "nominee delegates") shall have any necessary authority under the FSMA to undertake nomineeeeship;
  - (c) the Trustee shall be kept informed of the appointment from time to time of any named nominee delegates;
  - (d) services provided by nominee delegates are properly supervised by the Nominee (or, as the case may be, by appropriate nominee delegates); and
  - (e) the terms of any sub-delegation are sufficient to protect the best interests of the Fund.
- 15.4 In exercising its powers under this clause to appoint a Nominee and permitting the sub-delegation to nominee delegates, the Trustee shall have regard to the need to protect the Fund by such means as it thinks fit against any loss occasioned by the Nominee or by any nominee delegates as a result of any negligence, default, fraud or insolvency.
- 15.5 The Manager shall not be permitted to undertake any functions of nomineeeeship or control as Nominee or nominee delegate.
- 15.6 The Trustee shall be liable for the acts and defaults of a Nominee only if and insofar as it has failed to discharge the duty of care when selecting the person who is to act, when determining any terms on which the Nominee is to act, and when carrying out its duties under sub-clauses 15.2 to 15.5 of this clause.
- 15.7 If the Trustee has authorised the Nominee to sub-delegate under sub-clause 15.3, the Trustee shall be liable for the acts or defaults of the nominee delegate only if and insofar as it has failed to comply with the duty of care when authorising the sub-delegation, or when carrying out its duties under sub-clause 15.3 insofar as they relate to the authorisation of the sub-delegate.
- 15.8 The power provided by this clause to appoint a Nominee is in addition to any such power which is given by law.

## **16 Title to Property**

- All investments of the Fund, whether held in the name of the Trustee, or in the name of a nominee, shall be held on trust for the Participating Charities in such a manner that it is readily apparent that they are held by or on behalf of the Fund, and so that -
- 16.1 the property of the Fund shall be segregated in the records of the Trustee, or of its Nominee as the case may be, from any other property which is held by the Trustee or its Nominee;
- 16.2 where a nominee is appointed, the investments to which the Fund is entitled shall be separately identifiable from other property held by the Nominee.

## **17 Manager**

The body corporate called Epworth Investment Management Limited is the Manager of the Fund.

## **18 Scope of responsibility of the Manager**

The Manager shall be responsible for those aspects of the administration and the management of the Fund and its property which are specified in clause 19 hereof. To the extent of those duties and powers, the Manager is a charity trustee of the Fund within the meaning of the Charities Act.

## **19 Duties and powers of Manager**

- 19.1 The Manager shall comply with the duty of care when exercising its powers and discharging its duties under this Scheme.
- 19.2 The Manager shall have all the duties and powers relating to the administration and management of the Fund (except the duties and powers of the Trustee set out in clause 9.2 hereof) and in particular, the following are the duties and powers of the Manager -
- (a) giving instructions to the Trustee with respect to the creation and cancellation of units;
  - (b) the management of the investments of the Fund in conformity with the written statement of the investment policy of the Fund made in conformity with clause 38.4 hereof;
  - (c) the duty to carry out regular valuations of the property of the Fund as required by this Scheme and to ensure that the units are correctly priced;
  - (d) the making and revision of the written statement of the investment policy of the Fund as required by this Scheme;
  - (e) the making and revision of the Scheme Particulars in accordance with clause 44 hereof;
  - (f) keeping a daily record of units, including the type of such units, which the Manager has purchased or sold on behalf of the Trustee;
  - (g) making all records held by the Manager in respect of the Fund available for inspection by the Trustee free of charge at all times during the business day and supplying the Trustee with a copy or copies of any record without charge;
  - (h) preparing a report and accounts of the Fund in respect of every accounting period;
  - (i) the appointment of the auditor of the Fund and settling his terms of engagement;
  - (j) the making and revision of the written statement of the investment objectives of the Fund and details of such investment objectives shall be included in the Scheme Particulars;
  - (k) the supervision and oversight of any delegate which it has appointed in accordance with the provisions of this Scheme;
  - (l) taking all other action as necessary for the administration and management of the Fund other than those duties or powers which have been imposed or conferred on the Trustee by this Scheme.
- 19.3 The Manager shall maintain such records as are necessary to enable it to comply with this Scheme and with section 41 of the Charities Act and to demonstrate that such compliance has been achieved.
- 19.4 The duties which are imposed on the Manager by this Scheme are in addition to the duties which are otherwise imposed on charity trustees by law, and where the duties imposed on charity trustees by the general law have been qualified or restricted by this Scheme, the Scheme provisions shall apply so far as the general law may permit.

