

**Epworth Investment  
Management Limited**

**PROSPECTUS**

**EPWORTH INVESTMENT FUND**

**14 April 2011**

9 Bonhill Street  
London  
EC2A 4PE  
**Telephone: 020 7496 3636**  
**(Dealing & Registration)**

**PROSPECTUS  
OF  
EPWORTH INVESTMENT FUND**

This document constitutes the Prospectus for Epworth Investment Fund (the “Trust”) which has been prepared in accordance with the terms of the rules contained in the New Collective Investment Schemes Sourcebook (the “FSA Regulations”) published by the FSA as part of their Handbook of rules made under the Financial Services and Markets Act 2000 (the “Act”).

The Prospectus is dated and is valid as at 14 April 2011.

Copies of this Prospectus have been sent to the FSA and the Trustee.

If you are in any doubt about the contents of this Prospectus you should consult your professional adviser.

The Prospectus is based on information, law and practice at the date hereof. The Trust is not bound by any out of date prospectus when it has issued a new prospectus and potential investors should check that they have the most recently published prospectus.

Epworth Investment Management Limited, the Manager of the Trust, is the person responsible for the information contained in this Prospectus. To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained herein does not contain any untrue or misleading statement or omit any matters required by the FSA Regulations to be included in it.

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## DEFINITIONS

“Act”	Financial Services and Markets Act 2000;
“Approved Derivative”	an approved derivative is one which is traded or dealt on an eligible derivatives market and any transaction in such a derivative must be effected on or under the rules of the market;
“CFB”	The Central Finance Board of the Methodist Church;
“CFB Income Unit”	an Income Unit of a class which is only available to the CFB;
“Dealing Day”	The first, eleventh and twenty first day of each calendar month and where this is not a business day in London, the following day that is a business day;
“FSA Regulations”	the rules contained in the New Collective Investment Schemes Sourcebook which is published as part of the FSA Rules;
“FSA Rules”	the FSA handbook of rules made under the Act;
“FSA”	the Financial Services Authority;
“Income Unit”	net paying units, denominated in base currency and which have an initial subscription level of £1 or such other amount decided by the Manager and stated in this Prospectus, in the Trust as may be in issue from time to time in respect of which income allocated thereto is distributed periodically to the holders thereof pursuant to the FSA Rules;
“Manager”	Epworth Investment Management Limited, the Manager of the Trust;
“Net Asset Value” or “NAV”	the value of the Scheme Property of the Trust (or of any Sub-fund as the context requires) less the liabilities of the Trust (or of the Sub-fund concerned) as calculated in accordance with the Trust’s trust deed;
“Scheme Property”	the property of the Trust to be given to the Trustee for safe-keeping, as required by the FSA Regulations;
“Sub-fund” or “Sub-funds”	a sub-fund of the Trust (bearing part of the Scheme Property of the Trust which is pooled separately) and to which specific assets and liabilities of the Trust may be allocated and which is invested in accordance with the investment objective applicable to that sub-fund.

“Trust”	Epworth Investment Fund a UK authorised unit trust;
“Trustee”	HSBC Bank plc, the trustee of the Trust;
“Unit Class”	a particular class of units as described in Section 3;

## 1 **The Trust**

- 1.1 Epworth Investment Fund is an authorised unit trust, established by a trust deed dated 28 February 2007 (the “Trust Deed”) and authorised by the FSA with effect from 7 March 2007.
- 1.2 The head office of the Trust is at 9 Bonhill Street, London EC2A 4PE and is also the address of the place in the United Kingdom for service on the Trust of notices or other documents required or authorised to be served on it.
- 1.3 The base currency of the Trust is pounds sterling. Investors should note that if the United Kingdom participates in the third stage of European Monetary Union and sterling ceases to exist, the Manager may convert the base currency of the Trust from sterling to Euros. The Manager in consultation with the Trustee shall determine the best means to effect this conversion.
- 1.4 Unitholders of the Trust are not liable for the debts of the Trust.
- 1.5 The Trust is authorised as a “UCITS scheme” for the purposes of the FSA Regulations and an “Umbrella Scheme”. Different Sub-funds may be formed by the Manager, subject to approval from the FSA. On the establishment of a new Sub-fund or Unit Class, an updated prospectus will be prepared setting out the relevant information concerning the new Sub-fund. Each Sub-fund will itself be a “UCITS scheme” for the purposes of Chapter 5 of the FSA Regulations as if it were a unit trust in respect of which an authorisation order made by the FSA were in force. The Trust qualifies as an “Undertaking for Collective Investment in Transferable Securities” (“UCITS”) within the meaning of an EEC Directive on that subject of 1985 (85/611/EEC) as subsequently amended.

## 2 **Trust Structure**

- 2.1 As explained above the Trust is a UCITS scheme for the purposes of the FSA Regulations and an “Umbrella Scheme”. The assets of each Sub-fund are treated as separate from those of every other Sub-fund and will be invested in accordance with that Sub-fund’s own investment objective and policy. It is not intended that the Trust will have an interest in any immovable or tangible movable property.
- 2.2 Details of the Sub-funds, including their investment objectives and policies are set out in Appendix 1.
- 2.3 Each Sub-fund is a “UCITS scheme” for the purposes of the FSA Regulations.
- 2.4 Each Sub-fund comprises a specific portfolio of assets and investments, and its own liabilities, and investors should view each Sub-fund as a separate investment entity.

- 2.5 Investors should be aware that the Trust's creditors may however look to all the Trust's assets for payment regardless of the Sub-fund in respect of which the debt has arisen. Assets may be re-allocated to and from other Sub-funds if it is necessary to do so to satisfy any creditor proceeding against the Trust. In the event that any assets are so re-allocated, the Manager will advise unitholders in the next report to unitholders.
- 2.6 Each Sub-fund will be charged with the liabilities, expenses, costs and charges of the Trust attributable to that Sub-fund.
- 2.7 Any assets, liabilities, expenses, costs or charges not attributable to a particular Sub-fund may be allocated by the Manager in a manner which is fair to unitholders as a whole but they will normally be allocated to all Sub-funds pro rata to the value of the net assets of the relevant Sub-funds.

### 3 **Units**

- 3.1.1 The Unit Classes presently available for each Sub-fund are set out in the details of each Sub-fund in Appendix 1.
- 3.1.2 The minimum initial investment for each Unit Class is set out in Appendix 1. These limits may be waived at the discretion of the Manager.
- 3.1.3 All units issued by the Trust will be Income Units. Income Units are entitled to receive distributions of income periodically. Such distributions will be paid by BACS transfer to the unitholder's nominated bank account unless the Manager and the unitholder agree otherwise.
- 3.1.4 When available, unitholders are entitled (subject to certain restrictions) to switch all or part of their units in one Sub-fund for units in a different Sub-fund. Details of this switching facility and the restrictions are set out in Sections 12 and 13.3.
- 3.1.5 The nature of the right represented by units is that of a beneficial interest under a trust.

## 4 **Management and Administration**

### 4.1 **Manager**

- 4.1.1 The Manager of the Trust is Epworth Investment Management Limited which is a private company limited by shares incorporated in England and Wales under the Companies Act 1985. The Manager was incorporated on 3 May 1995 (Registered Trust No 03052894). The Manager is authorised and regulated by the FSA.

- 4.1.2 Registered Office and Head Office:

9 Bonhill Street  
London  
EC2A 4PE

Share Capital: Issued and paid up shares capital of £100,000 comprising 25,000 ordinary shares and 75,000 preference shares of £1 each.

- 4.1.3 The Manager is responsible for managing and administering the Trust's affairs in compliance with the FSA Regulations.
- 4.1.4 The Directors of Epworth Investment Management Limited are:
- Roger Smith (Chairman)  
Michael Willett (Vice Chairman)  
William Seddon (Chief executive)  
Peter Forward  
Sir Michael Partridge  
Richard Reeves
- 4.1.5 The significant business activities of the Directors not connected with the business of the Manager are that William Seddon and Peter Forward are full time paid employees of the CFB (William Seddon is the CFB Investment Manager and Peter Forward is the CFB Secretary). Roger Smith, Sir Michael Partridge and Richard Reeves are all members of the CFB Council (an unpaid non executive body set up under the Methodist Church Funds Act 1960 which monitors the activities of the CFB Executive team, and acts in a similar manner to a Trustee).
- 4.1.6 The Manager acts as manager of the Affirmative Equity Fund for Charities, the Affirmative Fixed Interest Fund for Charities and the Affirmative Corporate Bond Fund for Charities, which are common investment funds established by a Scheme of the Charity Commissioners for England and Wales, made pursuant to the powers given to them by the Charities Act 1993, Section 24, and also a Charity Commission common deposit fund, the Affirmative Deposit Fund for Charities.
- 4.1.7 The fees to which the Manager is entitled are set out in Sections 25 and 26.
- 4.1.8 The CFB will be an investor in the Trust. The CFB holds 25% of the voting share capital of the Manager. The CFB and the Manager operate using the same management team, staff, premises and systems. A cost sharing agreement exists whereby the CFB has agreed to make available to the Manager such staff, time and facilities as are required by the Manager to properly undertake its fund management responsibilities to the Trust.

