

Scheme Particulars

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

A common investment fund

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## 1 Definitions

'AIF' refers to an alternative investment fund and has the same meaning as listed in the Glossary to the FCA Rules;

'AIFMD' refers to the Alternative Investment Fund Managers Directive and has the same meaning as listed in the Glossary to the FCA Handbook;

'AIFMD implementing measures' mean (a) The Alternative Investment Fund Managers Regulations 2013 (the 'AIFM Regulations'), (b) the Commission Delegated Regulation (EU) 231/2013 of 19 December 2012, supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision (the 'Level 2 Regulation'), (c) any other applicable EU regulations made under the AIFMD and (d) rules implementing the AIFMD;

'BACS' – Bank Automated Clearing Services;

'Charity' or 'Charities' - both charities in England and Wales and "appropriate bodies" in Scotland and Northern Ireland within the meanings of sections 1 or 97(3) of the Charities Act 2011;

'Church' or 'Churches' – churches falling within the meaning of a Charity, whose objects are the advancement of religion which may be registered with the Commission or exempt or excepted from the requirement to register;

'the Commission' – the Charity Commission 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);

'Depositary Services Agreement' means the written contract entered into by the Fund Manager and the Trustee dated 21<sup>st</sup> July 2014 and any amendment or variation agreed thereafter;

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

'the Distribution Equalisation Reserve' – the reserve described in paragraph 19 hereof;

'Financial Instrument' - an instrument as specified in Section C of Annex I to Directive 2004/39/EC (as amended or replaced from time to time) which shall include generally, all transferable securities, money market instruments and collective investment schemes;

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

'the Fund Manager' – Epworth Investment Management Limited which is authorised by the Financial Conduct Authority to act as a manager of an AIF;

'FCA' – the Financial Conduct Authority;

'FCA Rules' mean the relevant provisions of the FCA handbook and rules that apply including the New Collective Investment Schemes Sourcebook Instrument 2004 and the Investment Funds Sourcebook, made by the FCA, as amended or replaced from time to time;

'Investing Charities' – Charities investing in the Fund;

'the Scheme' – the Scheme of the Charity Commission for England and Wales dated 6<sup>th</sup> June 2001 as amended by Schemes dated 10<sup>th</sup> August 2006 and 27<sup>th</sup> February 2007 and by fully regulated Scheme dated 2<sup>nd</sup> February 2010 and by a resolution effective 13<sup>th</sup> August 2014 establishing the Fund;

'the Trustee' – HSBC Bank plc, a public limited company incorporated in England and Wales with company registration number 00014259. The Trustee is authorised by the Prudential Regulation Authority and regulated by the Prudential Regulation Authority and the Financial Conduct Authority to act as a depositary of an AIF;

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

'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

2.1 These Scheme Particulars are made in accordance with clause 41 of the Scheme in order to supplement the provisions of the Scheme, and provide information for Investing Charities. The Particulars have been approved by the Commission and adopted by the Fund Manager.

2.2 The Affirmative Fixed Interest Fund for Charities ('the Fund') is a Common Investment Fund established by the Scheme. The Fund is an AIF with Epworth Investment Management Limited acting as Fund Manager and with

HSBC Bank plc as the Trustee. The Trustee supervises the Fund for the benefit of Investing Charities.

- 2.3 The Scheme, Scheme Particulars, Fund Manager and Trustee are subject to the AIFMD implementing measures. The impact of the measures on the Trustee and the Fund Manager are set out in more detail in paragraph 6.
- 2.4 Where the Scheme and these Scheme Particulars are in conflict, the provisions of the Scheme shall prevail.

### **3 Trustee**

The Trustee of the Fund is HSBC Bank plc. The principal business activity of the Trustee is the provision of financial services, including trustee and depositary services. The Trustee acts as a trustee of the Fund for the purposes of and pursuant to the Scheme. The Trustee also acts as the depositary of the Fund for the purposes of and in compliance with the AIFMD implementing measures and the relevant FCA Rules.

