

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

Investment Fund Services Limited, the authorised corporate director of the Company, 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. Investment Fund Services Limited accepts responsibility accordingly.

**PROSPECTUS**

**OF**

**IFSL CAF Investment Fund**

**(An open-ended investment company  
incorporated with limited liability and  
registered in England and Wales  
under registered number IC000876)  
(A Non-UCITS Retail Scheme)**

This document constitutes the Prospectus for **IFSL CAF Investment Fund** which has been prepared in accordance with The Collective Investment Schemes Sourcebook.

This Prospectus is dated, and is valid as at, 31<sup>st</sup> March 2021.

Copies of this Prospectus have been sent to the FCA and the Depositary.

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No person has been authorised by the Company to give any information or to make any representations in connection with the offering of Shares 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 Company. The delivery of this Prospectus (whether or not accompanied by any reports) or the issue of Shares shall not, under any circumstances, create any implication that the affairs of the Company have not changed since the date hereof.

The distribution of this Prospectus and the offering of Shares in certain jurisdictions may be restricted. Persons into whose possession this Prospectus comes are required by the Company 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.

Distributors and other intermediaries which offer, recommend or sell shares in the Funds must comply with all laws, regulations and regulatory requirements as may be applicable to them. Also, such Distributors and other intermediaries must consider such information about the Funds and its share classes as is made available by the Authorised Corporate Director for the purposes of the EU's Product Governance regime. Distributors and intermediaries may obtain further information by contacting the ACD.

The Shares have not been and will not be registered under the United States Securities Act of 1933, as amended. They may not be offered or sold in the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia or offered or sold to US Persons. The Company has not been and will not be registered under the United States Investment Company Act of 1940, as amended. The ACD has not been registered under the United States Investment Advisers Act of 1940.

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 Shares.

The provisions of the Instrument of Incorporation are binding on each of the Shareholders and a copy of the Instrument of Incorporation is available on request.

This Prospectus has been issued for the purpose of section 21 of the Financial Services and Markets Act 2000 by Investment Fund Services Limited.

The distribution of this Prospectus in certain jurisdictions may require that this Prospectus is translated into the official language of those countries. Should any inconsistency arise between the translated version and the English version, the English version shall prevail.

This Prospectus is based on information, law and practice at the date hereof. The Company cannot be bound by an out of date prospectus when it has issued a new prospectus and

investors should check with Investment Fund Services Limited that this is the most recently published prospectus.

The Depositary and the Investment Manager are not responsible for the information contained in this Prospectus and accordingly do not accept any responsibility therefore under the Regulations or otherwise.

**International Tax Reporting**

In order to fulfil our legal obligations in accordance with the requirements of FATCA and other intergovernmental arrangements such as the OECD Common Reporting Standard for Automatic Exchange of Financial Account Information (CRS) including pursuant to the International Tax Compliance Regulations 2015, the Company is required to obtain confirmation of the tax residency of Shareholders and certain other information to comply with certain reporting requirements. We may ask for evidence of the tax identification number, and country and date of birth of individual Shareholders, or for the Global Intermediary Identification number (GIIN) of other Shareholders. If certain conditions apply, information about your shareholding may be passed to HM Revenue & Customs (“HMRC”) in order to be passed on to other tax authorities, where the UK has an agreement with that country. Any shareholder that fails to provide the required information may be subject to a compulsory redemption of their Shares and/or monetary penalties.

**Data Protection**

The data controller in respect of the personal data you provide on your application form (or you otherwise submit to the ACD in connection with your application for the services generally) is the ACD, who you can contact using the contact details below.

The ACD will process the personal data that you provide as set out below:

<b>Purpose</b>	<b>Type of data</b>	<b>Basis for processing</b>
Providing investment and administration services to you	Identity, contact and financial data	Performance of a contract with you
Carrying out identity checks, anti-money laundering checks and checks with fraud prevention agencies	Identity, contact and financial data	Necessary to comply with a legal obligation
Statistical analysis to understand how you use the ACD’s services	Identity, contact, financial, transaction, technical, usage and marketing and communications data	Necessary for the ACD’s legitimate interests (to improve its services and develop its business)
To inform you about updates to the service and to notify you about other products and services offered by the ACD that may be of relevance to you.	Identity, contact, usage and marketing and communications data	Necessary for the ACD’s legitimate interests (to market its services and develop its business) or, if the ACD cannot rely on legitimate interest for direct electronic marketing, where you have given us your

		consent to receive such marketing.
To ask you to participate in surveys for market research purposes, and to analyse those surveys and research to benchmark our services.	Identity, contact and marketing and communications data	Necessary for our legitimate interests (to improve our services and develop our business)

The ACD strives to provide you with choices regarding certain personal data uses particularly around marketing and advertising. It is possible to opt in to receiving marketing communications by contacting the ACD using the details below. If you do not provide the ACD with the personal data that the ACD specifies is required for the supply and administration of the services, then the ACD may not be able to provide the services to you.

To the extent that it is necessary for the supply and administration of the services, the ACD may disclose your information: (a) to credit reference agencies to assess your eligibility for the product or service applied for and to verify your identity; (b) to third parties who the ACD uses to assist it in administering the Company; (c) another division or part of the ACD's group (if there is a restructuring of the ACD's business) or to the buyer of the business (if the business is sold); or (d) where the ACD is under a duty to disclose your personal data in order to comply with a legal obligation or to protect the rights, property or safety of the ACD, its associates, or others. Where an authorised financial adviser acts on your behalf, the ACD will disclose information concerning your investment to that financial adviser.

Your personal data may be processed outside the United Kingdom where it is necessary in order to provide the services to you. In each instance, the ACD will ensure that the transfer is in compliance with the requirements of applicable data protection law (such as the transfer being to a country approved as providing adequate protection; there being appropriate safeguards in place; or one of the derogations for specific situations applying to the transfer).

The ACD will keep your personal data stored on its systems for as long as it takes the ACD to provide the services to you. The ACD will retain and use your information as necessary to comply with its legal obligations, resolve disputes and enforce its rights. The ACD reviews its data retention policies regularly and will retain your personal data only as long as necessary for the purpose for which it processes that data.

Data protection legislation gives you the right to access information held about you. In the event that an access request is unfounded, excessive or especially repetitive, the ACD may charge a 'reasonable fee' for meeting that request. Similarly, the ACD may charge a reasonable fee to comply with requests for further copies of the same information (that fee will be based upon the administrative costs of providing the information).

You are entitled to receive the personal data that you have provided to the ACD in a structured, commonly used and machine-readable format, and to transmit that data to

another data controller. You can exercise your data protection rights, including your rights to access, restrict, object to the processing of, rectify and erase your personal data by writing to the ACD at: Marlborough House, 59 Chorley New Road, Bolton, BL1 4QP. If you are unhappy with the way in which your personal data is being processed you have a right to lodge a complaint with the Information Commissioner's Office. You can report your concerns by telephoning their helpline on 0303 123 1113 or through their website at <https://ico.org.uk/concerns>.



## 1. DEFINITIONS

<b>"ACD" or "IFSL"</b>	Investment Fund Services Limited, the authorised corporate director of the Company;
<b>"ACD Agreement"</b>	an agreement dated 23 <sup>rd</sup> May 2020 between the Company and the ACD;
<b>"Administrator"</b>	Investment Fund Services Limited, or such other entity as is appointed to act as administrator to the Company;
<b>"AIFM Directive" or "AIFM"</b>	the Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2004/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010;
<b>"AIFMD Level 2 Regulation"</b>	the UK version of Commission delegated regulation (EU) No 231/2013 supplementing Directive 2011/16/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision, which is part of UK law by virtue of the EUWA;
<b>"Approved Bank"</b>	(in relation to a bank account opened by the Company):  (a) if the account is opened at a branch in the United Kingdom:  (i) the Bank of England; or  (ii) the central bank of a member state of the OECD; or  (iii) a bank; or  (iv) a building society; or  (v) a bank which is supervised by the central bank or other

banking regulator of a member state of the OECD; or

- (b) if the account is opened elsewhere:
  - (i) a bank in (a); or
  - (ii) a credit institution established in an EEA State other than in the United Kingdom and duly authorised by the relevant Home State Regulator; or
  - (iii) a bank which is regulated in the Isle of Man or the Channel Islands; or
  - (iv) a bank supervised by the South African Reserve Bank;

**"Auditor"** Ernst & Young LLP, or such other entity as is appointed to act as auditor to the Company;

**"Business Day"** Monday to Friday excluding (i) UK public and bank holidays, (ii) any day on which the London Stock Exchange is not open, (iii) the last trading day before 25<sup>th</sup> December and (iv) any day on which the ACD has notified the Depositary that it is not open for normal business or as otherwise agreed between the ACD and the Depositary;

**"CAF"** the Charities Aid Foundation;

**"CFSL"** CAF Financial Solutions Limited;

**"Class" or "Classes"** in relation to Shares, means (according to the context) all of the Shares related to a single Fund or a particular class or classes of Share related to a single Fund;