## 5 **The Trustee**

HSBC Bank plc is the Trustee of the Trust. The Trustee is a public limited company incorporated in England and Wales. Subject to the FSA Regulations, the Trustee is responsible for the safekeeping of the property of the Trust entrusted to it and has a duty to take reasonable care to ensure that the Trust is managed in accordance with the provisions of the FSA Regulations relating to the pricing of, and dealing in, units of the Trust and the income of the Trust. The appointment of the Trustee has been made under the trust deed dated 28 February 2007 between the Manager and the Trustee.

### 5.1.1 **Head Office**

8 Canada Square, London E14 5HQ

5.1.2 **Registered Office**

As above

5.1.3 **Principal Place of Business**

As above

5.2 **Principal Business Activity**

The principal business of the Trustee is banking business.

5.3 **Terms of Appointment**

5.3.1 Subject to the FSA Regulations, the Trustee has full power to delegate (and authorise its delegate to sub-delegate) all or any part of its duties as trustee. The Trustee has appointed the Manager to act as administrator and registrar.

5.3.2 To the extent allowed by the FSA Regulations, the Trustee is entitled to be indemnified (other than in certain circumstances) by the Trustee against all losses incurred by it in the proper performance of its duties.

5.3.3 The fees to which the Trustee is entitled are set out in Section 27.

6 **The Auditor**

The Auditors of the Trust are Mazars, whose address is Tower Bridge House, St Katharine's Way, London E1W 1DD.

7 **Register of Unitholders**

The Register of Unitholders is maintained by the Manager at its office at 9 Bonhill Street, London EC2A 4PE and may be inspected at that address during normal business hours by any unitholder or any unitholder's duly authorised agent.

8 **Conflicts of Interest**

The Manager and the Trustee are or may be involved in other financial, investment and professional activities which may, on occasion, cause conflicts of interest with the management of the Trust or the Sub-funds. In addition, the Trust may enter into transactions at arm's length with companies in the same group as the Manager.

The Trustee may, from time to time, act as trustee of other companies or funds.

Each of the parties will, to the extent of their ability and in compliance with the FSA Regulations, ensure that the performance of their respective duties will not be impaired by any such involvement.

## 9 **Buying, Selling and Switching Units**

The dealing office of the Manager is open from 9.00 am until 5.00 pm on the business day prior to each Dealing Day - or during business hours as agreed from time to time with the Trustee - to receive requests for the issue, redemption and switching of units, which will be effected at prices determined at the next valuation point following receipt of such request.

## 10 **Buying Units**

### 10.1 **Procedure**

10.1.1 Units can be bought by sending a completed application form to the Manager. Applications forms are available from the Manager. Applications must be accompanied with the appropriate funds in the form of a cheque or bank transfer.

10.1.2 The Manager has the right to reject, on reasonable grounds relating to the circumstances of the applicant, any application for units in whole or part, and in this event the Manager will return any money sent, or the balance of such monies, at the risk of the applicant. In addition the Manager may reject any application previously accepted in circumstances where the applicant has paid by cheque and that cheque subsequently fails to be cleared.

10.1.3 Any subscription monies remaining after a whole number of units has been issued will not be returned to the applicant. Instead, smaller denomination units will be issued in such circumstances.

### 10.2 **Documentation**

10.2.1 A contract note giving details of the units purchased and the price used will be issued by the end of the business day following the valuation point by reference to which the purchase price is determined, together with, where appropriate, a notice of the applicant's right to cancel.

10.2.2 Unit certificates will not be issued in respect of units. Ownership of units will be evidenced by an entry on the Trust's Register of Unitholders. Statements in respect of periodic distributions of income in each Sub-fund will show the number of units held by the recipient in the Sub-fund in respect of which the distribution is made. Individual statements of a unitholder's (or, when units are jointly held, the first named holder's) units will also be issued at any time on request by the registered holder.

### 10.3 **Minimum subscriptions and holdings**

10.3.1 The minimum initial and subsequent subscription levels, and minimum holdings, for each Sub-fund are set out in Appendix 1. The Manager may at its discretion accept subscriptions lower than the minimum amount.

10.3.2 If a holding is below the minimum holding the Manager has a discretion to require redemption of the entire holding.

### 10.4 **CFB Units**

10.4.1 These may only be issued to or held by the CFB.

## 11 **Selling Units**

### 11.1 **Procedure**

11.1.1 Every unitholder has the right to require that the Trust redeem his units on any Dealing Day unless the value of units which a unitholder wishes to redeem will mean that the unitholder will hold units with a value less than the required minimum holding for the Sub-fund concerned, in which case the unitholder may be required to redeem his entire holding.

11.1.2 Requests to redeem units must be made in writing to the Manager at the address set out at the end of this Prospectus, unless otherwise agreed with the Manager.

### 11.2 **Documents the Seller will receive:**

11.2.1 A contract note giving details of the number and price of units sold will be sent to the selling unitholder (the first named, in the case of joint unitholders) or their duly authorised agents together (if sufficient written instructions have not already been given) with a form of renunciation for completion and execution by the unitholder (and, in the case of a joint holding, by all the joint holders) not later than the end of two business days following the valuation point by reference to which the redemption price is determined. Cheques in satisfaction of the redemption monies will be issued within four business days of the later of:

11.2.2 receipt by the Manager of the form of renunciation (or other sufficient written instructions) duly signed by all the relevant unitholders and completed as to the appropriate number of units, together with any other appropriate evidence of title; and

11.2.3 the valuation point following receipt by the Manager of the request to redeem.

### 11.3 **Minimum redemption**

Part of a unitholder's holding may be sold but the Manager reserves the right to refuse a redemption request if the value of the units of any Sub-fund to be redeemed is less than any minimum redemption amount set out in Appendix 1 or would result in a unitholder holding less than the minimum holding for a Sub-fund, as detailed in Appendix 1.

### 11.4 **In Specie Redemption**

If a unitholder requests the redemption or cancellation of units, the Manager may, if it considers the deal substantial in relation to the total size of the Sub-fund concerned, arrange for the Trust to cancel the units and transfer Scheme Property to the unitholder instead of paying the price of the units in cash, or, if required by the unitholder, pay the net proceeds of sale of the relevant Scheme Property to the unitholder. A deal involving units representing 5% or more in value of a Sub-fund will normally be considered substantial, although the Manager may in its discretion

agree an in specie redemption with a unitholder whose units represent less than 5% in value of the Sub-fund concerned.

Before the proceeds of cancellation of the units become payable, the Manager will give written notice to the Unitholder that Scheme Property (or the proceeds of sale of that Scheme Property) will be transferred to that Unitholder.

The Manager will select the property to be transferred (or sold) in consultation with the Trustee. They must ensure that the selection is made with a view to achieving no greater advantage or disadvantage to the redeeming Unitholder than to continuing Unitholders, and any such redemption as set out above, shall be subject to a retention by the Trust from that property (or proceeds) the value (or amount) of any stamp duty reserve tax to be paid on the cancellation of Units.

#### 11.5 **Direct Issue or Cancellation of units by the Trustee of the Trust**

Units are issued or cancelled by the Manager making a record of the issue or cancellation and of the number of units of each class concerned.

#### 11.6 **Initial Offer**

Units were first offered at £1 on 15 May 2007

### 12 **Switching**

12.1 If applicable, a holder of units in a fund may at any time switch all or some of his units (“Old Units”) for units of another Sub-fund (“New Units”). The number of New Units issued will be determined by reference to the respective prices of New Units and Old Units at the valuation point applicable at the time the Old Units are repurchased and the New Units are issued.

12.2 Switching may be effected in writing to the Manager and the unitholder may be required to complete a switching form (which, in the case of joint unitholders must be signed by all the joint holders). A switching unitholder must be eligible to hold the units into which the switch is to be made.

12.3 The Manager may at its discretion charge a fee on the switching of units between Sub-funds. These fees are set out in Section 13.3.

12.4 If the switch would result in the unitholder holding a number of Old Units or New Units of a value which is less than the minimum holding in the Sub-fund concerned, the Manager may, if it thinks fit, convert the whole of the applicant’s holding of Old Units to New Units or refuse to effect any switch of the Old Units. No switch will be made during any period when the right of unitholders to require the redemption of their units is suspended. The general provisions on selling units shall apply equally to a switch.

12.5 The Manager may adjust the number of New Units to be issued to reflect the imposition of any switching fee together with any other charges or levies in respect of the issue or sale of the New Units or repurchase or cancellation of the Old Units as may be permitted pursuant to the FSA Regulations.

12.6 Please note that, under current tax law, a switch of units in one Sub-fund for units in any other Sub-fund is treated as a redemption and sale and will, for persons subject to United Kingdom taxation, be a realisation for the purposes of capital gains taxation.

12.7 A unitholder who switches units in one Sub-fund for units in any other Sub-fund will not be given a right by law to withdraw from or cancel the transaction.

## 13 **Dealing Charges**

### 13.1 **Initial Charge**

The Manager may impose a charge on the sale of units to investors. The initial charge is payable to the Manager. Full details of the current initial charge for units in each Sub-fund are set out in Appendix 1.

