

IMPORTANT: IF YOU ARE IN ANY DOUBT ABOUT THE CONTENTS OF THIS PROSPECTUS YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER.

Phoenix Fund Services (UK) Ltd, the Manager of the PFS Brompton UK Recovery Unit 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 Collective Investment Schemes Sourcebook to be included in it. Phoenix Fund Services (UK) Ltd accepts responsibility accordingly.

Prospectus
prepared in accordance with the Collective Investment Schemes Sourcebook

for

**PFS Brompton UK Recovery Unit Trust
("the Fund")**

This Prospectus is valid
as at and dated 1 January 2010.
All previous editions are cancelled

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

No person has been authorised by the Manager to give any information or to make any representations in connection with the offering of Units other than those contained in the Prospectus and, if given or made, such information or representations must not be relied on as having been made by the Manager. The delivery of this Prospectus (whether or not accompanied by any reports) or the issue of Units shall not, under any circumstances, create any implication that the affairs of the Fund have not changed since the date hereof.

The distribution of this Prospectus and the offering of Units in certain jurisdictions may be restricted. Persons into whose possession this Prospectus comes are required to inform themselves about and to observe any such restrictions. This Prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

The Units have not been and will not be registered in the United States of America under any applicable legislation. They may not be offered or sold in the United States of America, any state of the United States of America or in its territories and possessions or offered or sold to US persons. The Manager has not been and will not be registered in the United States of America under any applicable legislation.

Units in the Fund are not listed on any investment exchange.

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

The provisions of the Trust Deeds are binding on each of their Unitholders (who are taken to have notice of them).

This Prospectus has been approved for the purpose of section 21 of the Financial Services and Markets Act 2000 by Phoenix Fund Services (UK) Ltd.

This Prospectus is based on information, law and practice at the date hereof. The Manager cannot be bound by an out of date Prospectus when it has issued a new Prospectus and investors should check with the Manager that this is the most recently published Prospectus.

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This document is important and you should read all the information contained in it. If you are in any doubt as to the meaning of any information contained in this document you should consult your Financial Adviser.

1. **DEFINITIONS**

"the Act"	the Financial Services and Markets Act 2000.
"Dealing Day"	Monday to Friday (except for (unless the Manager otherwise decides) the last working day before Christmas, bank holidays in England and Wales and any other days declared by the Manager to be a non-Dealing Day and other days at the Manager's discretion).
"EEA State"	the member states of the European Economic Area.
"Efficient Portfolio Management"	<p>techniques and instruments which relate to transferable securities and approved money-market instruments and which fulfil the following criteria:</p> <p>(a) they are economically appropriate in that they are realised in a cost effective way;</p> <p>(b) they are entered into for one or more of the following specific aims:</p> <p>(i) reduction of risk;</p> <p>(ii) reduction of cost;</p> <p>(iii) generation of additional capital or income for the scheme with a risk level which is consistent with the risk profile of the scheme and the risk diversification rules laid down in COLL.</p>
"FSA"	Financial Services Authority of 25 The North Colonnade, Canary Wharf, London E14 5HS.
"the Fund"	the PFS Brompton UK Recovery Unit Trust.
"the FSA Rules"	the rules contained in the COLL Sourcebook published by the FSA as part of the Handbook of rules made under the Act which shall, for the avoidance of doubt, not include guidance or evidential requirements contained in the said sourcebooks.
"Fund Property"	the property of the Fund.
"the Manager"	Phoenix Fund Services (UK) Ltd .
"the Collective Investment Schemes Sourcebook" or "COLL"	the Collective Investment Schemes Sourcebook made by the FSA pursuant to the Act, as amended from time to time.
"the Trust Deed"	the trust deed constituting the Fund as amended by any supplemental deeds. "Trust

Deeds" shall be construed accordingly.

"the Trustee"

The Royal Bank of Scotland plc.

"Unit"

an income or an accumulation unit in a class of units in the Fund.

"Unitholder"

a holder of Units.

"Valuation Point"

the point, whether on a periodic basis or for a particular valuation, at which the Manager carries out a valuation of the Fund Property for the purpose of determining the price at which Units of a Class may be issued, cancelled or redeemed.

2. **MANAGEMENT AND ADMINISTRATION**

(A) **REGULATORY STATUS**

The Manager and the Trustee are authorised and regulated by the FSA of 25 The North Colonnade, Canary Wharf, London E14 5HS.

(B) **MANAGER**

Phoenix Fund Services (UK) Ltd

The Manager is Phoenix Fund Services (UK) Ltd which is a company limited by shares incorporated in England and Wales on 18 May 2007.

Registered Office and Head Office:

Springfield Lodge, Colchester Road, Chelmsford, Essex CM2 5PW.

Share Capital: £500,000 (issued and paid up)

Names of Directors and any significant business activities not connected

Mr SA King, Mr SD Mathieson

with the business of the Manager

None of the directors have any significant business activities not connected with the Manager or its parent Company.

The Manager is responsible for managing and administering the Fund's affairs in compliance with the FSA Rules.

The Manager is responsible for acting as registrar. The Manager may act as an authorised Unit Trust manager or authorised corporate director to other clients and funds and to companies in which the Company may invest. It may also delegate its activities and retain the services of another person to assist in its functions.

(C) **The Investment Manager**

The investment manager to the Fund is Brompton Asset Management LLP (the "Investment Manager"). The Investment Manager is authorised and regulated by the FSA under the registration number 501651.

The Investment Manager's registered office is 1 Knightsbridge Green, London SW1X 7QA.

The Investment Manager's Agreement may be terminated on [6 months'] written notice by the Investment Manager or the Manager. Under the Investment Manager's Agreement the Manager provides indemnities to the Investment Manager (except in the case of any matter arising as a direct result of its fraud, negligence, default or bad faith). The Manager may be entitled under the indemnities in the Management Agreement to recover from the Fund amounts paid by the Manager under the indemnities in the Investment Manager's Agreement.

(D) **THE TRUSTEE**

Name	The Royal Bank of Scotland plc
Corporate form	The Trustee is a public limited company incorporated in Scotland
Country of incorporation	Scotland
Ultimate Holding Company	The Trustee's ultimate holding Company is The Royal Bank of Scotland Group plc, which is incorporated in Scotland
Registered office	36 St Andrew Square, Edinburgh EH2 2YB
Head office	RBS Gogarburn, PO Box 1000, Edinburgh, EH12 1HQ
Principal place of business	The Broadstone, 50 South Gyle Crescent, Edinburgh EH12 9UZ
Principal business activity	Banking
Authorisation	Authorised and regulated by the FSA
Terms of appointment	The Trustee has been appointed under the Trust Deed. The terms agreed between the Manager and the Trustee relating to the Trustee's remuneration and expenses are set out under the heading "Charges and Expenses" later in this document.

The Trustee is responsible for the safe-keeping of all the property of the Fund and has a duty to take reasonable care to ensure that the Fund is managed in accordance with the provisions of the FSA Rules relating to the pricing of, and dealing in, units and relating to the income of the Fund. It is a public limited company incorporated in Scotland.

Subject to the FSA Rules and the Trust Deed, 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 delegated its custodial duties to Bank of New York Mellon (London Branch), 1 Canada Square, London E14 5AL ("the Custodian").

(E) **THE REGISTRAR**

Name	Phoenix Fund Services (UK) Ltd
Address	Springfield Lodge, Colchester Road, Chelmsford, Essex CM2 5PW.

The Trustee has appointed Phoenix Fund Services (UK) Ltd to maintain the Register of Unitholders. The Register may be inspected at Springfield Lodge, Colchester Road, Chelmsford, Essex CM2 5PW during normal office hours.

(F) **UNITHOLDER ADMINISTRATOR**

Name Phoenix Fund Services (UK) Ltd

Address Springfield Lodge, Colchester Road, Chelmsford, Essex CM2 5PW

The Manager has appointed Phoenix Fund Services (UK) Ltd to carry out certain unitholder administration services.

(G) **THE AUDITOR**

Name Shipleys LLP

Address 10 Orange Street, Haymarket, London WC2H 7DQ

(H) **FUND ACCOUNTING AND PRICING**

Name Phoenix Fund Services (UK) Ltd

Address Springfield Lodge, Colchester Road, Chelmsford, Essex CM2 5PW

The Manager appointed Phoenix Fund Services (UK) Ltd to carry out certain administration, fund accounting and pricing functions with effect from 1 January 2010. The Manager is authorised to carry on investment business in the United Kingdom. The fees of Phoenix Fund Services (UK) Ltd are paid by the Fund.

(I) **STOCKLENDING**

Name Bank of New York Mellon (London Branch)

The Trustee has appointed Bank of New York Mellon (London Branch) to act as Stocklending Manager for the Fund. Subject to appropriate controls imposed by the Trustee, all relevant laws, the FSA Rules, this Prospectus and the Trust Deeds, the Stocklending Manager will have the discretion to take day to day decisions in relation to the Stocklending of the Fund, without prior reference to the Trustee. The terms of the agreement under which securities are to be reacquired by the Fund must be in a form which is acceptable to the Trustee and in accordance with good market practice.

(J) **LEGAL ADVISERS**

Name Speechly Bircham LLP

Address 6 New Street Square, London EC4A 3LX

(K) **CONFLICTS OF INTEREST**

The Manager and the Fund Manager (and other companies within the Brompton Asset Management Group LLP) may, from time to time, act as investment advisers or advisers to other schemes, funds or sub-funds which follow similar investment objectives to those of the Fund. It is therefore possible that the Manager and/or the Fund Manager may in the course of their business have potential conflicts of interest with the Fund. The Manager, however, has regard in such event to its obligations under the Trust Deed and, in particular, to its obligation to act in the best interests of the Fund so far as practicable, having regard to its obligations to other clients, when undertaking any investment business where potential conflicts of interest may arise.

The Trustee may, from time to time, act as trustee, depositary or custodian of other collective investment schemes.

The Fund may hold shares in the ultimate holding company of the Manager.

3. THE CONSTITUTION

General

The Fund is an authorised unit trust scheme and UCITS scheme operating under Chapter 5 of COLL. The Fund qualifies for certification under the UCITS Directive but does not currently have a UCITS certificate. The base currency of the Fund is sterling. All Units issued are denominated in pence sterling.

Unitholders are not liable for the debts of the Fund. Unitholders are not liable to make any further payment after they have paid the price on the purchase of Units.

Several classes of Unit may be issued in respect of the Fund. The Fund currently issue the classes of Unit described below.

Where any changes are proposed to be made to the Fund the Manager will assess whether the change is fundamental, significant or notifiable in accordance with COLL 4.3. If the change is regarded as fundamental, unitholder approval will be required. If the change is regarded as significant, 60 days' prior written notice will be given to Unitholders. If the change is regarded as notifiable, Unitholders will receive suitable notice of the change. Some changes will not be fundamental, significant or notifiable.

4. FUND SPECIFIC DETAILS

PFS Brompton UK Recovery Unit Trust

This Fund was established on 5 September 2006 and authorised by the FSA on 6 September 2006.

Investment objective

To achieve capital growth.

Investment policy

The Fund will invest principally in the securities of UK companies quoted on the London Stock Exchange that are experiencing difficult trading or that have growth prospects that are not duly recognised by the market.

In addition to ordinary shares the Fund may also invest in fixed interest securities, preference shares, debt securities convertible to ordinary stock, money market instruments, deposits and any other permitted asset type deemed appropriate to meet the investment objective. The Fund may also invest outside the UK.

Permitted Type of assets

Transferable securities
Units in Collective Investment Schemes
Approved money market instruments
Derivatives and forward foreign exchange contracts
Deposits
Cash and Near Cash

Derivatives and forward foreign exchange contracts may

be used for the purposes of Efficient Portfolio Management only and cash and near cash will be used for the purposes of redemptions and Efficient Portfolio Management only. It is not anticipated that the use of derivatives for these purposes will alter the risk profile of the Fund.

Type of Units Available Class A Accumulation Units.
Income Equalisation No

5. **PROFILE OF INVESTOR**

Profile of typical investor The Fund is marketable to all retail investors, provided investment is considered medium to long term.

6. **INVESTMENT POWERS AND LIMITS**

The Fund's investment powers and limits are set out at Appendix C and which will be applied in accordance with the Fund's investment objective and policy as set out in section 4.

7. **BUYING AND REDEEMING UNITS**

The dealing office of the Manager is open from 9.00 a.m. until 5.00 p.m. on each Dealing Day to receive requests for the purchase or redemption of Units.

(A) **BUYING UNITS**

Procedure:

Units may be bought directly from the Manager or through your professional adviser or other intermediary. An intermediary who deals on your behalf in the Fund may be entitled to receive commission from the Manager.

Units can be bought either by sending a completed application form to the Manager at PO Box 100603, Chelmsford, Essex CM1 9PE, or, under certain circumstances, by telephoning the Manager on 0845 026 4288 Fax 0845 2802416. The Manager reserves the right to refuse telephone applications. Application forms may be obtained from the Manager. In addition, the Manager may from time to time make arrangements to allow Units to be bought on-line or through other communication media. There are currently no such arrangements in place.

The Manager has the right to reject, on reasonable grounds, 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.

Units will be issued at a price calculated by reference to the next Valuation Point following receipt of the application.

