

**SCHEME PARTICULARS  
RELATING TO  
CHARITY VALUE AND INCOME FUND**

**7 June 2007**

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## **Definitions**

“**Accounting Reference Date**” means 31 December in each year commencing in 2007;

“**Commission**” means the Charity Commission for England and Wales;

“**FSA**” means the Financial Services Authority, or its successor body appointed;

“**FSMA**” means the Financial Services and Markets Act 2000;

“**Fund**” means Charity Value and Income Fund;

“**ICVC**” means an investment company with variable capital;

“**Manager**” means Smith & Williamson Fund Administration Limited of 25 Moorgate, London EC2R 6AY;

“**OLIM**” means OLIM Limited of Pollen House, 10/12 Cork Street, London W1S 3NP;

“**Participating Charities**” means the charities participating in the Fund;

“**Scheme**” means a Scheme of the Commission dated 11 April 2007, made pursuant to the powers given to it by the Charities Act 1993, section 24;

“**the Sourcebook**” means the New Collective Investment Schemes Sourcebook of the FSA;

“**tracking error**” means, when using an indexing or any other benchmarking strategy, the amount by which the performance of the portfolio differs from that of the index or benchmark;

“**Trustee**” means Bank of New York Trust & Depository Company Limited of One Canada Square, London E14 5AL;

“**valuation point**” means 12.00 noon or at such other time as the Manager in its discretion may decide on the relevant day.

## **SCHEME PARTICULARS FOR CHARITY VALUE AND INCOME FUND**

### **1 Introduction**

This document constitutes the Scheme Particulars for the Charity Value and Income Fund (the “Fund”).

The Fund’s registered charity number is 1119289.

The Fund is a Common Investment Fund established by a Scheme of the Charity Commission for England and Wales (the “Commission”) dated 11 April 2007, made pursuant to the powers given to it by the Charities Act 1993, section 24 (the “Scheme”).

The Fund is not an authorised unit trust within the meaning of the Financial Services and Markets Act 2000 (“FSMA”). The Fund is operated by Smith & Williamson Fund Administration Limited as an unregulated collective investment scheme in accordance with the Financial Services Authority (“FSA”) rules and customers investing in the Fund may not therefore receive the full levels of protection available under FSMA.

The property of the Fund (including income received in respect of the Fund but excluding sums standing to the credit of their income accounts) is held by the Trustee on trust for the charities participating in the Fund (the “Participating Charities”) according to the number of units held by each of them or, if both income units and accumulation units are in issue, according to the number of undivided shares in the property of the Fund, represented by the units held by each Participating Charity. The sums standing to the credit of the income account are held by the Trustee on trust to distribute to the holders of the income units.

With regard to the provisions of this document that require the Commission’s approval and pursuant to clause 44 of the Scheme, such provisions of this document that require approval have been approved by the Commission on 11 April 2007 and adopted by the Manager on the same date and is now issued by the Manager.

Should the provisions of the Scheme for the Fund and the Scheme Particulars be in conflict, the provisions of the Scheme shall prevail.

Subject to section 24(7) of the Charities Act 1993, any Charity shall be qualified to participate in the Fund.

The Manager will require evidence of the charitable status of applicants to the Fund and may defer the issue of units until such time as the status of the applicant has been confirmed. The registered charity number or HM Revenue & Customs exemption number (prefixed by an ‘x’) must be supplied. The Trustee may require prospective Participating Charities to supply a declaration of eligibility to participate and an indemnity against liabilities arising out of its ineligibility.

## **The Manager**

The Manager of the Fund is Smith & Williamson Fund Administration Limited (the “Manager”) whose registered office and head office is at 25 Moorgate, London EC2R 6AY. The Manager is a limited company whose issued share capital is £50,000 divided into 50,000 ordinary shares of £1 each, all fully paid. The Manager was incorporated in England and Wales on 30 July 1985 and its ultimate holding company is Smith & Williamson Investment Management Limited. The Manager is authorised and regulated by the Financial Services Authority (“FSA”) of 25 The North Colonnade, Canary Wharf, London E14 5HS by virtue of which it is authorised to carry on investment business in the UK, including the establishment, operation and winding-up of unregulated collective investment schemes. The Manager is independent of the Trustee and is responsible for the administration and management of the Fund in accordance with clause 19 of the Scheme.

The Directors of the Manager are as follows:

Gordon Alexander	William Ansell
Karen Barrow	Richard Champion
David Cobb	Christopher Cobham
Nick Dennis	Sue Dignum
Peter Fernandes	Roy Hodges
Tony Orme	Gareth Pearce

## **The Trustee**

The Trustee of the Fund is Bank of New York Trust & Depository Company Limited (the “Trustee”). The Trustee is a private limited company incorporated on 25 June 1998 in England and Wales and its principal business activity is the provision of trustee and depository services. The ultimate holding company of the Trustee is Bank of New York Inc, a public limited company incorporated in New York. The registered office and head office of the Trustee is at One Canada Square, London E14 5AL. The Trustee is regulated by the FSA and is authorised to act as a Depository in the United Kingdom. The Trustee is independent of the Manager and is authorised to act as the Trustee of an authorised unit trust. The duties and powers of the Trustee are set out in clause 9 of the Scheme. The Trustee has delegated custody of the assets of the Fund to Bank of New York, Inc.