### **4 Relationship between Trustee, Fund Manager and Investing Charity**

- 4.1 The Fund Manager, a specialist investment and cash manager for Christian Churches and other charities manages the Fund and is responsible for all dealings with Investing Charities.
- 4.2 The Trustee is appointed pursuant to the Scheme to act as trustee of the Fund. The Trustee is the depositary of the Fund pursuant to the Depositary Services Agreement.
- 4.3 The main duties of the Trustee are as set out in the Scheme (and summarised below). In its capacity as depositary, the Trustee has certain duties under the AIFMD implementing measures (as further set out in the Depositary Services Agreement) which are to provide safekeeping of property held in the Scheme, oversight functions, cash monitoring, asset verification services and other agreed services in accordance with the provisions of the FCA Rules, the AIFMD implementing measures and the Depositary Services Agreement.
- 4.4 Under the Depositary Agreement, the Trustee's appointment may be terminated on 90 calendar days' notice, subject to a replacement Trustee being appointed.
- 4.5 Investors have no personal right to directly enforce any rights or obligations under the Depositary Services Agreement.
- 4.6 The Trustee, its nominee or delegate (other than the Fund Manager) hold property on trust on behalf of the Investing Charities who remain beneficially entitled to the property subject to the provisions of the Scheme.
- 4.7 The Investing Charities accept that such property is managed by the Fund Manager or any delegate in accordance with the Fund Manager's obligations under the Scheme, which are set out generally in paragraph 5 of these Particulars and clause 17 of the Scheme. Both the Trustee and the Fund Manager comply with a duty of care when exercising their powers and discharging their duties under the Scheme.
- 4.8 The Fund Manager does not have any contractual duty to the Investing Charity other than in respect of the issue and redemption of units or cash equivalent which is limited by either the Trustee or Fund Manager's right to refuse or defer the issue or suspend redemption of such units in accordance the terms of the Scheme and Scheme Particulars.
- 4.9 The decision to invest in the Fund is the decision of the Investing Charity. Neither the Trustee nor the Fund Manager are giving, nor purporting to give advice or guidance to the Investing Charity in respect of the exercise of their investment powers.
- 4.10 The Trustee is not responsible for the preparation of these Scheme Particulars or for the activities of the Fund and therefore accepts no responsibility for any information contained, or incorporated by reference, in these Scheme Particulars.

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

#### **5.1 Trustee's Duties**

The Scheme in particular requires the Trustee:-

- 5.1.1 to supervise and oversee the Fund Manager's compliance with the Scheme;
- 5.1.2 to supervise and oversee the work of anybody to which its functions have been delegated;
- 5.1.3 to hold and control the property and investments of the Fund and to collect the income;
- 5.1.4 to create and cancel units in accordance with the instructions of the Fund Manager;
- 5.1.5 to appoint a Registrar and to supervise and oversee its performance;

- 5.1.6 to make distributions of income to the Investing Charities in proportion to their respective shares in the Fund;
- 5.1.7 to appoint or dismiss any person or persons engaged by the Trustee in connection with the Fund;
- 5.1.8 to make an annual report to the Investing Charities; and
- 5.1.9 to wind up the Fund.

## 5.2 Fund Manager's Duties

The Scheme in particular requires the Fund Manager:-

- 5.2.1 to give instructions to the Trustee on the creation and cancellation of units;
- 5.2.2 to manage the investments, to carry out valuations, and ensure the units are correctly priced;
- 5.2.3 to make and revise the written statement of investment policy, objectives and these Scheme Particulars, which are reviewed at least annually by the Fund Manager;
- 5.2.4 to keep records of units bought and sold, such records to be available for inspection free of charge to the Trustee at all times;
- 5.2.5 to prepare a report and accounts for the Fund in respect of each accounting period in accordance with the Charities Act 2011 and the Charities (Accounts and Reports) Regulations 2008 (as amended) and to appoint the Fund's auditors; and
- 5.2.6 generally, to manage and administer the Fund, except for the duties and powers that the Scheme requires to be carried out or exercised by the Trustee.