**"COLL"** refers to the appropriate chapter or rule in the COLL Sourcebook;

<b>“the COLL Sourcebook”</b>	The Collective Investment Schemes Sourcebook issued by the FCA,;
<b>“Company”</b>	IFSL CAF Investment Fund;
<b>“Conversion”</b>	The conversion of shares in one class in a Fund to shares of another Class in the same Fund and “Convert” shall be construed accordingly;
<b>“Custodian”</b>	HSBC Bank plc, or such other entity as is appointed to act as custodian;
<b>“Cut Off Point”</b>	the point prior to which orders to buy, sell or switch Shares must be received by the Administrator in order for them to be actioned at the next Valuation Point and details of which are set out for each Fund (if relevant) in Appendix 1;
<b>“Dealing Day”</b>	Monday to Friday on any Business Day;
<b>“Depository”</b>	HSBC Bank plc, or such other entity as is appointed to act as depository;
<b>“Director” or “Directors”</b>	the directors of the Company (including the ACD);
<b>“EEA State”</b>	a member state of the European Union and any other state which is within the European Economic Area;
<b>“EUWA”</b>	the European Union (Withdrawal) Act 2018;
<b>“Efficient Portfolio Management” or “EPM”</b>	as defined in paragraph 10 of Appendix III;
<b>“Eligible Institution”</b>	one of certain eligible institutions as defined in the glossary of definitions to the FCA Handbook;
<b>“Eligible Investors”</b>	as defined in section 2.2.2 of this Prospectus (on page 12);
<b>“the FCA”</b>	means the Financial Services Authority in respect of matters prior to 1 April 2013 and,

	in respect of matters after that date, the Financial Conduct Authority or any other successor entity from time to time;
<b>“the FCA Handbook”</b>	the FCA Handbook of Rules and Guidance;
<b>“the FCA Rules”</b>	the rules published by the FCA in the FCA Handbook;
<b>“IFSL”</b>	Investment Fund Services Limited, the authorised corporate director (ACD) of the Company;
<b>“Fund” or “Funds”</b>	a sub-fund of the Company (being part of the Scheme Property of the Company which is pooled separately) to which specific assets and liabilities of the Company may be allocated and which is invested in accordance with the investment objective applicable to such sub-fund;
<b>“FUND Sourcebook”</b>	the Investment Fund Sourcebook issued by the FCA;
<b>“Instrument of Incorporation”</b>	the instrument of incorporation of the Company;
<b>“Investment Manager”</b>	Standard Life Investments Limited, the investment manager to the ACD in respect of the Company;
<b>“Leverage”</b>	means any method by which the exposure of a Fund is increased, whether through borrowing of cash or transferrable securities or leverage embedded in derivative positions or by any other means;
<b>“Net Asset Value” or “NAV”</b>	the value of the Scheme Property of the Company or of any Fund (as the context may require) less the liabilities of the Company (or of the Fund concerned) as calculated in accordance with the Instrument of Incorporation;

<b>"Non-UCITS Retail Scheme" or "NURS"</b>	a type of collective investment scheme such as the Company which is authorised by the FCA and therefore meets the standards set by the FCA to enable the Company to be marketed to the public within the UK, but which does not comply with the conditions necessary for it to benefit from European passporting rights under the UCITS Directive;
<b>"OEIC Regulations"</b>	the Open-Ended Investment Companies Regulations 2001;
<b>"PRN"</b>	FCA Product Reference Number;
<b>"Professional Liability Risks"</b>	shall have the meaning given to it in IPRU(INV) 11.3.12 EU of the FCA Handbook;
<b>"Register"</b>	the register of Shareholders of the Company;
<b>"Registrar"</b>	Investment Fund Services Limited, or such other entity as is appointed to act as Registrar to the Company;
<b>"Regulated Activities Order"</b>	the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544);
<b>"Regulations"</b>	the OEIC Regulations, and the FCA Handbook (including the COLL Sourcebook and FUND Sourcebook, as relevant);
<b>"Scheme Property"</b>	the scheme property of the Company required under the COLL Sourcebook to be given for safekeeping to the Depositary;
<b>"SDRT"</b>	Stamp duty reserve tax;
<b>"Share" or "Shares"</b>	a share or shares in the Company (including larger denomination shares, and smaller denomination shares equivalent to one ten thousandth of a larger denomination share);
<b>"Shareholder"</b>	a holder of registered Shares in the Company;

<b>"Switch"</b>	the exchange where permissible of Shares of one Class of a Fund for Shares of the same or another Class of a different Fund;
<b>"UCITS"</b>	an Undertaking for Collective Investment in Transferable Securities. This will include a UCITS Scheme or an EEA UCITS scheme, as defined in the Financial Conduct Authority Handbook;
<b>"UCITS Directive"</b>	the European Parliament and Council Directive of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investments in transferable securities (UCITS) (No. 2009/65/EC) (as amended);
<b>"UCITS Scheme"</b>	a UK UCITS, as defined in the FCA Handbook;
<b>"UK AIF"</b>	an alternative investment fund within the scope of the UK AIFM Regime and as defined in the FCA Handbook;
<b>"UK AIFM"</b>	an alternative investment fund manager established in the UK and with a Part 4A permission to carry on the regulated activity of managing an alternative investment fund;
<b>"UK AIFM Regime"</b>	the FUND Sourcebook, other rules in the FCA Handbook which when made implemented AIFMD, the AIFMD Level 2 Regulation and the AIFM Regulations;
<b>"UK UCITS"</b>	in accordance with sections 236A and 237 of the Financial Services and Markets Act 2000, a collective investment scheme which may consist of several sub-funds, which is either an authorised unit trust scheme, an authorised contractual scheme, or an authorised open-ended investment company with the sole object of collective investment of capital raised from the public in transferable securities or other liquid financial assets, operating on the principle of risk-

spreading, with units which are, at the request of holders, repurchased or redeemed, directly or indirectly, out of those undertakings' assets, and which has identified itself as a UCITS in its prospectus and has been authorised accordingly by the FCA;

**"US Persons"**

a person who falls within the definition of "US Person" as defined in rule 902 of regulation S of the United States Securities Act 1933;

**"Valuation Point"**

the point, whether on a periodic basis or for a particular valuation, at which the ACD carries out a valuation of the Scheme Property for the Company or a Fund (as the case may be) for the purpose of determining the price at which Shares of a Class may be issued, cancelled or redeemed. For details of the Valuation Point of a Fund please see Appendix I;

**"VAT"**

UK value added tax.

## 2. **DETAILS OF THE COMPANY**

### 2.1 **General**

2.1.1 IFSL CAF Investment Fund (the "Company") is an investment company with variable capital incorporated in England and Wales under registered number IC000876 and authorised by the FCA with effect from 4 March 2011. The Company is a Non-UCITS Retail Scheme as defined in COLL and is also an umbrella company for the purposes of the OEIC Regulations. The Company is an alternative investment fund and a UK AIF for the purposes of the UK AIFM Regime. The FCA product reference number for the Company is 538475. The Company has an unlimited duration.

The Company has four sub-funds:

- IFSL CAF Fixed Interest Fund (PRN: 635759);
- IFSL CAF UK Equity Fund (PRN: 635760);
- IFSL CAF International Equity Fund (PRN: 635761); and
- IFSL CAF Alternative Strategies Fund (PRN: 635762).

Shareholders are not liable for the debts of the Company.

The ACD is also the authorised corporate director of certain other open-ended investment companies and authorised fund manager of an authorised unit trust details of which are set out in Appendix IV.

#### 2.1.2 **Head Office**

The head office of the Company is at Marlborough House, 59 Chorley New Road, Bolton, BL1 4QP.

#### **Address for Service**

The head office is the address of the place in the UK for service on the Company of notices or other documents required or authorised to be served on it.

#### 2.1.3 **Base Currency**

The base currency of the Company and each Fund is Pounds Sterling.

#### 2.1.4 **Share Capital**

Maximum £100,000,000,000

Minimum £1



Shares have no par value. The Share capital of the Company at all times equals the sum of the Net Asset Values of each of the Funds.

Shares in the Company may be marketed in other Member States and in countries outside the European Union and European Economic Area, subject to the Regulations, and any regulatory constraints in those countries, if the ACD so decides.

Each of the Funds of the Company is designed and managed to support longer-term investment and active trading is discouraged. Short-term or excessive trading into and out of a Fund may harm performance by disrupting portfolio management strategies and by increasing expenses. The ACD may at its discretion refuse to accept applications for Conversion, or Switching of, Shares, especially where transactions are deemed disruptive, particularly from possible market timers or investors who, in its opinion, have a pattern of short-term or excessive trading or whose trading has been or may be disruptive to the Funds. For these purposes, the ACD may consider an investor's trading history in the Funds or other funds managed by ACD and accounts under common ownership or control.

## 2.2 **The Structure of the Company**

### 2.2.1 **The Funds**

The Company is structured as an umbrella company, in that different Funds may be established by the ACD with the approval of the FCA. On the introduction of any new Fund or Class, a revised prospectus will be prepared setting out the relevant details of each Fund or Class.

The Company is a Non-UCITS Retail Scheme (NURS).

The assets of each Fund will be treated as separate from those of every other Fund and will be invested in accordance with the investment objective and investment policy applicable to that Fund. Investment of the assets of each of the Funds must comply with the COLL Sourcebook and the investment objective and policy of the relevant Fund. Details of the Funds, including their investment objectives and policies, are set out in Appendix I.

Any proposals to change a Fund's investment objective or investment policy will typically be treated by the ACD (with the agreement of the Depositary) as a "fundamental event" requiring prior approval of the majority of Shareholders in the Fund (see section 8 "Shareholder Meetings and Voting Rights" for further details). However, Shareholders should be aware that the ACD may change a Fund's investment objective and/or its investment policy without first obtaining Shareholder consent

to the extent necessary to satisfy any changes to the Regulations. In these circumstances, Shareholders shall be given as much notice as is practicable in the circumstances.

The requirement for a Shareholder meeting depends on the proposed change to the Company. Changes to the Company may fall within one of the following three categories:

- “Fundamental events” which change the purpose or nature of the Company or the basis on which the investor invested, for example changes to an investment objective, its risk profile or something that would cause material prejudice to the investors would require investor approval. Fundamental changes require prior approval at a meeting of Shareholders;
- “Significant events” are those which would materially affect an investor's investment, affect a Shareholder's ability to exercise his rights in relation to this investment, result in material increased payments out of the Company, or could reasonably be expected to cause investors to reconsider their participation in the Company. Those should be notified pre-event to the investors and in sufficient time to enable them to leave the Company, if they wish, before the change takes effect. 60 days’ minimum notice is required for these changes; and
- “Notifiable events” for which the ACD would decide when and how Shareholders should be notified, depending on the type of event. In these cases notification could be after the event. This may take the form of the sending of an immediate notification to shareholders or the information being included in the next long report of the Company.