## **The Investment Manager**

OLIM Limited (“OLIM”) has been appointed by the Manager to act as investment manager to the Fund. OLIM is a company limited by shares and incorporated in England with its Registered Office and principal place of business at Pollen House, 10/12 Cork Street, London W1S 3NP. OLIM was incorporated in England on 20 December 1985 and its parent holding company is Close Brothers Group plc.

OLIM has the authority of the Manager to make decisions on its behalf in all aspects of the investment management of the investments and other property of the Fund.

## 5 **The Registrar and Register of Holders**

The Manager has appointed Smith & Williamson Fund Administration Limited (“SWFAL”) whose registered office is at 25 Moorgate, London EC2R 6AY to maintain the registers of unitholders for the Fund. The register is maintained at SWFAL’s registered office where it can be inspected free of charge during normal office hours. The Register may be closed at such times and for such periods as the Manager may from time to time determine, provided that it shall not be closed for more than thirty business days in any one year. Units in the Fund are in registered form. Certificates will not be issued to participating charities. The Register shall be conclusive evidence as to the persons respectively entitled to the units entered in the register. No notice of any trust, express, implied or constructive shall be entered on the Register in respect of any units and the Manager shall not be bound by any such notice.

There shall be entered in each of the registers:

- 5.1 the name and address of each charity holder holding units; and
- 5.2 the number of units (including fractions of a unit) of each type held by each such holder; and
- 5.3 the date on which the holder was registered in the register in respect of the units standing in its name.

## 6 **The Auditor**

The auditor of the Fund is HLB Vantis Audit plc of Wigmore Street, London, W1U 2SB.

## 7 **Constitution and Objectives and Investment Principles of the Fund**

### 7.1.1 **Establishment**

The Fund is regulated by the Scheme referred to in paragraph 1 above.

### 7.1.2 **Investment Objective**

The objective of the Fund is to achieve long-term capital and income growth through investment primarily in UK equities and convertible securities, with an above-average yield. The Fund may also from time to time invest in other securities, including UK government securities, other fixed interest securities and cash.

### 7.1.3 **Benchmark and Performance Target**

The performance target will be to outperform the FTSE All Share Index on a total return basis. The Fund will be benchmarked against the FTSE All Share Index.

### 7.1.4 **Investment Philosophy**

The investments for the Fund will be made principally in UK companies listed on the London Stock Exchange, typically within the FTSE All Share Index or quoted

on the Alternative Investment Market. As such, both income received from those investments and their capital valuation will be subject to fluctuation. However, the Investment Manager will endeavour to manage the portfolio in a way that leads to an increasing income year on year, and to invest in a portfolio whose volatility is not significantly different to that of the FTSE All Share Index. The Investment Manager's portfolios historically have tended to have volatility similar to that of the FTSE All Share Index.

#### 7.1.5 **Investment Approach & Asset Allocation**

The Investment Manager's approach is to diversify the holdings in the portfolio widely by industry and stock market sector and also by market capitalisation.

- 7.1.5.1 The portfolio will usually be invested in equities and thus will not be diversified by asset class.
- 7.1.5.2 The Investment Manager aims to diversify the portfolio widely by stock market sector, with the aim of having a broad spread of economic and industrial factors influencing the performance of the portfolio.
- 7.1.5.3 The Investment Manager aims to maintain a spread of investments. Individual investments will not represent more than 10% of the portfolio and those investments representing over 5% of the portfolio will not represent more than 40% of the assets of the portfolio when added together.

It is the intention that 100% will be invested in UK equities, although the Investment Manager may allocate some funds to fixed interest securities or cash if it feels UK equities to be particularly over-valued. However, if the Manager does allocate funds to fixed interest securities:

- (i) the Manager will invest no more than 5% of the portfolio of the Fund in non-investment grade fixed interest stock (excluding convertibles) with no more than 5% in the stock of any one issuer; and
- (ii) the Manager will invest no more than 10% of the portfolio of the Fund in convertibles with no more than 5% in the stock of any one issuer.

The Investment Manager will invest outside UK equities only when it is felt UK equities to be particularly over-valued.

The Investment Manager aims to diversify the UK equity portfolio more widely than the market average, by limiting the amount invested in each sector and company, particularly large capitalisation stocks.