### 13.2 **Redemption Charge**

13.2.1 The Manager may make a charge on the redemption of units. At present no redemption charge is levied.

13.2.2 The Manager may not introduce a redemption charge on units unless, not less than 60 days before the introduction, it has given notice in writing to the then current unitholders of that introduction and has revised and made available the Prospectus to reflect the introduction and the date of its commencement. If charged, the redemption charge will be deducted from the price of the units being redeemed and will be paid by the Trust to the Manager.

13.2.3 In the event of a change to the rate or method of calculation of a redemption charge, details of the previous rate or method of calculation will be available from the Manager.

### 13.3 **Switching Fee**

On the switching of units of a Sub-fund for units of another Sub-fund the Trust Deed authorises the Trust to impose a switching fee. The fee will not exceed an amount equal to the then prevailing initial charge for the sub-fund into which units are being switched. The switching fee is payable to the Manager. Currently no switching charge will be levied.

## 14 **Other Dealing Information**

### 14.1 **Dilution Levy**

14.1.1 The basis on which the Trust's investments are valued for the purpose of calculating the issue and redemption price of units as stipulated in the FSA Regulations and the Trust Deed is summarised in Section 19. The actual cost of purchasing or selling a Sub-fund's investments may be higher or lower than the mid market value used in calculating the unit price - for example, due to dealing charges, or through dealing at prices other than the mid-market price. Under certain circumstances this may have an adverse effect on the unitholders' interest in a Sub-fund. In order to prevent this effect, called "dilution", the Manager has

the power to charge a “dilution levy” on the sale and/or redemption of units. When charged, the dilution levy will be paid into the relevant Sub-fund and will become part of the property of the relevant Sub-fund.

- 14.1.2 The dilution levy for each Sub-fund will be calculated by reference to the estimated costs of dealing in the underlying investments of that Sub-fund, including any dealing spreads, commission and transfer taxes.
- 14.1.3 The Manager will charge a dilution levy on the sale and redemption of units if, in its opinion, the existing unitholders (for sales) or remaining unitholders (for redemptions) might otherwise be adversely affected, and if charging a dilution levy is, so far as practicable, fair to all unitholders and potential unitholders.
- 14.1.4 The Manager intends to charge a dilution levy on all sales and redemptions of units. Based on future projections the estimated rates or amounts of such levy that will apply to particular Sub-funds are set out in Appendix 1. If a dilution levy were not charged then could restrict the future growth of the Trust.

## 15 **Money Laundering**

As a result of legislation in force in the United Kingdom to prevent money laundering, persons conducting investment business are responsible for compliance with money laundering regulations. In order to implement these procedures, in certain circumstances investors may be asked to provide proof of identity when buying units. The Manager reserves the right to reverse the transaction or to refuse to sell units if it is not satisfied as to the identity of the applicant.

## 16 **Restrictions and Compulsory Transfer and Redemption**

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

## 17 **Suspension of Dealings in the Trust**

- 17.1 The Manager may, with the agreement of the Trustee, or must if the Trustee so requires, for a period of up to 28 days suspend the issue, cancellation, sale and redemption of units in any or all of the Sub-funds, if the Manager or the Trustee is of the opinion that due to exceptional circumstances there is good and sufficient reason to do so having regard to the interests of unitholders or potential unitholders.
- 17.2 Re-calculation of the unit price for the purpose of sales and purchases will commence on the next relevant valuation point following the ending of the suspension.

## 18 **Governing Law**

All deals in units are governed by English law.

19                    **Valuation of the Trust**

19.1                  The price of a unit in each Unit Class of the Trust is calculated by reference to the Net Asset Value of the unit of the Unit Class of the Sub-fund to which it relates. There is only a single price per unit in each Unit Class of each Sub-fund as determined from time to time by reference to a particular valuation point. The Net Asset Value per unit of each Unit Class of a Sub-fund is currently calculated at 5pm on the business day prior to the Dealing Day.

19.2                  The Manager may at any time during a business day carry out an additional valuation if the Manager considers it desirable to do so.

20                    **Calculation of the Net Asset Value**

20.1                  The value of the Scheme Property of the Trust or of a Sub-fund (as the case may be) shall be the value of its assets less the value of its liabilities determined in accordance with the following provisions.

20.2                  All the Scheme Property (including receivables) of the Trust (or the Sub-fund) is to be included, subject to the following provisions.

20.3                  Scheme Property which is not cash (or other assets dealt with in Section 20.4) or a contingent liability transaction shall be valued as follows:

20.3.1                units or units in a collective investment scheme:

20.3.1.1             if a single price for buying and selling units is quoted, at the most recent such price; or

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

20.3.1.3             if no price or no recent price exists, at a price which in the opinion of the Manager is fair and reasonable;

20.3.2                any other transferable security:

20.3.2.1             if a single price for buying and selling the security is quoted, at that price; or

20.3.2.2             if separate buying and selling prices are quoted, the average of those two prices; or

20.3.2.3             if, in the opinion of the Manager, the price obtained is unreliable or no recent traded price is available or if no price exists, at a value which in the opinion of the Manager reflects a fair and reasonable price for that investment;

20.3.3                property other than that described in 20.3.1 and 20.3.2 above:

- 20.3.3.1 at a value which, in the opinion of the Manager, represents a fair and reasonable mid-market price.
- 20.4 Cash and amounts held in current and deposit accounts and in other time-related deposits shall be valued at their nominal values.
- 20.5 Property which is a contingent liability transaction shall be treated as follows:
- 20.5.1 if it is a written option (and the premium for writing the option has become part of the Scheme Property), the amount of the net valuation of premium receivable shall be deducted.
- 20.5.2 if it is an off-exchange future, it will be included at the net value of closing out in accordance with a valuation method agreed between the Manager and the Trustee;
- 20.5.3 if the property is an off-exchange derivative, it will be included at a valuation method agreed between the Manager and Trustee;
- 20.5.4 if it is any other form of contingent liability transaction, it will be included at the net value of margin on closing out (whether as a positive or negative value).
- 20.6 In determining the value of the Scheme Property, all instructions given to issue or cancel units shall be assumed to have been carried out (and any cash paid or received) whether or not this is the case.
- 20.7 Subject to paragraphs 20.8 and 20.9 below, agreements for the unconditional sale or purchase of property which are in existence but uncompleted shall be assumed to have been completed and all consequential action required to have been taken. Such unconditional agreements need not be taken into account if made shortly before the valuation takes place and, in the opinion of the Manager, their omission will not materially affect the final net asset amount.
- 20.8 Futures or contracts for differences which are not yet due to be performed and unexpired and unexercised written or purchased options shall not be included under paragraph 20.7.
- 20.9 All agreements are to be included under paragraph 20.7 which are, or ought reasonably to have been, known to the person valuing the property.
- 20.10 An estimated amount for anticipated tax liabilities at that point in time including (as applicable and without limitation) capital gains tax, income tax, corporation tax and advance corporation tax and value added tax will be deducted.
- 20.11 An estimated amount for any liabilities payable out of the Scheme Property and any tax thereon treating periodic items as accruing from day to day will be deducted.
- 20.12 The principal amount of any outstanding borrowings whenever repayable and any accrued but unpaid interest on borrowings will be deducted.

- 20.13 An estimated amount for accrued claims for tax of whatever nature which may be recoverable will be added.
- 20.14 Any other credits or amounts due to be paid into the Scheme Property will be added.
- 20.15 A sum representing any interest or any income accrued due or deemed to have accrued but not received will be added.
- 20.16 Currency or values in currencies other than the base currency shall be converted at a rate of exchange that is not likely to result in any material prejudice to the interests of unitholder or potential unitholders.

## 21 **Price per Unit in each Sub-fund and each Class**

The price per unit at which units of each Unit Class are sold is the sum of the Net Asset Value of a unit in that Unit Class and any initial charge. The price per unit at which units of a Unit Class are redeemed is the Net Asset Value per unit less any applicable redemption charge. In addition, there may, for both purchases and sales, be a dilution levy, as described in Section 14 above.

## 22 **Pricing basis**

The Trust deals on an historic pricing basis. An historic price is the price calculated at the valuation point immediately prior to the sale or redemption.

## 23 **Publication of Prices**

The most recent price of units will appear on the Manager's website at [www.epworthinvestment.co.uk](http://www.epworthinvestment.co.uk) and are also available by calling the Manager on 020 7496 3636.

## 24 **Risk factors**

- 24.1 Potential investors should consider the following risk factors before investing in the Trust.

### **General**

- 24.1.1 An investment in one or more of the Sub-funds will involve exposure to those risks normally associated with investment in units, money market instruments, deposits, warrants, collective investment schemes and derivative and forward transactions. As such, the price of units and the income from them can go down as well as up and an investor may not get back the amount he has invested. There is no assurance that investment objectives of any Sub-fund will actually be achieved.
- 24.1.2 The values, in pounds sterling terms, of investments that are not denominated in pounds sterling may rise and fall purely on account of exchange rate fluctuations, which will have a related effect on the price of units.
- 24.2 The Sub-funds may have significant Investments in smaller companies, in which there may be no established market for the units, or the market may be highly

illiquid. Because of this potential illiquidity in the investments of certain Sub-funds, such Sub-funds may not be appropriate for all investors, including those who are not in a position to take a long-term view of their investment.

24.2.1 Units in all the Sub-funds should generally be regarded as long-term investments. Details of specific risks that apply to particular Sub-funds are set out in Appendix 1.