Documents the buyer will receive:

A contract note giving details of the number and price of Units bought will be issued no later than the end of the business day following the later of receipt of the application to buy Units and the Valuation Point by reference to which the price is determined, together with, where appropriate, a notice of the applicant's right to cancel.

An order for the purchase of Units will only be deemed to have been accepted by the Manager once it is in receipt of cleared funds for the investment. If settlement is not made within a reasonable period, then the Manager has the right to cancel any Units issued in respect of the application and recover any shortfall.

Certificates will not be issued in respect of Units. Ownership of Units will be evidenced by an entry on the Register of Unitholders. Notifications in respect of periodic income distributions on Units will show the number of Units held by the Unitholder on which the income distribution is being made. Individual statements of a Unitholder's Units (or, where Units are jointly held, the first named holder's) will be issued automatically as at 31 December and 30 June of each year. Ad-hoc valuation statements may also be issued upon request by the registered Unitholder. The Manager reserves the right to make a charge for any ad-hoc valuation statements issued.

Minimum Subscription and Holdings:

The minimum initial investment in Class A in the Fund is £250,000 and the minimum subsequent investment is £75,000.

The minimum value of Units which any one person may hold in Class A in the Fund is £75,000.

The Manager may at its discretion in what it considers to be special circumstances accept subscriptions and/or holdings lower than the minimum amount(s) or to waive or reduce the initial charge.

If following a redemption a holding should fall below the minimum holding, the Manager has the discretion to require redemption of that Unitholder's entire holding.

Market Timing

The Manager may refuse to accept a new investment if, in the opinion of the Manager, it has reasonable grounds for refusing to accept an investment. In particular, the Manager may exercise this discretion if it reasonably believes the Unitholder has been or intends to engage in market timing activities.

For these purposes, market timing activities include investment techniques which involve short term trading in and out of Units generally to take advantage of variations in the price of Units between the daily Valuation Points of the Fund. Short term trading of this nature may often be detrimental to long term Unitholders, in particular the frequency of dealing may lead to additional dealing costs which can affect long term performance.

Investments may be made into the Fund via nominee or similar omnibus accounts. For the purposes of monitoring and detecting potential market timing activity, the Manager's responsibilities will be restricted to the registered legal holder of Units rather than any underlying

beneficial holder. The Manager will co-operate in helping to deter any potential market timing activities that the registered legal holder has detected in his monitoring of his underlying beneficial holders.

(B) **REDEEMING UNITS**

Procedure:

Every Unitholder has the right to require that the Fund 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, in which case the Unitholder may be required to redeem his entire holding.

Requests to redeem Units may be in writing to the Manager at PO Box 10603, Chelmsford, Essex CM1 9PE, or by telephone on [0845 026 4288 Fax 0845 2802416. The Manager reserves the right to refuse a telephone redemption request. In addition the Manager may from time to time make arrangements to allow Units to be redeemed on-line or through other communication media. There are currently no such arrangements in place.

The Units will be redeemed at a price calculated by reference to the next Valuation Point following receipt of the instruction to redeem.

The Manager in his discretion may permit redemption proceeds to be paid by telegraphic transfer and may impose a charge. Any request for a telegraphic transfer would be subject to the necessary money laundering and anti-fraud checks.

Documents a redeeming Unitholder will receive:

A contract note giving details of the number and price of Units redeemed will be sent to the redeeming Unitholder (or the first named Unitholder, in the case of joint Unitholders) no later than the end of the business day following the later of the request to redeem Units and the Valuation Point by reference to which the price is determined. At the Manager's discretion, the contract note will be accompanied by a form of renunciation for completion and execution by the Unitholder (or, in the case of a joint holding, by all the joint Unitholders). A cheque in satisfaction of the redemption monies will be issued by the close of business on the fourth business day after the later of (a) where issued, receipt by the Manager of the form of renunciation (or other sufficient written instructions) duly signed and completed by all the relevant Unitholders, together with any other appropriate evidence of title, and (b) the Valuation Point following receipt by the Manager of the request to redeem.

A cheque will be sent at the Unitholder's risk by first class post to the last address notified by the Unitholder to the Manager. It will be deemed to be received on the second day after posting. The Manager will not be responsible if the mailing is delayed except where as a result of the Manager's negligence. If the mailing goes astray or is intercepted the Manager reserves the right to fully investigate what has happened and will have no obligation to remit a second payment to the Unitholder until satisfied with the results of the investigation.

Where the redemption proceeds are to be paid by telegraphic transfer, the Manager will make the payment to the bank account details last notified to the Manager. The redemption proceeds will

be sent at the risk of the Unitholder and the Manager will not be responsible if the telegraphic transfer is delayed, unless this is as a result of the Manager's negligence.

Minimum redemption:

Unitholders may redeem part of their holding, however the Manager reserves the right to refuse a redemption request if the value of the Units to be redeemed is less than £75,000.

Dealing Charges

The price per Unit at which Units are bought or redeemed is the Net Asset Value per Unit. Any initial charge or redemption charge is payable in addition to the price. A SDRT provision may also be levied in addition to the price on the purchase or redemption of Units.

Initial charge:

The Manager may impose a charge on the purchase of Units. The current initial charge for Class A Units of the Fund is 10%. The initial charge is a percentage of the gross subscription amount from a potential Unitholder.

The Manager will not increase the initial charge for the Fund unless a revised Prospectus has been made available to reflect the increase and the date of its commencement.

Redemption Charge:

The Manager may make a charge on the redemption of Units. No redemption charge is currently imposed.

The Manager may not introduce a redemption charge unless a revised Prospectus has been made available to reflect the introduction and the date of its commencement. Any redemption charge introduced will apply only to Units sold since its introduction but not to Units previously issued.

(C) **MONEY LAUNDERING AND FRAUD PREVENTION**

As a result of legislation in force in the United Kingdom to prevent money laundering, the Manager is responsible for compliance with money laundering regulations. In addition the Manager may carry out fraud prevention checks. Details of the procedures and requirements are set out in the Simplified Prospectus of the Fund. Until satisfactory proof of identity is provided or any other requirements are met, the Manager reserves the right to refuse to issue Units, pay the proceeds of a redemption of Units, or pay income on Units to the investor. Further, if additional administration is required to complete the registration of an investment as a result of the anti-money laundering or fraud prevention checks and procedures, the Manager reserves the right to make an administration charge in connection with the same.

(D) **LATE SETTLEMENT**

If the purchase monies for Units are received late, the Manager reserves the right to make an administration charge and/or at its sole discretion cancel the purchase of the Units and recover any shortfall.

(E) **TRANSFERS**

Unitholders are entitled to transfer their Units to another person or body. All transfers must be in writing in the form of an instrument of transfer approved by the Manager for this purpose. Completed instruments of transfer must be returned to the Manager in order for the transfer to be registered by the Manager. The Manager may refuse to register a transfer unless an amount equivalent to the applicable SDRT has been paid.

(F) **RESTRICTIONS AND COMPULSORY TRANSFER AND REDEMPTION**

The Manager may from time to time take such action or 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 or which would result in a Fund incurring any liability to taxation which a Fund is not able to recoup itself or suffering any other adverse consequence. In this connection, the Manager may, inter alia, reject in its discretion any application for the purchase, redemption, transfer or switching of Units.

If it comes to the notice of the Manager that any Units ("affected Units"):

- (i) are owned directly or beneficially in breach of any law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory; or
- (ii) would result in the Fund incurring any liability to taxation which the Fund would not be able to recoup itself or suffering any other adverse consequence (including a requirement to register under any securities or investment or similar laws or governmental regulation of any country or territory); or
- (iii) are held in any manner by virtue of which the Unitholder or Unitholders in question is/are not qualified to hold such Units or if it reasonably believes this to be the case;

or if the Manager is not satisfied that any Units may not give rise to a situation discussed in (i), (ii) or (iii), the Manager may give notice to the Unitholder(s) of the affected Units requiring the transfer of such Units to a person who is qualified or entitled to own them or that a request in writing be given for the redemption of such Units in accordance with the FSA Rules. If any Unitholder upon whom such a notice is served does not within 30 days after the date of such notice transfer his affected Units to a person qualified to own them or submit a written request for their redemption to the Manager or establish to the satisfaction of the Manager (whose judgement is final and binding) that he or the beneficial owner is qualified and entitled to own the affected Units, he shall be deemed upon the expiry of that 30 day period to have given a request in writing for the redemption or cancellation (at the discretion of the Manager) of all the affected Units.

This may include a situation which a Unitholder has moved to a different jurisdiction which either does or may give rise to a situation described in (i), (ii) or (iii) above.

It is not possible for the Manager to be fully informed of current law and regulations in every jurisdiction and accordingly in the interests of Unitholders and to be able to ensure no Units are held or acquired 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 or which would result in a Fund incurring any liability to taxation which the Fund is not able to recoup itself or suffering any other adverse consequence. The Manager's policy will be to treat Units of Unitholders moving to jurisdictions other than EEA States as affected Units and may refuse to issue Units to anyone resident outside of one of the jurisdictions.

A Unitholder who becomes aware that he is holding or owns affected Units shall immediately, unless he has already received a notice as set out above, either transfer all his affected Units to a person qualified to own them or submit a request in writing to the Manager for the redemption of all his affected Units.

If in the Manager's view any Unitholder acts in an abusive manner towards any employee of the Manager or its appointed agents, the Manager and its agents will only deal with that Unitholder in writing. If the Unitholder persists with abusive behaviour, the Manager reserves the right to compulsory redeem the Unitholder's holding.

(G) ISSUE OF UNITS IN EXCHANGE FOR IN SPECIE ASSETS

The Manager may arrange for the Fund to issue Units in exchange for assets other than cash, but will only do so where the Manager and Trustee are satisfied that the Fund's acquisition of those assets in exchange for the Units concerned is not likely to result in any material prejudice to the interests of Unitholders.

The Manager will ensure that the beneficial interest in the assets is transferred to the Fund with effect from the issue of the Units.

The Manager will not issue Units in exchange for assets the holding of which would be inconsistent with the investment objective of the Fund.

(H) IN SPECIE REDEMPTIONS

Where a Unitholder requests redemption or cancellation of Units in value of not less than 3% of the value of the Fund as a whole, the Manager may, at its discretion, give written notice to the Unitholder before the proceeds of the redemption or cancellation would otherwise become payable that, in lieu of paying such proceeds in cash, the Manager will transfer to that Unitholder property attributable to the Fund having the appropriate value. Where such a notice is given, the Unitholder may, by written notice given to the Manager before the relevant property is transferred to the Unitholder, require the Manager to arrange for a sale of that property and the payment to the Unitholder of the net proceeds of that sale. The Manager's notice shall not be given later than the second business day following the redemption or cancellation request. The Unitholder's request shall not be given later than the fourth business day following the Manager's notice.

The Manager will select the property to be transferred in consultation with the Trustee. They must ensure that the selection is made with a view to achieving no more advantage or disadvantage to the Unitholder requesting the redemption than to the continuing Unitholders. Whether the property is transferred or sold there shall be deducted from it a cash amount which would have normally been borne by the Fund on a sale of the property.

(I) **DEFERRED REDEMPTION**

In times of high redemption, to protect the interests of continuing Unitholders, the Manager may defer all redemptions at any Valuation Point to the next Valuation Point where requested redemptions exceed 10% of the Fund's value. This will allow the Manager to match the sale of the Fund Property to the level of redemptions, thereby reducing the impact of dilution on the Fund. At the next such Valuation Point all deals relating to the earlier Valuation Point will be completed before those relating to a later Valuation Point are considered.

(J) **REFUSAL TO SELL OR REDEEM**

The Manager reserves the right not to accept instructions to sell or redeem Units at a Valuation Point after 5.00 p.m. (or such later time as the Manager in its discretion may permit) on the Dealing Day before that Valuation Point.

(K) **SUSPENSION OF DEALINGS**

The Manager may, with the prior agreement of the Trustee or, and if the Trustee so requires, shall, without prior notice to unitholders, temporarily suspend the issue, cancellation, sale and redemption of units where, due to exceptional circumstances, it is in the interests of all holders to do so. Unitholders will be notified of such suspension in dealings as soon as is practicable after suspension commences and will be kept informed about the suspension. Suspension will continue only for so long as it is justified having regard to the interests of the unitholders. On a resumption of dealings following suspension, it is anticipated that unit pricing and dealing will take place at the Dealing Days and times stated in this Prospectus.

The Manager or the Trustee (as appropriate) will immediately inform the FSA of the suspension and the reasons for it and will follow this up as soon as practicable with written confirmation of the suspension and the reasons for it to the FSA and the regulator in each EEA state where the relevant Trust is offered for sale.

The Manager shall notify unitholders as soon as is practicable after the commencement of the suspension, including giving details of the exceptional circumstances which led to the suspension in a clear, fair and not misleading way and details of how unitholders may find out further information about the suspension. In the event of suspension, the Manager shall publish sufficient details on its website or by other general means to keep unitholders appropriately informed about the suspension including, if known, its possible duration.

The Manager and the Trustee will formally review the suspension at least every 28 days and will inform the FSA of such review and any change to the information supplied to unitholders.

Suspension will cease as soon as practicable after the exceptional circumstances leading to the suspension have ceased. On a resumption of dealings following suspension, it is anticipated that unit pricing and dealing will take place at the Dealing Days and times stated in this Prospectus.