#### 7.2 **Investment Powers and Limits**

##### Summary

Most of the limits on investment are set out in the Scheme for the Fund and others are set out only in these Scheme Particulars. A summary of those limits set out in the Scheme together with the additional limits are as follows:

7.2.1 all the property of the Fund must be held in the name of the Trustee, or under the custody or control of the Trustee in the name of some other body corporate as nominee, on trust for the Participating Charities; and

7.2.2 the Manager, through the Investment Manager, may invest the property of the Fund at its discretion in any kind of investment which it could make if it were absolutely entitled to the property of the Fund, although it must have regard to the need for diversification of investments and the suitability to the Fund of the investments.

#### Cash and Near Cash

7.2.3 The property of the Fund may include cash or near-cash where this may reasonably be regarded as necessary in order to facilitate the cancellation of units, or to further the efficient management of the Fund, or otherwise to enable the Investment Manager, to discharge its functions under the Scheme; and

7.2.4 the Investment Manager may borrow money temporarily for the use of the Fund on terms that the borrowing is to be repaid out of the property of the Fund, provided that the Investment Manager shall not borrow for the purpose of making investments. Any borrowing shall not exceed 10% of the net asset value of the property of the Fund as at the date of the borrowing except with the prior written consent of the Commission.

#### Collective Investment Schemes

7.2.5 The property of the Fund may include units or shares of collective investment schemes operated by the Manager or an associate of the Manager. However, the Investment Manager shall not invest in a collective investment scheme operated by itself, by an associate of itself, or by the Manager or an associate of the Manager, or by the Trustee or an associate of the Trustee, unless:

7.2.5.1 where the scheme is a collective investment scheme

- (i) where any charge is made in respect of such a scheme by any person involved in the management or administration of the scheme, whether by way of preliminary charge, periodic charge, redemption charge or any other permitted charge, the amount of such charge is paid to the Fund; and
- (ii) if the Investment Manager pays more for the units in the scheme than the prevailing creation price, the Investment Manager shall pay to the Fund the full amount of the difference;

7.2.5.2 where the scheme is an ICVC

- (i) the amount of any preliminary or redemption charge paid to the Authorised Corporate Director on the acquisition or redemption of shares in the ICVC by the Fund is paid to the Fund; and

- (ii) the amount of any other remuneration in respect of shares acquired by the Fund paid to the Investment Manager or Authorised Corporate Director is paid to the Fund;

7.2.5.3 in the case of an investment trust except to the extent permitted by sub-paragraph 7.2.6.4 below and in the case of any other collective investment scheme except to the extent permitted by sub-paragraph 7.2.6.4 below and subject to the prior written approval of the Commissioners;

7.2.6 Subject to the provisions set out below, the Manager shall not invest the property of the Fund in transferable securities which are not approved securities, or in units in a collective investment scheme (hereinafter referred to as “the second scheme”) unless the second scheme meets each of the requirements in (i) to (iv) below:

7.2.6.1 the second scheme:

- (i) complies with the conditions necessary for it to enjoy the rights conferred by the UCITS Directive<sup>1</sup>; or
- (ii) is a non-UCITS retail scheme<sup>2</sup>; or
- (iii) is a recognised scheme<sup>2</sup>; or
- (iv) is constituted outside the United Kingdom and the investment and borrowing powers of which are the same or more restrictive than those of a non-UCITS retail scheme; or
- (v) is a common investment fund;

7.2.6.2 the second scheme operates on the principle of the prudent spread of risk;

7.2.6.3 the second scheme is prohibited from having more than 15% in net asset value of the property of that scheme consisting of units in collective investment schemes; and

7.2.6.4 the participants in the second scheme shall be entitled to have their units redeemed in accordance with that scheme at a price:

- (i) related to the net asset value of the property to which the units relate; and
- (ii) determined in accordance with that scheme.

7.2.7 The Manager may invest not more than a total of 20% of the net asset value of the property of the Fund at the date of the investment:

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<sup>1</sup> UCITS Directive: the Council Directive of 20 December 1985 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (No 85/611/EEC) as amended by Directives 88/220/EEC, 95/26/EC, 2000/64EC, 2001/107/EC and 2001/108/EC.

<sup>2</sup> As defined in the Glossary to the FSA’s Handbook of Rules.

- 7.2.7.1 in units in the second scheme not falling within sub-clause 7.2.6.1.(i) but falling within sub-clauses 7.2.6.1 (ii) to (iv) above; and
- 7.2.7.2 in any transferable securities which are not approved securities.
- 7.2.8 The Manager shall not invest more than 35% of the net asset value of the property of the Fund as at the date of the investment in any one collective investment scheme.
- 7.2.9 Neither the Trustee, nor any associate of the Trustee, nor the Manager shall act as a market maker in investments of the Fund.
- 7.2.10 Associates of the Manager shall not act as market makers in relation to the Fund unless the Trustee has given prior written approval to the Manager that it is in the interests of the Fund to use particular associated market makers in accordance with sub-paragraph 7.2.12 below.
- 7.2.11 The Trustee shall not approve the use of the particular associated market makers unless it is satisfied that
  - 7.2.11.1 it is in the best interests of the Fund to use the associated market makers concerned; and
  - 7.2.11.2 the use of the associated market makers concerned will comply in all respects with the regulations concerning conflict of interest issued from time to time by the Financial Services Authority in relation to collective investment schemes.
- 7.2.12 The Trustee shall exercise all due skill, care and diligence in considering and giving approval to the use of associated market makers.