The eligible securities markets and eligible derivatives markets on which the Funds may invest are set out in Appendix II. A detailed statement of the general investment and borrowing restrictions in respect of each type of Fund is set out in Appendix III.

Each Fund has a specific portfolio to which that Fund’s assets and liabilities are attributable. So far as the Shareholders are concerned, each Fund is treated as a separate entity. A Shareholder is not liable to make any further payment to the Company after he has paid the price on purchase of the Shares.

Investors should note that the Company's Funds will be segregated portfolios of assets and, accordingly, the assets of a Fund belong exclusively to that Fund, and shall not be used or made available to

discharge directly or indirectly the liabilities of, or claims against, any other person or body, including the Company or any other Fund, and shall not be available for any such purpose.

While the provisions of the OEIC Regulations provide for segregated liability between the Funds, the concept of segregated liability is relatively new and these provisions have yet to be tested in the courts. Accordingly, where claims are brought by local creditors in foreign courts or under foreign law contracts, it is not yet known how those foreign courts will react to regulations 11A and 11B of the OEIC Regulations. It is therefore not free from doubt that the assets of a Fund will always be "ring-fenced" from the liabilities of other Funds of the Company.

In certain circumstances the Company may sue and be sued in respect of a particular Fund and may exercise rights of set-off in relation to that Fund.

Subject to the above, each Fund will be charged with the liabilities, expenses, costs and charges of the Company attributable to that Fund, and within each Fund charges will be allocated between Classes in accordance with the terms of issue of Shares of those Classes. Any assets, liabilities, expenses, costs or charges not attributable to a particular Fund may be allocated by the ACD in a manner which it believes is fair to the Shareholders generally. This will normally be pro rata to the Net Asset Value of the relevant Funds.

## 2.2.2 **Shares**

### **Classes of Shares within the Funds**

Shares will be issued in larger and smaller denominations. There are 10,000 smaller denomination Shares to each larger Share. Smaller denomination Shares represent what, in other terms, might be called fractions of a larger Share and have proportionate rights.

Shares have no par value and, within each Class in each Fund subject to their denomination, are entitled to participate equally in the profits arising in respect of, and in the proceeds of, the liquidation of the Company or termination of a relevant Fund. Shares do not carry preferential or pre-emptive rights to acquire further Shares.

Further Classes of Share may be established by the ACD with the approval of the FCA, the agreement of the Depositary and in accordance with the Instrument of Incorporation. On the introduction of any new Fund or

Class, either a revised prospectus or a supplemental prospectus will be prepared, setting out the details of each Fund or Class.

The base currency for each new Class of Shares will be determined at the date of creation and set out in the prospectus issued in respect of the new Class of Shares.

The net proceeds from subscriptions to a Fund will be invested in the specific pool of assets constituting that Fund.

To the extent that any Scheme Property of the Company, or any assets to be received as part of the Scheme Property, or any costs, charges or expenses to be paid out of the Scheme Property, are not attributable to one Fund only, the ACD will allocate such Scheme Property, assets, costs, charges or expenses between Funds in a manner which is fair to all Shareholders of the Company.

Shares in the Company are not currently listed on any investment exchange.

The Share Classes that may be issued and their criteria for subscription in respect of each Fund are set out in Appendix I. Currently Classes A, B, C, D and Z Shares are available in the Funds. Class A Shares are available to all investors. Class B Shares are only available to investors who were previously invested in the CAF Bond Income Fund and the CAF UK Equity Growth Fund. Class C Shares are only available to the nominee of the managed portfolio service (managed by Standard Life Investments Limited, the Investment Manager, on behalf of CFSL) currently Platform Securities Nominees Limited. Classes D and Z Shares are only available for purchase to holders of a CAF Investment Account. Details of which of the Share Classes are presently available in each Fund are set out in Appendix I.

Shares in the Company are only available to the following categories of investors:

- Charitable Organisations;
- Registered Charities;
- Community investment companies;
- Community land trusts;
- Private Client Donors - a private donor is someone who has gifted funds absolutely to the Charities Aid Foundation ("**CAF**") (in its

capacity as a registered charity) in the form of a charitable donation. CAF allows such investors to provide direction as to how these funds are subsequently donated to charitable causes. The monies may be invested by CAF where the intention is to provide a long term benefit to good causes; and

- the nominee of the managed portfolio service (managed by Standard Life Investments Limited, the Investment Manager, on behalf of CFSL) currently Platform Securities Nominees Limited, together "Eligible Investors". If you are in any doubt about whether you are an Eligible Investor please call the ACD on 0808 178 9321.

A Regular Savings Plan is available for certain Funds. Details of the relevant Funds are set out in Appendix I.

Holders of income Shares are entitled to be paid the distributable income attributed to such Shares on any relevant interim and annual allocation dates.

Holders of accumulation Shares are not entitled to be paid the income attributed to such Shares, but that income is automatically transferred to (and retained as part of) the capital assets of the relevant Fund on the relevant interim and/or annual accounting dates. This is reflected in the price of an accumulation Share.

The Instrument of Incorporation allows income and accumulation Shares to be issued. Income Shares are Shares in respect of which income allocated to them is distributed periodically to the relevant Shareholders. Accumulation Shares are shares whereby income is credited periodically to capital. In accordance with relevant tax law, distribution or allocation of income is made gross without any tax being deducted or accounted for by the Company. Further details concerning taxation may be found in section 9.

Where a Fund has different Classes, each Class may attract different charges and so monies may be deducted from the Scheme Property attributable to such Classes in unequal proportions. In these circumstances, the proportionate interests of the Classes within a Fund will be adjusted accordingly.

Shareholders are entitled (subject to certain restrictions set out in 3.3 below) to convert all or part of their Shares in a Class of a Fund for Shares of another Class within the same Fund or to Switch Shares for Shares of the same or another Class within a different Fund of the Company. Details

of this Conversion and Switching facility and the restrictions are set out in paragraph 3.3 "Conversion and Switching".

### 3. **BUYING, REDEEMING, CONVERTING AND SWITCHING SHARES**

Different Share Classes have different procedures for subscription, redemptions and Switching and investors should read the following section carefully before dealing.

Class A, B and C Shares should be purchased through the ACD. Class D and Class Z Shares are only available for purchase on-line to holders of a CAF Investment Account.

Class A Shares are available to all investors. Class B Shares are only available to investors who were previously invested in the CAF Bond Income Fund or CAF UK Equity Growth Fund. Class C Shares are only available to the nominee of the managed portfolio service (managed by Standard Life Investments Limited on behalf of CFSL) currently Platform Securities Nominees Limited. Classes D and Z Shares are only available for purchase to holders of a CAF Investment Account.

#### ***Purchases through the ACD***

The ACD's offices are open from 9am to 5pm (London time) on each Dealing Day to receive requests by post or by email to [dealing@ifslfunds.com](mailto:dealing@ifslfunds.com) for the purchase, sale and Switching of Shares in Classes A, B and C. The ACD may vary these dealing times at its discretion.

The ACD's address for the purposes of dealing is:

Investment Fund Services Limited  
Marlborough House  
59 Chorley New Road  
Bolton, BL1 4QP

The ACD may also, at its sole discretion, accept instructions by telephone on 0808 164 5458 (overseas +44 1204 329 443) between 9.00am and 5.00pm on any Business Day on such terms as it may specify. Application forms are available from the ACD at its website at [www.ifslfunds.com](http://www.ifslfunds.com) or by telephone on 0808 178 9321 (overseas +44 1204 803 932). The ACD may require telephone or electronic requests to be confirmed in writing.

In addition, the ACD may make arrangements to allow Shares to be bought or sold on-line or through other communication media. At present, transfer of title by electronic communication is not accepted.

Where a Share Class or a Fund has a Cut Off Point deals must be received by the ACD before the relevant Cut Off Point in order to be dealt with at the next Valuation Point. Deals received after the Cut Off Point will be dealt with at the Valuation Point or the next following Dealing Day. For details of the Valuation Point and the Cut Off Point of a Fund or a Share Class, please see Appendix I.

## 3.1 **Buying Shares**

### 3.1.1 **Procedure**

Shares may only be bought as set out below. For details of dealing charges see paragraph 3.7 below. Application forms may be obtained from the ACD.

Please note that only Eligible Investors are able to buy Shares in the Company.

#### ***Class A, B and C Shares***

Valid applications to purchase Class A, B and C Shares in a Fund must be received by the ACD before the Cut Off Point of 12 noon on a Dealing Day to be processed at the Share price calculated, based on the Net Asset Value per Share, at the next Valuation Point (being 12 noon on that Dealing Day) following receipt of the application by the ACD, except in the case where dealing in a Fund has been suspended as set out in paragraph 3.12. Subscription requests received after 12 noon on a Dealing Day will not be dealt at the Valuation Point on that Dealing Day but will be held over until the next following day which is a Dealing Day in the relevant Fund or Funds.

#### ***Class D and Class Z Shares – applications through a CAF Investment Account online only***

Valid applications to purchase Class D and Class Z Shares in a Fund must be made via a CAF Investment Account in time to be received by the ACD before the Cut Off Point of 12 noon on a Dealing Day to be processed at the Share price calculated, based on the Net Asset Value per Share, at the next Valuation Point (being 12 noon on that Dealing Day) following receipt of the application, except in the case where dealing in a Fund has been suspended as set out in paragraph 3.12. Subscription requests for Class D and Class Z Shares received after 12 noon on a Dealing Day will not be dealt at the Valuation Point on that Dealing Day but will be held over until the next following day which is a Dealing Day in the relevant Fund or Funds.

For any Share Class, the ACD, at its discretion, has the right to cancel a purchase deal if settlement is materially overdue and any loss arising on such cancellation shall be the liability of the applicant. For postal applications payment in full must accompany the instruction. At the ACD's discretion, payment for large purchases of Shares may be made by telegraphic transfer.