## 6 Application of AIFMD to the Manager and Trustee

- 6.1 The duties and requirements imposed upon the Trustee and the Fund Manager under the Scheme are performed in compliance with, and subject to, any additional duties and requirements imposed upon the Fund Manager and the Trustee under the AIFMD implementing measures. The Commission regulates the Fund as a charity.
- 6.2 If there is any conflict between the standards and liability imposed upon the Fund Manager and the Trustee under the Scheme and the standards and liability imposed upon the Fund Manager and the Trustee under the AIFMD implementing measures, the standards and liability imposed upon the Fund Manager and the Trustee under the AIFMD implementing measures will prevail.
- 6.3 Any rights or discretion exercisable by the Trustee or the Fund Manager under the Scheme are exercisable only to the extent permitted by the AIFMD implementing measures.

## 7 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.

## 8 Investment Objective and Policy

- 8.1 The Fund Manager and Trustee have agreed a statement setting out the Fund's Investment Objective and Policy, which is set out at paragraphs 8.2 and 8.3 below.
- 8.2 The Fund's Investment Objective is to maximise long term total returns consistent with commercial prudence, diversification and risk management through a portfolio of sterling based Government and non-Government fixed interest securities to achieve a total return in excess of its Benchmark. The Benchmark consists of a composite index comprising UK Government Securities (80%); Non Gilts AAA (6%); Non Gilts AA (8%); Non Gilts A (5%) and Non Gilts BBB (1%). It is hoped that this will result in a yield in excess of that which can be achieved through UK Government Securities alone.
- 8.3 The Policy is:-
  - 8.3.1 to invest the Fund in a diversified portfolio comprising UK Government Securities (70% - 90%), Corporate Debt Securities (10% - 30%) and Cash and near cash (0% - 10%);
  - 8.3.2 that the Corporate Debt Securities, whether through direct holdings or indirectly through the Affirmative Corporate Bond Fund for Charities, will be widely diversified and 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;

- 8.3.3 whether through direct holdings or indirectly through the Affirmative Corporate Bond Fund for Charities, to avoid investment in companies:
- 8.3.3.1 whose business is wholly or mainly involved in alcohol, armaments, gaming, pornography, tar sands, thermal coal and tobacco; or
- 8.3.3.2 whose business models are dedicated to exploring for and developing new assets that imply a low probability of meeting a reduction of greenhouse gas emissions in developed markets by 80% by 2050 and globally by 50% by 2050 from 1990 levels;
- 8.3.4 in the view of the Fund Manager there will be no adverse impact on investment returns due to any exclusions on these grounds; and
- 8.3.5 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.
- 8.4 The Fund may invest in the Affirmative Deposit Fund for Charities and the Affirmative Corporate Bond Fund for Charities, for both of which the Manager is the fund manager. Any management charges incurred relating to an investment in these funds will be refunded to the Fund by the Fund Manager
- 8.5 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 Commission, the Fund may not be invested in derivatives, nor may it underwrite or sub-underwrite new issues.
- 8.6 The maximum leverage permitted under both the Gross and Commitment methods is 1 which means that leverage is neither permitted nor employed by the Fund Manager. The Fund is not subject to any special arrangements arising from any part of it being insufficiently liquid.

## **9 Custody or Holding of Investments**

- 9.1 All Financial Instruments shall be held in the name of the Trustee and will be segregated and recorded in the books of the Trustee as being held on behalf of the Fund.
- 9.2 All other assets shall only be held in custody by the Trustee with the specific agreement of the Trustee. Such assets may be registered in the name of the Fund, or in the names of the Trustee or Fund Manager on behalf of the Fund. The Trustee shall ensure verification of ownership procedures are applied to these assets, which shall at all times be reconciled and included in the value of the Fund.
- 9.3 The Fund Manager is not permitted to hold title to the investments or undertake the functions of a custodian or delegate, although it may hold cash in third party accounts in the name of and on behalf of the Fund.