## **20 Delegation by the Manager**

- 20.1 The Manager may delegate any of its functions to any person, subject to any restriction imposed by or under the provisions of this Scheme.
- 20.2 The Manager shall require any delegate to report regularly to the Manager on its performance of the functions delegated.
- 20.3 While the delegate continues to act for the Fund, the Manager -
- (a) shall keep under review the arrangements under which the delegate acts and how those arrangements are being put into effect;
  - (b) if circumstances make it appropriate to do so, shall consider whether there is a need to exercise any power of intervention that it has; and
  - (c) if it considers that there is a need to exercise such a power of intervention, shall do so.
- 20.4 The Manager shall keep the Trustee informed of any delegation of its functions.
- 20.5 The Manager shall be vicariously liable for the acts and defaults of the Trustee when the Trustee acts as the Manager's delegate, but shall otherwise be liable for the acts and defaults of a delegate only if and insofar as it has failed to comply with the duty of care when selecting the person who is to act, when determining any terms on which the delegate is to act, or when carrying out its duties under sub-clause 20.3.

## **21 Timely discharge of duties**

The Trustee and the Manager shall discharge their respective duties imposed by this Scheme with due dispatch unless delay is both lawful and in the interests of the Participating Charities.

## **22 Expenses**

- 22.1 The Trustee and the Manager shall be entitled to retain out of the property of the Fund any reasonable costs or expenses incurred by them in managing, administering or winding up the Fund. Such reasonable costs or expenses may be drawn from the property of the Fund as and when they occur.
- 22.2 The Scheme Particulars and any publicity or marketing material about the Fund shall make clear that these costs and expenses will be charged to the property of the Fund in addition to the charges which are made to the Fund in accordance with clauses 23 and 24 hereof.

## **23 Remuneration of Trustee**

- 23.1 The Trustee shall be paid remuneration out of property of the Fund at a rate to be determined in accordance with the Scheme Particulars. Such remuneration shall be provided for out of a periodic charge in a manner determined in accordance with the Scheme Particulars.
- 23.2 The actual and maximum rate of the periodic charge and the method of its calculation shall be specified in the Scheme Particulars. Participating Charities shall be given a period of notice (which shall not be less than 90 days) specified in the Scheme Particulars of any proposed increase in the actual or maximum amount of the periodic charge.

## **24 Remuneration of Manager**

24.1 The Manager shall be paid remuneration out of property of the Fund at rates to be determined in accordance with the Scheme Particulars. Such remuneration shall be provided for out of one or more of -

(a) a preliminary charge to be included in the price at which units may be purchased;

(b) a periodic charge;

(c) a redemption charge payable by way of deduction from the proceeds of sale of units;

in a manner determined in accordance with the Scheme Particulars.

24.2 The actual and maximum rate of each type of charge and the method of its calculation shall be specified in the Scheme Particulars. Participating Charities shall be given a period of notice (which shall not be less than 90 days) specified in the Scheme Particulars of any proposed increase in the actual or maximum amount of any charge.

## **25 Retirement of Trustee**

If the Trustee wishes to retire, it shall give notice of its intention to retire to both the Commission and the Manager. The Trustee shall give such notice of intention to retire if it ceases to be qualified in accordance with this Scheme. The Manager shall use its best endeavours to find a body corporate which is so qualified to act and which is willing to be appointed Trustee in place of the retiring Trustee. The Trustee, prior to its retirement, shall be required to make a written statement of any circumstances connected with its retirement as the Trustee which it considers should be brought to the attention of the Commission or, if the Trustee considers that there are no such circumstances, to make a written statement that there are none. The Trustee shall only be discharged from the provisions of this Scheme by an order of the Commission, and any new Trustee shall be appointed by an order of the Commission.