The circumstances under which suspension of dealing may occur include, for example, those where the Manager cannot reasonably ascertain the value of the assets or realise assets of the Trust, or the closure or suspension of dealing on a relevant exchange.

During any suspension, a holder may withdraw his redemption notice provided that such withdrawal is in writing and is received before the end of the suspension. Any notice not withdrawn will be dealt with on the Dealing Day next following the end of the suspension.

(L) **GOVERNING LAW**

All deals in Units are governed by English law.

8. **TITLE OF UNITS**

Each holder of a Unit in the Fund is entitled to participate in the property of the Fund and any income thereof. A Unitholder's right in respect of the Fund as represented by his Units is that of a beneficial interest under the trust.

Title to Units will be evidenced in a register ("the Register"). No certificates will be issued to unitholders. A Unitholder's contract note will be evidence of title to his Units, although the Register will ultimately be conclusive evidence.

9. **DETERMINATION AND DISTRIBUTION OF INCOME**

Allocations of income are made in respect of any income available for allocation in the annual accounting period.

The Fund only issues accumulation Units. For accumulation Units income will become part of the capital property and will be reflected in the price of each such accumulation Unit.

All distributions unclaimed for a period of six years after having become due for payment shall be forfeited and shall revert to a Fund. The payment of any unclaimed distribution, interest or other sum payable by the Fund on or in respect of a Unit into a separate account shall not constitute the Manager a trustee thereof.

Any income available for accumulation is determined in accordance with the COLL. Broadly it comprises all sums deemed by the Fund, after consultation with the auditor, to be in the nature of income received or receivable for the account of the Fund and attributable to the Fund in respect of the accounting period concerned, after deducting net charges and expenses paid or payable out of such income and after making such adjustments as the Manager considers appropriate (after consulting the auditors in accordance with the COLL, in relation to taxation and other matters). There may be circumstances when the amount available for distribution is nil.

Further, the Manager reserves the right not to accumulate income if the amount available is less than 1% of the value of the Fund Property. Any such undistributed or accumulated income will be carried forward to the next period.

10. CHARGES AND EXPENSES

(A) REMUNERATION OF THE TRUSTEE

The Trustee is remunerated out of the property of the Fund in respect of its services, at an annual rate calculated on a sliding scale as follows:

0.02% for the first £200m of the property of the Fund

0.015% for the balance.

The Trustee's fee accrues over a 365-day year (or 366 days in a leap year). The fee is accrued on a daily basis by reference to the value of the Fund on that Dealing Day and is payable monthly as soon as practicable and in any event within seven days after the last business day in each month.

In addition, the Trustee makes transaction charges and custody charges. These charges are of such amounts as may be agreed by the Manager and the Trustee. Transaction charges vary from country to country. The transaction charges for the countries quoted on the tariff at the date of this Prospectus currently range from £8.00 to £80. Custody charges vary according to geographic location and market value of the holdings (calculated in the same manner as for the Manager's periodic charge). The custody charges for the countries quoted on the tariff at the date of this Prospectus currently range from 0.0022% to 0.5%.

(B) EXPENSES

The Trustee is entitled to be reimbursed out of the property of the Fund in respect of:

- (a) fees and expenses properly incurred in performing duties imposed on it either by FSA Rules, the Trust Deeds or general law; or
- (b) exercising powers conferred on it by the COLL or the Trust Deeds or by general law together with any VAT payable. The relevant duties may include, without limitation:
 - delivery of stock to the Trustee or Custodian;
 - custody of assets;
 - establishment and maintenance of the Register (and any plan sub-register) and any related functions;
 - collection of income;
 - submission of tax returns;
 - handling tax claims;
 - preparation of the Trustee's annual report;
 - such other duties as the Trustee is required by law to perform.

In addition the Trustee may be paid the following expenses or disbursements (plus VAT):

- (i) All expenses of registration of assets in the name of the Trustee or its nominees or agents, of acquiring, holding, realising or otherwise dealing with any assets; of custody of documents; of insurance of documents and of collecting income or capital; of opening bank accounts, effecting currency transactions and transmitting money; relating to borrowings or other permitted transactions; of obtaining advice, including legal, accountancy or other advice, of conducting legal proceedings; of communicating with holders, the Manager, the Registrar or other persons in respect of the Fund, relating to any enquiry by the Trustee into the conduct of the Manager and any report to holders; or otherwise relating to the performance by the Trustee of its duties or the exercise by the Trustee of its powers; and
- (ii) All charges of nominees or agents in connection with any of the matters referred to at (i) above; and
- (iii) Any expenses incurred in entering into any stocklending transactions.
- (iv) Any other costs, disbursements or expenses accepted under the laws of England and Wales from time to time as being properly chargeable by Trustees.

If any person, at the request of the Trustee in accordance with the COLL Sourcebook, provides services including but not limited to those of a custodian of property of the Fund, the expenses and disbursements hereby authorised to be paid to the Trustee out of the Fund's Property shall extend to the remuneration of such persons as approved by the Trustee and the Manager.

The Trustee has appointed International Financial Data Services (UK) Limited to act as Registrar and provide some unitholder administration services.

(C) **FEES AND EXPENSES**

Certain other expenses are also permitted by the COLL Sourcebook and by the Trust Deeds to be paid out of the Fund Property. At present these comprise in relation to the Fund payments in respect of:

- (1) the fees and expenses payable to the Manager (which will include the fees and expenses payable to the Investment Adviser), and those charged with the functions of administration and registration;
- (2) expenses incurred in acquiring and disposing of investments;
- (3) expenses incurred in producing, distributing and dispatching income and other payments to Unitholders;
- (4) fees in respect of the publication and circulation of details of the valuation and prices;
- (5) the fees and expenses of the auditors and tax, legal and other professional advisers to the Fund;
- (6) the costs and expenses of convening and holding Unitholder meetings (and any meetings of Unitholder classes);

- (7) costs incurred in taking out and maintaining any insurance policy in relation to the Fund;
- (8) expenses incurred in the documentation required to be maintained on behalf of the Fund;
- (9) any liabilities arising on the unitisation, amalgamation or reconstruction of the Fund.
- (10) costs of preparing and printing this Prospectus, the Simplified Prospectus and any trust deeds and the costs of distributing this Prospectus and any trust deed and the costs of printing and distributing long reports and short reports;
- (11) any costs incurred as a result of periodic updates of or changes to any Prospectus Simplified Prospectus of the Fund and the trust deeds of the Fund and any other administrative expenses;
- (12) certain liabilities on amalgamation or reconstruction arising where the property of a body corporate or another collective investment scheme is transferred to the Trustee in consideration for the issue of Units to the unitholders in that body or to participants in that other scheme in accordance with the FSA Rules;
- (13) taxation and duties payable by the Fund;
- (14) interest on and charges incurred in borrowings;
- (15) fees of the FSA under Schedule 1 Part III of the Financial Services and Markets Act 2000 and the corresponding periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which Units are or may lawfully be marketed;
- (16) fees and expenses associated with administration of the Fund, pricing of the Units and valuation of the assets of the Fund;
- (17) fees and charges in servicing any fund supermarket or investment linked to multi-managed products on which the Fund is available;
- (18) fees incurred in connection with the registration or other required procedures, to permit lawful marketing of the Fund in other jurisdictions;
- (19) fees of any paying, representative or other agents of the Fund or the Manager;
- (20) any payments otherwise due by virtue of changes to the FSA Rules;
- (21) any payments otherwise due by virtue of the COLL Sourcebook;
- (22) costs in respect of communications with actual and potential investors; and
- (23) any amount payable by the Fund under any indemnity provisions contained in any agreement with any functionary of the Fund.

Value added tax is payable on these charges where appropriate.

(D) CHARGES PAYABLE TO THE MANAGER

In payment for carrying out its duties and responsibilities the Manager is entitled to take an annual fee out of the Fund's Property, calculated as a percentage of the relevant value of the property of each class (where issued). The annual management charge is accrued on a daily basis by reference to the value of the property on that Dealing Day and the amount due for each month is payable monthly as soon as practicable after the end of the month and in any event within seven days after the last business day of the month. The current management charge for Class A Units of the Fund (expressed as a percentage per annum of the value of the Fund's Property) is 1.5% and this charge is taken from income.

The Manager is also entitled to all reasonable, properly documented, out of pocket expenses incurred in the performance of its duties.

Value added tax is payable on these charges or expenses where appropriate.

The Manager will not increase the initial charge on any class of Units unless a revised Prospectus has been made available to reflect the increase and the date of its commencement.

A redemption charge will only be introduced at least 60 days after the Manager has made available a revised Prospectus showing the new charge and its commencement date.

The current annual fees payable to the Manager will only be increased on giving 60 days notice to Unitholders.

(E) REGISTRATION FEES

The registration fee is met by the Manager. The current fee is £4,380.00 per annum. This is payable to Phoenix Fund Services (UK) Ltd. The fee is subject to annual review based on the Retail Price Index at January in each year.

(F) ADMINISTRATION AND FUND ACCOUNTING

Phoenix Fund Services (UK) Ltd provide administration and fund accounting services to the Fund. On the basis of anticipated trading volumes, charges are expected to be in the range of £40,000 to £70,000 per annum. These charges are calculated according to a detailed tariff which charges for individual transactions and services undertaken and this tariff is not therefore directly related to the value of the Fund's Property. These fees are borne out of the Fund's Property.

11. VALUATION OF PROPERTY AND PRICING

The price of a Unit is calculated by reference to the Net Asset Value of the Fund. The Net Asset Value is currently calculated at 12 noon on each Dealing Day.

Valuations will be made every Dealing Day at 12 noon. The Manager may determine that any Dealing Day so defined shall not be a Dealing Day.

Such a determination would generally only be made in respect of a particular day if that day were a holiday on a stock exchange which was the principal market for a significant proportion of the Fund's portfolio of securities (namely, its assets other than cash, deposits and short term paper)

or was a holiday elsewhere which impeded the calculation of the fair market value of the portfolio. The Manager may carry out additional valuations if they consider it desirable to do so or value the Fund's Property at a time other than 12 noon where there are circumstances which the Manager and the Trustee believe that this would be in the interests of Unitholders. An additional valuation may be made if the Manager believes that the value of the property has varied by 2% or more from that calculated at the previous valuation.

The Manager will, upon completion of each valuation, notify the Trustee of the price of Units, of each Class as adjusted for any dilution adjustment applicable in respect of any purchase or redemption of Units.

Calculation of the Net Asset Value

The value of the property of the Fund shall be the value of its assets less the value of its liabilities determined in accordance with the following provisions:

1. All the property of the Fund (including receivables) is to be included, subject to the following provisions.
2. Property which is not cash (or other assets dealt with in paragraph 3 below) or a contingent liability transaction shall be valued as follows and the prices used shall (subject as follows) be the most recent prices which it is practicable to obtain:
 - (a) units or shares in a collective investment scheme:
 - (i) if a single price for buying and redeeming units or shares is quoted, at that price; or
 - (ii) if separate buying and redemption 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 redemption price has been increased by any exit or redemption charge attributable thereto; or
 - (iii) if, in the opinion of the Manager, the price obtained is unreliable or no recent traded price is available or if no recent price exists, at a value which, in the opinion of the Manager, is fair and reasonable;
 - (b) any other transferable security:
 - (i) if a single price for buying and redeeming the security is quoted, at that price; or
 - (ii) if separate buying and redemption prices are quoted, at the average of the two prices; or
 - (iii) if, in the opinion of the Manager, the price obtained is unreliable or no recent traded price is available or if no recent price exists, at a value which in the opinion of the Manager, is fair and reasonable;

- (c) property of the Fund other than that described in (a) and (b) above at a value which, in the opinion of the Manager, represents a fair and reasonable mid-market price.
- 3. Cash and amounts held in current and deposit accounts and in other time related deposits shall be valued at their nominal values.
- 4. Property which is a contingent liability transaction shall be treated as follows:
 - (a) if it is a written option (and the premium for writing the option has become part of the scheme property), deduct the amount of the net valuation of premium receivable. If the scheme property is an off exchange option the method of valuation shall be agreed between the Manager and the Trustee;
 - (b) if it is an off exchange future, include it at the net value of closing out in accordance with a valuation method agreed between the Manager and the Trustee;
 - (c) if it is any other form of contingent liability transaction, include it at the net value of margin on closing out (whether as a positive or negative value). If the scheme property is an off exchange derivative, include it at a valuation method agreed between the Manager and the Trustee.
- 5. 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.
- 6. Subject to paragraphs 7 and 8 below, agreements for the unconditional sale or purchase of scheme 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 if, in the opinion of the Manager, their omission will not materially affect the final net asset amount.
- 7. 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 6.
- 8. All agreements are to be included under paragraph 6 which are, or ought reasonably to have been, known to the person valuing the property.
- 9. Deduct 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, value added tax, SDRT, stamp duty, and any foreign taxes or duties.
- 10. Deduct an estimated amount for any liabilities payable out of the scheme property and any tax thereon treating periodic items as accruing from day to day.
- 11. Deduct the principal amount of any outstanding borrowings whenever repayable and any accrued but unpaid interest on borrowings.