### 24.3 **Emerging Markets**

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

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

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

24.3.4 Companies in emerging markets may not be subject:

24.3.4.1 to accounting, auditing and financial reporting standards, practices and disclosure requirements comparable to those applicable to companies in major markets;

24.3.4.2 to the same level of government supervision and regulation of stock exchanges as countries with more advanced securities markets.

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

24.3.5.1 Restrictions on foreign investment in certain securities may be imposed on certain Sub-funds and, as a result, may limit investment opportunities for the Sub-funds. Substantial government involvement in, and influence on, the economy may affect the value of securities in certain emerging markets.

24.3.5.2 The reliability of trading and settlement systems in some emerging markets may not be equal to that available in more developed markets, which may result in delays in realising investments.

Lack of liquidity and efficiency in certain of the stock markets or foreign exchange markets in certain emerging markets may mean that from time to time the Manager may experience more difficulty in purchasing or selling holdings of securities than it would in a more developed market.

### 24.4 **Historical Performance Data**

Historical performance data for the Trust is set out in Appendix 4.

## 24.5 **Liabilities of the Trust**

24.5.1 Although each Sub-fund so far as possible will be treated as bearing the liabilities, expenses, costs and charges attributable to it, if its assets are not sufficient the Manager may re-allocate assets, liabilities, expenses, costs and charges between the Sub-funds in a manner which is fair to the unitholders of the Trust generally. The Manager would normally expect any such re-allocation to be effected on a pro rata basis having regard to the Net Asset Values of the relevant Sub-funds. If there is any such re-allocation the Manager will advise unitholders of it in the next succeeding annual or half-yearly report to unitholders.

24.5.2 Unitholders are not, however, liable for the debts of the Trust. A unitholder is not liable to make any further payment to the Trust after paying the purchase price of units.

## 24.6 **Risk Management**

24.6.1 Upon request to the Manager a unitholder can receive information relating to:

24.6.1.1 the quantitative limits applying in the risk management of the Trust;

24.6.1.2 the methods used in relation to Section 24; and

any recent developments of the risk and yields of the main categories of investment in the Trust.

## 24.7 **Charges to Capital**

All or part of the Manager's annual management charge and any other charges or expenses allocated to a particular Unit Class may be charged against capital instead of against income. This may constrain capital growth.

## 25 **Fees and Expenses**

### 25.1 **General**

25.1.1 The Trust may pay out of the property of the Trust charges and expenses incurred by the Trust, which will include the following expenses:

25.1.1.1 the fees and expenses payable to the Manager and to the Trustee;

25.1.1.2 broker's commission, fiscal charges (including stamp duty and/or stamp duty reserve tax) and other disbursements which are necessarily incurred in effecting transactions for the Sub-funds and normally shown in contract notes, confirmation notes and difference accounts as appropriate;

25.1.1.3 fees and expenses in respect of establishing and maintaining the register of unitholders and any sub-register of unitholders;

- 25.1.1.4 any costs incurred in or about the listing of units in the Trust on any Stock Exchange, and the creation, conversion and cancellation of units;
- 25.1.1.5 any costs incurred by the Trust in publishing the price of the units in a national or other newspaper;
- 25.1.1.6 any costs incurred in producing and dispatching any payments made by the Trust, or the yearly and half-yearly reports of the Trust;
- 25.1.1.7 any fees, expenses or disbursements of any legal or other professional adviser of the Trust;
- 25.1.1.8 any costs incurred in taking out and maintaining any insurance policy in relation to the Trust;
- 25.1.1.9 any costs incurred in respect of meetings of unitholders convened for any purpose including those convened on a requisition by unitholders not including the Manager or an associate of the Manager;
- 25.1.1.10 liabilities on unitisation, amalgamation or reconstruction including certain liabilities arising after transfer of property to the Sub-funds in consideration for the issue of units as more fully detailed in the FSA Regulations;
- 25.1.1.11 interest on borrowings and charges incurred in effecting or terminating such borrowings or in negotiating or varying the terms of such borrowings;
- 25.1.1.12 taxation and duties payable in respect of the property of the Sub-funds or the issue or redemption of units;
- 25.1.1.13 the audit fees of the Auditors (including VAT) and any expenses of the Auditors;
- 25.1.1.14 the fees of the FSA under the FEES Manual of the FSA Rules, together with any corresponding periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which units in the Trust are or may be marketed;
- 25.1.1.15 the Trustee's expenses, as detailed in Section 27 below;
- 25.1.1.16 any expense incurred in relation to company secretarial duties including the cost of maintenance of minute books and other documentation required to be maintained by the Trust;
- 25.1.1.17 any payments otherwise due by virtue of the FSA Regulations; and

25.1.1.18 any value added or similar tax relating to any charge or expense set out herein.

25.1.2 Value Added Tax is payable on these charges where appropriate.

25.1.3 Expenses are allocated equally between capital and income in accordance with the FSA Regulations.

## 26 **Charges payable to the Manager**

26.1 In payment for carrying out its duties and responsibilities the Manager is entitled to charge a management fee in respect of each Sub-fund calculated by reference to an annual percentage rate based on the Net Asset Value of each Sub-fund.

26.2 The annual management charge accrues monthly and is payable monthly in arrears on the last business day of each month. The current management charges are set out in Appendix 1.

26.3 The Manager is also entitled to reimbursement of all reasonable, properly vouched, out of pocket expenses incurred in the performance of its duties, including stamp duty and stamp duty reserve tax on transactions in units.

26.4 At present the Manager's annual management charge is taken from income. However, where the amount of income received by a Sub-fund is insufficient to meet the annual management charge plus all other expenses attributable or apportioned to the Sub-fund, then up to 50% of such charge and expenses may be charged against the capital of the relevant Sub-fund. This will only be done with the approval of the Trustee and may constrain capital growth.

26.5 The procedure for the Manager to introduce a new category of remuneration for its services, increase the current rate or amount of its remuneration payable out of the Scheme Property of the Trust, increase the preliminary charge, or annual management charge will depend on the classification of the change by the Manager in accordance with the FSA Regulations. If the change is classified as "fundamental" the Manager must obtain the prior approval of the unitholders by way of an extraordinary resolution to implement the change. If it is deemed "significant", unitholders must be notified in writing on at least 60 days' notice of the change. If it is classified as "notifiable", unitholders must be informed of the change in an appropriate manner.

## 27 **Trustee's Fee**

The Trustee receives for its own account a periodic fee which will accrue due monthly on the last business day in each calendar month in respect of that day and the period since the last business day in the preceding month and is payable within seven days after the last business day in each month. The fee is calculated by reference to the value of each Sub-fund on the last business day of the preceding month except for the first accrual which is calculated by reference to the first valuation point of each Sub-fund. The fee is payable out of the property attributable to each Sub-fund. The rate of the periodic fee is, subject to the Regulations, agreed between the Manager and the Trustee from time to time. The current fee is 0.04 per cent of the value of the relevant Sub-fund per annum which

may be varied from time to time with the agreement of the Manager and the Trustee. The first accrual in relation to any Sub-fund will take place in respect of the period beginning on the day on which the first valuation of that Sub-fund is made and ending on the last business day of the month in which that day falls.

The remuneration payable to the Trustee out of the property attributable to each Sub-fund for its services also includes transaction charges and custody charges. Transaction charges vary from country to country, dependent on the markets and the value of the stock involved. The current minimum and maximum per transaction are as set out in Appendix 1. Transaction charges accrue at the time the transactions are effected and are payable as soon as is reasonably practicable, and in any event not later than the last business day of the month when such charges arose or as otherwise agreed between the Trustee and the Manager. Custody charges again vary from country to country depending on the markets and the value of the stock involved. The current minimum and maximum are as set out in Appendix 1. Custody charges accrue and are payable as agreed from time to time by the Manager and the Trustee.

The Trustee will also be paid out of the property attributable to each Sub-fund, expenses properly incurred in the performance of, or arranging the performance of, functions conferred on it by the Trust Deed, the FSA Regulations or by the general law including (but not limited to): (i) the acquisition holding and disposal of property; (ii) the collection and distribution to unitholders of dividends, interest and any other income; (iii) the maintenance of distribution accounts; (iv) the conversion of foreign currency; (v) registration of assets in the name of the Trustee or its nominee or agents; (vi) borrowings, stocklending or other permitted transactions; (vii) communications with any parties (including telex, facsimile, SWIFT and electronic mail); (viii) taxation matters; (ix) insurance matters; (x) costs and charges relating to banking and banking transactions; (xi) preparation of the Trustee's annual report; (xii) taking professional advice; (xiii) conducting legal proceedings; (xiv) the convening and/or attendance at meetings of unitholders; and (xv) modification of the Instrument of Incorporation, Prospectus, and negotiation and/or modification of the Trust Deed and any other agreement entered into between the Trustee and its delegates.

The Trustee shall be entitled to recover its fees, charges and expenses when the relevant transaction or other dealing is effected or relevant service is provided or as may otherwise be agreed between the Trustee and the Trust or the Manager.