Use of Derivatives

- 7.2.13 The Fund may (subject to the provisions of the Scheme) enter into derivatives and forward transactions (i.e. futures, options and contracts for differences) provided that:-
  - 7.2.13.1 the transaction is entered into for the purpose of protection or the reduction of risk and/or the reduction of costs to the Fund;
  - 7.2.13.2 the Manager is satisfied that the transaction is expedient in the interests of the Fund;
  - 7.2.13.3 any securities to be acquired under the transaction are eligible to be held by the Fund, having regard to clause 38 of the Schemes and the investment objective and policy of the Fund; and
  - 7.2.13.4 the Manager is satisfied that the transaction is not speculative.

Transferable Securities

- 7.2.14 Up to 20% of the value of the Fund may be invested in transferable securities which are not approved securities.

- 7.2.15 Up to 10% of the Fund may be invested in transferable securities, other than Government and public securities, or money market instruments issued by any single body.
- 7.2.16 Notwithstanding the foregoing, up to 100% of the property of the Fund may be invested in Government and Public securities issued by or on behalf of or guaranteed by a single named issuer which may be one of the following: the government of the United Kingdom and Northern Ireland, the governments of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain and Sweden and the governments of Australia, Canada, Japan, New Zealand, Switzerland and the United States of America.
- 7.2.17 If more than 35% in value of the property of the Fund is invested in Government and Public securities issued by any one issuer, no more than 30% in value of the property of the Fund may consist of such securities of any one issue and the Fund property must include at least six different issues whether of that issuer or another issuer.

#### Warrants

- 7.2.18** Up to 5% in value of the scheme property of the Fund may consist of warrants.
- 7.2.19 Securities on which any sum is unpaid may be held provided that it is reasonably foreseeable that the amount of any existing and potential call for any sum unpaid could be paid by the Fund at any time when the payment is required.
- 7.2.20 A warrant may not be included in the scheme property unless it is listed on an eligible securities market.

#### Money Market Instruments

- 7.2.21 Up to 100% in value of the scheme property of the Fund can consist of money market instruments which are admitted to or normally dealt on “eligible markets”. Up to 20% in value of the scheme property of the Fund can be invested in money market instruments which are liquid and have a value which can be determined accurately at any time.
- 7.2.22 Notwithstanding the above, up to 10% of the scheme property of the Fund may be invested in money market instruments (or transferable securities) issued by any single body.

#### Deposits

- 7.2.23 Up to 20% in value of the scheme property of the Fund can consist of deposits with a single body. The Fund may only invest in deposits with an approved bank and which are repayable on demand, or have the right to be withdrawn, and maturing in no more than 12 months.

### 7.3 **Termination**

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

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

### 7.4 **Accounting Reference Date and Interim Accounting Period**

The annual accounting date of each Fund is 31 December (the “Accounting Reference Date”) in each year, commencing 2007.

The interim accounting period for each Fund ends on 30 June or such other period or periods as the Manager may determine, commencing 2007.

The income allocation dates are the last day of February (final), 31 May, 31 August and 30 November each year (commencing 30 November 2007).

## 8 **Characteristics of Units in the Fund**

### 8.1 **General**

- 8.1.1 Gross accumulation units and gross income units are available in the Fund.
- 8.1.2 Income will be allocated and distributed to holders of gross income units in accordance with the provisions of the Scheme. It will be rolled up into the capital value of gross accumulation units.
- 8.1.3 Each holder of a unit is entitled to participate in the property of the Fund in proportion to the number of undivided shares in the property in the Fund represented by such holder’s units.
- 8.1.4 A holder’s right in respect of a Fund as represented by such holder’s units is that of a beneficial interest under a trust.

8.2 **Meetings and Voting Rights**

8.2.1 The Trustee may at any time convene a meeting of the holders of the Fund at such a time and place as the Trustee, after consulting the Manager, may think fit for the purpose of receiving reports from the Trustee or Manager and transacting such other business as the Trustee, after consulting the Manager, may think fit.

8.2.2 A holder shall authorise such person as it thinks fit to act as its representative at any meeting of holders of the Fund and shall notify the Manager of the name and address of its authorised representative and of any change of authorised representative. Where the authorised representative of a holder is present at a meeting of holders the holder shall be deemed to be present for the purpose of paragraphs 8.4 to 8.7.

8.2.3 The Trustee and its solicitors and the Manager shall be entitled to receive notice of and attend every such meeting.

8.2.4 In this paragraph and paragraphs 8.4 to 8.7 “holders” means the Participating Charities who were holders on the date seven days before the notice under paragraph 8.3 is sent or delivered, whichever is the earlier, but excluding any who are known not to be holders at the time of the meeting.