12. Add an estimated amount for accrued claims for tax of whatever nature which may be recoverable.
13. Add any other credits or amounts due to be paid into the scheme property.
14. Currencies or values in currencies other than Sterling shall be converted at the relevant valuation point at a rate of exchange that is not likely to result in any material prejudice to the interests of Unitholders or potential Unitholders.

Price per Unit in the Fund and each Class

The price per Unit at which Units are bought or redeemed is the Net Asset Value of a Class divided by the number of shares of that Class in issue. Any initial charge, redemption charge is payable in addition to the price. Any dilution adjustment is reflected in the price.

(A) FAIR VALUE PRICING

Where the Manager has reasonable grounds to believe that:

- (a) no reliable price exists for a security or unit/share in a collective investment scheme at a Valuation Point; or
- (b) the most recent price available does not reflect the Manager's best estimate of the value of the security or unit/share in a collective investment scheme at the Valuation Point

it can value an investment at a price which, in its opinion, reflects a fair and reasonable price for that investment (the fair value price).

The circumstances which may give rise to a fair value price being used include:

- (a) no recent trade in the security concerned; or
- (b) suspension of dealings in an underlying collective investment scheme; or
- (c) the occurrence of a significant event since the most recent closure of the market where the price of the security is taken.

In determining whether to use such a fair value price, the Manager will include in his consideration but need not be limited to:

- (a) the type of fund;
- (b) the securities involved;
- (c) whether the underlying collective investment schemes may have already applied fair value pricing;
- (d) the basis and reliability of the alternative price used; and

- (e) the Manager's policy on the valuation of Fund Property as disclosed in this Prospectus.

(B) **PRICING BASIS**

The Manager deals on a forward pricing basis. A forward price is the price calculated at the next Valuation Point after the purchase or redemption is deemed to be accepted by the Manager.

(C) **DILUTION ADJUSTMENT**

The basis on which the Fund's investments are valued for the purpose of calculating the price of Units as stipulated in the FSA Rules and the Trust Deed is summarised in Section 11. The actual cost of buying or redeeming the 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. The Fund may suffer dilution (reduction) in the value of the property of the Fund as a result of the costs incurred in dealing in the underlying investments and of any spread between the buying and selling of those investments. It is not, however, possible to predict accurately whether dilution will occur at any point in time. Under certain circumstances (for example, large volumes of deals) dilution may have a material adverse effect on the existing/continuing Unitholders' interest in the Fund.

The Manager's policy on dilution

The Manager has decided that its policy on dilution is that it requires the imposition of a dilution adjustment. In cases where a dilution adjustment is made the value of the capital of the property of a Fund will not be adversely affected by dilution.

Dilution Adjustment

If made, the dilution adjustment will be in addition to (and a part of) the price of Units when they are issued by the Manager or as a deduction when they are redeemed by the Manager. The dilution adjustment has the effect of swinging the price away from the mid price. The Manager has no entitlement to the dilution adjustment, which will either be paid into the Fund, in case of an issue of Units or retained in the Fund in case of a redemption of Units.

The need to impose a dilution adjustment will depend on the volume of net purchases or redemptions, as described below. The Manager may impose a discretionary dilution adjustment on any purchase or redemption of Units if, in its opinion, the existing Unitholders (for purchases) or continuing Unitholders (for redemptions) might otherwise materially be adversely affected. A dilution adjustment must be imposed only in a manner, that so far as practicable, is fair to all Unitholders or potential Unitholders.

In particular, the dilution adjustment may be imposed in the following circumstances:

1. If the Fund is experiencing large levels of net purchases (i.e. purchases less redemptions) relative to its size;
2. If the Fund is experiencing large levels of net redemptions (i.e. redemptions less purchases) relative to its size;

3. On "large deals". For these purposes, a large deal is defined as a purchase or a redemption of 3% or more of the value of the Fund, or a deal in excess of £250,000 for Class A Units whichever is the lesser;
4. In any other case where the Manager is of the opinion that the interests of existing/continuing Unitholders and potential Unitholders require the imposition of a dilution adjustment.

In order to reduce the volatility in the rate of any dilution adjustment, the Manager may take account of the trend of the Fund to expand or to contract; and the transactions in Units at a particular valuation point.

A dilution adjustment was not applied on any occasion in the period 1 January 2009 to 31 December 2009. The dilution adjustment can vary over time and vary depending on the assets held by the Fund. Under current market conditions, the dilution adjustment could be up to 2% on purchases and redemptions of Units.

(D) **PUBLICATION OF PRICES**

The most recent prices of Units are currently available on request by calling 0207 045 0600 on any Dealing Day or by emailing info@bromptonam.com. If the Manager proposes to differ the means of publication of prices 60 days notice will be given to Unitholders.

12. **TAXATION OF THE FUND**

(A) **Income**

A Fund is liable to corporation tax on its taxable income, less its expenses of management. Corporation tax will be payable for a financial year at a special rate applicable to authorised unit trusts (currently 20%) and the gross amount of any interest distributions. For corporation tax purposes, a financial year runs from 1 April to 31 March. Where an accounting period of the Fund falls into two financial years for which different rates apply, there will be an apportionment of income between them for tax purposes.

Dividends from UK resident companies carry a tax credit and are therefore not chargeable to further tax within a Fund and, consequently, do not form part of the Fund's taxable income.

If, for an accounting period, management expenses exceed the Fund's taxable income then the Fund generates a tax loss for that period.

(B) **Chargeable gains**

The Fund is exempt from corporation tax on its chargeable gains.

1.

1.1 General

The information below is a general guide based on current United Kingdom law and HM Revenue & Customs practice, all of which are subject to change. It summarises the tax position of the Company and of investors who are United Kingdom resident individuals and hold Shares as investments. The regime for taxation of income and capital gains received by individual investors depends on the tax law applicable to their personal circumstances and/or the place where the Scheme Property is invested. Prospective investors who are in any doubt about their tax position, or who may be subject to tax in a jurisdiction other than the United Kingdom, are recommended to take professional advice.

1.2 The Fund

The Fund is generally exempt from United Kingdom tax on capital gains realised on the disposal of its investments.

Dividends from United Kingdom companies are received by the Fund with a tax credit and no further tax is payable by the Fund on that income. The Fund will be subject to corporation tax on most other types of income but after deducting allowable management expenses and the gross amount of any interest distributions. Where the Fund suffers foreign tax on income received, this may normally be deducted from the United Kingdom tax due on that income.

The Fund will make dividend distributions except where more than a certain percentage of its property has been invested throughout the distribution period in interest-paying investments, in which case it will make interest distributions

1.3 Shareholders

1.3.1 Income

Amounts shown in the Fund's distribution accounts, as available for distribution, may be designated by the Fund as either dividends or yearly interest, dependent upon the nature of the income arising to the Fund.

Dividend distributions accumulated or paid to individual Unitholders will be treated in the same way as dividends from a UK resident company and will have attached to them a tax credit. This tax credit is, generally, non-refundable. Unitholders will be notified of the amount of the tax credit attaching to any such distribution. The aggregate of the distribution and the tax credit will be included in the Unitholders' total income for income tax purposes. Individuals liable to income tax at either the starting rate, or the basic rate, will have no further tax liability on the distributions that they receive. There will be a further liability to income tax for higher rate taxpayers, amounting to 25% of the net distribution.

(C) 1.3.2 Gains

A Unit is treated in the same way as a share in a company, so that chargeable gains on the disposal of a Unit may be charged to capital gains tax.

The notional distribution arising from accumulation Units is treated as allowable expenditure for capital gains tax purposes where it is subject to income tax in the hands of an individual Unitholder.

THE ABOVE IS ONLY A SUMMARY OF THE RELEVANT UNITED KINGDOM TAX POSITION AND IS NOT EXHAUSTIVE. IT ASSUMES AN INDIVIDUAL ie NON-CORPORATE UNITHOLDER. IT DOES NOT TAKE ACCOUNT OF INDIVIDUAL CIRCUMSTANCES AND INDIVIDUALS MUST CONSULT THEIR OWN TAX ADVISERS IN CASES OF DOUBT.

1.3.3 EU Savings Directive

Under the EU Council Directive on taxation of savings income Member States of the European Union ("Member States") are required to provide to the tax authorities of other Member States details of payments of interest and other similar income (which in the case of a collective investment fund may include income arising as a result of the sale and redemption of the fund's shares) paid by a person who is a "paying agent" for the purposes of the Directive to an individual resident for the purposes of the Directive in another Member State. However, a number of Member States may instead impose a system of withholding tax for a transitional period.

1.3.4 Stamp Duty Reserve Tax

SDRT is chargeable at the rate of 0.5% on the value of surrenders and transfers in each weekly charging period, but is reduced proportionately to the extent that during that week and the following week the:

- (i) Investments held are exempt assets which means essentially any assets other than United Kingdom equities and bonds linked to them and holdings in funds that are exempt from SDRT (this will reduce the charge to nil where the Fund is invested entirely in exempt assets)
- (ii) Purchases of Units by number are less than surrenders of Units.

With a view to protecting investors from a resulting diminution in the value of Units, the Manager is permitted to require the payment of an SDRT provision as an addition to (but not as part of) the price of Units when they are issued or purchased, and as a deduction when they are cancelled or redeemed.

Further, where investments are made in the Fund via a nominee or similar omnibus account and they are placed on a netted basis, i.e. redemptions in the omnibus account are netted off against purchases and vice versa, the Manager reserves the right to levy a SDRT provision of up to 0.5% regardless of deal size. The Manager also reserves the right to refuse to accept a netted deal in circumstances in which sufficient information is not provided for the Manager to properly analyse the potential SDRT liability or to seek a further recovery of SDRT from such a Unitholder in the event that the provision made is not

sufficient. SDRT provision has not at the date of this prospectus been charged on this basis but if it is charged it will be on each occasion such a Unitholder deals on a net basis.

(C) SDRT on Redemption of Units

Any SDRT payable by the Fund is technically the liability of the Trustee but it may be borne by the Fund.

The Manager intends that any SDRT chargeable on redemption of Units in the Fund will in general be paid out of the Fund's Property and a SDRT provision will not be levied directly on the redeeming Unitholder. The Manager considers that paying SDRT out of the Fund will not have a significant effect on performance. The Manager reserves the right to levy a SDRT provision up to 0.5% on the surrender of Units which are "large deals". For these purposes a large deal is defined as a redemption which is in excess of £75,000.

However, where SDRT is incurred on a surrender because a Unitholder receives a non pro rata in specie payment for his Units (a pro rata in specie surrender is not chargeable to SDRT) the Manager has the discretion to impose a SDRT provision of 0.5% on that redeeming Unitholder and reserves the right to do so, whatever the size of the deal.

(D) Frequency of SDRT provision

In the year 1 January 2009 to 31 December 2009 there was no occasion on which it was necessary to make provision for SDRT. It is thus believed that if the circumstances prevailing to date continue it is unlikely to be necessary to make provision in the future. If provision is made, it would be for a maximum of 0.5%.

(E) The Manager's Policy for Funding SDRT on Third Party Transfers of Units

The Trustee is entitled not to register a transfer of Units unless (a) a SDRT provision of 0.5% of the value transferred has been paid or (b) the Trustee has received all documentation required to provide evidence that the transfer is exempt from SDRT. As the value transferred is calculated at the Valuation Point immediately following the Trustee's receipt of the instrument of transfer the transferring Unitholder (being either of the transferor or the transferee) will be contacted after this point and advised of the amount of the SDRT provision due, which amount must be paid immediately.

Notwithstanding this, the Manager has the discretion, and reserves the right, to charge to the Fund SDRT incurred on third party transfers of Units.

13. **MONEY LAUNDERING**

The Manager is subject to the Criminal Justice Act 1993 and the Money Laundering Regulations 2003 which implemented the EU Money Laundering Directive. These require all firms carrying on

investment business to deter criminals from using the facilities for money laundering. The Simplified Prospectus document for the Fund contains details of the checks and requirements and the potential effect.

14. **UNITHOLDER MEETINGS AND VOTING RIGHTS**

(A) **Requisitions of Meetings**

The Manager or the Trustee may requisition a general meeting at any time.

Unitholders may also requisition a general meeting. A requisition by Unitholders must state the object 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 with the Trustee. The Manager or the Trustee must convene a general meeting no later than eight weeks after receipt of such requisition.

(B) **Notice and Quorum**

Unitholders will receive at least fourteen days' notice of a general 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. If at an adjourned meeting, a quorum is not present after a reasonable time from the time for the meeting, one Unitholder entitled to be counted in the quorum present in person at the meeting shall constitute a quorum. Notices of meetings and adjourned meetings will be sent to Unitholders at their registered addresses. In the case of joint named holders the notice will be sent to the first named holder.

(C) **Unitholders**

Unitholders for these purposes means those Unitholders on the register at a reasonable period before the notice of the meeting is sent out.

(D) **Voting Rights**

The provisions below, unless the context otherwise requires, apply to class meetings as they apply to general meetings of the Fund, but by reference to Units of the Class concerned and the Unitholders and value and prices of such Units.

At a general meeting, 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.

A resolution put to the vote of a general meeting must be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by the chairman of the meeting or by not less than two unitholders or by the Trustee. A demand by a proxy is deemed to be a demand by the member appointing the proxy. The chairman must exercise his power to demand a poll if requested to do so by the Manager.