On a winding up of the Trust, the termination of a Sub-fund or the redemption of a class of units, the Trustee will be entitled to its *pro rata* fees, charges and expenses to the date of winding up, the termination, or the redemption (as appropriate) and any additional expenses necessarily realised in settling or receiving any outstanding obligations. No compensation for loss of office is provided for in the agreement with the Trustee.

Any value added tax on any fees, charges or expenses payable to the Trustee will be added to such fees, charges or expenses.

Expenses not directly attributable to a particular Sub-fund will be allocated between Sub-funds. In each such case such expenses and disbursements will also be payable if incurred by any person (including the Manager or any associate or

nominee of the Trustee or of the Manager) who has had the relevant duty delegated to it pursuant to the FSA Regulations by the Trustee.

## 28 **Allocation of Fees and Expenses between Sub-funds**

All the above fees, duties and charges (other than those borne by the Manager) will be charged to the Sub-fund in respect of which they were incurred but where an expense is not considered to be attributable to any one Sub-fund, the expense will normally be allocated to all Sub-funds pro-rata to the value of the net assets of the Sub-funds, although the Manager has discretion to allocate these fees and expenses in a manner which it considers fair to unitholders generally.

## 29 **Unitholder Meetings and Voting Rights**

### 29.1 **Requisitions of Meetings**

29.1.1 The Manager may requisition a meeting at any time.

29.1.2 Unitholders may also requisition a meeting of the Trust. A requisition by unitholders must state the objects of the meeting, be dated, be signed by unitholders who, at the date of the requisition, are registered as holding not less than one-tenth in value of all units then in issue and the requisition must be deposited at the head office of the Trust. The Manager must convene a meeting no later than eight weeks after receipt of such requisition.

### 29.2 **Notice of Quorum**

Unitholders will receive at least 14 days' notice of a unitholders' meeting and are entitled to be counted in the quorum and vote at such meeting either in person or by proxy. The quorum for a meeting is two unitholders, present in person or by proxy. The quorum for an Adjourned Meeting is one unitholder present in person or by proxy. Notices of Meetings and Adjourned Meetings will be sent to unitholders at their registered addresses.

### 29.3 **Voting Rights**

29.3.1 At a meeting of unitholders, on a show of hands every unitholder who (being an individual) is present in person or (being a corporation) is present by its representative properly authorised in that regard, has one vote.

29.3.2 On a poll vote, a unitholder may vote either in person or by proxy. The voting rights attaching to each unit are such proportion of the voting rights attached to all the units in issue that the price of the unit bears to the aggregate price(s) of all the units in issue at the date seven days before the notice of meeting is deemed to have been served.

29.3.3 A unitholder entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.

29.3.4 Except where the FSA Regulations or the Trust Deed require an extraordinary resolution (which needs 75% of the votes cast at the meeting to be in favour if the

resolution is to be passed) any resolution will be passed by a simple majority of the votes validly cast for and against the resolution.

29.3.5 The Manager may not be counted in the quorum for a meeting and neither the Manager nor any associate (as defined in the FSA Rules) of the Manager is entitled to vote at any meeting of the Trust except in respect of units which the Manager or associate holds on behalf of or jointly with a person who, if the registered unitholder, would be entitled to vote and from whom the Manager or associate has received voting instructions.

29.3.6 “Unitholders” in this context means unitholders on the date seven days before the notice of the relevant meeting was deemed to have been served but excludes holders who are known to the Manager not to be unitholders at the time of the meeting.

## 30 **Class and Sub-fund Meetings**

The above provisions, unless the context otherwise requires, apply to Unit Class meetings Sub-funds as they apply to general meetings of unitholders.

### 30.1 **Variation of Class Rights**

The rights attached to a class or Sub-fund may be varied in accordance with the provisions of Section 34.8.

## 31 **Taxation**

31.1 **The following summary is based on current United Kingdom (“UK”) law and HM Revenue & Customs practice. It is intended to offer guidance to persons (other than dealers in securities) on the UK taxation of unitholders. However, it should not be regarded as definitive nor as removing the desirability of taking separate professional advice. If investors are in any doubt as to their taxation position they should consult their professional adviser. Levels and bases of, and reliefs from, taxation are subject to change in the future.**

### 31.2 Tax on Distributions

Each Sub-fund may pay a dividend distribution reflecting any income arising from its property. Dividend distributions are paid with a 10% tax credit. Individual investors liable to income tax at the basic rate will have no further liability to tax. Dividends are added to an individual’s income and taxed at income tax rates. Higher-rate taxpayers will have an additional liability to income tax of 25% of the net dividend. Non-taxpayers cannot reclaim the tax credit.

### 31.3 Non-Residents

Unitholders who are non-UK resident will generally not be able to reclaim the tax credit attributed to the distribution even if a double taxation agreement exists between the UK and their country of residence.

### 31.4 Corporate Unitholders

Dividend distributions will be streamed into franked and unfranked income for unitholders chargeable to UK corporation tax, according to the underlying gross income of the fund. The unfranked element will be treated as an annual payment, which has been subject to income tax at a rate of 20%, and the unitholder may therefore be liable to further tax.

### 31.5 Capital Gains Tax

Capital gains made by individual unitholders on disposals or as a result of a chargeable event (which may include switches between funds) will be tax-free if they fall within an individual's annual capital gains exemption. For the tax year 2010/2011, the first £10,100 of an individual's chargeable gains (that is after deduction of allowable losses and taper relief) are exempt from capital gains tax; gains in excess of this amount are added to an individual's income and taxed at income tax rates.

Capital gains made by unitholders liable to UK corporation tax will be taxable at corporation tax rates.

### 31.6 Stamp Duty and Stamp Duty Reserve Tax

With effect from 6 February 2000 Stamp Duty Reserve Tax ("SDRT") was introduced, as provided for within the Finance Act 1999. SDRT is only applicable to funds which invest wholly or in part in UK Equities.

SDRT is charged at the rate of 0.5% of the value of the units surrendered in a weekly charging period. The amount of this charge is then reduced by the proportion by which sales of units are less than surrenders, by number, in that week and the following week. This charge is also reduced by the proportion of the fund which is invested in exempt assets – that is those other than UK equities.

In simple terms, this has the effect of charging a 0.5% tax on the value of each surrender of units, where those units are subsequently sold to another investor, and in proportion to how much of that fund invests in UK equities.

The Manager settles this liability from the assets of the Trust itself. This will obviously reduce the assets of the Trust. It is the Manager's estimate that the effect of this will be immaterial compared to the total assets of the Trust.

In order to compensate the Trust for this liability, the Manager is entitled to charge a "Provision" against SDRT to both buyers and sellers of units. This provision would be added to the purchase price of units when they are bought, or deducted from the sales proceeds when sold. It would then be paid to the Trust. Obviously this would cause the purchase price to the investor to rise, or the sales proceeds to fall.

It is not the Manager's intention to charge a Provision against SDRT to buyers or sellers of units on normal transactions.

However, the Manager reserves the right to charge a SDRT Provision of up to 0.5% of its value, on a deal in any of the following circumstances:

- (a) A single deal which exceeds 5% of the value of a Sub-fund itself, and in the estimation of the ACD, is likely to cause a significantly abnormal liability to SDRT falling on the Sub-fund;
- (b) On a non pro-rata in specie redemption; and
- (c) On a third party transfer of units.

The Manager estimates it will impose an SDRT provision infrequently.

**The above statements are only intended as a general summary of UK tax law and practice as at the date of this Prospectus (which may change in the future) applicable to individual and corporate investors who are the absolute beneficial owners of a holding in the Trust and their applicability will depend upon the particular circumstances of each investor. In particular, the summary may not apply to certain classes of investors (such as dealers in securities). Any investor who is in any doubt as to his UK tax position in relation to the Trust should consult his UK professional adviser.**

## 32 **Income equalisation**

- 32.1 Income equalisation, as explained below, may apply in relation to certain Sub-funds in the Trust, as detailed in Appendix 1.
- 32.2 Part of the purchase price of a unit reflects the relevant unit of accrued income received or to be received by the Trust. This capital sum is returned to a unitholder with the first allocation of income in respect of a unit issued during an accounting period.
- 32.3 The amount of income equalisation is either the actual amount of income included in the issue price of that unit or is calculated by dividing the aggregate of the amounts of income included in the price of units issued or sold to unitholders in an annual or interim accounting period by the number of those units and applying the resultant average to each of the units in question.