## **26 Retirement of Manager**

If the Manager wishes to retire, it shall give notice of its intention to retire to both the Commission and the Trustee. The Manager shall give such notice of intention to retire if it ceases to be qualified in accordance with this Scheme. The Trustee shall use its best endeavours to find a body corporate which is so qualified to act and which is willing to be appointed Manager in place of the retiring Manager. The Manager, prior to its retirement, shall be required to make a written statement of any circumstances connected with its retirement as the Manager which it considers should be brought to the attention of the Commission or, if the Manager considers that there are no such circumstances, to make a written statement that there are none. The Manager shall only be discharged from the provisions of this Scheme by an order of the Commission, and any new Manager shall be appointed by an order of the Commission.

## **27 Replacement of Manager or Trustee**

27.1 If the Trustee is of the opinion for good and sufficient reason that a change of Manager is desirable in the interests of the Participating Charities, it shall apply to the Commission for an order to discharge the Manager from the provisions of this Scheme and shall serve on the Manager a notice of that application. The Trustee shall use its best endeavours to find a body corporate which is qualified to act as Manager of the Fund under this Scheme, and which is willing to be appointed Manager in place of the retiring Manager. The Manager, prior to its discharge, shall be required to make a written statement of any circumstances connected with its discharge as the Manager which it considers should be brought to the attention of the Commission or, if the Manager considers that there are no such circumstances, to make a written statement that there are none. The Manager shall only be discharged from the provisions of this Scheme by an order of the Commission, and any new Manager shall be appointed by an order of the Commission.

27.2 If the Manager is of the opinion for good and sufficient reason that a change of Trustee is desirable in the interests of the Participating Charities, it shall apply to the Commission for an order to discharge the Trustee from the provisions of this Scheme and shall serve on the Trustee a notice of that application. The Manager shall use its best endeavours to find a body corporate which is qualified to act as Trustee of the Fund under this Scheme, and which is willing to be appointed Trustee in place of the retiring Trustee. The Trustee, prior to its discharge, shall be required to make a written statement of any circumstances connected with its discharge as the Trustee which it considers should be brought to the attention of the Commission or, if the Trustee considers that there are no such circumstances, to make a written statement that there are none. The Trustee shall only be discharged from the provisions of this Scheme by an order of the Commission, and any new Trustee shall be appointed by an order of the Commission.

## **28 Register**

28.1 The Trustee shall keep a register in which it shall record the name of each Participating Charity and the number and type of units from time to time allocated to it. The register may include such other particulars as may be prescribed by the Scheme Particulars.

28.2 The Trustee shall not be obliged to issue any document of title as to the ownership of units, but may issue unit certificates to all Participating Charities in respect of their holdings of units and shall, at the request of any Participating Charity, certify the number and type of units so allocated.

28.3 The register shall be available for inspection by or on behalf of the Participating Charities free of charge during normal office hours except that the register may be closed at such times and for such periods (not exceeding 30 days in any one year) as the Trustee may from time to time determine.

28.4 The Trustee may appoint and pay a body corporate as Registrar to carry out the functions mentioned in sub-clauses 28.1 to 28.3 of this clause on behalf of the Trustee.

**29 Pricing of units**

The Manager shall be under a continuing obligation to ensure that units are bought or sold at a price related to the net asset value of the Fund. Units shall be priced on either a forward or a historic basis as described in the COLL Sourcebook. The Manager shall determine the prices of income units and accumulation units (if such units be in issue) at the time of creation and cancellation of units respectively in accordance with the Scheme Particulars made under clause 44 hereof. The Scheme Particulars shall contain an explanation of the policy and method of pricing units, including in particular the following:

- (a) whether units are priced on a forward or historic basis;
- (b) whether units are single or dual priced;
- (c) whether or not the charges referred to in clause 24 are included in the prices for income units and accumulation units (if these units are in issue) and, if so, what these charges are.

**30 Publication of prices**

The Manager shall make arrangements for the publication, in at least one national newspaper in England and Wales or on the internet, of the buying price and maximum selling price (as determined in accordance with the Scheme Particulars) together with the current preliminary charge (if there is one) on the business day after any valuation. The manner of such publication shall be prescribed in the Scheme Particulars.

**31 Valuation of the property of the Fund**

For the purposes of determining the prices at which units may be created, or cancelled, the Manager shall regularly carry out a valuation of the property of the Fund in accordance with the Scheme Particulars: provided that there shall be at least two valuations in each calendar month. The Manager may at any time during a business day carry out an additional valuation of the property of the Fund if it considers it desirable to do so.