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 sent out. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The chairman of the meeting may (and, if so directed by the meeting, shall) appoint scrutineers and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll.

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.

For joint Unitholders of a unit, only the vote of the first named in the register of Unitholders can be taken. For joint Unitholders, the vote of the most senior who votes, whether in person or by proxy, must be accepted to the exclusion of the votes of the other joint Unitholders. For this purpose seniority must be determined by the order in which the names stand in the register of Unitholders.

Except where the COLL Sourcebook or the Trust Deed require an extraordinary resolution (which needs at least 75% of the votes cast at the meeting to be in favour if the resolution is to be passed) any resolution required by the COLL Sourcebook will be passed by a simple majority of the votes validly cast for and against the resolution.

Where a resolution (including an extraordinary resolution) is required to conduct business at a meeting of Unitholders and every Unitholder is prohibited under COLL 4.4.8R(4) from voting, it shall not be necessary to convene such a meeting and a resolution may, with the prior written agreement of the Trustee to the process, instead be passed with the written consent of the Unitholders representing 50% or more, or for an extraordinary resolution 75% or more, of the Units in issue.

The Manager may not be counted in the quorum for a meeting and neither the Manager nor any associate (as defined in the COLL Sourcebook) of the Manager is entitled to vote at any meeting of the Fund 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.

Where a receiver or other person (by whatever name called) has been appointed by any court claiming jurisdiction in that behalf to exercise powers with respect to the property or affairs of any Unitholder on the ground (however formulated) of mental disorder, the Manager may in its absolute discretion upon or subject to production of such evidence of the appointment as the Manager may require, permit such receiver or other person on behalf of such Unitholder to vote on a poll in person or by proxy at any meeting of Unitholders or class meeting or to exercise any right other than the right to vote on a show of hands conferred by ownership of Units in relation to such a meeting.

No objection shall be raised as to the admissibility of any vote except at the meeting or adjourned meeting at which the vote objected to is or may be given or tendered and every vote may be disallowed at such meeting shall be valid for all purposes. Any such objection shall be referred to the chairman of the meeting whose decision shall be final and conclusive.

An instrument appointing a proxy shall be in writing in any usual or common form or in any other form which the Manager may approve or in its absolute discretion accept (including as to how it may be signed or sealed). The signature on such instrument need not be witnessed. Where an

instrument appointing a proxy in signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Manager) be lodged with the instrument appointing the proxy pursuant to the next following paragraph, failing which the instrument may be treated as invalid.

An instrument appointing a proxy must be left at or delivered to such place or one of such places (if any) as may be specified for the purpose in or by way of note to or in any document accompanying the notice convening the meeting (or, if no place is so specified, to or at the Manager's head office) by the time which is forty-eight hours before the time appointed for the holding of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used and , in default, may be treated as invalid. The instrument appointing a proxy shall, unless contrary is stated thereon, be valid as well for any adjournment of the meeting as for the meeting to which it relates.

A vote cast by proxy shall not be invalidated by the previous death or bankruptcy of the principal or by other transmission by operation of law of title to the Units concerned or by the revocation of the appointment of the proxy or of the authority under which the appointment of the proxy was made provided that no intimation in writing of such death, insanity or revocation shall have been received by the Manager at its head office by the time which is two hours before the commencement of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) the time appointed for the taking of the poll at which the vote is cast.

Any corporation which is a holder of Units in the Fund may by resolution of the directors or other governing body of such corporation and in respect of any Unit or Units in the Fund of which it is the holder authorise such individual as it thinks fit to act as its representative at any general meeting of the Unitholders or of any class meeting. The individual so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise in respect of such Unit or Units if it were the individual Unitholder in the Fund and such corporation shall for the purposes of the Trust Deed be deemed to be present in person at any such meeting if an individual so authorised is present.

15. **WINDING-UP OF THE FUND**

(A) **Conditions**

The Trustee shall proceed to wind-up the Fund:

- if the order declaring the Fund to be an authorised unit trust scheme is revoked, or
- if the Manager or the Trustee requests the FSA to revoke the order declaring the Fund to be an authorised unit trust scheme and the FSA has agreed (provided no material change in any relevant factor occurs) that on the winding-up of the Fund, the FSA will accede to that request, or
- on the effective date of a duly approved scheme of arrangement which is to result in the Fund being left with no property.

(B) **Procedure**

If any of the events set out above occurs COLL 5 or COLL 6 (as appropriate) of the FSA Rules, concerning Pricing and Dealing and Investment and Borrowing Powers will cease to apply. The Trustee shall cease to issue and cancel Units and the Manager will stop redeeming and selling Units.

In the case of a scheme of arrangement referred to above, the Trustee shall wind up the Fund in accordance with the approved scheme of arrangement.

In any other case, the Trustee shall, as soon as practicable after the Fund falls to be wound-up, realise the assets of the Fund and, after paying, or retaining adequate provision for, all liabilities properly payable and retaining provision for the costs of the winding-up, distribute the proceeds to the Unitholders and the Manager proportionately to the size of their holdings (upon production by them of such evidence, if any, as the Trustee may reasonably require as to their entitlement).

Any unclaimed net proceeds or other cash (including unclaimed distribution payments) held by the Trustee after twelve months from the date the proceeds became payable, shall be paid by the Trustee into Court, although the Trustee will have the right to retain any expenses incurred in making that payment. On completion of the winding-up, the Trustee shall notify FSA in writing of that fact and the Trustee or the Manager shall request FSA to revoke the order of authorisation.

16. **GENERAL INFORMATION**

(A) **Accounting Periods**

The annual accounting period of the Fund ends on 30 June and the interim accounting period ends on 31 December.

(B) **Manager Dealing**

All profits and/or losses which the Manager makes when acting as principal in connection with the sale and repurchase of Units will be retained by the Manager.

The Manager is under no obligation to account to the Trustee or to the Unitholders (or any of them) for any profits made by the Manager on the issue of Units in a Fund or on the re-issue or cancellation of Units previously redeemed by the Manager.

(C) **General**

For security, telephone calls are recorded.

(D) **Annual Reports**

Subject to the FSA Rules, an annual and interim report and accounts will be prepared in respect of the Fund each year. The annual long reports will be made available and published up to four months after the annual accounting date of the Fund and interim long reports will be made available and published up to two months following the interim accounting date of the Fund. The short reports will be sent to Unitholders up to four months after the annual accounting date of the Fund and up to two months following the interim accounting date of the Fund.

(E) **Documents of the Fund**

The following documents may be inspected free of charge during normal business hours on any business day at the offices of the Manager at 1 Knightsbridge Green, London SW1X 7QA:

- (a) the most recent long and short annual and half yearly reports of the Fund;
- (b) the most recent version of the Prospectus;
- (c) the Trust Deeds (as amended); and
- (d) the material contracts referred to below.

Unitholders may obtain copies of the above documents from the Manager. The Manager may make a charge at its discretion for copies of documents.

(F) **Notices**

Any notices required to be served on Unitholders or any documents required to be sent out to Unitholders will be sent by post to the address noted on the Register, or in the case of joint Unitholders to the address of the first named Unitholder.

(G) **Material Contracts**

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

- (a) the Administration and Registrar Agreement dated 1 January 2010 between the Manager, Phoenix Fund Services (UK) Ltd as amended from time to time.
- (b) the Administration and Fund Accounting Agreement dated 1 January 2010 between the Manager and Phoenix Fund Services (UK) Ltd as amended from time to time.

(H) **Complaints**

Complaints concerning the operation or marketing of the Fund may be referred to the Compliance Officer at Phoenix Fund Services (UK) Ltd, Springfield Lodge, Colchester Road, Chelmsford, Essex CM2 5PW or if you subsequently wish to take your complaint further, direct to the Financial Ombudsman Service at South Quay Plaza, 183 Marsh Wall, London E14 9SR.

17. **RISK WARNINGS**

Potential investors should consider the following risk factors before investing in the Fund.

(A) **General**

The investments of the Fund are subject to normal market fluctuations and other risks inherent in investing in securities. There can be no assurance that any appreciation in the value of investments will occur. The price of the Fund is calculated daily and is influenced by the value of

the assets held by the Fund. The value of investments and the income derived from them may fall as well as rise and investors may not recoup the original amount they invest in the Fund. There is no certainty that the investment objective of the Fund will actually be achieved and no warranty or representation is given to this effect.

(B) **Past Performance**

Past performance is not necessarily a guide to future performance.

(C) **Effect of Initial Charge or Redemption Charge**

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

In particular, where a redemption charge is payable investors should note that the percentage rate at which the redemption charge is calculated is based on the market value rather than the initial value of the Units. If the market value of the Units has increased the redemption charge will show a corresponding increase. Currently there is no redemption charge.

The Units should be viewed as a medium to long-term investment, and should therefore only be considered as an investment for five years or longer.

(D) **SDRT provision**

Investors should note that in certain circumstances a provision for SDRT may be applied on their purchase, redemption or transfer of Units (see "Stamp Duty Reserve Tax" Section 10).

(E) **Suspension of Dealings in Units**

Investors are reminded that in certain circumstances their right to redeem Units may be suspended (see "Suspension of Dealings" in Section 7(K)).

(F) **Charges taken from Income**

The annual management charge is to be taken from the income generated by the Fund and where there is insufficient income within the Fund to meet that charge, the balance will be deducted from the Fund's capital and to that extent may constrain capital growth.

(G) **Equity Investments**

Whilst equity investments carry potential for attractive returns over the longer term, the volatility of these returns can also be relatively high.

(H) **Exchange Rates**

Changes in exchange rates between currencies may cause the value of both the capital and income of a Unitholder's investment to increase and diminish.

(I) **Income**

The level of income any income accumulated may not be constant and may fluctuate.

(J) **Cancellation Rights**

Where cancellation rights are applicable, if Unitholders choose to exercise their cancellation rights and the value of their investment falls before notice of cancellation is received by the Manager in writing, a full refund of the original investment may not be provided but rather the original amount less the fall in value.

(K) **Deferral of Redemptions**

In times of high redemption, to protect the interests of continuing Unitholders, the Manager may defer all redemption requests at any Valuation Point to the next Valuation Point where requested redemptions in total exceed 10% of the Fund's value. This will allow the Manager to match the sale of the property of the Fund to the level of redemptions, thereby reducing the impact of dilution on the Fund. At the next such Valuation Point all deals relating to an earlier Valuation Point will be completed before those relating to a later Valuation Point are considered.

(L) **Inflation**

Inflation may affect the real value of a Unitholder's savings and investments, which may reduce the buying power of the money they have saved and their investments.

(M) **Dilution**

Investors should note that in certain circumstances a dilution adjustment may be applied on their purchase or redemption of Units. Where a dilution adjustment is not applied the Fund may incur dilution which may constrain capital growth.

(N) **Derivatives**

Derivatives are investments, whose value depends on the changes in an underlying asset or security. The stock is not physically held but there is a contract based on a number of predictions in time or price in the future.

APPENDIX A

An Eligible Market is a securities market established in an EEA State on which transferable securities admitted to the official listing in that country are dealt in or traded. The following list contains additional markets which the Manager and the Trustee have agreed are "Eligible Markets" for the Fund.

Country	Market
Australia	Australian Securities Exchange
Brazil	Sao Paulo Stock Exchange
Canada	The TSX Ventures Exchange, The Montreal Stock Exchange and The Toronto Stock Exchange
China	Shanghai Stock Exchange and Shenzhen Stock Exchange
Hong Kong	The Hong Kong Exchanges, Growth Enterprise Market
Japan	The Tokyo Stock Exchange, The Osaka Securities Exchange, The Nagoya, The Sapporo Stock Exchange and JASDAQ Securities Exchange
Korea	Korea Exchange Incorporated (KRX)
Malaysia	Bursa Malaysia Berhad
Mexico	The Mexican Stock Exchange
New Zealand	The New Zealand Stock Exchange
Singapore	The Singapore Exchange
South Africa	JSE Securities Exchange
Switzerland	The SWX Swiss Exchange, Virt-Ex
Taiwan	Taiwan Stock Exchange (TSEC)
Thailand	Stock Exchange of Thailand (SET)
USA	The New York Stock Exchange, The American Stock Exchange, NASDAQ, OTC Markets regulated by NASD/NASDAQ, The Philadelphia Stock Exchange and NYSE Arca

APPENDIX B

ELIGIBLE DERIVATIVES MARKETS

American Stock Exchange

Australian Securities Exchange (ASX)

Chicago Board Options Exchange

CME Group Inc.

Copenhagen Stock Exchange

EUREX

Euronext Amsterdam

Euronext London International Financial Futures and Options Exchange,

Euronext Paris

Helsinki Exchanges

Hong Kong Exchanges

The Irish Stock Exchange

JSE Securities Exchange

Kansas City Board of Trade

Korea Exchange Incorporated (KRX)

MEFF Renta Fija

MEFF Renta Variable

Montreal Stock Exchange

New York Futures Exchange

New York Mercantile Exchange

New York Stock Exchange

New Zealand Futures and Options Exchange

OMLX

Stockholmborsen

Osaka Securities Exchange

NYSE Arca

Philadelphia Board of Trade

Singapore Exchange

South Africa Futures Exchange (SAFEX)

Tokyo Stock Exchange

Toronto Stock Exchange

APPENDIX C

1 General

The Scheme Property will be invested with the aim of achieving the investment objective of that Fund but subject to the limits set out in the Fund's investment policy and the limits set out in Chapter 5 of the COLL Sourcebook ("COLL 5") and this Prospectus.