A purchase of Shares is a legally binding contract. Applications to purchase, once made are, except in the case where cancellation rights are applied, irrevocable. However, subject to its obligations under the Regulations, the ACD has the right to reject, on reasonable grounds relating to the circumstances of the applicant, any application for Shares in whole or part, and in this event the ACD will return any money sent, or the balance of such monies, at the risk of the applicant.

Applicants who have received advice may have the right to cancel their application to buy Shares at any time during the 14 days after the date on which they receive a cancellation notice from the ACD. If an applicant decides to cancel the contract, and the value of the investment has fallen at the time the ACD receives the completed cancellation notice, they will not receive a full refund as an amount equal to any fall in value will be deducted from the sum originally invested. Investors who invest through the Regular Savings Plan will be entitled to receive back the full amount they invested if they cancel. The ACD may extend cancellation rights to other investors but is under no obligation to do so.

The UK has implemented the Foreign Account Tax Compliant Act (FATCA) and the OECD Common Reporting Standard for Automatic Exchange of Financial Account Information (CRS) pursuant to the International Tax Compliance Regulations 2015. As a result of UK legislation, the Company may be required to obtain confirmation of certain information from shareholders and (where applicable) their beneficial owners, such as where you are resident for tax purposes, your tax identification number, and your place and date of birth, and your tax status classification and place of incorporation if you are a corporate body. Under certain circumstances (including where you do not supply us with the information we request), we will be obliged to report your personal details as well as the details of your Investment to HMRC. This information may then be passed to other tax authorities. Any shareholder that fails to provide the required information may be subject to a compulsory redemption of their Shares and/or monetary penalties.

The extent to which the Company is able to report to HMRC will depend on each affected Shareholder in the Company providing the Company or its delegate with any information that the Company determines is necessary to satisfy such obligations.

By signing the application form to subscribe for Shares in the Company, each Shareholder is agreeing to provide such information upon request from the Company or its delegate.

**Please note that the Company may treat Shareholders as a Specified U.S. Person where the Administrator is unable to establish that this is not the case.**

Shareholders who are concerned about their position are encouraged to consult with their own professional tax advisers regarding the possible implications of FATCA or CRS (or UK law on information reporting) on their interest in the Company.

### 3.1.2 **Documents the buyer will receive**

A confirmation giving details of the number and price of Shares bought will be issued (by the ACD) no later than the end of the business day following the later of receipt of the application to buy Shares 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.

Settlement is due within four business days of the Valuation Point. An order for the purchase of Shares of any Class will only be deemed to have been accepted by the ACD once it is in receipt of cleared funds for the application. If settlement is not made within a reasonable period, then the ACD has the right to cancel any Shares issued in respect of the application.

Share certificates will not be issued in respect of Shares. Ownership of Shares will be evidenced by an entry on the Register. Statements in respect of periodic distributions on Shares will show the number of Shares held by the recipient.

Confirmations and notices of periodic distributions for Shares in the Fund purchased through a CAF Investment Account will be provided via that Account.

The Company has the power to issue bearer Shares but there are no present plans to do so.

### 3.1.3 **Regular Savings Plan**

The ACD may make available certain Classes of Shares of any Fund through the Regular Savings Plan (details of current Classes of Shares and Funds which are available are shown in Appendix I). To invest in this way, Shareholders must complete and return the ACD the relevant plan application form and direct debit form before contributions may begin. Monthly contributions may be increased, decreased (subject to maintaining the minimum level of contribution) or stopped at any time by

notifying the ACD . If, however, payments are not made into the Regular Savings Plan for more than ten months and the Shareholder holds less than the minimum holding for that Class, then the ACD reserves the right to redeem that Shareholder's entire holding in that Class. Confirmations will not be issued to Shareholders investing through a Regular Savings Plan, however statements detailing all Share transactions will be sent out to all monthly savers at least on a six monthly basis.

Contributions to the Plan will normally be collected on a monthly basis usually on the first of each month (or the next following Dealing Day) with Shares being allocated at the Share price ruling at the next following Valuation Point (subject to any applicable initial charge).

For Shares purchased through the Regular Savings Plan, the minimum monthly investment is stated in Appendix I.

#### 3.1.4 **Minimum subscriptions and holdings**

The minimum initial subscription, subsequent subscription and holding levels for each Class of Share in a Fund are set out in Appendix I.

The ACD may at its sole discretion accept subscriptions and/or holdings lower than the minimum amount(s).

If following a redemption, Conversion, Switch or transfer a holding in any Class of Share should fall below the minimum holding for that Class, the ACD has a discretion to effect a redemption of that Shareholder's entire holding in that Class of Share. The ACD may use this discretion at any time. Failure not to do so immediately after such redemption, Conversion or Switch or transfer does not remove this right.

### 3.2 **Redeeming Shares**

#### 3.2.1 **Procedure**

Every Shareholder is entitled on any Dealing Day to redeem its Shares.

##### ***Class A, B and C Shares***

Instructions to redeem Class C Shares must be sent to the ACD before the Cut Off Point of 12 noon on a Dealing Day for processing at the Share price calculated, based on the Net Asset Value per Share, at the next Valuation Point (being 12 noon on that Dealing Day) following receipt of the instruction, except in the case where dealing in a Fund has been suspended as set out in paragraph 3.13. Redemption requests received after 12 noon on a Dealing Day will not be dealt at the Valuation Point on

that Dealing Day but will be held over until the next following day which is a Dealing Day in the relevant Fund or Funds.

### ***Class D and Class Z Shares***

Instructions to redeem Class D and Class Z Shares must be made online via the CAF Investment Account in time to be received by the ACD before the Cut Off Point of 12 noon on a Dealing Day for processing at the Share price calculated, based on the Net Asset Value per Share, at the next Valuation Point (being 12 noon on that Dealing Day) following receipt of the instruction, except in the case where dealing in a Fund has been suspended as set out in paragraph 3.13. Redemption requests received by the ACD after 12 noon on a Dealing Day will not be dealt at the Valuation Point on that Dealing Day but will be held over until the next following day which is a Dealing Day in the relevant Fund or Funds.

A redemption instruction in respect of Shares is a legally binding contract. However, an instruction to the ACD (via the CAF Investment Account, as appropriate) to redeem Shares, although irrevocable, may not be settled by either the Company or the ACD if the redemption represents Shares where the money due on the earlier purchase of those Shares has not yet been received or if insufficient documentation or anti-money laundering information has been received by the ACD.

For details of dealing charges see paragraph 3.7 below.

#### **3.2.2 Documents a redeeming Shareholder will receive**

A confirmation giving details of the number and price of Shares redeemed will be sent to the redeeming Shareholder (or the first named Shareholder, in the case of joint Shareholders) together with (if sufficient written instructions have not already been given) a form of renunciation for completion and execution by the Shareholder (or, in the case of a joint holding, by all the joint Shareholders) no later than the end of the business day following the later of the request to redeem Shares or the Valuation Point by reference to which the price is determined.

Payment of redemption proceeds will normally be made by cheque to the first named Shareholder (at their risk), or, at the ACD's discretion, via bank transfer in accordance with any instruction received (the ACD may recover any bank charge levied on such transfers). Instructions to make payments to third parties (other than intermediaries associated with the redemption) will not normally be accepted.

Such payment will be made within four business days of the later of (a) receipt by the ACD of the form of renunciation (or other sufficient written instructions) duly signed and completed by all the relevant Shareholders together with any other documentation and appropriate evidence of title, any required anti-money laundering related documentation, and (b) the Valuation Point following receipt by the ACD of the request to redeem.

Payments in respect of Class D Shares and Class Z Shares will be made to the investor's CAF Investment Account within four business days of the Valuation Point following receipt of a request to redeem.

### 3.2.3 **Minimum redemption**

Part of a Shareholder's holding may be redeemed but the ACD reserves the right to refuse a redemption request if the value of the Shares of any Fund to be redeemed is less than the minimum stated in respect of the appropriate Class in the Fund in question (see Appendix I).

### 3.2.4 **Regular Withdrawal Facility**

The ACD offers a regular withdrawal facility. For further details please contact the ACD at Marlborough House, 59 Chorley New Road, Bolton, BL1 4QP.

## 3.3 **Conversion and Switching**

Subject to any restrictions on the eligibility of investors for a particular Share Class, a Shareholder in a Fund may at any time:

- 3.3.1 Convert all or some of their Shares of one Class in a Fund for Shares in another Class in the same Fund; or
- 3.3.2 Switch all or some of their Shares in a Fund for Shares in another Fund in the Company.

## 3.4 **Conversions**

Conversions will be effected by the ACD recording the change of Share Class on the Register of the Company.

If a Shareholder wishes to Convert Shares he should apply to the ACD in the same manner as for a sale as set out below.

Conversions will generally not be treated as a disposal for capital gains tax purposes if certain requirements are met.

There is no fee on Conversions, however, investors in the Class D or Z Shares may be charged a small fee by the provider of the CAF Investment Account for the administration of the instruction.

The number of Shares to be issued in the new Class will be calculated relative to the price of the Shares being converted from.

### 3.5 **Switches**

Subject to the qualifications below, a Shareholder may at any time Switch all or some of his Shares of one Class in a Fund ("**Original Shares**") for Shares of another Fund ("**New Shares**").

The number of New Shares issued will be determined by reference to the respective prices of New Shares and Original Shares at the Valuation Point applicable at the time the Original Shares are redeemed and the New Shares are issued.

The ACD may at its discretion make a charge on the Conversion or Switching of Shares between Funds or Classes. Any such charge on Switching does not constitute a separate charge payable by a Shareholder, but is rather the application of any redemption charge on the Original Shares and any initial charge on the New Shares, subject to certain waivers. For details of the charges on Conversion and Switching currently payable, please see paragraph 3.7.3 "Charges on Conversion and Switching".