## **10 Liability of the Trustee**

- 10.1 In general, the Trustee is liable for losses suffered by the Fund as a result of its negligence or intentional failure to properly fulfil its obligations. Subject to the paragraph below, and pursuant to the Depositary Services Agreement, the Trustee will be liable for loss of Financial Instruments comprised in the property of the Scheme, whether held in safekeeping by the Trustee or a sub-custodian, unless that loss has arisen as a result of an external event beyond its control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary, or where the asset which is lost was held by a sub-custodian appointed in accordance with the Depositary Services Agreement and the transfer of liability from the Trustee to the sub-custodian has been expressly agreed.
- 10.2 The Fund Manager will disclose to potential investors before they invest in the Fund any arrangement made by the Trustee to contractually discharge itself of liability in accordance with the AIFMD implementing measures and the FCA Rules.
- 10.3 Currently, it is not envisaged that the Trustee will seek to contractually discharge itself of liability under any circumstances and so it is not expected that this requirement under the AIFMD implementing measures will be applicable to the Scheme or the Fund.
- 10.4 The Trustee in no way acts as guarantor or offeror of the Fund's units or any underlying investment. The Trustee has no responsibility or authority to make investment decisions, or render investment advice, with respect to the assets of the Fund. The Trustee is not responsible for, and accepts no responsibility or liability for, any losses suffered by the Fund or any investors in the Fund, or the Fund Manager, as a result of any failure by the Fund or the Fund Manager to adhere to the Fund's investment objectives, policy, investment restrictions, borrowing restrictions or operating guidelines.
- 10.5 The Trustee also has certain rights to be reimbursed directly as the trustee of the Trust.

## **11 Delegation by the Trustee**

- 11.1 In accordance with the AIFMD implementing measures and the FCA Rules, the Trustee may delegate its custody and safekeeping functions to one or more sub-custodians on the terms set out in the Depository Services Agreement, which include a requirement for there to be an objective reason for the delegation.
- 11.2 The Trustee will act with reasonable skill, care and diligence in the discharge of its duties. The liability of the Trustee shall not normally be affected by the fact that it has entrusted to a third party some or all of the assets in its safekeeping.
- 11.3 Under the Depository Services Agreement the Fund Manager provides indemnities to the Trustee and certain of its delegates (each "an indemnified person"). This indemnity is not applicable where:
- 11.3.1 an indemnified person fails to exercise due care and diligence in the discharge of its duties;
  - 11.3.2 is negligent, fraudulent or wilfully defaulted; or
  - 11.3.3 has intentionally failed to properly discharge its obligations.

## **12 Investing Charity's Status**

- 12.1 As the Fund is a Common Investment Fund established under the Charities Act 2011, section 99(2) of the Act allows any Church or Charity to invest in the Fund, unless precluded by a specific provision in its governing instrument.
- 12.2 Any 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 section 1 or 97(3) of the Charities Act 2011 and will also contain an undertaking to notify the Fund Manager if the organisation ceases to be a Charity, 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 Commission, its exemption reference number issued by HM Revenue and Customs or in such other way as shall be reasonably required.
- 12.3 The Fund Manager is also required to comply with the Money Laundering Regulations 2007 and reserves the right to seek such information in relation to any investment as it may consider appropriate, before accepting it.
- 12.4 The Fund Manager and the Trustee reserve the right to decline any application for investment or to realise the investment and return the proceeds.

## **13 Issue of Units**

- 13.1 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' or alternatively by arranging for a bank transfer to Fund's account, details of which will be provided on request. The cheque or bank payment must be 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.
- 13.2 Applications must be submitted by 5pm on the business day before a Dealing 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.
- 13.3 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.
- 13.4 Confirmation of the allocation of units will be sent to the Investing Charity within 1 working day after the Dealing Date. These will show the number of units and the issue price to four significant figures.
- 13.5 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.
- 13.6 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.
- 13.7 The Fund Manager is entitled to assume that the persons signing the Application Form for Investment as trustees or officials of the Church or Charity concerned, are duly authorised to make the investment in the Church or Charity's name.