## 33 **Termination of the Trust or a Sub-fund of the Trust**

- 33.1.1 The Trust shall not be terminated except or under the FSA Regulations. A Sub-fund may only be terminated under the FSA Regulations.
- 33.1.2 Where the Trust or a Sub-fund are to be terminated under the FSA Regulations, such termination may only be commenced following approval by the FSA. The FSA may only give such approval if the Manager provides a statement (following an investigation into the affairs of the Trust) either that the Trust will be able to meet its liabilities within 12 months of the date of the statement or that the Trust will be unable to do so. The Trust may not be terminated under the FSA Regulations if there is a vacancy in the position of Manager at the relevant time.
- 33.1.3 The Trust or a Sub-fund may be terminated under the FSA Regulations if:

- 33.1.3.1 an extraordinary resolution of the Trust or the Sub-fund (as appropriate) to that effect is passed by unitholders; or
  - 33.1.3.2 the period (if any) fixed for the duration of the Trust or a particular Sub-fund by the Trust Deed, or an event (if any) occurs on the occurrence of which the Trust Deed provides that the Trust or a particular Sub-fund is to be terminated (for example, if a change in the laws or regulations of any country means that, in the Manager's opinion, it is desirable to terminate the Trust or terminate the Sub-fund); or
  - 33.1.3.3 on the date of effect stated in any agreement by the FSA to a request by the Manager for the revocation of the authorisation order in respect of the Trust or the Sub-fund;
- 33.1.4 On the occurrence of any of the above:
- 33.1.4.1 Chapter 5 (Investment and Borrowing Powers), Chapter 6.2 (Dealing) and Chapter 6.3 (Valuation and Pricing) of the FSA Regulations relating to Pricing and Dealing and Investment and Borrowing will cease to apply to the Trust or the Sub-fund;
  - 33.1.4.2 The Trust will cease to issue and cancel units in the Trust or the Sub-fund and the Manager shall cease to sell or redeem units or arrange for the Trust to issue or cancel them for the Trust or the Sub-fund;
  - 33.1.4.3 No transfer of a unit shall be registered and no other change to the register shall be made without the sanction of the Manager;
  - 33.1.4.4 Where the Trust is being terminated, the Trust shall cease to carry on its business except in so far as it is beneficial for the termination of the Trust;
  - 33.1.4.5 The powers of the Trust and, subject to the provisions of paragraphs 36.1.4.1 and 36.1.4.4 above, the powers of the Manager shall remain until the Trust is terminated.
- 33.1.5 The Manager shall, as soon as practicable after the Trust or the Sub-fund falls to be terminated, realise the assets and meet the liabilities of the Trust or the Sub-fund and, after paying out or retaining adequate provision for all liabilities properly payable and retaining provision for the costs of winding up, arrange for the Trustee to make one or more interim distributions out of the proceeds remaining (if any) to unitholders proportionately to their rights to participate in the Scheme Property of the Trust or the Sub-fund. When the Manager has caused all of the Scheme Property to be realised and all of the liabilities of the Trust or the Sub-fund to be realised, the Manager shall arrange for the Trustee to also make a final distribution to unitholders (if any Scheme Property remains to be distributed) on or prior to the date on which the final account is sent to unitholders of any balance remaining in proportion to their holdings in the Trust or the Sub-fund.

- 33.1.6 As soon as reasonably practicable after completion of the winding up of the Trust or the Sub-fund, the Manager shall notify the FSA.
- 33.1.7 On termination any money (including unclaimed distributions) standing to the account of the Trust, will be paid into court within one month.
- 33.1.8 Following the termination of either the Trust or a Sub-fund, the Manager must prepare a final account showing how the winding up took place and how the Scheme Property was distributed. The auditors of the Trust shall make a report in respect of the final account stating their opinion as to whether the final account has been properly prepared. This final account and the auditors' report must be sent to the FSA and to each unitholder.
- 33.1.9 As the Trust is an umbrella scheme, any liabilities attributable or allocated to a Sub-fund under the FSA Regulations shall be met first out of the Scheme Property attributable or allocated to that Sub-fund.
- 33.1.10 If the liabilities of a Sub-fund are greater than the proceeds of the realisation of the Scheme Property attributable or allocated to the Sub-fund, the deficit shall be met out of the Scheme Property attributable or allocated to Sub-funds in respect of which the proceeds of realisation exceed liabilities and will be divided between the Sub-funds in a manner which is fair to unitholders in those Sub-funds.

## 34 **General Information**

### 34.1 **Accounting Periods**

- 34.1.1 The annual accounting period of the Trust ends each year on 31 October (the accounting reference date). The interim accounting periods of the Trust end on 31 January, 30 April and 31 July.

### 34.2 **Income Allocations**

- 34.2.1 Allocations of income are made in respect of the income available for allocation in each accounting period.
- 34.2.2 Distributions of income in respect of Income Units for each Sub-fund are paid on or before the annual income allocation date of 15 December and on or before the interim allocation dates of 15 March, 15 June and 15 September in each year.
- 34.2.3 If a distribution remains unclaimed for a period of six years after it has become due, it will be forfeited and will revert to the Trust.
- 34.2.4 The amount available for distribution in any accounting period is calculated by taking the aggregate of the income received or receivable for the account of the relevant Sub-fund in respect of that period, and deducting the charges and expenses of the relevant Sub-fund paid or payable out of income in respect of that accounting period. The Manager then makes such other adjustments as it considers appropriate (and after consulting the auditors as appropriate) in relation to taxation, income equalisation, income unlikely to be received within 12 months following the relevant income allocation date, income which should not be accounted for on an accrual basis because of lack of information as to how it

accrues, transfers between the income and capital account and any other adjustments which the Manager considers appropriate after consulting the auditors.

34.3 **Fewer than two Sub-funds**

If for a period of 24 consecutive months beginning at any time after the first issue of units in the Trust units in respect of fewer than two Sub-funds are in issue, the Directors must take such action as is necessary to change the category of the Trust or cause units in respect of more than one Sub-funds to be in issue. This does not apply if winding up of the Trust has begun on or before the expiry of the 24 month period.

34.4 **Annual Reports**

Annual reports of the Trust (both long and short) will be published within four months of each annual accounting period and half-yearly reports (both long and short) will be published within two months of each interim accounting period, however no interim report will be published in the Trust's first accounting period. Unitholders will be sent the short report for their Sub-fund although the long report will be available on request.

34.5 **Documents of the Trust**

34.5.1 The following documents may be inspected free of charge between 9.00 a.m. and 5.00 p.m. every business day at the offices of the Manager at 9 Bonhill Street, London EC2A 4PE

34.5.1.1 the most recent annual and half-yearly reports of the Trust; and

34.5.1.2 the Trust Deed (and any amending trust deed).

34.5.2 The Manager may make a charge at its discretion for copies of the Trust Deed.

34.6 **Complaints**

Complaints concerning the operation or marketing of the Trust should be referred to the compliance officer of the Manager at 9 Bonhill Street, London EC2A 4PE in the first instance. If the complaint is not dealt with satisfactorily then it can be made direct to The Financial Ombudsman Service at South Quay Plaza, 183 Marsh Wall, London E14 9SR.

34.7 **Notices**

Notices and Documents will be sent to the unitholders' registered address.

34.8 **Changes to the Operation of the Trust**

34.8.1 Changes to the Trust's operation would fall within one of the following three categories. The categories are:

- 34.8.1.1 Fundamental events which change the nature of the Trust or the basis on which the unitholder invested. For example changes to an investment objective, its risk profile, further changes to the investment and borrowing powers (i.e. use of derivatives for investment purposes) or something that would cause material prejudice to the unitholders would require investor approval.
- 34.8.1.2 Significant events which would materially affect a unitholder's investment, result in increased payments out of the Trust, or could reasonably be expected to cause unitholders to reconsider their participation in the Trust. Those should be notified pre-event to unitholders and in sufficient time to enable them to leave the fund, if they wish, before the change takes effect. 60 days minimum notice is required for these changes.
- 34.8.1.3 Notifiable events for which the Manager would decide when and how the unitholders should be notified, depending on the type of event. In these cases notification could be after the event.

## **APPENDIX 1**

### **Investment objectives, policies and other details of the Sub-funds**

Investment of the assets of each of the Sub-funds must comply with the FSA Regulations and its own investment objective and policy. Details of each Sub-fund's investment objective and policy are set out overleaf together with other information including available Unit Classes, charges, minimum investment levels and distribution dates. A detailed statement of the investment and borrowing restrictions applicable to the Trust is contained in Appendix 2. A list of the eligible securities markets on which the Sub-funds may invest is contained in Appendix 3.

## EUROPEAN FUND

### Investment Objective and Policy

The objective of the Fund is to achieve a long term total return (before expenses) equal to the European (excluding the UK) equity market as measured by an appropriate benchmark. At 14 January 2011 this will be the FTSEEurofirst 300 ex UK ex exclusions index. The Fund will achieve this mainly through a portfolio of European (excluding the UK) securities, which may include other pooled vehicles and other instruments that in the judgement of the Manager replicate this requirement, although the scheme property of the Fund may also include debt securities, money market instruments, warrants and deposits to the extent permitted by the FSA Regulations. For the purposes of clarity, the Fund may purchase UK listed securities of European companies or companies holding a joint UK/European incorporation.

### Specific Investment Restrictions

No single holding of European (excluding the UK) securities may be greater than 6.25% of the Fund at the time of investment, however up to 5% of the Fund may be invested in other markets.

### Ethical Policy

The Investment Objective and Policy is subject to the Manager's ethical policy of combining Christian ethics and investment returns. Securities issued by organisations whose business is wholly or mainly involved in alcohol, armaments, gaming, pornography or tobacco will be excluded from the investment portfolio. The Manager will also review other matters such as environmental performance, corporate governance and social justice issues when making investment decisions. Where exclusion is not the appropriate response, the Manager will use its influence as unitholder to encourage companies to improve their social responsibility performance. Advice on ethical issues related to investments may be sought by the Manager from the Methodist Church Joint Advisory Committee on the Ethics of Investment or similar body.

Derivative and forward transactions may be used by the Fund solely for the purposes of hedging.