8.3 **Notices of Meetings of Holders**

8.3.1 Fourteen days’ notice, inclusive of the day on which the notice is deemed to be served and of the day specified pursuant to paragraph 8.3.2 of every meeting of a Fund, shall be given to the holders in the manner provided for in paragraph 8.3.4 below.

8.3.2 The notice shall specify the place, day and hour of meeting and the terms of the resolutions to be proposed.

8.3.3 The accidental omission to give notice to or the non-receipt of notice by any of the holders shall not invalidate the proceedings at any meeting.

8.3.4 Any notice required to be served on a holder shall be deemed to have been duly given if it is sent by post to such holder at its address as appearing in the register. Any such notice shall be deemed to have been served on the second day following that on which the letter containing the same was posted and in proving such service it shall be sufficient to prove that such letter was properly addressed, stamped and posted.

8.4 **Quorum**

8.4.1 The quorum at a meeting of holders of a Fund shall be the holders present of one-tenth in value of all the units in issue on the date specified in paragraph 8.2.4 excluding from that total any units known to have been redeemed before the time of the meeting.

8.4.2 No business shall be transacted at any meeting unless the requisite quorum is present at the commencement of business.

8.4.3 If within half an hour from the time appointed for the meeting a quorum is not present the meeting shall stand adjourned to such day and time not being less than

14 days thereafter and to such place as may be appointed by the Chairman and at such adjourned meeting the holders present in person or by proxy shall be a quorum.

8.4.4 Notice of any adjourned meeting of holders shall be given in the same manner as for an original meeting and such notice shall state that the holders present at the adjourned meeting whatever their number and the number of units held by them will form a quorum.

8.5 **The Chairman**

Some person, who need not be a holder, nominated in writing by the Trustee, shall preside at every meeting of holders of the Fund and, if no such person is nominated or if at any meeting the person nominated shall not be present within fifteen minutes after the time appointed for holding the meeting, the holders present shall choose some person present to be Chairman.

8.6 **Adjournment**

The Chairman may, with the consent of any meeting of holders of the Fund at which a quorum is present, and shall if so directed by the meeting, adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place.

8.7 At any meeting of unitholders on a show of hands every authorised representative of a holder present in person has one vote. A poll may be demanded by the Chairman of the meeting or by the Trustee. On a poll every authorised representative of a holder who is present in person or by proxy shall have one vote for every complete undivided share in the property of the Fund and a further part of one vote proportionate to any fraction of such an undivided share which it holds and a holder entitled to more than one vote need not, if voting, use all the votes or cast all the votes which it uses in the same way.

9 **Characteristics of the Fund**

9.1 The Fund is a Common Investment Fund established by a Scheme of the Commission pursuant to powers granted to it by Section 24 of the Charities Act 1993. Only charities within the meaning of Section 96 of the Charities Act 1993 and also an “appropriate body” within the meaning of section 24(3B) of the Charities Act 1993 may participate in the Fund.

9.2 Common Investment Funds are deemed to be charities by virtue of the Charities Act 1993, Section 24(8) and therefore enjoy the taxation reliefs that are available to any other charity. A summary of the taxation liabilities of the Fund is given at paragraph 16.3 of these Scheme Particulars.

9.3 Treatment of charges:

9.3.1 Auditor’s fees and overdraft expenses are paid from the capital property of the Fund. This may constrain capital growth.

9.3.2 Transaction charges (custodian) are paid from the capital property of the Fund.

- 9.3.3 All other charges (including, but not restricted to, the Manager's and Trustee's periodic charges, custody fees and registration fees) are taken from the capital property of the Fund.

The above treatment of charges may constrain capital growth.

## 10 **Valuation of the Property of the Fund**

- 10.1 The Fund will be valued as though it was an authorised unit trust subject to the terms of the Sourcebook.

- 10.2 The property of the Fund will normally be valued on each business day in order to calculate the prices at which units in the Fund can be created, cancelled, bought and sold. The valuations will be as at 12:00 noon or at such other time as the Manager in its discretion may decide on the relevant day (the "valuation point").

- 10.3 The Manager reserves the right to revalue the Fund at any time if it considers it desirable to do so.

- 10.4 To calculate the creation price of units, the valuation of the Fund's property will be on a creation basis. To calculate the cancellation price of units, the valuation of the Fund's property will be on a cancellation basis. To calculate the Manager's and the Trustee's periodic charge for the Fund, the valuation of the Fund's property will be on a mid-market basis. On the issue and repurchase of units by the Manager the price will not exceed those calculated on a creation basis and will not be less than those calculated on a cancellation basis.

## 11 **Remuneration and Expenses**

### 11.1 **Manager**

The Manager is entitled to:

- 11.1.1 Receive and retain for its own use and benefit an initial charge to be included in the issue price of units. However, the Manager does not intend to make such a charge for the Fund at this time. Should the Manager make an initial charge in the future, this will not exceed 5%.