If a partial Switch would result in the Shareholder holding a number of Original Shares or New Shares of a value which is less than the minimum holding in the Class concerned, the ACD may, if it thinks fit, convert the whole of the applicant's holding of Original Shares to New Shares (and make a charge on Switching on such Conversion) or refuse to effect any Switch of the Original Shares. Save as otherwise specifically set out, the general provisions on procedures relating to redemption will apply equally to a Switch.

#### ***Class A, B and C Shares***

Written instructions must be received by the ACD before 12 noon on any Dealing Day for dealing at the next Valuation Point (being 12 noon on that Dealing Day) on a Dealing Day in the Fund or Funds concerned to be dealt with at the prices at the Valuation Point on that Dealing Day or at such other Valuation Point as the ACD at the request of the Shareholder giving the relevant instruction may agree. Conversion and Switching requests received after 12 noon on a Dealing Day will not be dealt at that Valuation Point on the Dealing Day but will be held over until the next following day which is a Dealing Day in each of the relevant Fund or Funds.

#### ***Class D and Class Z Shares***

Instructions must be made via a CAF Investment Account online and received by the ACD before 12 noon on any Dealing Day for dealing at the next Valuation Point (being 12 noon on that Dealing Day) on a Dealing Day in the Fund or Funds concerned to be dealt with at the prices at the Valuation Point on that Dealing Day or at such other Valuation Point as the ACD at the request of the Shareholder giving the relevant instruction may agree. Conversion and Switching requests received by the ACD after 12 noon on a Dealing Day will not be dealt at that Valuation Point on the Dealing Day but will be held over until the next following day which is a Dealing Day in each of the relevant Fund or Funds.

### Permitted Switches

	<b>Class A</b>	<b>Class B</b>	<b>Class C</b>	<b>Class D</b>	<b>Class Z</b>
<b>Class A to</b>	✓ Either a Conversion between income and accumulation shares (or vice versa) or a Switch into Class A Shares in another fund.	<b>X</b>	<b>X</b>	✓ Either a Conversion to Class D Shares in the same fund or a Switch into Class D Shares in another fund.*	<b>X</b>
<b>Class B to</b>	✓ Either a Conversion to Class A Shares in the same fund or a Switch into Class A shares in another fund.	✓ B income shares to B accumulation shares or vice versa	<b>X</b>	✓ Either a Conversion to Class D Shares in the same fund or a Switch into Class D Shares in another fund.*	✓ A Conversion to Class Z Shares in the IFSL CAF Fixed Interest Fund (for Class B holders of the IFSL CAF Fixed Interest Fund only) or a Switch into Class Z Shares in another fund.*
<b>Class C to</b>	<b>X</b>	<b>X</b>	✓ Only Switches to Class C shares in other funds.	<b>X</b>	<b>X</b>
<b>Class D to</b>	✓ Class D shares will be switched to Class A shares if an investor exits from the CAF Investment Account.	<b>X</b>	<b>X</b>	✓ A Conversion between income and accumulation shares or vice versa, or a Switch into Class D Shares of another fund).*	<b>X</b>
<b>Class Z to</b>	✓ Class Z shares will be switched to Class A shares if an investor exits from the CAF Investment Account.	<b>X</b>	<b>X</b>	<b>X</b>	✓ A Conversion between income and accumulation shares or vice versa.*

\* Conversion or Switch requests for Class D Shares and Class Z Shares must be made in writing to:

Investment Fund Services Limited  
Marlborough House  
59 Chorley New Road

Bolton, BL1 4QP.

The ACD may adjust the number of New Shares to be issued to reflect the application of any charge on Switching together with any other charges or levies in respect of the application for the New Shares or redemption of the Original Shares as may be permitted pursuant to the COLL Sourcebook.

**Please note that under UK tax law a Switch of Shares in one Fund for Shares in any other Fund is treated as a redemption and sale of the Original Shares and a purchase of New Shares and will, for persons subject to taxation, be a realisation of the Original Shares for the purposes of capital gains taxation, which may give rise to a liability to tax, depending upon the Shareholder's circumstances.**

**A Shareholder who Switches Shares in one Fund for Shares in any other Fund (or who Converts between Classes of Shares) will not be given a right by law to withdraw from or cancel the transaction.**

### 3.6 Dealing Charges

The price per Share at which Shares are bought, redeemed or switched is the Net Asset Value per Share. Any initial charge, or redemption charge is deducted from the Gross subscription or the proceeds of the redemption monies.

#### 3.6.1 Initial Charge

The ACD may impose a charge on the purchase of Shares in each Class. The current initial charge is calculated as a percentage of the amount invested by a potential Shareholder in respect of each Share Class as set out in Appendix I. The ACD may waive or discount the initial charge at its discretion.

The initial charge (which is deducted from subscription monies) is payable by the Shareholder to the ACD.

The current initial charge of a Fund or a Class may only be increased in accordance with the Regulations.

Where permitted to do so under the rules in the FCA Handbook, the ACD may pay a commission to relevant intermediaries either out of the initial charge or out of other of its own resources.

#### 3.6.2 Redemption Charge

The ACD may make a charge on the redemption of Shares in each Class. Please see Appendix I for details of which Funds apply a redemption charge.



The ACD may only introduce a redemption charge in accordance with the Regulations. Also, if such a charge was introduced, it would not apply to Shares issued before the date of the introduction (i.e., those not previously subject to a redemption charge).

There is currently no charge for redeeming Shares in any of the Classes.

### **3.6.3 Charges on Conversion and Switching**

On the Switching of Shares between Funds in the Company and Conversions between Classes, the Instrument of Incorporation authorises the Company to impose a charge. If a redemption charge is payable in respect of the Original Shares, this may become payable instead of, or as well as, the then prevailing initial charge for the New Shares. The charge on Switching and Conversions is payable by the Shareholder to the ACD.

The ACD does not currently make a charge for Switching between Funds or for Converting Shares in one Class of a Fund for Shares in another Class of the same Fund. Investors in the Class D Shares or Class Z Shares may however be charged a small fee by the provider of the CAF Investment Account for the administration of the instruction.

### **3.6.4 Dilution Adjustment**

The actual cost of purchasing, selling or Switching assets and investments in the Funds may deviate from the mid-market value used in calculating its Share price, due to dealing charges, taxes, and any spread between buying and selling prices of that Fund's underlying investments. These costs could have an adverse effect on the value of the Funds, known as "dilution". In order to mitigate the effect of dilution the Regulations allow the ACD to adjust the sale and purchase price of Shares in the Funds to take into account the possible effects of dilution. This practise is known as making a "dilution adjustment" or operating swinging single pricing. The power to make a dilution adjustment may only be exercised for the purpose of reducing dilution in the Funds.

The price of each Class of Share in each Fund will be calculated separately but any dilution adjustment will in percentage terms affect the price of Shares of each Class identically.

The ACD reserves the right to make a dilution adjustment every day. The dilution adjustment is calculated using the estimated dealing costs of a Fund's underlying investments and taking into consideration any dealing spreads, commission and transfer taxes. The need to make a dilution adjustment will depend on the difference between the value of Shares being acquired and the value of Shares being redeemed as a proportion of the total value of that Fund. The measurement

period will typically be a single day but, where a trend develops so that for a number of days in a row there is a surplus of acquisitions or redemptions on each and every day, the aggregate effect of such acquisitions or redemptions as a proportion of the total relevant Fund value will be considered.

Where a Fund is experiencing net acquisitions of its Shares the dilution adjustment would increase the price of Shares above their mid-market value. Where a Fund is experiencing net redemptions the dilution adjustment would decrease the price of Shares to below their mid-market value.

It is the ACD's policy to reserve the right to impose a dilution adjustment on purchases, sales and switches of Shares of whatever size and whenever made. In the event that a dilution adjustment is made it will be applied to all transactions in a Fund during the relevant measurement period and all transactions during the relevant measurement period will be dealt on the same price inclusive of the dilution adjustment.

The ACD's decision on whether or not to make this adjustment, and at what level this adjustment might be made in a particular case or generally, will not prevent it from making a different decision on future similar transactions.

On the occasions when a dilution adjustment is not applied, if a Fund is experiencing net acquisitions of Shares or net redemptions, there may be an adverse impact on the assets of that Fund attributable to each underlying Share, although the ACD does not consider this to be likely to be material in relation to the potential future growth in value of a Share. As dilution is directly related to the inflows and outflows of monies from a Fund it is not possible to accurately predict whether dilution will occur at any future point in time. Consequently it is also not possible to accurately predict how frequently the ACD will need to make a dilution adjustment.

The dilution adjustment will be applied to the mid price for Shares resulting in a figure calculated up to six decimal places. The final digit in this figure will then be rounded either up or down in accordance with standard mathematical principles resulting in the final price for the Shares.

The Funds may have a dilution adjustment applied on a particular day when there is an inflow or outflow of monies to the relevant Fund. It is envisaged (based on future projections) that a dilution adjustment may be applied. A typical dilution adjustment may range from 0.2% to 0.8% when buying or selling Shares.

The dilution adjustment for any one Fund may vary over time because the dilution adjustment for each Fund will be calculated by reference to the costs of dealing in the underlying investments of that Fund, including any dealing spreads, and these can vary with market conditions.

### 3.7 **Money laundering**

As a result of legislation in force in the UK to prevent money laundering, the ACD is responsible for compliance with anti money laundering regulations. In order to implement these regulations, in certain circumstances investors may be asked to provide proof of identity to the ACD when buying or redeeming Shares. Until satisfactory proof of identity is provided, the ACD reserves the right to refuse to issue Shares, pay the proceeds of a redemption of Shares, or pay income on Shares to the investor. In the case of a purchase of Shares where the applicant is not willing to provide the information requested within a reasonable period, the ACD also reserves the right to sell the Shares purchased and return the proceeds to the account from which the subscription was made. These proceeds may be less than the original investment.

The ACD is responsible for all matters relating to compliance with Money Laundering Regulations pertaining to the Company and investments in the Company, Fund or Funds.