1.1 Prudent spread of risk

The Manager must ensure that, taking account of the investment objectives and policy of each Fund, the Scheme Property of each Fund aims to provide a prudent spread of risk.

1.2 Cover

1.2.1 Where the COLL Sourcebook allows a transaction to be entered into or an investment to be retained only (for example, investment in nil and partly paid securities and the general power to accept or underwrite) if possible obligations arising out of the investment transactions or out of the retention would not cause any breach of any limits in COLL 5, it must be assumed that the maximum possible liability of the Fund under any other of those rules has also to be provided for.

1.2.2 Where a rule in the COLL Sourcebook permits an investment transaction to be entered into or an investment to be retained only if that investment transaction, or the retention, or other similar transactions, are covered:

1.2.2.1 it must be assumed that in applying any of those rules, the Fund must also simultaneously satisfy any other obligation relating to cover; and

1.2.2.2 no element of cover must be used more than once.

2 UCITS schemes - general

2.1 The Scheme Property of the Fund must, except where otherwise provided in COLL 5, only consist of any or all of:

- a) transferable securities;
- b) approved money market instruments;
- c) units in collective investment schemes;
- d) permitted derivatives and forward transactions;
- e) permitted deposits; and
- f) cash and near cash.

3 Transferable securities

3.1 A transferable security is an investment falling within article 76 (Shares etc), article 77 (instruments creating or acknowledging indebtedness), article 78 (government and public securities), article 79 (instruments giving entitlement to investments) and article 80 (certificates representing certain securities) of the Regulated Activities Order.

- 3.2 An investment is not a transferable security if the title to it cannot be transferred, or can be transferred only with the consent of a third party.
- 3.3 In applying paragraph 3.2 of this Appendix to an investment which is issued by a body corporate, and which is an investment falling within articles 76 (shares, etc) or 77 (instruments creating or acknowledging indebtedness) of the Regulated Activities Order, the need for any consent on the part of the body corporate or any members or debenture holders of it may be ignored.
- 3.4 An investment is not a transferable security unless the liability of the holder of it to contribute to the debts of the issuer is limited to any amount for the time being unpaid by the holder of it in respect of the investment.
- 3.5 The Fund may invest in a transferable security only to the extent that the transferable security fulfils the following criteria:
- 3.5.1 the potential loss which the Fund may incur with respect to holding the transferable security is limited to the amount paid for it;
- 3.5.2 its liquidity does not compromise the ability of the Manager to comply with its obligation to redeem units at the request of any qualifying Shareholder under the FSA Handbook;
- 3.5.3 reliable valuation is available for it as follows:
- 3.5.3.1 in the case of a transferable security admitted to or dealt in on an eligible market, where there are accurate, reliable and regular prices which are either market prices or prices made available by valuation systems independent from issuers;
- 3.5.3.2 in the case of a transferable security not admitted to or dealt in on an eligible market, where there is a valuation on a periodic basis which is derived from information from the issuer of the transferable security or from competent investment research;
- 3.5.4 appropriate information is available for it as follows:
- 3.5.4.1 in the case of a transferable security admitted to or dealt in on an eligible market, where there is regular, accurate and comprehensive information available to the market on the transferable security or, where relevant, on the portfolio of the transferable security;
- 3.5.4.2 in the case of a transferable security not admitted to or dealt in on an eligible market, where there is regular and accurate information available to the Manager on the transferable security or, where relevant, on the portfolio of the transferable security;
- 3.5.5 it is negotiable; and
- 3.5.6 its risks are adequately captured by the risk management process of the Manager.
- 3.6 Unless there is information available to the Manager that would lead to a different determination, a transferable security which is admitted to or dealt in on an eligible market shall be presumed:
- 3.6.1 not to compromise the ability of the Manager to comply with its obligation to redeem units at the request of any qualifying Unitholder; and

- 3.6.2 to be negotiable.
- 3.7 No more than 5% of the value of the property of the Fund may be invested in warrants.
- 4. Closed end fund constituting transferable securities
 - 4.1 A unit in a closed end fund shall be taken to be a transferable security for the purposes of investment by the Fund, provided it fulfils the criteria for transferable securities set out in 3.5 above and either:
 - 4.1.1 where the closed end fund is constituted as an investment company or a unit trust:
 - 4.1.1.1 it is subject to corporate governance mechanisms applied to companies; and
 - 4.1.1.2 where another person carries out asset management activity on its behalf, that person is subject to national regulation for the purpose of investor protection; or
 - 4.1.2 where the closed end fund is constituted under the law of contract:
 - 4.1.2.1 it is subject to corporate governance mechanisms equivalent to those applied to companies; and
 - 4.1.2.2 it is managed by a person who is subject to national regulation for the purpose of investor protection.
- 5. Transferable securities linked to other assets
 - 5.1 The Fund may invest in any other investment which shall be taken to be a transferable security for the purposes of investment by the Fund provided the investment:
 - 5.1.1 fulfils the criteria for transferable securities set out in 3.5 above; and
 - 5.1.2 is backed by or linked to the performance of other assets, which may differ from those in which the Fund can invest.
 - 5.2 Where an investment in 5.1 contains an embedded derivative component, the requirements of this paragraph with respect to derivatives and forwards will apply to that component.
- 6. Approved Money-Market Instruments
 - 6.1 An approved money-market instrument is a money-market instrument which is normally dealt in on the money market, is liquid and has a value which can be accurately determined at any time.
 - 6.2 A money-market instrument shall be regarded as normally dealt in on the money market if it:
 - 6.2.1 has a maturity at issuance of up to and including 397 days;
 - 6.2.2 has a residual maturity of up to and including 397 days;
 - 6.2.3 undergoes regular yield adjustments in line with money market conditions at least every 397 days; or

- 6.2.4 has a risk profile, including credit and interest rate risks, corresponding to that of an instrument which has a maturity as set out in 6.2.1 or 6.2.2 or is subject to yield adjustments as set out in 6.2.3.
- 6.2.5 A money-market instrument shall be regarded as liquid if it can be sold at limited cost in an adequately short time frame, taking into account the obligation of the Manager to redeem units at the request of any qualifying Shareholder.
- 6.2.6 A money-market instrument shall be regarded as having a value which can be accurately determined at any time if accurate and reliable valuations systems, which fulfil the following criteria, are available:
 - 6.2.6.1 enabling the Manager to calculate a net asset value in accordance with the value at which the instrument held in the portfolio could be exchanged between knowledgeable willing parties in an arm's length transaction; and
 - 6.2.6.2 based either on market data or on valuation models including systems based on amortised costs.
- 6.2.7 A money-market instrument that is normally dealt in on the money market and is admitted to or dealt in on an eligible market shall be presumed to be liquid and have a value which can be accurately determined at any time unless there is information available to the Manager that would lead to a different determination.
- 7. Transferable securities and money-market instruments generally to be admitted or dealt in on an Eligible Market
 - 7.1 Transferable securities and approved money-market instruments held within a Fund must be:
 - 7.1.1 admitted to or dealt on an eligible market (as described in 8.3.1 or 8.3.2); or
 - 7.1.2 dealt on an eligible market (as described in 8.4); or
 - 7.1.3 for an approved money-market instrument not admitted to or dealt in on an eligible market, within 9.1; or
 - 7.1.4 recently issued transferable securities provided that:
 - 7.1.4.1 the terms of issue include an undertaking that application will be made to be admitted to an eligible market; and
 - 7.1.4.2 such admission is secured within a year of issue.
 - 7.1.5 However, the Fund may invest no more than 10% of the Scheme Property in transferable securities and approved money-market instruments other than those referred to in 7.1.
- 8 Eligible markets regime: purpose
 - 8.1 To protect investors the markets on which investments of a Fund are dealt in or traded on should be of an adequate quality ("eligible") at the time of acquisition of the investment and until it is sold.
 - 8.2 Where a market ceases to be eligible, investments on that market cease to be approved securities. The 10% restriction in 7.1.5 above on investing in non approved securities applies and exceeding this limit because a market ceases to be eligible will generally be regarded as an inadvertent breach.

- 8.3 A market is eligible for the purposes of the rules if it is:
 - 8.3.1 a regulated market as defined in the FSA Handbook; or
 - 8.3.2 a market in an EEA State which is regulated, operates regularly and is open to the public.
- 8.4. A market not falling within paragraph 8.3 of this Appendix is eligible for the purposes of COLL 5 if:
 - 8.4.1 the Manager, after consultation with and notification to the Trustee, decides that market is appropriate for investment of, or dealing in, the Scheme Property;
 - 8.4.2 the market is included in a list in the prospectus; and
 - 8.4.3 the Trustee has taken reasonable care to determine that:
 - 8.4.3.1 adequate custody arrangements can be provided for the investment dealt in on that market; and
 - 8.4.3.2 all reasonable steps have been taken by the Manager in deciding whether that market is eligible.
- 8.5 In paragraph 8.4, a market must not be considered appropriate unless it is regulated, operates regularly, is recognised, is open to the public, is adequately liquid and has adequate arrangements for unimpeded transmission of income and capital to or for the order of investors.
- 9. Money-market instruments with a regulated issuer
 - 9.1 In addition to instruments admitted to or dealt in on an eligible market, the Fund may invest in an approved money-market instrument provided it fulfils the following requirements:
 - 9.1.1 the issue or the issuer is regulated for the purpose of protecting investors and savings; and
 - 9.1.2 the instrument is issued or guaranteed in accordance with paragraph 10 below.
 - 9.2 The issue or the issuer of a money-market instrument, other than one dealt in on an eligible market, shall be regarded as regulated for the purpose of protecting investors and savings if:
 - 9.2.1 the instrument is an approved money-market instrument;
 - 9.2.2 appropriate information is available for the instrument (including information which allows an appropriate assessment of the credit risks related to investment in it), in accordance with paragraph 11 below; and
 - 9.2.3 the instrument is freely transferable.
- 10. Issuers and guarantors of money-market instruments
 - 10.1 The Fund may invest in an approved money-market instrument if it is:
 - 10.1.1 issued or guaranteed by any one of the following:
 - 10.1.1.1 a central authority of an EEA State or, if the EEA State is a federal state, one of the members making up the federation;

- 10.1.1.2 a regional or local authority of an EEA State;
- 10.1.1.3 the European Central Bank or a central bank of an EEA State;
- 10.1.1.4 the European Union or the European Investment Bank;
- 10.1.1.5 a non-EEA State or, in the case of a federal state, one of the members making up the federation;
- 10.1.1.6 a public international body to which one or more EEA States belong; or
- 10.1.2 issued by a body, any securities of which are dealt in on an eligible market; or
- 10.1.3 issued or guaranteed by an establishment which is:
 - 10.1.3.1 subject to prudential supervision in accordance with criteria defined by European Community law; or
 - 10.1.3.2 subject to and complies with prudential rules considered by the FSA to be at least as stringent as those laid down by European Community law.
- 10.2 An establishment shall be considered to satisfy the requirement in 10.1.3.2 if it is subject to and complies with prudential rules, and fulfils one or more of the following criteria:
 - 10.2.1 it is located in the European Economic Area;
 - 10.2.2 it is located in an OECD country belonging to the Group of Ten;
 - 10.2.3 it has at least investment grade rating;
 - 10.2.4 on the basis of an in-depth analysis of the issuer, it can be demonstrated that the prudential rules applicable to that issuer are at least as stringent as those laid down by European Community law.
- 11. Appropriate information for money-market instruments
 - 11.1 In the case of an approved money-market instrument within 10.1.2 or issued by a body of the type referred to in COLL 5.2.10EG, or which is issued by an authority within 10.1.1.2 or a public international body within 10.1.1.6 but is not guaranteed by a central authority within 10.1.1.1, the following information must be available:
 - 11.1.1 information on both the issue or the issuance programme, and the legal and financial situation of the issuer prior to the issue of the instrument, verified by appropriately qualified third parties not subject to instructions from the issuer;
 - 11.1.2 updates of that information on a regular basis and whenever a significant event occurs; and
 - 11.1.3 available and reliable statistics on the issue or the issuance programme.
 - 11.2 In the case of an approved money-market instrument issued or guaranteed by an establishment within 10.1.3, the following information must be available:
 - 11.2.1 information on the issue or the issuance programme or on the legal and financial situation of the issuer prior to the issue of the instrument;