## **14 The Authorised Signatories**

- 14.1 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.
- 14.2 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.

## **15 Redemption of Units**

- 15.1 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.
- 15.2 Redemptions will be made 4 working days after the Dealing Day immediately following receipt of the redemption request.
- 15.3 Payment of the proceeds of a realisation will normally be made to the Investing Charity's bank account by BACS.
- 15.4 The Trustee reserves the right to transfer property or investments in settlement of a redemption request.
- 15.5 Confirmation of a redemption giving the number of units redeemed will be issued within 1 day of the Dealing Date.
- 15.6 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.
- 15.7 The Fund Manager will assess the liquidity of the Fund to ensure sufficient liquidity to meet any withdrawal requests that are forthcoming from unit-holders, and to consider whether any lack of liquidity will impact the fair pricing policy used by the Fund Manager in the valuation of the funds. In making the assessment the following factors will be considered:
- 15.7.1 The liquidity of the portfolio. A liquidity factor will be applied to all stocks which are either illiquid or would be difficult to realise immediately at the quoted prices;
  - 15.7.2 The redemption history over the previous twelve months, both by number and by size;
  - 15.7.3 The investor profile; and
  - 15.7.4 The ability to enforce in-specie redemptions.
- 15.8 The result of the review will be discussed with the CEO/CIO and appropriate action will be taken to redress any excessive liquidity risk identified or make any pricing amendments considered necessary. The review will be presented to the audit committee for their consideration, and the board of the Fund Manager, if necessary. The Trustee will be notified of any issues which arise.

## **16 Valuation**

- 16.1 All valuation procedures adopted by the Fund Manager, including the following will comply with the AIFMD implementing measures.
- 16.2 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 on Dealing Days and any other day the Manager deems to be a Dealing Day.
- 16.3 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 less, in the case of fixed interest securities, interest accrued.
- 16.4 The main pricing source will be the Thomson Reuters Datascope. If a closing mid-market price is not available from the main pricing source, alternative reliable pricing sources will be sought including Bloomberg and Brokers.
- 16.5 Suspended securities are valued by the Fund Manager having regard to the last dealing price on the date of suspension and subsequent available information. Suspended securities are written off after they have been carried at nil value for two years or if the Fund Manager does not expect any returns for the Fund.

## **17 Pricing of Units and Publication of Prices**

- 17.1 The units, which are single priced, will be priced on a forward basis in accordance with the FCA Rules.



- 17.2 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.
- 17.3 No preliminary or redemption charges are currently levied, although the Fund Manager may, subject to the prior written consent of the Commission, 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:-
- 17.3.1 The Fund Manager giving notice in writing to the Investing Charities of its intention to introduce or to increase the charge;
- 17.3.2 The Scheme Particulars having been revised subject to the prior written approval of the Commission to reflect the proposed introduction or increase of the amount of charge; and
- 17.3.3 90 days having elapsed since the revised Scheme Particulars became available.
- 17.4 The Fund is a Charity and is therefore exempt from stamp duty.
- 17.5 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).

## **18 Allocation and Distribution of Income**

- 18.1 All income received from the investments and cash deposits of the Fund shall be collected by the Trustee.
- 18.2 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.
- 18.3 The funds in the Distribution Account allocated to the units shall be distributed quarterly, without deduction of tax, on the 15<sup>th</sup> days of March, June, September and December, in respect of the previous quarter.