### 3.8 **Transfers**

Shareholders are entitled to transfer their Shares to another person or body. All transfers must be in writing in the form of an instrument of transfer approved by the ACD for this purpose. Completed instruments of transfer must be returned to the ACD in order for the transfer to be registered by the ACD.

### 3.9 **Restrictions and Compulsory Transfer and Redemption**

The ACD may impose such restrictions as it may think necessary for the purpose of ensuring that no Shares 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 the Company incurring any liability to taxation which the Company is not able to recoup itself or suffering any other adverse consequence. In this connection, the ACD may, inter alia, reject in its discretion any application for the purchase, redemption, transfer, Conversion or Switching of Shares.

If it comes to the notice of the ACD that any Shares ("affected Shares"):

- (a) 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
- (b) would result in the Company incurring any liability to taxation which the Company 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);

(c) are held in any manner by virtue of which the Shareholder or Shareholders in question is/are not qualified to hold such Shares or if it reasonably believes this to be the case; or

(d) are owned by a Shareholder who is registered in a jurisdiction (where the Fund is not registered or recognised by the relevant competent authority) whereby communication with that Shareholder by the ACD, on behalf of the Fund, might constitute a breach of the regulations in that jurisdiction (unless specific action is taken by the ACD to prevent such a communication constituting a breach),

or if the ACD is not satisfied that any Shares may not give rise to a situation discussed in (a) to (d) above, the ACD may give notice to the Shareholder(s) of the affected Shares requiring the transfer of such Shares to a person who is qualified or entitled to own them or that a request in writing be given for the redemption of such Shares in accordance with the COLL Sourcebook. If any Shareholder upon whom such a notice is served does not within thirty days after the date of such notice transfer his affected Shares to a person qualified to own them or submit a written request for their redemption to the ACD (as appropriate) or establish to the satisfaction of the ACD (whose judgement is final and binding) that he or the beneficial owner is qualified and entitled to own the affected Shares, 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 ACD) of all the affected Shares.

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

Where a request in writing is given or deemed to be given for the redemption of affected Shares, such redemption will (if effected) be effected in the same manner as provided for in the COLL Sourcebook.

Where the ACD decides to close a share class in any of the Funds, the ACD may mandatorily redeem a Shareholder's investment. The ACD will provide Shareholders with no less than 30 days' notice prior to the redemption.

### 3.10 **Deferred Redemption**

If redemptions in the Fund on a particular Dealing Day exceed 10% of the Fund's value, the ACD may, with the prior agreement of the Company's Depositary, or if

the Depositary so requires, defer redemptions to the next valuation point in accordance with the FCA's COLL rules.

Any such deferral is undertaken in such a manner as to ensure the consistent treatment of all Shareholders who have sought to redeem Shares at the valuation point at which redemptions are deferred. All deals relating to the earlier valuation point are completed before these relating to a later valuation point are considered.

The intention of a deferred redemption is to reduce the impact of dilution on the Fund. In times of high levels of redemption, deferred redemption enables the ACD to protect the interests of continuing Shareholders and potential Shareholders, by allowing the ACD to match the sale of the Fund's property to the level of redemptions of Shares in that Fund.

### **3.11 Issue of Shares in exchange for in specie assets**

The ACD may arrange for the Company to issue Shares in exchange for assets other than cash, but will only do so where the Depositary has taken reasonable care to determine that the Company's acquisition of those assets in exchange for the Shares concerned is not likely to result in any material prejudice to the interests of Shareholders. Where the ACD considers the deal to be substantial in relation to the total size of the Fund it may require the investor to contribute in specie. The ACD may consider a deal in this context to be substantial if the relevant Shares constitute 5% of those in issue in the relevant Fund.

The ACD will ensure that the beneficial interest in the assets is transferred to the Company with effect from the issue of the Shares.

The ACD will not issue Shares in any Fund in exchange for assets the holding of which would be inconsistent with the investment objective or policy of that Fund.

### **3.12 In specie redemptions**

If a Shareholder requests the redemption of Shares, the ACD may, if it considers the deal is substantial in relation to the total size of the Fund, arrange for the Fund to cancel the Shares and transfer Scheme Property to the Shareholder instead of paying the price of the Shares in cash, or, if required by the Shareholder, pay the net proceeds of sale of the relevant Scheme Property to the Shareholder.

A deal involving Shares representing 5% or more in value of the Fund will normally be considered substantial. However, the ACD may at its discretion agree an in specie redemption with a Shareholder whose Shares represent less than 5% in value of the Fund.

In such cases, the ACD will serve a notice on the Shareholder within two Business Days of receipt of the redemption instruction that it proposes to make an in specie

redemption and setting out the Scheme Property to be transferred to the Shareholder. The Shareholder may within four Business Days of receiving the notice serve a notice on the ACD requiring the ACD to sell the selected Scheme Property and pay the proceeds to the Shareholder.

The ACD will select the property to be transferred (or sold) in consultation with the Company's Depositary. The ACD must ensure that the property selection is made with a view to achieving no greater advantage or disadvantage to the redeeming Shareholder than to continuing Shareholders.

### 3.13 **Suspension of dealings in the Company or a Fund**

The ACD may, with the prior agreement of the Company's Depositary, or must if the Depositary so requires, temporarily suspend, without prior notice to Shareholders, the issue, cancellation, sale and redemption of Shares in one or more Funds of the Company, if the ACD or the Depositary is of the opinion that due to exceptional circumstances there is good and sufficient reason to do so, having due regard to the interests of Shareholders. For example, but without limitation, on the closure or suspension of dealing on a relevant stock exchange, or the inability of the ACD to ascertain properly the value of any or all of the assets or realise any material part of the assets of the Fund or Funds.

The ACD will notify Shareholders as soon as it is practicable of any decision to suspend dealings and the exceptional circumstances which have led to the decision to do so. The ACD and Depositary will keep the suspension under ongoing review and will conduct a formal review of the reasons for the suspension at least every 28 days. Shareholders will be kept informed in writing of updates concerning any suspension. The FCA will be notified immediately of any suspension of dealing in Shares and will be kept informed of the results of the formal reviews conducted by the ACD and Depositary.

Re-calculation of the Share price for the purpose of dealings in Shares will commence on the next valuation point following the ending of the suspension.

During any suspension, the ACD will permit a Shareholder to withdraw any redemption request provided that this withdrawal is in writing and is received before the period of suspension ends. Any redemption request not withdrawn will be dealt with on the first Dealing Day following the end of the suspension.

### 3.14 **Governing law**

The Company, the Instrument of Incorporation, this Prospectus and any matters arising out of or in connection with a Shareholder's investment in the Company and the establishment, management and administration of the Company shall be governed by and construed in accordance with the laws of England and Wales. The

rights of the Shareholders and the construction and effect of the provisions of the Instrument of Incorporation and this Prospectus shall be subject to the exclusive jurisdiction of the courts of England and Wales.

### 3.15 **Client money**

The ACD will use any amount paid to it to buy Shares in accordance with the investor's instructions. In line with the Regulations the ACD will not treat monies received for the issuance of Shares or monies payable to the investor upon redemption as "client money" as long as: (i) in relation to monies for the issuance of Shares, the ACD has paid the subscription monies in exchange for Shares to the Depositary by the close of business on the day following receipt of monies from the investor; or (ii) in relation to proceeds from a redemption, paid the redemption monies to the investor within four Business Days of receipt by the ACD of the fully authorised form of instruction (or other sufficient instruction) and in any event by the close of business on the day following receipt of the monies from the Depositary. In the event that the above time limits are not met by the ACD, the ACD will treat the relevant sum received with respect to subscriptions and redemptions as client money as defined under the FCA Handbook. This means that the money is held in an account separate from the account that the ACD uses to hold its own money.

The ACD utilises a full client money model, and as such there is no window during which a payment from an investor is not protected under the FCA's client money rules.

Client money, as defined by the FCA, or client money may be held by a third party on behalf of the ACD; however the ACD cannot delegate the fiduciary duty that it owes to the investors.

The ACD has the right to close the Fund in accordance with the FCA's rules. In this context, the ACD will comply with the FCA's rules in client money discharge of fiduciary duty and allocated but unclaimed client money. These rules apply to both repayment and transfer to a third party.

The ACD has the right to transfer the Fund and/or client money to a third party provider as part of transferring all or part of its business.

In the event of a shortfall, or a third party provider becoming insolvent, applicants and shareholders may be able to seek recovery from the Financial Services Compensation Scheme (FSCS). Details of the FSCS can be found at [www.fscs.org.uk](http://www.fscs.org.uk).

Interest will not be paid on individual cash balances held in the client money account.





## 4. VALUATION OF THE COMPANY

### 4.1 General

There is only a single price for Shares. The price of a Share is calculated by reference to the Net Asset Value of the Fund to which it relates. The Net Asset Value per Share of a Fund is currently calculated on each Dealing Day at the Valuation Point of the Fund. For details of the Valuation Point of a Fund please see Appendix I.

The ACD may at any time during a business day carry out an additional valuation if it considers it desirable to do so and may use the price obtained at such additional valuation point as the price for the day. The ACD shall inform the Depositary of any decision to carry out any such additional valuation. Valuations may be carried out for effecting a scheme of amalgamation or reconstruction, which do not create a Valuation Point for the purposes of dealing. Where permitted and subject to the Regulations, the ACD may, in certain circumstances (for example where a significant event has occurred since the closure of a market) substitute a price with a more appropriate price which in its opinion reflects a fair and reasonable price for that investment.

The ACD will, upon completion of each valuation, notify the Depositary of the price of Shares, of each Class of each Fund and the amount of any dilution adjustment made in respect of any purchase or redemption of Shares.

A request for dealing in Shares must be received by the Valuation Point on a particular Dealing Day in order to be processed on that Dealing Day. A dealing request received after this time will be held over and processed on the next Dealing Day, using the Net Asset Value per Share calculated as at the Valuation Point on that next Dealing Day.