- 11.1.2 A periodic charge of 0.5% per annum is payable based on the net asset value of the Fund.

The periodic charge is based on the month end valuation from the previous month, accrues monthly and is payable monthly in arrears on the last business day of each month.

- 11.1.3 The Manager may in its discretion decide whether or not to levy a redemption charge in any particular case. However, the Manager does not intend to make a redemption charge at this time. Should the Manager make a redemption charge in the future, this will not exceed 2%.

- 11.1.4 Any Value Added Tax properly chargeable in respect of the charges referred to in paragraphs 11.1.1 to 11.1.3 above.

11.1.5 Reasonable costs or expenses incurred by it in discharging its functions under the Schemes. These costs or expenses may be deducted from the Fund as and when they occur.

11.1.6 Remuneration where it acts as registrar and/or establishes and/or maintains any plan sub-register of the Fund, of such amounts as the Manager and the Trustee shall in their discretion from time to time agree. Such remuneration shall accrue in respect of successive monthly periods and shall be paid as soon as practicable after the end of each such monthly period. Currently there will be no remuneration payable to the Manager in respect of it acting as registrar.

## 11.2 **Trustee**

The Trustee is entitled under the Scheme to be paid out of the property of the Fund as remuneration for its services a periodic charge (plus VAT), the amount of which for each monthly period is such percentage as the Manager and the Trustee shall at their discretion from time to time agree.

The present agreed remuneration is 0.04% of the net asset value of the Fund up to the first £70,000,000, 0.03% of the net asset value of the Fund for the next £30,000,000, 0.02% of the net asset value of the Fund for the next £50,000,000, and 0.01% of the net asset value of the Fund thereafter. This is subject to a minimum of £5,000 per annum plus VAT, (plus £2,000 plus VAT per annum for each subsequent investment manager appointed to the Fund). The periodic charge is based on the month end valuation from the previous month, accrues monthly and is payable monthly in arrears on the last business day of each month.

The total remuneration payable to the Trustee also includes transaction charges and custody charges. Transaction charges vary from country to country, dependent on the markets and the value of the stock involved and currently range from £10 to £600 per transaction and accrue at the time the transactions are effected and are payable as soon as is reasonably practicable, and in any event not later than the last business day of the month when such charges arose or as otherwise agreed between the Trustee and the Manager. Custody charges again vary from country to country depending on the markets and the value of the stock involved and currently range from 0.004% to 0.6% and accrue, and are payable as agreed from time to time by the Manager and Trustee.

In addition to the Trustee's periodic charge, the Trustee is further entitled to be paid out of the property attributable to the Fund for its services the following:

11.2.1 such bank or other charges (including transaction charges) charged by it in relation to the safe custody, insurance, acquisition, holding or realisation of any investment forming part of the property of the Fund, or any deposit or loan authorised under the Scheme or otherwise as the Manager and the Trustee shall from time to time agree.

11.2.2 The Trustee and Manager are also entitled to retain out of the property of the Fund reasonable costs and expenses properly incurred by them in administering or winding up the Fund as and when they occur.

To include (but not limited to) in the case of the Trustee, fees, expenses and disbursements payable to Bank of New York, Inc to which the Trustee has delegated the custody of the assets.

11.3 Any proposal to introduce an initial charge or a redemption charge and any proposed increase in the actual or maximum amount of any charge for the benefit of the Manager or the Trustee shall require:

(a) the giving of not less than 90 days' notice to Participating Charities of the intention to introduce an initial charge or a redemption charge or to increase the actual or maximum amount of any charge;

(b) the Scheme Particulars have been revised subject to the prior written consent of the Commission to reflect the introduction of a charge or the proposed increase in the amount of any charge;

(c) not less than 90 days have elapsed since the revised Scheme Particulars became available to Participating Charities.

11.4 **Other Expenses**

No payments may be made out of the property of the Fund other than the payments to the Manager and the Trustee which are described above and the following:

11.4.1 broker's commission, fiscal charges and other disbursements which are necessary to be incurred in effecting transactions for the Fund; and normally shown in contract notes, confirmation notes and difference accounts as appropriate; and

11.4.2 interest on overdrafts and borrowings permitted under the Scheme and charges incurred in effecting or terminating such overdraft or borrowings or in negotiating or varying the terms of same; and

11.4.3 taxation and duties payable in respect of the property of the Fund, or the issue of units; and

11.4.4 any costs incurred in securing a modification of the Scheme where the modification is:

11.4.4.1 necessary to implement, or necessary as a direct consequence of, any change in the law; or

11.4.4.2 expedient having regard to any change in the law made by or under any fiscal enactment and which the Manager and the Trustee agree is in the interest of unitholders; or

11.4.4.3 to remove from the Scheme obsolete provisions; and

11.4.5 any costs incurred in respect of meetings of unitholders; and

11.4.6 the audit fee properly payable to the auditor and Value Added Tax thereon and any proper expenses of the auditor;

- 11.4.7 the cost of maintaining the Register of Holders including the fees of the Registrar, where there are any payable; and
- 11.4.8 the cost of preparation and printing of correspondence to unitholders (including, but not limited to, interim and annual reports and accounts).
- 11.5 Interest expense (if any) will be charged to income. All other running expenses will be charged to capital. Where expenses are charged to capital, this may constrain capital growth.
- 11.6 To the extent that the total of the expenses payable pursuant to Clause 11.4.2 to 11.4.8 exceed 0.15% of the net asset value of the Fund per annum then they will be payable from the Manager's periodic charge set out in Clause 11.1.2.