## **19 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.

## **20 Management Charges and Other Expenses**

- 20.1 The Fund Manager is paid an annual management charge directly from the Fund based on the valuation of the Fund at the last working day of each month. The current rate is 0.2% plus VAT p.a., which accrues daily and is payable on the last day of each month (the "Management Charge").
- 20.2 The Trustee is paid a depositary charge which is currently fixed at 0.05% plus VAT p.a. and is invoiced monthly in arrears (the "Depositary Charge").
- 20.3 The Management and Depositary Charges constitute the entire remuneration payable respectively to the Fund Manager and the Trustee for the purposes of clauses 21 and 22 of the Scheme and are subject to the subparagraphs 20.4 to 20.5 below.
- 20.4 The Trustee and the Fund Manager shall not be entitled to increase respectively, their Depositary or Management Charges above the following maximums, without the prior written consent of the Commission:-
- 20.4.1 The Depositary Charge: 0.06% p.a. of the value of the Fund; or
- 20.4.2 The Management Charge: 1% p.a. of the value of the Fund
- 20.5 Increases in either the actual or maximum Depositary or Management Charge shall not become effective until:

- 20.5.1 The prior written consent of the Charity Commission has been obtained in the case of an increase above the stated maximum;
  - 20.5.2 The Fund Manager has notified the Investing Charities in writing of the increase;
  - 20.5.3 The Scheme Particulars have been revised to detail the increase; and
  - 20.5.4 90 days have elapsed since the notice and revised Scheme Particulars were sent or became available to Investing Charities.
- 20.6 In addition to the Management and Depositary Charges, both the Trustee and the Fund Manager may retain and pay from the income or capital of the Fund any reasonable costs or expenses incurred in administering or winding up the Fund or otherwise.
- 20.7 For both the Fund Manager and the Trustee, these costs will include auditors' fees and expenses, administration and registration costs, costs incurred in respect of unit-holder meetings, and legal and other professional fees related to the Fund. Specifically for the Trustee, additional costs include:
- 20.7.1 custodial charges based on the value and location of assets comprised in the Fund, varying from 0.005% to 0.0175% p.a. together with fixed charges for additional non-standard custodial administration; and
  - 20.7.2 transactional charges based on the number of transactions involved in administering the assets which are usually £15 per transaction.

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

- 21.1 The Trustee will keep a register of all Investing Charities, in which it shall record the following:
- 21.1.1 the name of each Investing Charity;
  - 21.1.2 the number and type of units;
  - 21.1.3 the names and addresses of the authorised signatories;
  - 21.1.4 the address to which communications with the officers of the Investing Charity are to be sent; and
  - 21.1.5 such other information as the Trustee may from time to time decide it is expedient or appropriate to record.
- 21.2 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.
- 21.3 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.

## **22 Accounts and Meetings**

- 22.1 Accounts are prepared half-yearly as at 31<sup>st</sup> October and 30<sup>th</sup> April in each year, and audited annually as at 31<sup>st</sup> October.
- 22.2 The Investing Charities shall be invited to a 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.

## **23 Risk Warning**

- 23.1 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 Depositary Services Agreement or otherwise as imposed by law.
- 23.2 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.
- 23.3 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).

## **24 Insurance**

The Fund Manager is required to maintain professional indemnity insurance in accordance with the AIFMD implementing measures. Policies for identifying professional indemnity risk in respect of both the Fund Manager and the Fund are documented and kept under review.

## **25 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.

## **26 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.

## **27 Fair Treatment of Investors**

- 27.1 Under the AIFMD implementing measures the Fund Manager is required to honestly, and with due skill, care and diligence. It seeks to employ effectively the resources and procedures that are necessary for the proper management of the Fund.
- 27.2 The Fund Manager treats all investors fairly. It applies clear dealing rules which are adhered to so that no late dealing in units is allowed. The pricing of units is clear. The Fund adopts a best execution policy.
- 27.3 Under the provisions of the Scheme, the Fund Manager has discretion to vary the terms of and investment which may amount to preferential for the purposes of the FCA Rules. Any such treatment needs to be disclosed to potential and current Investing Charities. The Fund Manager does not intend to exercise this discretion and so no Investing Charity is given preference over another.