### 4.2 Calculation of the Net Asset Value

The value of the property of the Company or of a Fund (as the case may be) shall be the value of its assets less the value of its liabilities determined in accordance with the following provisions:

4.2.1 All the Scheme Property (including receivables) is to be included, subject to the following provisions.

4.2.2 Property which is not cash (or other assets dealt with in paragraphs 4.2.2.6 or 4.2.3 below) shall be valued as follows and the prices used shall (subject as follows) be the most recent prices which it is practicable to obtain:

4.2.2.1 units or shares in a collective investment scheme:

- a. if a single price for buying and redeeming units or shares is quoted, at that price; or

- b. if separate buying and selling prices are quoted, at the average of the two prices provided the buying price has been reduced by any initial charge included therein and the selling price has been increased by any exit or selling charge attributable thereto; or
- c. if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no recent price exists or if the most recent price available does not reflect the ACD's best estimate of the value of the units or shares, at a value which, in the opinion of the ACD, is fair and reasonable;

4.2.2.2 exchange-traded derivative contracts:

- a. if a single price for buying and selling the exchange-traded derivative contract is quoted, at that price; or
- b. if separate buying and selling prices are quoted, at the average of the two prices;

4.2.2.3 over-the-counter derivative contracts shall be valued in accordance with the method of valuation as shall have been agreed between the ACD and the Depositary;

4.2.2.4 Any other investment:

- a. if a single price for buying and redeeming the security is quoted, at that price; or
- b. if separate buying and redemption prices are quoted, at the average of the two prices; or

4.2.2.5 if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no recent price exists or if the most recent price available does not reflect the ACD's best estimate of the value of the security, at a value which in the opinion of the ACD, is fair and reasonable;

4.2.2.6 Scheme Property other than that described in paragraphs 4.2.2.1, 4.2.2.2, 4.2.2.3 and 4.2.2.4, above, at a value which, in the opinion of the ACD, is fair and reasonable;

4.2.2.7 cash and amounts held in current and deposit accounts and in other time related deposits shall be valued at their nominal values.

4.2.3 In determining the value of the Scheme Property, all instructions given to issue or cancel Shares shall be assumed (unless the contrary is shown) to

have been carried out and any cash payment made or received and all consequential action required by the Regulations or the Instrument of Incorporation shall be assumed (unless the contrary has been shown) to have been taken.

- 4.2.4 Subject to paragraphs 4.2.5 and 4.2.6 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 ACD, their omission will not materially affect the final net asset amount.
- 4.2.5 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 4.2.4.
- 4.2.6 All agreements are to be included under paragraph 4.2.4 which are, or ought reasonably to have been, known to the person valuing the property assuming that all other persons in the ACD's employment take all reasonable steps to inform it immediately of the making of any agreement.
- 4.2.7 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, VAT, stamp duty, SDRT and any foreign taxes or duties will be deducted.
- 4.2.8 An estimated amount for anticipated tax liabilities (on unrealised capital gains where the liabilities have accrued and are payable out of the Scheme Property; on realised capital gains in respect of previously completed and current accounting periods; and on income where liabilities have accrued) including (as applicable and without limitation) capital gains tax, income tax, corporation tax, VAT, stamp duty SDRT and any foreign taxes or duties will be deducted.
- 4.2.9 The principal amount of any outstanding borrowings whenever repayable and any accrued but unpaid interest on borrowings will be deducted.
- 4.2.10 An estimated amount for accrued claims for tax of whatever nature which may be recoverable will be added
- 4.2.11 Any other credits or amounts due to be paid into the Scheme Property will be added
- 4.2.12 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 Shareholders or potential Shareholders.

- 4.2.13 A sum representing any interest or any income accrued due or deemed to have accrued but not received will be added.

#### 4.3 **Price per Share in each Fund and each Class**

The price per Share at which Shares are bought or are redeemed is the Net Asset Value per Share. There will be a single price per Share. Any initial charge, or redemption charge is payable in addition to the price or deducted from the proceeds and is taken from the Gross subscription or redemption monies.

Each allocation of income made in respect of any Fund at a time when more than one Class is in issue in respect of that Fund shall be done by reference to the relevant Shareholder's proportionate interest in the income property of the Fund in question calculated in accordance with the Instrument of Incorporation.

#### 4.4 **Fair Value Pricing**

- 4.4.1 Where the ACD has reasonable grounds to believe that:

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

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

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

- 4.4.3 In determining whether to use such a fair value price, the ACD will include in their consideration but need not be limited to:

- 4.4.3.1 the type of authorised fund concerned;

- 4.4.3.2 the securities involved;
- 4.4.3.3 whether the underlying collective investment schemes may already have applied fair value pricing;
- 4.4.3.4 the basis and reliability of the alternative price used; and
- 4.4.3.5 the ACD's policy on the valuation of Scheme Property as disclosed in this Prospectus.

#### 4.5 **Pricing basis**

The ACD 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 ACD.

#### 4.6 **Publication of Prices**

The prices of all Share Classes are available at [www.fundlistings.com](http://www.fundlistings.com). The prices of Shares may also be obtained on CFSL's website at [www.cafonline.org/investments](http://www.cafonline.org/investments). In addition, the prices of Shares are available by calling IFSL on 0808 178 9321 (from UK) or +44 1204 803 932 (from overseas) or on the IFSL website at [www.ifslfunds.com](http://www.ifslfunds.com).

As the ACD deals on a forward pricing basis, the price that appears in these sources will not necessarily be the same as the one at which investors can currently deal. The ACD may also, at its sole discretion, decide to publish certain Share prices on third party websites or in publications but neither the ACD nor CFSL accept responsibility for the accuracy of the prices published in, or for the non-publication of prices by, these sources for reasons beyond the control of the ACD or CFSL (as appropriate).

## 5. **RISK FACTORS**

Potential investors should consider the below risk factors before investing in the Company (or, in the case of specific risks applying to specific Funds, in those Funds). This list must not be taken to be comprehensive as there may be new risks that arise in the future which could not have been anticipated in advance. Also, the risk factors listed will apply to different Funds to different degrees, and for a given Fund this degree could increase or reduce through time.

### 5.1 **Market risk**

The investments of the Company 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 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 Company. There is no certainty that the investment objective of any Fund will actually be achieved and no warranty or representation is given to this effect. Past performance is no guide to the future.

### 5.2 **Effect of initial charge or redemption charge**

Where an initial charge or redemption charge is imposed, an investor who realises his Shares 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 Shares. If the market value of the Shares has increased the redemption charge will show a corresponding increase.

The Shares therefore should be viewed as medium to long term investments.

### 5.3 **Dilution adjustment**

Investors should note that in certain circumstances a dilution adjustment may be applied to the price payable on the purchase or redemption of their Shares (see "Dilution Adjustment" at paragraph 3.6.4. Where dilution adjustment is not applied the Fund in question may incur dilution which may constrain capital growth.

### 5.4 **Charges to capital**

Where the investment objective of a Fund is to treat the generation of income as a higher priority than capital growth, or the generation of income and capital growth have equal priority, all or part of the ACD's fee and other expenses may be charged against capital instead of against income. This treatment of the ACD's fee and other expenses will increase the amount of income (which may be taxable) available for distribution to Shareholders in the Fund concerned but may constrain capital growth.

Details of which of the Funds charge the ACD fee and other expenses against capital can be found in Appendix I.

#### 5.5 **Suspension of dealings in Shares**

Investors are reminded that in certain circumstances their right to redeem Shares (including a redemption by way of Switching) may be suspended (see "Suspension of dealings in the Company or a Fund" at Paragraph 3.13).

#### 5.6 **Pricing and liquidity**

Where a Fund has exposure to alternative asset classes there is a risk that the price at which an asset is valued may not be realisable in the event of sale. This could be due to a mis-estimation of the asset's value or due to a lack of liquidity in the relevant market. As a result, at times, the ACD may have to delay acting on instructions to sell investments, and the proceeds on redemption may be materially less than the value implied by the Fund's price.

#### 5.7 **Currency exchange rates**

Currency fluctuations may adversely affect the value of a Fund's investments and, depending on an investor's currency of reference, currency fluctuations may adversely affect the value of his investment in Shares.

#### 5.8 **Emerging markets**

Investments in emerging markets may be more volatile than investments in more developed markets. Some of these markets may have relatively unstable governments, economies based on only a few industries and securities markets that trade only a limited number of securities. Many emerging markets do not have well developed regulatory systems and disclosure standards may be less stringent than those of developed markets.

The risks of expropriation, nationalisation and social, political and economic instability are greater in emerging markets than in more developed markets.

The following is a brief summary of some of the more common risks associated with emerging markets investment:

**Fraudulent securities** – Given the lack of a regulatory structure it is possible that securities in which investments are made may be found to be fraudulent. As a result, it is possible that loss may be suffered.

**Lack of liquidity** – The accumulation and disposal of holdings may be more expensive, time consuming and generally more difficult than in more developed markets. Also, due to the lack of liquidity, volatility may be higher. Many emerging

markets are small, have low trading volumes, low liquidity and significant price volatility.

**Currency fluctuations** – Significant changes in the currencies of the countries in which investments are made in respect of the currency of denomination of the relevant Fund may occur following the investment of the Company in these currencies. These changes may impact the total return of the Fund to a significant degree. In respect of currencies of certain emerging countries, it is not possible to undertake currency hedging techniques.

**Settlement and custody risks** – Settlement and custody systems in emerging markets are not as well developed as those in developed markets. Standards may not be as high and supervisory and regulatory authorities not as sophisticated. As a result there may be risks that settlement may be delayed and that cash or securities could be disadvantaged.

**Investment and remittance restrictions** – In some cases, emerging markets may restrict the access of foreign investors to securities. As a result, certain equity securities may not always be available to a Fund because the maximum permitted number of or investment by foreign shareholders has been reached. In addition, the outward remittance by foreign investors of their share of net profits, capital and dividends may be restricted or require governmental approval. The Company will only invest in markets in which it believes these restrictions to be acceptable. However, there can be no guarantee that additional restrictions will not be imposed.