<b>Classes of units available</b>	Income Units and CFB Income Units
<b>Currency of denomination</b>	UK sterling
<b>Minimum initial investment</b>	£250,000
<b>Minimum subsequent investment</b>	£250,000
<b>Minimum withdrawal</b>	None, providing maintain minimum holding
<b>Minimum holding</b>	£250,000
<b>Manager's initial charge</b>	-
<b>Annual management charge</b>	Income Units - 0.35% CFB Income Units - Nil
<b>Annual accounting date</b>	31 October
<b>Interim accounting date</b>	31 January, 30 April and 31 July
<b>Annual income allocation date</b>	15 December
<b>Interim income allocation dates</b>	15 March, 15 June and 15 September

<b>Invest in any Securities Market of a Member State of the EU or states within the EEA on which securities are admitted to Official Listing</b>	Yes
<b>Invest in Eligible Markets</b>	As listed in Appendices 3 and 4
<b>Income Equalisation</b>	Yes
<b>Transaction charges</b>	Minimum £15 and maximum £65
<b>Custody charges</b>	Minimum 0.005% per annum and maximum 0.055% per annum
<b>Dilution levy</b>	0.3%

The Fund is suitable for all retail investors.

## UK EQUITY FUND

### Investment Objective and Policy

The objective of the Fund is to achieve a long term total return in excess of the UK equity market as measured by an appropriate benchmark. At 14 January 2011 this will be the FTSE ALL Share index. The Fund will achieve this mainly through a portfolio of UK incorporated or listed companies' securities which may include other pooled vehicles and other instruments that in the judgement of the Manager replicate this requirement, although the scheme property of the Fund may also include debt securities, money market instruments, warrants and deposits to the extent permitted by the FSA Regulations.

### Specific Investment Restrictions

No single holding of UK equity securities may be greater than 6.25% of the Fund at the time of investment, however up to 5% of the Fund may be invested in other markets.

### Ethical Policy

The Investment Objective and Policy is subject to the Manager's ethical policy of combining Christian ethics and investment returns. Securities issued by organisations whose business is wholly or mainly involved in alcohol, armaments, gaming, pornography or tobacco will be excluded from the investment portfolio. The Manager will also review other matters such as environmental performance, corporate governance and social justice issues when making investment decisions. Where exclusion is not the appropriate response, the Manager will use its influence as unitholder to encourage companies to improve their social responsibility performance. Advice on ethical issues related to investments may be sought by the Manager from the Methodist Church Joint Advisory Committee on the Ethics of Investment or similar body.

**Derivative and forward transactions may be used by the Fund solely for the purposes of hedging.**

<b>Classes of units available</b>	Income Units and CFB Income Units
<b>Currency of denomination</b>	UK sterling
<b>Minimum initial investment</b>	£250,000
<b>Minimum subsequent investment</b>	£250,000
<b>Minimum withdrawal</b>	None, providing maintain minimum holding
<b>Minimum holding</b>	£250,000
<b>Manager's initial charge</b>	-
<b>Annual management charge</b>	Income Units - 0.30% CFB Income Units - Nil
<b>Annual accounting date</b>	31 October
<b>Interim accounting date</b>	31 January, 30 April and 31 July
<b>Annual income allocation date</b>	15 December
<b>Interim income allocation date</b>	15 March, 15 June and 15 September
<b>Invest in any Securities Market of a Member State of the EU or states within the EEA on which securities are admitted to Official Listing</b>	Yes
<b>Invest in Eligible Markets</b>	As listed in Appendices 3 and 4

<b>Income Equalisation</b>	Yes
<b>Transaction charges</b>	Minimum £15 and maximum £65
<b>Custody charges</b>	Minimum 0.005% per annum and maximum 0.055% per annum
<b>Dilution Levy</b>	0.3%

The Fund is suitable for all retail investors.

## APPENDIX 2

### 1 **Investment and borrowing powers of the Trust**

These restrictions apply to the Trust.

#### 1.1 **Investment restrictions**

The property of each Sub-fund of the Trust will be invested with the aim of achieving the investment objective of that Sub-fund but subject to the limits on investment set out in the FSA Regulations and the Sub-fund's investment policy. These limits apply to each Sub-fund as summarised below:

Generally the Trust will invest in the instruments to which it is dedicated including approved securities which are transferable securities admitted to or dealt on a regulated market or a market in an EEA State which is regulated, operates regularly and is open to the public, approved derivative/forward transactions which are admitted to or dealt on a regulated market or a market in an EEA State which is regulated, operates regularly and is open to the public, units in collective investment schemes, warrants, money market instruments, and deposits.

1.2 Eligible markets are regulated markets or markets established in an EEA State which are regulated, operate regularly and are open to the public; and markets which the Manager, after consultation with the Trustee, has decided are appropriate for the purpose of investment of or dealing in the property of the Trust having regard to the relevant criteria in the FSA Regulations and guidance from the FSA. Such markets must operate regularly, be regulated, recognised, open to the public, adequately liquid and have arrangements for unimpeded transmission of income and capital to or to the order of the investors. The eligible securities markets for each Sub-fund of the Trust are set out in Appendix 3.

New eligible securities markets may be added to the existing list only by the passing of a resolution of unitholders at a unitholders' meeting, unless the Manager and the Trustee have agreed in writing that the addition is of minimal significance to the investment policy of the Trust or the Sub-fund concerned, or the Manager has, not less than 90 days before the intended change, given notice in writing of the proposed change to the Trustee and unitholders and has revised the Prospectus to reflect the intended change and the date of its commencement.

#### 1.3 **Transferable securities**

- Up to 10% of the value of each Sub-fund may be invested in transferable securities which are not approved securities.
- Up to 5% of a Sub-fund may be invested in transferable securities other than Government and public securities and money market instruments issued by any one issuer. However, up to 10% in value of a Sub-fund may be invested in those securities and instruments (or certificates representing those securities) issued by the same issuer if the value of all such holdings combined does not exceed 40% of the value of the property of a Sub-fund.

Up to 20% in value of the scheme property of a Sub-fund can consist of transferable securities or money market instruments issued by the same group (being companies included in the same group for the purposes of consolidated accounts as defined in accordance with Directive 83/349/EC or in the same group in accordance with international accounting standards).

- Up to 35% of the scheme property of a Sub-fund may be invested in Government and public securities issued or guaranteed by any one issuer. Subject to this restriction, there is no limit on the amount of the scheme property of a Sub-fund which may be invested in Government and public securities or such securities issued by any one issuer or of any one issue.
- Notwithstanding the foregoing and except where the investment policy of any Sub-fund is inconsistent with this, up to 100% of the scheme property of each Sub-fund may be invested in Government and Public securities issued by or on behalf of or guaranteed by a single named issuer which may be one of the following: the government of the United Kingdom and Northern Ireland and the governments of Austria, Belgium, Cyprus, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Slovakia, Slovenia, Spain or Sweden and the governments of Australia, Austria, Canada, Finland, Japan, New Zealand, Norway, Sweden, Switzerland, United States of America.
- If more than 35% in value of the scheme property of a Sub-fund is invested in Government and public securities issued by any one issuer, no more than 30% in value of the scheme property of the Sub-fund may consist of such securities of any one issue and the scheme property must include at least six different issues whether of that issuer or another issuer.

#### 1.4

#### **Collective Investment Schemes**

Except where the investment policy of any Sub-fund is inconsistent with this, up to 100% in value of the scheme property of a Sub-fund may be invested in units in other schemes, although not more than 20% in value of the scheme property of a Sub-fund is to consist of the units of any one collective investment scheme. Investment may be made in another collective investment scheme managed by the Manager or an associate of the Manager subject to the rules contained in Chapter 5.2.13R of the FSA Regulations.

Provided that no more than 30% of the value of a Sub-fund is in collective investment schemes which are schemes within (b) to (d) below, then up to 100% in value of the scheme property of a Sub-fund may be invested in units in collective investment schemes if they are schemes which (i) (a) satisfy the conditions necessary for them to enjoy the rights conferred by the UCITS Directive; or (b) are recognised under the provisions of section 270 of the Act (Schemes authorised in designated countries or territories); or (c) are authorised as non-UCITS retail schemes (provided the requirements of article 19(1)(e) of the UCITS Directive are met); or (d) are authorised in another EEA State (provided the requirements of

article 19(1)(e) of the UCITS Directive are met), (ii) comply with the rules relating to investment in other group schemes contained in the FSA Regulations and (iii) are themselves schemes which have terms which prohibit more than 10% of their assets consisting of units in other collective investment schemes.

**If a substantial proportion of the Trust's assets are invested in other collective investment schemes, the maximum level of management fees that may be charged by an investee collective investment scheme to the Trust will be 5%. If the Trust is invested in other collective investment schemes managed or operated by (or in the case of an ICVC, whose authorised corporate director is) the Manager, or an associate of the Manager then there will not be a charge in respect of the second scheme.**

## 1.5 **Warrants and nil and partly paid securities**

Up to 5% in value of the scheme property of a Sub-fund may consist of warrants, provided that warrants may only be held if it is reasonably foreseeable that there will be no change to the scheme property between the acquisition of the warrant and its exercise and the rights conferred by the proposed warrant and all other warrants forming part of the scheme property at the time of the acquisition of the proposed warrant will be exercised and that the exercise of the rights conferred by the warrants will not contravene the FSA Regulations.