## **28 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.

## **29 Conflict of Interest**

- 29.1 The Fund Manager is required to act in the best interests of the Fund. It acknowledges that it may execute or arrange transactions in which it, or another of its clients, or another AIF that it manages has, directly or indirectly, a material interest, arrangement or a relationship with another party, which may involve a potential conflict with Fund Manager's duty to the Fund. The Fund Manager will ensure that such transactions will be on terms which are not materially less favourable to the Fund than if the conflict or potential conflict had not existed. Any conflicts that it is not able to manage in such a way will be disclosed to the Investing Charities.
- 29.2 The Fund Manager offers execution only, discretionary and advisory investment management services to charity clients. It may recommend investment in the Fund to such clients and shall be entitled to retain its proper fees received from its clients for such services.
- 29.3 The Fund Manager acknowledges that there is potential for diverging interests to arise. Where appropriate, it will segregate tasks and responsibilities that may be regarded as incompatible with each other or have the potential to create conflicts of interest.
- 29.4 Potential conflicts of interest may arise from time to time from the provision by the Trustee and/or its affiliates of other services to the Fund, the Fund Manager and/or other parties. Where a conflict or potential conflict of interest arises, the Trustee will have regard to its obligations to the Fund and/or the Fund Manager and will treat fairly the Fund, the Fund Manager and the other funds for which it acts, so far as is practicable. Such potential conflicts of interest are identified, managed and monitored in various other ways including, the hierarchical and functional separation of HSBC's depository functions from its other potentially conflicting roles and by the Trustee adhering to its "Conflicts of Interest Policy" (a copy of which can be obtained on request from the Head of Compliance for the Trustee).

## **30 Names, Addresses and Contacts**

The names and addresses of the Trustee, the Fund Manager, the Auditors and the FCA are set out in the schedule to these Particulars.

## **31 Amendment, Winding up and Applicable Law**

- 31.1 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.
- 31.2 The Trustee has the power under the Scheme to wind up the Fund at any time.

- 31.3 These terms and conditions, the Depositary Services Agreement or any agreement entered into by the Fund Manager and the Trustee relating to the depositary or custody arrangements of the assets comprised in the Scheme shall be governed by and construed in accordance with English law.
- 31.4 Notwithstanding paragraph 31.3 any such agreement may permit the Fund or part of it to be held in a jurisdiction other than that of the English Courts provided that the Fund Manager agrees to waive any sovereign right of that jurisdiction and not to object, prevent or obstruct the enforcement in the courts of that jurisdiction of a judgment brought in the courts of England.

## **32 Information**

- 32.1 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.
- 32.2 The following information will be provided to Investing Charities prior to the investment by Investing Charities. The Fund Manager may provide copies of documents or refer the Investing Charity to the information available at [www.epworthinvestment.co.uk](http://www.epworthinvestment.co.uk):
- 32.2.1 Scheme Particulars;
  - 32.2.2 Latest net asset value of the Fund;
  - 32.2.3 Prices in accordance with paragraph 17 above;
  - 32.2.4 Latest annual report of the Fund; and
  - 32.2.5 Where available, the historic performance of the Fund.
- 32.3 On receipt of a completed Application Form for Investment, the Fund Manager will provide the Investing Charity with copies of:-
- 32.3.1 the Scheme; and
  - 32.3.2 the current Investment Objective and Policy Statement referred to in paragraph 8 above.
- 32.4 The Fund Manager will send to Investing Charities:-
- 32.4.1 a further copy of the Scheme, these Scheme Particulars and the Investment Objective and Policy Statement on request;
  - 32.4.2 the Annual Accounts of the Fund as provided in paragraph 22.1 above as soon as reasonably practical following their preparation; and
  - 32.4.3 as soon as reasonably practical following any such being made, any variation to the Scheme, the Investment Objective and Policy Statement or these Scheme Particulars.

## **33 Data Protection**

The Fund Manager will use any personal details that have been supplied to the Fund Manager by the Investing Charities or obtained from third parties (including public registers) for the purposes of carrying out its functions as set out by the Scheme and summarised in these Particulars, and in particular so that information relating to Investing Charities can be verified. The Fund Manager will not pass on any such details to any other third party except to the extent that a third party, which provides services to the Fund, requires them to perform its obligations.

**Schedule****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

**FCA**

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