**32 Valuation at the date of the balance sheet and interim balance sheet**

The Manager shall carry out a valuation of the property of the Fund on the date of each balance sheet and interim balance sheet if a valuation is not carried out on that date in accordance with the previous clause. If the date of a balance sheet or interim balance sheet is not a business day, the valuation shall be carried out on the preceding business day.

**33 Method of valuation**

All valuations under clauses 31 and 32 of this Scheme shall be carried out in accordance with the Scheme Particulars (subject to the requirements of the Financial Services Authority contained in the COLL Sourcebook or as may otherwise be required by the Financial Services Authority). The Scheme Particulars shall contain an explanation of the policy and method of calculation adopted by the Manager for valuation of the property of the Fund, including in particular the following:

- (a) when the valuations are to be carried out;
- (b) how the valuations are to be carried out;
- (c) how adjustments for tax and other accrued credits and liabilities have been made.

**34 Allocation**

- 34.1 After the date of each balance sheet and the date of each interim balance sheet (but on or before the allocation date), the Trustee shall transfer out of the property of the Fund to an account to be known as 'the distribution account', a sum (if any) which is calculated in accordance with the Scheme Particulars.
- 34.2 The allocation date shall be determined in accordance with the Scheme Particulars.
- 34.3 Subject to the provisions of clause 35 hereof, the funds in the distribution account shall be allocated to the Participating Charities in accordance with the following provisions of this clause.
- 34.4 Where both income units and accumulation units are in issue, the Trustee shall on or before each allocation date allocate the funds in the distribution account between income units and accumulation units according to the respective shares in the property of the Fund represented by the income units and accumulation units in existence at the end of the relevant accounting period.
- 34.5 The funds allocated to accumulation units shall, with effect from the end of the accounting period in respect of which the allocation is made, be capitalised and the interests of the Participating Charities holding accumulation units shall be satisfied by an increase, as at the end of the period, in the number of undivided shares in the property of the Fund which an accumulation unit represents.
- 34.6 On or before each allocation date, the Trustee shall distribute the funds allocated to the Participating Charities holding income units rateably in accordance with the number of such units held by them respectively at the end of the relevant accounting period.

### **35 Distribution Equalisation Reserve**

- 35.1 For the purpose of avoiding fluctuations in the amounts distributed in accordance with the preceding clause, the Trustee may create and maintain in the accounts of the Fund a Distribution Equalisation Reserve in accordance with the following provisions of this clause.
- 35.2 The Trustee may deduct from any sum in the distribution account such amount as it thinks fit not exceeding half of that sum and, where it does so, will credit to the Distribution Equalisation Reserve the amount deducted.
- 35.3 The Trustee may add to any sum in the distribution accounts all or any part of the amount standing to the credit of the Distribution Equalisation Reserve and, where it does so, it shall debit the Distribution Equalisation Reserve with the amount thus added.
- 35.4 Any income earned by placing on deposit or otherwise investing money standing to the credit of the Distribution Equalisation Reserve shall be treated as income of the Fund and dealt with accordingly.

### **36 Income equalisation**

- 36.1 An allocation to be made in respect of each unit created during the accounting period in respect of which that allocation is made shall include a capital sum representing the Manager's best estimate of the amount of income included in the creation price.
- 36.2 The amount of income equalisation may be the actual amount of the income in question or it may be an amount arrived at by taking the aggregate of the amounts of income included in the creation price in respect of units created in the relevant accounting period and dividing that aggregate by the number of those units and applying the resultant average to each of the units in question.

### **37 Method of distribution**

- 37.1 Any moneys payable by the Trustee to a Participating Charity in respect of any income unit may be paid by crossed cheque or warrant made payable to the account of that Charity or of the Trustees of that Charity and may be sent by post.
- 37.2 The trustees of a Participating Charity may authorise the Trustee to make a payment by any other means.