- 11.2.2 updates of that information on a regular basis and whenever a significant event occurs; and
- 11.2.3 available and reliable statistics on the issue or the issuance programme, or other data enabling an appropriate assessment of the credit risks related to investment in those instruments.
- 11.3 In the case of an approved money-market instrument:
 - 11.3.1 within 10.1.1.1, 10.1.1.4 or 10.1.1.5; or
 - 11.3.2 which is issued by an authority within 10.1.1.2 or a public international body within 10.1.1.6 and is guaranteed by a central authority within 10.1.1.1;
 - 11.3.3 information must be available on the issue or the issuance programme, or on the legal and financial situation of the issuer prior to the issue of the instrument.
- 12. Spread: general
 - 12.1 This rule on spread does not apply to government and public securities.
 - 12.2 For the purposes of this requirement companies included in the same group for the purposes of consolidated accounts as defined in accordance with Directive 83/349/EEC or in the same group in accordance with international accounting standards are regarded as a single body.
 - 12.3 Not more than 20% in the value of the Scheme Property is to consist of deposits with a single body
 - 12.4 Not more than 5% in value of the Scheme Property is to consist of transferable securities or approved money market instruments issued by any single body, except that the limit of 5% is raised to 10% in respect of up to 40% in value of the Scheme Property (covered bonds need not be taken into account for the purposes of applying the limit of 40%). For these purposes certificates representing certain securities are treated as equivalent to the underlying security.
 - 12.5 The limit of 5% is raised to 25% in value of the Scheme Property in respect of covered bonds provided that when a Fund invests more than 5% in covered bonds issued by a single body, the total value of covered bonds held must not exceed 80% in value of the Scheme Property.
 - 12.6 The exposure to any one counterparty in an OTC derivative transaction must not exceed 5% in value of the Scheme Property. This limit is raised to 10% where the counterparty is an Approved Bank.
 - 12.7 Not more than 20% in value of the Scheme Property of a Sub-Fund is to consist of transferable securities and approved money market instruments issued by the same group.
 - 12.8 Not more than 10% in value of the Scheme Property is to consist of the units of any one collective investment scheme.
 - 12.9 In applying the above limits in 12.3, 12.4 and 12.6, and subject to 12.5, not more than 20% in value of the Scheme Property is to consist of any combination of two or more of the following:

- 12.9.1 transferable securities (including covered bonds) or approved money market instruments issued by; or
- 12.9.2 deposits made with; or
- 12.9.3 exposures from OTC derivatives transactions made with;
 - a single body.
- 12.10 In applying the limits in 12.6 and 12.9 of this paragraph 12, the exposure in respect of an OTC derivative may be reduced to the extent that collateral is held in respect of it if the collateral meets each of the following conditions:
 - 12.10.1 it is marked-to-market on a daily basis and exceeds the value of the amount at risk;
 - 12.10.2 it is exposed only to negligible risks (e.g. government bonds of first credit rating or cash) and is liquid;
 - 12.10.3 it is held by a third party custodian not related to the provider or is legally secured from the consequences of a failure of a related party; and
 - 12.10.4 can be fully enforced by the UCITS scheme at any time.
- 12.11 For the purposes of calculating the limits in 12.6 and 12.9 of this paragraph 12 (Spread: general), OTC derivative positions with the same counterparty may be netted provided that the netting procedures:
 - 12.11.1 comply with the conditions set out in Section 3 (Contractual netting (Contracts for novation and other netting agreements)) of Annex III to the Banking Consolidation Directive; and
 - 12.11.2 are based on legally binding agreements.
- 12.12 In applying this paragraph 12, all derivatives transactions are deemed to be free of counterparty risk if they are performed on an exchange where the clearing house meets each of the following conditions:
 - 12.12.1 it is backed by an appropriate performance guarantee; and
 - 12.12.2 it is characterised by a daily mark-to-market valuation of the derivative positions and at least daily margining.
- 13. Spread: government and public securities
 - 13.1 The following paragraph applies to government and public securities ("such securities").
 - 13.2 Where no more than 35% in value of the Scheme Property is invested in such securities issued by any one body, there is no limit on the amount which may be invested in such securities or in any one issue.
 - 13.3 A Fund may invest more than 35% in value of the Scheme Property in such securities issued by any one body provided that:
 - 13.3.1 the ACD has before any such investment is made consulted with the Depositary and as a result considers that the issuer of such securities is one which is appropriate in accordance with the investment objectives of the authorised Funds;

- 13.3.2 no more than 30% in value of the Scheme Property consists of such securities of any one issue;
- 13.3.3 the Scheme Property includes such securities issued by that or another issuer, of at least six different issues;
- 13.3.4 the disclosures required by the FSA have been made.
- 13.4 In relation to such securities;
 - 13.4.1 issue, issued and issuer include guarantee, guaranteed and guarantor; and
 - 13.4.2 an issue differs from another if there is a difference as to repayment date, rate of interest, guarantor or other material terms of issue.
- 13.5 In the case of the Fund more than 35% of the property of the Fund may be invested in Government and public securities issued by or on behalf of or guaranteed by the Government of the United Kingdom (including the Scottish Administration, the Executive Committee of the Northern Ireland Assembly, the National Assembly of Wales), Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Liechtenstein, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia, Romania, Bulgaria and Switzerland and by one of the following international organisations: World Bank, Asian Development Bank (ADB), Council of Europe Development Bank, Deutsche Ausgleichsbank (DTA), Eurofima, European Bank for Reconciliation and Development (EBRD), European Investment Bank (EIB), International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), Kreditanstalt für Wiederaufbau (KfW), LCR Finance plc, and the Nordic Investment Bank (NIB).
- 13.6 Notwithstanding paragraph 12.1 and subject to paragraphs 13.2 and 13.3, in applying the 20% limit in paragraph 12.9 with respect to a single body, government and public securities issued by that body shall be taken into account.
- 14. Investment in collective investment schemes
 - 14.1 Up to 10% in value of the property of a Fund may be invested in units or shares in other collective investment schemes ("Second Scheme") provided that the Second Scheme satisfies all of the following conditions:
 - 14.1.1 The Second Scheme must:
 - 14.1.1.1 satisfy the conditions necessary for it to enjoy the rights conferred by the UCITS Directive; or
 - 14.1.1.2 be recognised under the provisions of s.270 of the Financial Services and Markets Act 2000;
 - 14.1.1.3 be authorised as a non-UCITS retail scheme (provided the requirements of Article 19(1)(e) of the UCITS Directive are met); or

- 14.1.1.4 be authorised in another EEA State (provided the requirements of Article 19(1)(e) of the UCITS Directive are met) ; or
- 14.1.1.5 be authorised by the competent authority of an OECD member country (other than another EEA State) which has:
 - (i) signed the IOSCO Multilateral Memorandum of Understanding; and
 - (ii) approved the scheme's management company, rules and depositary/custody arrangements.
- 14.1.2 The Second Scheme has terms which prohibit more than 10% in value of the Scheme Property consisting of units in collective investment schemes; and
- 14.1.3 Investment may only be made in other collective investment schemes managed by the Manager or an associate of the Manager if the Fund's Prospectus clearly states that it may enter into such investments and the rules on double charging contained in the COLL Sourcebook are complied with. The Fund may invest up to 10% in value of its property in collective investment schemes managed or operated by or whose Manager is Phoenix Fund Services (UK) Limited or an associate of Phoenix Fund Services (UK) Limited.
- 14.1.4 Where the Second Scheme is an umbrella, the provision of 14.1.2 and 14.1.3 and paragraph 12 apply to each Fund as if it were a separate scheme.
- 15. Investment in nil and partly paid securities
 - 15.1 A transferable security or an approved money market instrument on which any sum is unpaid falls within a power of investment only if it is reasonably foreseeable that the amount of any existing and potential call for any sum unpaid could be paid by the Fund, at the time when payment is required, without contravening the rules in COLL 5.
- 16 Derivatives: general
 - 16.1 A transaction in derivatives or a forward transaction must not be effected for a Fund unless the transaction is of a kind specified in paragraph 17 below (Permitted transactions (derivatives and forwards)); and the transaction is covered, as required by paragraph 24 (Cover for transactions in derivatives and forward transactions).
 - 16.2 Where a Fund invests in derivatives, the exposure to the underlying assets must not exceed the limits set out in the COLL Sourcebook in relation to spread (see paragraph 12 (Spread : general) and paragraph 13 (Spread : government and public securities)) except for index based derivatives where the rules below apply.
 - 16.3 Where a transferable security or approved money market instrument embeds a derivative, this must be taken into account for the purposes of complying with this paragraph.
 - 16.4 A transferable security or an approved money-market instrument will embed a derivative if it contains a component which fulfils the following criteria:

- 16.4.1 by virtue of that component some or all of the cash flows that otherwise would be required by the transferable security or approved money-market instrument which functions as host contract can be modified according to a specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, and therefore vary in a way similar to a stand-alone derivative;
- 16.4.2 its economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract; and
- 16.4.3 it has a significant impact on the risk profile and pricing of the transferable security or approved money-market instrument.
- 16.5 A transferable security or an approved money-market instrument does not embed a derivative where it contains a component which is contractually transferable independently of the transferable security or the approved money-market instrument. That component shall be deemed to be a separate instrument.
- 16.6 Where the Fund invests in an index based derivative, provided the relevant index falls within paragraph 18 (Financial Indices underlying derivatives), the underlying constituents of the index do not have to be taken into account for the purposes of paragraphs 12 and 13 above.
- 17 Permitted transactions (derivatives and forwards)
 - 17.1 A transaction in a derivative must be in an approved derivative; or be one which complies with paragraph 21 (OTC transactions in derivatives).
 - 17.2 A transaction in a derivative must have the underlying consisting of any or all of the following to which the scheme is dedicated: transferable securities, approved money market instruments permitted under paragraph 9 (Money market instruments with a regulated issuer), deposits, permitted derivatives under this paragraph, collective investment scheme units permitted under paragraph 14 (Investment in collective investment schemes), financial indices which satisfy the criteria set out in paragraph 18, interest rates, foreign exchange rates and currencies.
 - 17.3 A transaction in an approved derivative must be effected on or under the rules of an eligible derivatives market.
 - 17.4 A transaction in a derivative must not cause the Fund to diverge from its investment objectives as stated in the Instrument constituting the scheme and the most recently published version of this Prospectus.
 - 17.5 A transaction in a derivative must not be entered into if the intended effect is to create the potential for an uncovered sale of one or more, transferable securities, approved money market instruments, units in collective investment schemes, or derivatives.
 - 17.6 Any forward transaction must be with and Eligible Institution or an Approved Bank.
- 18. Financial Indices underlying derivatives
 - 18.1 The financial indices referred to in 17.2 are those which satisfy the following criteria:
 - 18.1.1 the index is sufficiently diversified;

- 18.1.2 the index represents an adequate benchmark for the market to which it refers; and
- 18.1.3 the index is published in an appropriate manner.
- 18.2 A financial index is sufficiently diversified if:
 - 18.2.1 it is composed in such a way that price movements or trading activities regarding one component do not unduly influence the performance of the whole index;
 - 18.2.2 where it is composed of assets in which the Fund is permitted to invest, its composition is at least diversified in accordance with the requirements with respect to spread and concentration set out in this paragraph; and
 - 18.2.3 where it is composed of assets in which the Fund cannot invest, it is diversified in a way which is equivalent to the diversification achieved by the requirements with respect to spread and concentration set out in this paragraph.
- 18.3 A financial index represents an adequate benchmark for the market to which it refers if:
 - 18.3.1 it measures the performance of a representative group of underlyings in a relevant and appropriate way;
 - 18.3.2 it is revised or rebalanced periodically to ensure that it continues to reflect the markets to which it refers, following criteria which are publicly available; and
 - 18.3.3 the underlyings are sufficiently liquid, allowing users to replicate it if necessary.
- 18.4 A financial index is published in an appropriate manner if:
 - 18.4.1 its publication process relies on sound procedures to collect prices, and calculate and subsequently publish the index value, including pricing procedures for components where a market price is not available; and
 - 18.4.2 material information on matters such as index calculation, rebalancing methodologies, index changes or any operational difficulties in providing timely or accurate information is provided on a wide and timely basis.
- 18.5 Where the composition of underlyings of a transaction in a derivative does not satisfy the requirements for a financial index, the underlyings for that transaction shall where they satisfy the requirements with respect to other underlyings pursuant to 17.2, be regarded as a combination of those underlyings.
- 19 Transactions for the purchase of property
 - 19.1 A derivative or forward transaction which will or could lead to the delivery of property for the account of the Fund may be entered into only if that property can be held for the account of the Fund, and the Manager having taken reasonable care determines that delivery of the property under the transaction will not occur or will not lead to a breach of the rules in the COLL Sourcebook.
- 20 Requirement to cover sales
 - 20.1 No agreement on behalf of the Fund to dispose of property or rights may be made unless the obligation to make the disposal and any other similar obligation could immediately be honoured by the Manager on behalf of the Fund by delivery of property or the assignment (or, in Scotland, assignation) of rights, and the property and rights above are owned by the Fund at the time of the agreement. This requirement does not apply to a deposit.