## 12 **Distribution of Income**

- 12.1 The Trustee is responsible for the collection of any income due to be paid to the Fund and for claiming any repayment of tax which may be due. At the end of each annual accounting period, the Trustee shall transfer the income property of the Fund to accounts to be known as "distribution accounts" and for these purposes "income property" means all sums, including income equalisation, deemed by the Trustee, after consultation with the Manager, to be in the nature of income received or receivable by the Trustee in respect of the property of the Fund but excluding any amount for the time being standing to the credit of the distribution account.
- 12.2 Within two months of the Accounting Reference Date of the Fund, in each year the amount so transferred to the distribution account will be paid or allocated to unitholders by way of a distribution in accordance with clause 34 of the Scheme.
- 12.3 The annual income allocation date for the Fund is the last day of February in each year, commencing 2008.
- 12.4 The Trustee is also authorised to make interim distributions. The interim allocation dates for the Fund are 31 May, 31 August and 30 November or such other dates as the Manager may determine.

## 13 **Income Equalisation**

In the case of the first allocation of income to which a Participating Charity is entitled following the purchase of units, the allocation will include a capital sum ("income equalisation") representing the Manager's best estimate of the amount of income included in the issue price or in the issue price by reference to which the issue or selling price of those units was determined. The amount of income equalisation is an amount arrived at by taking the aggregate of the amounts of income included in the issue price in respect of units issued or reissued during the relevant interim accounting period and dividing that aggregate by the number of those units and applying the resultant average to each of the units in question. Currently, all purchases made between consecutive ex-dividend dates are grouped for equalisation purposes.

## 14 **Buying and Selling Units**

The Manager's office is open to receive requests for the issue and redemption of units from 9.00 am until 5.00 pm on each business day, i.e. any day other than a Saturday, Sunday or Bank Holiday in England.

The minimum initial lump sum purchase value of units in the Fund is currently £1,000. The minimum holding of units in the Fund at any time in terms of value is currently £1,000. The minimum value of units in the Fund which may be the subject of any one sale or purchase is £1,000. The Manager may in its discretion waive any or all of the above minima either generally or in any particular case. The Manager may in its absolute discretion (and with the agreement of the Trustee) sell or repurchase units in exchange for assets other than cash if it is satisfied that to do so is not likely to result in any material prejudice to the interests of participants or potential participants.

The Manager will hold all money received from customers for the purpose of investment within the Fund in a UK bank account in accordance with the FSA's Client Assets Sourcebook.

### 14.1 **Buying Units**

Units may be bought on request to the Manager (requests must be made in writing) at not more than the creation price. Existing Participating Charities may send a covering letter quoting their account numbers with their contributions which will then be added to their existing holdings. New contributors must complete an application form which is available on request. (Contact details are noted in paragraph 17 below). A contract note confirming each purchase will be despatched by close of business on the next business day following execution of the transaction.

The Manager may accept the transfer of existing shares into the Fund in exchange for units. This facility can only be offered where the Manager confirms that the shares to be transferred are consistent with the Fund's investment policy and current trading requirements. Any other shares will need to be sold and the net proceeds can then be invested in the Fund.

### 14.2 **Selling Units**

Units may be sold on request to the Manager (requests must be made in writing or by fax) at not less than the cancellation price. A contract note will be issued to confirm the transaction. Payment will be made within four working days of the Manager receiving properly completed documentation. However, a holder must not be left holding units of a value of less than £1,000, therefore, if a sale would result in leaving a holder with units of a value of less than £1,000, all of those holder's units will need to be sold.

The Manager may, at its discretion, accept the in specie redemption of units from the Fund.

### 14.3 **Suspension**

The Manager may, with the prior agreement of the Trustee, or shall if the Trustee requires, at any time for a period not exceeding 28 days suspend the issue and

redemption of units in the Fund if the Manager, or the Trustee, is of the opinion that there is good and sufficient reason to do so having regard to the interests of unitholders or potential unitholders.

The Trustee may not create or cancel units while the suspension remains in force.

Recalculation of creation and cancellation prices will commence on the business day immediately following the end of the suspension period.

14.4 **Publication**

The most recent buying and selling prices of units in the Fund are published daily in the Financial Times.

15 **Pricing Method**

The Manager will determine the price of units at the time of creation and cancellation as though the Fund was authorised unit trusts subject to the Sourcebook and units will accordingly be dual priced. The Fund will operate on a forward pricing basis. This means that the units are priced according to the next valuation of the Fund carried out after an order is received to buy or sell units.