Securities on which any sum is unpaid may be held provided that it is reasonably foreseeable that the amount of any existing and potential call for any sum unpaid could be paid by the Sub-fund at any time when the payment is required without contravening the FSA Regulations.

A warrant that is an investment falling within article 80 of the Regulated Activities Order (Certificates representing certain securities) and which is akin to an investment falling within article 79 of the Regulated Activities Order (Instruments giving entitlement to investments) may not be included in the scheme property unless it is listed on an eligible securities market.

## 1.6 **Money Market Instruments**

- 1.6.1 Up to 100% in value of the scheme property of a Sub-Fund can consist of money market instruments, which are normally dealt in on the money market, are liquid and whose value can be accurately determined at any time provided the money market instrument is listed on or normally dealt on an eligible market; or is issued or guaranteed by one of the following: the government of the United Kingdom and Northern Ireland, the governments of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain and Sweden and the governments of Australia, Canada, Japan, New Zealand, Norway, Switzerland and the United States of America; or issued by a body, any securities of which are dealt in on an eligible market; or issued or guaranteed by an establishment subject to prudential supervision in accordance with criteria defined by Community law or by an establishment which is subject to and complies with prudential rules considered by the FSA to be at least as stringent as those laid down by Community law.

1.6.2 Notwithstanding the above up to 10% of the scheme property of a Sub-Fund may be invested in money market instruments which do not meet these criteria.

## 1.7 **Deposits**

Can be invested in with no upper limit, but only up to 20% in value of the scheme property of a Sub-Fund can consist of deposits with a single body. A Sub-Fund may only invest in deposits with an approved bank and which are repayable on demand, or have the right to be withdrawn, and maturing in no more than 12 months.

## 1.8 **Derivatives and forward transactions for Efficient Portfolio Management**

1.8.1 The Manager may enter into transactions involving derivatives (including futures and options) and/or foreign currency transactions for the purpose of efficient portfolio management in accordance with the FSA Regulations if the Manager reasonably believes the transaction to be economically appropriate and to be fully covered (as defined by the FSA Regulations).

1.8.2 The FSA Regulations contain detailed provisions related to the transactions which may be carried out for efficient portfolio management, how they may be effected and the cover for them. The main provisions are summarised briefly below.

1.8.3 The purpose of efficient portfolio management is to achieve one or more of the following:

1.8.3.1 the reduction of risk;

1.8.3.2 the reduction of costs; and

1.8.3.3 the generation of additional capital or income for a fund with no, or with an acceptably low level of, risk.

1.8.4 For transactions undertaken to reduce risk or cost (or both), the Manager must reasonably believe that the transaction (alone or in combination with one or more others) will diminish a risk or cost of a kind or level which it is sensible to reduce. In this context the Manager may, for example, use the technique of 'tactical asset allocation', enabling him to switch exposure through the use of derivatives rather than through the sale and purchase of Scheme Property. However, where the transaction relates to an actual or potential acquisition of transferable securities, such exposure may not be maintained indefinitely and the manager must intend that the Trust should invest directly in transferable securities within a reasonable time and, unless the position is closed out, ensure that the intention is realised within that reasonable time.

1.8.5 Additional capital or income for the Trust may be generated with no, or with an acceptably low level of, risk if the Manager reasonably believes that the Trust is certain (or certain barring events which are not reasonably foreseeable) to derive a benefit from the transaction, and in this context the Trust may:

1.8.5.1 take advantage of pricing imperfections in relation to the acquisition and disposal (or disposal and acquisition) of rights in

relation to the same or equivalent property of a kind that the Trust holds or may properly hold;

1.8.5.2 receive a premium for the writing of a covered call option or a covered put option, even if the benefit is obtained at the expense of surrendering the chance of yet greater benefit; and

1.8.5.3 use the technique of stocklending under the conditions and limits referred to below.

1.8.6 Any derivatives transaction (that is a transaction involving an option, a future or a contract for differences) under the above paragraphs must be in an approved derivative, a permitted off exchange option or a “synthetic future”:

1.8.6.1 an explanation of what is meant by the term “an approved derivative” is set in the definitions at the front of this document; and

1.8.6.2 an off-exchange derivative is subject to specific regulation, as is a synthetic future (which is a composite derivative created out of two separate options which must be bought and written on a single eligible derivatives market).

Forward transactions must be entered into with counterparties who satisfy the regulation.

A permitted transaction may at any time be closed out.

## 1.9 **Combinations of Investments**

1.9.1 In applying the limits in 1.3.2, 1.7 and 1.8.4 not more than 20% in value of the scheme property is to consist of any combination of two or more of the following: (a) transferable securities or money market instruments issued by; or (b) deposits made with; or (c) exposures from OTC derivative transactions made with; a single body.

## 1.10 **Concentration**

- 1.10.1
- The Trust must not hold more than:
    - 10 % of the transferable securities issued by a body corporate which do not carry rights to vote on any matter at a general meeting of that body; or
    - 10% of the debt securities issued by any one issuer; or
    - 10% of the money market instruments issued by a single body; or
    - 25% of the units in a collective investment scheme.

1.10.2 The Trust may only acquire transferable securities issued by a body corporate carrying rights to vote at a general meeting of that body provided that before the

acquisition the aggregate number of such securities held by the Trust does not allow it to exercise 20% or more of the votes cast at a general meeting of that body and the acquisition will not give the Trust such power.

## 1.11 **General**

1.11.1 No Sub-fund may invest in the units of another Sub-fund of the Trust.

1.11.2 Underwriting and sub-underwriting contracts and placings may also, subject to certain conditions set out in the FSA Regulations, be entered into for the account of the Trust.

1.11.3 Cash or near cash must not be retained in the scheme property of a Sub-fund except in order to enable the pursuit of that Sub-fund's investment objective; or for redemption of units in that Sub-fund; or efficient management of the Sub-fund in accordance with its investment objective or for a purpose which may reasonably be regarded as ancillary to the investment objective of that Sub-fund.

## 2 **Stock lending**

2.1 The Trust, or the Trustee at the Trust's request, may enter into stock lending transactions (involving a disposal of securities in a Sub-fund and reacquisition of equivalent securities) when it reasonably appears to the Trust to be appropriate to do so with a view to generating additional income for the relevant Sub-fund with an acceptable degree of, risk. Such transactions must comply with conditions set out in the FSA Regulations, which require (inter alia) that:

2.1.1 the stock lending transaction must be of a kind described in Section 263B of the Taxation of Chargeable Gains Act 1992;

2.1.2 the terms of the agreement under which the Trustee is to re-acquire the securities for the account of the Trust must be acceptable to the Trustee and in accordance with good market practice;

2.1.3 the counterparty must be acceptable in accordance with the FSA Regulations.

2.2 The collateral obtained must be acceptable to the Trustee and must also be adequately and sufficiently immediate as set down in the FSA Regulations.

## 3 **Borrowing powers**

3.1 The Trust may, subject to the FSA Regulations, borrow money from an eligible institution or an approved bank to facilitate the redemption of units on the terms that the borrowing is to be repayable out of the scheme property.

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

3.1.2 The Manager must ensure that borrowing does not, on any business day, exceed 10% of the value of the scheme property of a Sub-fund.

These borrowing restrictions do not apply to “back to back” borrowing to be cover for transactions in derivatives and forward transactions.

### APPENDIX 3

#### ELIGIBLE SECURITIES MARKETS

All Sub-Funds may deal through securities markets established in EEA Member States on which transferable securities admitted to official listing in these states are dealt in or traded. In addition, up to 10% in value of any Sub-Fund may be invested in transferable securities which are not approved securities.

Each Sub-Fund may also deal in certain of the securities markets listed below.

1	UK and Ireland	Grey Book Market Alternative Investment Market
2	Australia	The Australia Stock Exchange Limited
3	Canada	The Montreal Stock Exchange The Toronto Stock Exchange
4	Hong Kong	The Hong Kong Exchanges
5	Switzerland	The SIX Swiss Exchange
6	United States	The New York Stock Exchange

#### ELIGIBLE DERIVATIVES MARKETS

The European sub-Fund may use the DJ Eurostoxx 50 Index Futures contract for the purpose of efficient portfolio management. Its use is limited to the purpose of equitising cash flows and/or accruals arising from corporate actions on or dividend income from the constituents in the Fund. The DJ Eurostoxx 50 Index Futures contract is traded on the Eurex market, a market established in an EEA member state which is regulated, operates regularly and is open to the public.

**APPENDIX 4**  
**Historical Performance**

Historical performance data can be found on the Manager's website at  
[www.epworthinvestment.co.uk](http://www.epworthinvestment.co.uk)

**APPENDIX 5**  
**Directory**

**The Trust and Head Office**

Epworth Investment Fund  
9 Bonhill Street  
London  
EC2A 4PE

**Manager**

Epworth Investment Management Limited  
9 Bonhill Street  
London  
EC2A 4PE

**Administrator and Registrar**

Epworth Investment Management Limited  
9 Bonhill Street  
London  
EC2A 4PE

**Trustee**

HSBC Bank plc  
8 Canada Square  
London  
E14 5HQ