- 20.2 The above does not apply where:
 - 20.2.1 the risks of the underlying financial instrument of a derivative can be appropriately represented by another financial instrument and the underlying financial instrument is highly liquid; or
 - 20.2.2 the Manager or the Trustee has the right to settle the derivative in cash and cover exists within the Scheme Property which falls within one of the following asset classes:
 - 20.2.2.1 cash;
 - 20.2.2.2 liquid debt instruments (e.g. government bonds of first credit rating) with appropriate safeguards (in particular, haircuts); or
 - 20.2.2.3 other highly liquid assets having regard to their correlation with the underlying of the financial derivative instruments, subject to appropriate safeguards (e.g. haircuts where relevant).
- 20.3 In the asset classes referred to in 20.2.2.1 to 20.2.2.3, an asset may be considered as liquid where the instrument can be converted into cash in no more than seven business days at a price closely corresponding to the current valuation of the financial instrument on its own market.
- 21 OTC transactions in derivatives
 - 21.1 Any transaction in an OTC derivative under this paragraph must be:
 - 21.1.1 in a future or an option or a contract for differences;
 - 21.1.2 with an approved counterparty; a counterparty to a transaction in derivatives is approved only if the counterparty is an Eligible Institution or an Approved Bank; or a person whose permission (including any requirements or limitations), as published in the FSA Register or whose Home State authorisation, permits it to enter into the transaction as principal off-exchange;
 - 21.1.3 on approved terms; the terms of the transaction in derivatives are approved only if, before the transaction is entered into, the Trustee is satisfied that the counterparty has agreed with the Manager: to provide at least daily and at any other time at the request of the Manager, a reliable and verifiable valuation in respect of that transaction corresponding to its fair value (being the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction) and which does not rely only on market quotations by the counterparty; and that it or an alternative counterparty will, at the request of the Manager, enter into a further transaction to sell, liquidate or close out that transaction at any time, at a fair value arrived at under the reliable market value basis or pricing model agreed under the following paragraph; and
 - 21.1.4 capable of reliable valuation; a transaction in derivatives is capable of reliable valuation only if the Manager having taken reasonable care determines that, throughout the life of the derivative (if the transaction is entered into), it will be able to value the investment concerned with reasonable accuracy:
 - 21.1.4.1 on the basis of an up-to-date market value which has been agreed is reliable; or
 - 21.1.4.2 if the value referred to in 21.1.4.1 is not available, on the basis of a pricing model which the Manager and the Trustee have agreed uses an adequate recognised methodology; and

- 21.1.5 subject to verifiable valuation: a transaction in derivatives is subject to verifiable valuation only if, throughout the life of the derivative (if the transaction is entered into) verification of the valuation is carried out by:
 - 21.1.5.1 an appropriate third party which is independent from the counterparty of the derivative at an adequate frequency and in such a way that the Manager is able to check it; or
 - 21.1.5.2 a department within the Manager which is independent from the department in charge of managing the Scheme Property and which is adequately equipped for such a purpose.
- 22 Risk management
 - 22.1 The Manager uses a risk management process, as reviewed by the Trustee, enabling it to monitor and measure as frequently as appropriate the risk of a Fund's positions and their contribution to the overall risk profile of the Fund. Before using the process, the Manager will notify the FSA of the details of the risk management process.
- 23 Derivative exposure
 - 23.1 The Fund may invest in derivatives and forward transactions as long as the exposure to which the Fund is committed by that transaction itself is suitably covered from within its Scheme Property. Exposure will include any initial outlay in respect of that transaction.
 - 23.2 Cover ensures that a Fund is not exposed to the risk of loss of property, including money, to an extent greater than the net value of the Scheme Property of that Fund. Therefore, the Fund must hold Scheme Property sufficient in value or amount to match the exposure arising from a derivative obligation to which the Fund is committed. Paragraph 24 (Cover for transactions in derivatives and forward transactions) sets out detailed requirements for cover of the Fund.
 - 23.3 A future is to be regarded as an obligation to which the Fund is committed (in that, unless closed out, the future will require something to be delivered, or accepted and paid for); a written option as an obligation to which the scheme is committed (in that it gives the right of potential exercise to another thereby creating exposure); and a bought option as a right (in that the purchaser can, but need not, exercise the right to require the writer to deliver and accept and pay for something).
 - 23.4 Cover used in respect of one transaction in derivatives or forward transaction must not be used for cover in respect of another transaction in derivatives or a forward transaction.
- 24 Cover for transactions in derivatives and forward transactions
 - 24.1 A transaction in derivatives or a forward transaction is to be entered into only if the maximum exposure, in terms of the principal or notional principal created by the transaction to which the scheme is or may be committed by another person is covered globally.
 - 24.2 Exposure is covered globally if adequate cover from within the Scheme Property is available to meet the scheme's total exposure, taking into account the value of the underlying assets, any reasonably foreseeable market movement, counterparty risk, and the time available to liquidate any positions.
 - 24.3 Cash not yet received into the Scheme Property but due to be received within one month is available as cover.

- 24.4 Property the subject of a stock lending transaction is only available for cover if the Manager has taken reasonable care to determine that it is obtainable (by return or re-acquisition) in time to meet the obligation for which cover is required.
- 24.5 The total exposure relating to derivatives held in a Fund may not exceed the net value of the Scheme Property.
- 25 Cover and borrowing
- 25.1 Cash obtained from borrowing, and borrowing which the Manager reasonably regards an Eligible Institution or an Approved Bank to be committed to provide, is not available for cover under the previous paragraph 24 except where 25.2 below applies.
- 25.2 Where, for the purposes of this paragraph the Company borrows an amount of currency from an Eligible Institution or an Approved Bank; and keeps an amount in another currency, at least equal to such borrowing for the time on deposit with the lender (or his agent or nominee), then this applies as if the borrowed currency, and not the deposited currency, were part of the Scheme Property.
- 26 Investment in deposits
- 26.1 A Fund may invest in deposits only 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.
- 27 Significant influence
- 27.1 The Fund must not acquire transferable securities issued by a body corporate and carrying rights to vote (whether or not on substantially all matters) at a general meeting of that body corporate if:
- 27.1.1 immediately before the acquisition, the aggregate of any such securities held by the Fund gives the Fund power significantly to influence the conduct of business of that body corporate; or
- 27.1.2 The acquisition gives the Fund that power.
- 27.2 For the purposes of paragraph 27.1, the Fund is to be taken to have power significantly to influence the conduct of business of a body corporate if it can, because of the transferable securities held by it, exercise or control the exercise of 20% or more of the voting rights in that body corporate (disregarding for this purpose any temporary suspension of voting rights in respect of the transferable securities of that body corporate).
- 28 Concentration
- A UCITS Scheme:
- 28.1 must not acquire transferable securities other than debt securities which
- 28.1.1 do not carry a right to vote on any matter at a general meeting of the body corporate that issued them; and
- 28.1.2 represent more than 10% of these securities issued by that body corporate;
- 28.2 must not acquire more than 10% of the debt securities issued by any single issuing body;

- 28.3 must not acquire more than 25% of the units in a collective investment scheme;
- 28.4 must not acquire more than 10% of the approved money market instruments issued by any single body;
- 28.5 need not comply with the limits in paragraphs 28.2, 28.3 and 28.4 of this Appendix if, at the time of the acquisition, the net amount in issue of the relevant investment cannot be calculated.
- 29 Schemes replicating an index
- 29.1 Notwithstanding paragraph 12, the Fund may invest up to 20% in value of the Scheme Property in shares and debentures which are issued by the same body where the stated investment policy is to replicate the composition of a relevant index as defined below.
- 29.2 Replication of the composition of a relevant index shall be understood to be a reference to a replication of the composition of the underlying assets of that index, including the use of techniques and instruments permitted for the purpose of Efficient Portfolio Management.
- 29.3 The 20% limit can be raised up to 35% in value of the Scheme Property, but only in respect of one body and where justified by exceptional market conditions.
- 29.4 In the case of the Fund replicating an index the Scheme Property need not consist of the exact composition and weighting of the underlying in the relevant index in cases where the Fund's investment objective is to achieve a result consistent with the replication of an index rather than an exact replication.
- 29.5 The indices referred to above are those which satisfy the following criteria:
- 29.5.1 The composition is sufficiently diversified;
- 29.5.2 The index represents an adequate benchmark for the market to which it refers; and
- 29.5.3 The index is published in an appropriate manner.
- 29.6 The composition of an index is sufficiently diversified if its components adhere to the spread and concentration requirements in this paragraph.
- 29.7 An index represents an adequate benchmark if its provider uses a recognised methodology which generally does not result in the exclusion of a major issuer of the market to which it refers.
- 29.8 An index is published in an appropriate manner if:
- 29.8.1 it is accessible to the public;
- 29.8.2 the index provider is independent from the index-replicating UCITS scheme; this does not preclude index providers and the UCITS scheme from forming part of the same group, provided that effective arrangements for the management of conflicts of interest are in place.
- 30 Stock lending
- 30.1 The entry into stock lending transactions or repo contracts for the account of the Fund is permitted for the generation of additional income for the benefit of the Fund, and hence for its investors.

- 30.2 The specific method of stock lending permitted in this paragraph is in fact not a transaction which is a loan in the normal sense. Rather it is an arrangement of the kind described in section 263B of the Taxation of Chargeable Gains Act 1992, under which the lender transfers securities to the borrower otherwise than by way of sale and the borrower is to transfer those securities, or securities of the same type and amount, back to the lender at a later date. In accordance with good market practice, a separate transaction by way of transfer of assets is also involved for the purpose of providing collateral to the "lender" to cover him against the risk that the future transfer back of the securities may not be satisfactorily completed.
- 30.3 The Fund may only enter into a stock lending arrangement or repo contract in accordance with the rules in this paragraph if it reasonably appears to the company to be appropriate to do so with a view to generating additional income for the Fund with an acceptable degree of risk.
- 30.4 The Manager or the Trustee at the request of Manager may enter into a repo contract or a stock lending arrangement of the kind described in section 263B of the Taxation of Chargeable Gains Act 1992 (without extension by section 263C), but only if all the terms of the agreement under which securities are to be re-acquired by the Trustee for the account of the Fund, are in a form which is acceptable to the Trustee and are in accordance with good market practice, the counterparty is;
- 30.4.1 an authorised person; or
- 30.4.2 a person authorised by a home state regulator; or
- 30.4.3 a person registered as a broker-dealer with the Securities and Exchange Commission of the United States of America; or
- 30.4.4 a bank, or a branch of a bank, supervised and authorised to deal in investments as principal, with respect to OTC derivatives by at least one of the following federal banking supervisory authorities of the United States of America:
- the office of the Comptroller of the Currency;
 - the Federal Deposit Insurance Corporation;
 - the Board of the Governors of the Federal Reserve System; and
 - the Office of Thrift Supervision; and
- 30.4.5 collateral is obtained to secure the obligation of the counterparty. Collateral must be acceptable to the Trustee, adequate and sufficiently immediate.
- 30.5 The Trustee must ensure that the value of the collateral at all times is at least equal to the value of the securities transferred by the Trustee. This duty may be regarded as satisfied in respect of collateral the validity of which is about to expire or has expired where the Trustee takes reasonable care to determine that sufficient collateral will again be transferred at the latest by the close of business on the day of expiry.
- 30.6 Any agreement for transfer at a future date of securities or of collateral (or of the equivalent of either) may be regarded, for the purposes of valuation under the COLL Sourcebook, as an unconditional agreement for the sale or transfer of property, whether or not the property is part of the property of the Fund.

- 30.7 There is no limit on the value of the Scheme Property which may be the subject of repo contracts or stock lending transactions.
- 31 Cash and near cash
- 31.1 Cash and near cash must not be retained in the Scheme Property except to the extent that, where this may reasonably be regarded as necessary in order to enable:
- 31.1.1 the pursuit of the Fund's investment objectives; or
 - 31.1.2 the redemption of units; or
 - 31.1.3 efficient management of the Fund in accordance with its investment objectives; or
 - 31.1.4 other purposes which may reasonably be regarded as ancillary to the investment objectives of the Fund.
- 31.2 During the period of the initial offer the Scheme Property of the Fund may consist of cash and near cash without limitations.
- 32 General
- 32.1 Where the Fund invests in or disposes of units or shares in another collective investment scheme which is managed or operated by the Manager or an associated of the Manager, the Manager must pay to the Fund by the close of business on the fourth business day the amount of any preliminary charge in respect of a purchase, and in the case of a sale, any charge made for the disposal.
- 32.2 A potential breach of any of these limits does not prevent the exercise of rights conferred by investments held by the Fund if the consent of the Trustee is obtained in writing but, in the event of a consequent breach, the Manager must then take such steps as are necessary to restore compliance with the investment limits as soon as practicable having regard to the interests of Unitholders.
- 33 Underwriting
- 33.1 Underwriting and sub underwriting contracts and placings may also, subject to certain conditions set out in the COLL Sourcebook, be entered into for the account of the Company.
- 34 Borrowing powers
- 34.1 The Manager may, and subject to the COLL Sourcebook, borrow money from an Eligible Institution or an Approved Bank for the use of the Fund on terms that the borrowing is to be repayable out of the Scheme Property.
- 34.2 Borrowing must be on a temporary basis, must not be persistent, and in any event must not exceed three months without the prior consent of the 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.
- 34.3 The Manager must ensure that borrowing does not, on any business day, exceed 10% of the value of the Fund.

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

18. **APPENDIX D**

PAST PERFORMANCE OF THE FUND

The chart below shows the performance for the Fund for all complete 12 month periods since launch.

The following performance table has been calculated on an offer to offer basis in UK sterling, assuming UK basic rate tax and that income has been reinvested. The source of this information is Data Stream.

PFS Brompton UK Recovery Unit Trust

	Percentage Growth 1Y to 31/12/2009	Percentage Growth 1Y to 31/12/2008	Percentage Growth 1Y to 31/12/2007
Name			
PFS Brompton UK Recovery Unit Trust			-7.83
IMA UK ALL Companies			2.08

APPENDIX E

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