### **38 Powers of investment**

- 38.1 Any property of the Fund for the time being available for investment shall be invested in the name of the Trustee or a Nominee in accordance with the provisions of this Scheme.
- 38.2 Subject to clauses 41 and 42, the Manager may invest the property of the Fund at its discretion in any kind of investment which it could make if it were absolutely entitled to the property of the Fund.
- 38.3 The Manager shall have regard -
- (a) to the need for diversification of investments, insofar as is appropriate to the circumstances of the Fund; and
  - (b) to the suitability to the Fund of investments of the description of investment proposed and of the investment proposed as an investment of that description.
- 38.4 The Manager shall make, and from time to time as necessary revise, a written statement of the investment policy of the Fund and shall promptly supply a copy thereof to the Trustee. The statement of investment policy shall include, among other things, the Manager's policy for the Fund in the following matters:
- (a) securing compliance with sub-clause 38.3;
  - (b) the kinds of investments to be held;
  - (c) the balance between different kinds of investments;
  - (d) risk;
  - (e) the expected return on investments; and
  - (f) the realisation of investments.
- 38.5 The Manager shall at all times keep the investments of the Fund under review and may at any time in its discretion realise, exchange or otherwise dispose of any investment either to raise cash or for investment in accordance with this Scheme.
- 38.6 Except with the prior written consent of the Commission, the Manager shall not engage in the business of underwriting or sub-underwriting any new issue of shares, stock or other securities.
- 38.7 The Manager shall not exercise any power to invest the Fund other than that provided by this Scheme and in conformity with the statement of investment policy made in accordance with sub-clause 38.4.

### **39 Cash**

To the extent that it is not otherwise permitted under the provisions of this Scheme, the property of the Fund may include cash and near cash where this may reasonably be regarded as necessary in order to facilitate the cancellation of units, or to further the efficient management of the Fund, or otherwise to enable the Manager to discharge its functions under this Scheme.

#### **40 Borrowing**

- 40.1 The Manager may borrow temporarily for the purpose of meeting payments to be made out of the Fund (other than for any of the purposes specified in sub-clause 40.2 of this clause) on terms that the borrowing is to be repaid out of the property of the Fund if the Manager considers this to be in the best interests of the Fund, provided that the borrowing under this sub-clause shall not exceed 10% of the net asset value of the property of the Fund as at the date of the borrowing without the prior written consent of the Commission.
- 40.2 The Manager may use the powers of land acquisition and management in the Trusts of Land and Appointment of Trustees Act 1996, but where those powers are used to borrow in connection with the acquisition or management (including improvement) of any land and if any such borrowing would cause the total outstanding borrowings under the authority of those powers to exceed 25% of the net asset value of the property of the Fund as at the date of the borrowing, the prior written consent of the Commission shall be obtained.

#### **41 Investment in in-house Funds**

- 41.1 The Manager shall not invest the property of the Fund in units in a collective investment scheme or in a common deposit fund which is managed or operated by itself or by an associate of itself or by the Trustee or by an associate of the Trustee or, where the scheme is a company, of which the Manager or the Trustee is the Authorised Corporate Director or an associate of the Authorised Corporate Director, except to the extent permitted by the following provisions of this clause.
- 41.2 The Manager may invest the property of the Fund in units in a collective investment scheme or in a common deposit fund, provided that:-
- (a) where any charge is made in respect of such a scheme by any person involved in the management or administration of the scheme, whether by way of preliminary charge, periodic charge, redemption charge or any other permitted charge, the amount of such charge is paid to the Fund; and
  - (b) if the Manager pays more for the units in the scheme than the prevailing creation price, the Manager shall pay to the Fund the full amount of the difference.
- 41.3 The Manager may invest the property of the Fund in shares in a collective investment scheme which is an OEIC, provided that:-
- (a) the amount of any preliminary charge or redemption charge paid to the Authorised Corporate Director on the acquisition or redemption of shares in the OEIC by the Fund is paid to the Fund; and
  - (b) the amount of any other remuneration in respect of the shares acquired by the Fund paid to the Manager or Authorised Corporate Director is paid to the Fund.
- 41.4 The Manager shall not invest the property of the Fund in any other investment in which the Manager or an associate of the Manager has any interest (whether by virtue of operating or managing the investment or otherwise) without the prior written consent of the Commission.
- 41.5 The Manager shall not invest the property of the Fund under any of the preceding three sub-clauses unless the Scheme Particulars of the Fund clearly states that the property of the Fund may include such units or shares.