16 **Risk Characteristics**

The value of investments will rise and fall due to market and company specific factors in the UK. The Fund will not hold unlisted securities and all its underlying assets should be readily realisable. Some expenses of the Fund will be charged to capital which will constrain capital growth. Exposure to a specific country market increases potential volatility in prices.

Investors should be aware that past performance is no guide to the future.

The ethical and socially responsible considerations of the Fund are not expected to have any significant negative impact on the Fund's performance. The ethical and socially responsible considerations of the Fund will be reviewed from time to time.

17 **General Information**

17.1 **Reports**

Copies of annual and half-yearly reports will normally be published and sent to unitholders on the respective annual and interim income allocation dates.

17.2 **Documentation**

Copies of the Scheme, the Scheme Particulars and the annual and half-yearly reports of the Fund are kept and may be inspected at and obtained free of charge by Participating Charities from the registered office of the Manager at 25 Moorgate, London EC2R 6AY or by contacting the Manager.

### 17.3 **Taxation**

The following summary is a guide to the current UK taxation of the Fund and of the unitholders as at the date of this document. Income and gains derived from non-UK investments may be subject to tax in other jurisdictions. This will depend on local law and the operation of any relevant double taxation treaties with the UK.

#### 17.3.1 **Taxation of Unitholders**

As long as it is applied for charitable purposes, any income received by a unitholder from the Fund will not be subject to UK tax and a unitholder will be exempt from UK tax on chargeable gains on the disposal of its units. No tax will be deducted from income distributed by the Fund.

The Fund is a registered charity and is exempt from Stamp Duty/Stamp Duty Reserve Tax on purchases of securities, under legislation current at the date of these Scheme Particulars. The tax treatment of Common Investment Funds may change if UK legislation and regulations and the UK tax regime are amended.

### 17.4 **Replacement of the Manager or Trustee**

17.4.1 If the Trustee is of the opinion for good and sufficient reason that a change of manager is desirable in the interests of Participating Charities, the Trustee shall apply to the Commission for an order to discharge the Manager from the provisions of the Fund and will serve notice on the Manager of that application. The Trustee shall use its best endeavours to find a qualified replacement to act as Manager. The Manager shall only be discharged by an order from the Commission and any new Manager shall be appointed by an order of the Commission.

17.4.2 If the Manager is of the opinion for good and sufficient reason that a change of trustee is desirable in the interests of Participating Charities, the Manager shall apply to the Commission for an order to discharge the Trustee from the provisions of the Fund and will serve notice on the Trustee of that application. The Manager shall use its best endeavours to find a qualified replacement to act as Trustee. The Trustee shall only be discharged by an order from the Commission and any new Trustee shall be appointed by an order of the Commission.

### 17.5 **Complaints**

Complaints concerning a Fund may be referred to the Manager's Compliance Officer at 25 Moorgate, London EC2R 6AY or, if preferred, to the Financial Ombudsman Service, South Quay Plaza, 183 Marsh Wall, London E14 9SR.

### 17.6 **Compensation**

Under the Financial Services Compensation Scheme, should the Manager be unable to meet all liabilities to investors, compensation may be available to eligible investors. The maximum level of compensation payable by the Scheme for a claim is £48,000 (100% of £30,000 and 90% of the next £20,000) per investor. Further information can be obtained on request from the Manager or direct from the Financial Services Compensation Scheme, who can be contacted at the address below:

Financial Services Compensation Scheme  
7<sup>th</sup> Floor  
Lloyds Chambers  
1 Portsoken Street  
London  
E1 8BN

17.7 **Money Laundering**

The Manager is responsible for compliance with anti-money laundering regulations in accordance with UK legislation. In order to meet the requirements of those regulations, in certain circumstances, unitholders will be required to provide proof of identity when buying or selling units. The Manager reserves the right to refuse any application to invest until satisfactory evidence of identity has been received. The Manager also reserves the right to retain the proceeds of a redemption of units, until satisfactory evidence of identity has been received.

17.8 **The Scheme Particulars**

Any person relying on the information contained in this document, which was current at the date shown, should check with the Manager that this document is the most current version and that no revisions have been made nor corrections published to the information contained in these Scheme Particulars since the date shown. Copies of these Scheme Particulars will be supplied free of charge.

17.9 **Data Protection**

The Manager in accordance with data protection legislation will hold relevant personal details that have been supplied to the Manager for the purposes of carrying out its agreement with the investor. The Manager will not sell or pass on any details to any other third party except to the extent that a third party, which provides services to the Fund, requires such information to perform its obligations.

18 **Contact Details of the Manager**

Smith & Williamson Fund Administration Limited  
25 Moorgate  
London  
EC2R 6AY

Smith & Williamson Customer Services:

Telephone: 020 7131 4951

Email: karen.barrow@smith.williamson.co.uk