#### **42 Investment Restrictions**

- 42.1 Subject to sub-clause 42.2 below, the Manager shall not invest the property of the Fund in transferable securities which are not approved securities, or in units in a collective investment scheme (hereinafter referred to as "the second scheme") unless the second scheme meets each of the requirements in (a) to (d) below:
- (a) the second scheme:
    - complies with the conditions necessary for it to enjoy the rights conferred by the UCITS Directive; or
    - is a non-UCITS retail scheme; or
    - is a recognised scheme; or
    - is constituted outside the United Kingdom and the investment and borrowing powers of which are the same or more restrictive than those of a non-UCITS retail scheme; or
    - is a common investment fund;
  - (b) the second scheme operates on the principle of the prudent spread of risk;
  - (c) the second scheme is prohibited from having more than 15% in net asset value of the property of that scheme consisting of units in collective investment schemes; and
  - (d) the participants in the second scheme shall be entitled to have their units redeemed in accordance with that scheme at a price: related to the net asset value of the property to which the units relate; and determined in accordance with that scheme.
- 42.2 The Manager may invest not more than a total of 20% of the net asset value of the property of the Fund as at the date of the investment:
- (a) in units in the second scheme not falling within sub-clause 42.1(a) but falling within sub-clauses 42.1(b) to 42.1(d) above, and
  - (b) in any transferable securities which are not approved securities.
- 42.3 The Manager shall not invest more than 35% of the net asset value of the property of the Fund as at the date of the investment in any one collective investment scheme.
- 42.4 The Manager shall not invest more than 10% of the net asset value of the property of the Fund as at the date of the investment in transferable securities issued by any single body, other than government and public securities.

#### **43 Use of Market Makers**

- 43.1 Neither the Trustee nor any associate of the Trustee nor the Manager shall act as market makers in investments of the Fund.
- 43.2 Associates of the Manager shall not act as market makers in relation to the Fund unless the Trustee has given prior written approval to the Manager that it is in the interests of the Fund to use particular associated market makers in accordance with sub-clause 43.3 below.
- 43.3 The Trustee shall not approve the use of the particular associated market makers unless it is satisfied that:
- (a) it is in the best interests of the Fund to use the associated market makers concerned; and
  - (b) the use of the associated market makers concerned will comply in all respects with the regulations concerning conflict of interest issued from time to time by the Financial Services Authority in relation to collective investment schemes.

#### **44 Scheme Particulars**

- 44.1 The Manager shall make written Scheme Particulars for the purpose of:
- (a) supplementing the provisions of clauses 22, 23, 24, 28, 29, 30 31, 33 and 34.1 and 34.2 of this Scheme as indicated in those clauses which shall as far as reasonably possible include details of all identifiable costs and expenses;
  - (b) supplementing the other provisions of this Scheme if, in its opinion, that may be necessary to enable the Fund to operate effectively;
  - (c) modifying or relaxing any duty to account to the Fund which may result from a conflict of interest and duty on the part of the Trustee, the Manager or other person;
  - (d) providing for the holding and constitution of meetings of Participating Charities for such purposes as the Trustee may consider appropriate;
  - (e) supplementing the information given by or under the provisions of this Scheme about the constitution, objectives and operation of the Fund which shall include (where applicable) the asset allocation policy, the sector allocation policy, the geographical allocation policy, and any restrictions or limitations on investment that are additional to those imposed by this Scheme.
- 44.2 Scheme Particulars made for the purpose of supplementing the provisions of clause 23 or 24 or for modifying or relaxing any duty to account to the Fund which may result from a conflict of interest and duty on the part of the Trustee, the Manager or other person shall be subject to the prior written approval of the Commission.
- 44.3 Scheme Particulars made for the purposes of setting out the characteristic features of the Fund and the investment objectives of the Fund shall be subject to the prior written consent of the Commission.
- 44.4 No provision in the Scheme Particulars shall be inconsistent with this Scheme.
- 44.5 The Scheme Particulars shall be revised from time to time by the Manager, subject to the prior written approval of the Commission in the case of Scheme Particulars revised for the purposes specified in sub-clause 44.2, and copies of the Scheme Particulars, or any amendments, shall be supplied free of charge to the Commission, the Trustee and the Participating Charities.

#### **45 Miscellaneous**

- 45.1 The Trustee may decide conclusively any question arising under this Scheme as to -
- (a) the rights of Participating Charities;
  - (b) whether any property of the Fund is income or capital;
  - (c) the value of any property of the Fund; or
  - (d) the time to which any incoming resource, liability or expense is to be attributed.
- 45.2 Where any institution to which any number of units in the Fund is for the time being allocated ceases to be a Charity qualified in accordance with clause 6 to participate in this Fund, the provisions of this Scheme shall have effect as if such institution -
- (a) continued to be a Charity so qualified;
  - (b) elected to realise all those units with effect from the next following valuation date; and
  - (c) indemnified the Fund against any liability arising upon such institution ceasing to be a Charity so qualified.

#### **46 Accounts and report**

- 46.1 For the purposes of Part VI of the Charities Act (other than section 41) and of the Regulations (other than the provisions relating to audit), the Manager (and no other person) shall be considered the charity trustee of the Fund within the meaning of the Charities Act.
- 46.2 The Manager shall prepare and submit to the Commission in respect of each financial year of the Fund a statement of accounts and annual report complying with the requirements of the Charities Act and the Regulations. The Manager shall also prepare a half-yearly report and accounts for the Fund made up to the date of the interim balance sheet, a copy of which shall be supplied to the Commission.
- 46.3 The Manager shall cause the accounts in respect of each financial year to be audited by an auditor appointed by the Manager for the purpose who –
- (a) would be eligible for appointment as auditor of the Fund if the accounts of the Fund were required to be audited in accordance with the Companies Act 2006; or
  - (b) is a member of a body for the time being specified in regulations under section 44 of the Charities Act and is under the rules of that body eligible for appointment as auditor of the Fund.
- 46.4 The Manager may, in addition to the report required by sub-clause 46.2 above, prepare a short report half-yearly and yearly which shall include such appropriate matters as are specified for short reports in the COLL Sourcebook.

**47 Information for Participating Charities**

- 47.1 Subject to sub-clause 47.2 below, the Manager shall send free of charge to all Participating Charities copies of the following documents:
- (a) this Scheme, and any variation of it;
  - (b) the Scheme Particulars, and any variation of them;
  - (c) the current written statement of the investment policy of the Fund made in accordance with the provisions of clause 38, and any variation of it;
  - (d) each report made by the Trustee and the Manager in accordance with the provisions of this Scheme during the period of participation;
  - (e) subject to sub-clause 47.3 below, the statement of accounts of the Fund, (together with the audit report on that statement, where an audit report is required to be prepared) prepared most recently prior to the date of first participation, and any such statement and report prepared during the period of participation.
- 47.2 The Manager and the Trustee may make a joint application to the Commission for a direction that material providing relevant information may be sent to all Participating Charities instead of one or more of the documents mentioned in sub-clause 47.1(a),(b) and (d) above. The Commission may give such a direction on such terms as it thinks fit.
- 47.3 Where the Manager has prepared a short report half-yearly or yearly under clause 46.4, the Manager may send free of charge the short report to all Participating Charities in place of the corresponding report and accounts prepared under clause 46.2. The Manager shall send free of charge any document prepared under clause 46.2, (together with the audit report on that statement) to a Participating Charity upon request.

**48 Winding up**

If the Trustee is of the opinion that it is expedient in the interests of the Participating Charities to wind up the Fund, the Trustee may execute a written declaration that the Fund is to be wound up, and if it does so, it shall -

- (a) forthwith send a copy of the declaration to the Commission and to the Manager and publish it in such manner (if any) as the Commission may direct;
- (b) inform the Participating Charities in writing that the Fund is to be wound up; and
- (c) as soon as practicable after the Fund falls to be wound up, realise the property of the Fund. After paying out of the Fund, or retaining adequate provision out of the Fund for, all liabilities properly payable out of the Fund and the costs of the winding up, the Trustee shall distribute that part of the proceeds of the realisation represented by income units to the Participating Charities holding income units immediately before the date of the declaration pro rata to such holdings, and that part of the proceeds of the realisation represented by accumulation units to the Participating Charities holding accumulation units immediately before that date pro rata to such holdings.

**49 Commencement of Scheme**

This Scheme shall come into force on 2 February 2010.

**50 Questions under Scheme**

Any questions as to the construction of this Scheme, or as to the regularity or the validity of anything done or proposed to be done under this Scheme, may be determined by the Commission upon sufficient application to it by the Trustee or the Manager.

By Order of the Commission this second day of February 2010.