**Accounting** – Accounting, auditing and financial reporting standards, practices and disclosure requirements applicable to companies in emerging markets differ from those applicable in more developed markets in respect of the nature, quality and timeliness of the information disclosed to investors and, accordingly, investment possibilities may be difficult to properly assess.

## 5.9 **Smaller companies**

Funds investing in smaller companies invest in transferable securities which may be less liquid than the securities of larger companies, as a result of inadequate trading volume or restrictions on trading. Securities in smaller companies may possess greater potential for capital appreciation, but also involve risks, such as limited product lines, markets and financial or managerial resources and trading in such securities may be subject to more abrupt price movements than trading in the securities of larger companies.

## 5.10 **Sub investment grade bonds**

The Funds may hold sub-investment grade bonds. Such bonds have a lower credit rating than investment grade bonds and carry a higher degree of risk.



#### 5.11 **Overseas bonds and currencies**

A Fund may invest in overseas bonds and currencies. These markets may respond to different influences to those that affect the underlying funds and accordingly carry a higher degree of risk.

#### 5.12 **Performance risk**

There will be a variation in performance between Funds with similar objectives due to the different assets selected. The degree of investment risk depends on the risk profile of the Fund chosen.

#### 5.13 **Inflation Risk**

Inflation will, over time, reduce the value of your investments in real terms.

#### 5.14 **Counterparty Risk**

If a Fund enters into a derivative contract it will be exposed to the credit of the other party (usually referred to as 'counterparty') and their ability to wholly or partly satisfy the terms of the contract.

In the event of a bankruptcy or insolvency of a counterparty, a Fund could experience delays in liquidating the position and may incur significant losses. The ACD may use one or more counterparties to undertake derivative transactions on behalf of a Fund and may be required to pledge a Fund's assets as collateral against these transactions. There may be a risk that a counterparty will be unable to meet its obligations with regards to the return of the collateral and may not meet other payments due to a Fund.

#### 5.15 **Derivatives and volatility**

**Derivative instruments may be used in all the Funds for the purposes of Efficient Portfolio Management (EPM). The use of derivatives for EPM should not lead to an increase in risk to the Fund.**

**Derivatives will also be used for the purposes of investment for IFSL CAF Alternative Strategies Fund only.**

The COLL Sourcebook permits the ACD to use certain techniques when investing in derivatives in order to manage a Fund's exposure to particular counterparties and in relation to the use of collateral to reduce overall exposure to over-the-counter ("OTC") derivatives; for example a Fund may take collateral from counterparties with whom they have an OTC derivative position and use that collateral to net off against the exposure they have to the counterparty under that OTC derivative position, for the purposes of complying with counterparty spread limits. The COLL Sourcebook also

permits a Fund to use derivatives to effectively short sell (agree to deliver the relevant asset without holding it in the scheme) under certain conditions.

**Where the ACD invests in derivatives and forward transactions in the pursuit of IFSL CAF Alternative Strategies Fund's objectives, the Net Asset Value of IFSL CAF Alternative Strategies Fund may at times be volatile (in the absence of compensating investment techniques). However, it is the ACD's intention that the IFSL CAF Alternative Strategies Fund will not have volatility over and above the general market volatility of the markets of the Fund's underlying investments owing to the use of the derivatives and/or forward transactions in the pursuit of its objectives. It is not the ACD's intention that the use of derivatives and forward transactions in the pursuit of IFSL CAF Alternative Strategies Fund's objective will cause its risk profile to change.**

#### 5.16 **Non-UCITS Retail Schemes (NURS)**

The Company and the Funds are classed as NURS for the purposes of the rules in the FCA Handbook. Such funds can have wider investment and borrowing powers than UCITS schemes with higher investment limits in various areas. They can also invest to a greater extent in areas such as property and unregulated schemes and have the option to borrow on a permanent basis. Such additional powers can increase potential reward, but may also increase risk.

#### 5.17 **Investing in other collective investment schemes**

Each Fund may invest in other regulated collective investment schemes. As an investor in another collective investment scheme, a Fund will bear, along with the other investors, its portion of the expenses of the other collective investment scheme, including management, performance and/or other fees. These fees will be in addition to the management fees and other expenses which a Fund bears directly with its own operations.

#### 5.18 **Unregulated Collective Investment Schemes**

A Fund may invest, in total no more than 20% of the Scheme Property, in unregulated collective investment schemes which are generally considered to be a higher risk than investment in regulated schemes. An unregulated collective investment scheme is unlikely to be subject to regulations which govern how they are managed. For example, they can utilise higher risk investment techniques, they may borrow to invest, they can suspend calculation of net asset value preventing redemption or otherwise limit redemption, they may not adhere to internationally recognised accounting standards and functions such as pricing and custody may not be subject to any rules.

A Fund may also invest in unregulated collective investment schemes which are valued less frequently than the investing Fund. As a result, there is a risk that any market

movements will not be reflected in the daily price of the Fund and that investors may miss out on unrealised profits from underlying investments.

#### 5.19 **Exchange Traded Funds (“ETFs”)**

The Funds may invest in Exchange Traded Funds. Exchange Traded Funds represent a basket of securities that are traded on an exchange and may not necessarily trade at the net asset value of their underlying holdings. As a result, they may trade at a price that is above or below the value of the underlying portfolio.

#### 5.20 **Warrants**

Whilst warrants may be utilised for the management of investment risk they can also be volatile. A warrant allows within a subscribed period the right to apply for shares, debentures, loan stock or government securities from the issuer of the underlying security. A small movement in the price of the underlying security results in a disproportionately large movement, favourable or unfavourable in the price of the warrant. Therefore the larger the Fund holding in warrants the larger the risk of volatility. No more than 5% of any Fund will be held in warrants.

#### 5.21 **Regular Savings Plan**

If a Shareholder is making regular monthly investments in a Fund with a view to saving for a specific objective, they should regularly review whether these savings will be sufficient to achieve their objective. Shareholders may not achieve their objective if they do not continue to invest regularly with a sufficient amount or if the investment does not appreciate sufficiently.

#### 5.22 **Cancellation Rights**

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

#### 5.23 **Leverage**

Leverage of the Company’s assets is limited to the permanent borrowing referred to in section 25 (Borrowing powers and Leverage) of Appendix III (Investment and Borrowing Powers of the Company).

## 6. **MANAGEMENT AND ADMINISTRATION**

### 6.1 **Regulatory Status**

The ACD, the Depository, the Custodian, the Investment Manager and the Administrator are authorised and regulated by the Financial Conduct Authority of 12 Endeavour Square, London E20 1JN.

### 6.2 **Authorised Corporate Director**

#### 6.2.1 **General**

The ACD is Investment Fund Services Limited which is a private company limited by shares incorporated in England and Wales on 19 February 2001.

The directors of the ACD are:

Andrew Staley - In addition to his role as director of Investment Fund Services Limited, Mr Staley also acts as managing director of Marlborough Investment Management Limited and is a director of Novia Global Limited, Marlborough Investment Management (UK) Limited, Marlborough Unit Trust Managers Limited, Marlborough Group Holdings Limited, Marlborough Fund Managers Limited, MFM Unit Trust Managers Ltd, UK Travel Limited, Continuum DFM Limited and UFC Fund Management PLC.

Nicholas FJ Cooling - In addition to his role as director of Investment Fund Services Limited, Mr Cooling also acts as the investment director of Marlborough Investment Management Limited and is a director of Marlborough Investment Management (UK) Limited, Marlborough Unit Trust Managers Limited, Marlborough Group Holdings Limited, Marlborough Fund Managers Limited, MFM Unit Trust Managers Limited, UFC Fund Management PLC, My Continuum Financial Limited, Continuum DFM Limited, UK Travel Limited and Spinney Lodge Freehold Management Limited.

Wayne Green - Also a director of Marlborough Group Holdings Limited, IFSL Platform Services Limited, IFSL Platform Service Providers Limited, Marlborough Investment Management International Limited, Marlborough International Management Limited, Marlborough Fund Managers Limited, MFM Unit Trust Managers Limited, IFSL Professional Services Limited and IFSL Administration Limited.

Allan Hamer - Also a director of Marlborough Group Holdings Limited, Marlborough Fund Managers Limited, MFM Unit Trust Managers Limited, IFSL Professional Services Limited, IFSL Administration Limited and Marlborough International Fund PCC Limited.

Helen Redmond - Also a director of IFSL Professional Services Limited.

Helen Derbyshire – Also a director of Marlborough Group Holdings Limited, Marlborough Fund Managers Limited and IFSL Administration Limited.

Dominique Clarke - Also a director of Marlborough Group Holdings Limited, IFSL Platform Services Limited, IFSL Platform Service Providers Limited, Marlborough Investment Management International Limited, UFC Fund Management International Holdings Limited, MIM DFM Limited, MIM Discretionary FM Limited, Marlborough Fund Managers Limited, MFM Unit Trust Managers Limited, IFSL Professional Services Limited, IFSL Administration Limited and Philotas Limited.

Richard Goodall –Also a director of Marlborough Group Holdings Limited, Novia Global Limited and Marlborough Fund Managers Limited.

Guy Sears – non-executive director - Also a non-executive director of Marlborough Fund Managers Limited.

David Kiddie – non-executive director – Also a non-executive director of Marlborough Fund Managers Limited.

Sarah Peaston – non-executive director – Also a non-executive director of Marlborough Fund Managers Limited.

The Company has no other directors.

**Registered Office  
and Head Office:**

Marlborough House, 59 Chorley  
New Road, Bolton BL1 4QP

**Share Capital:**

An issued share capital of  
£10,000 represented by 10,000  
ordinary shares of 100 pence fully  
paid.

The ACD is responsible for managing and administering the Company's affairs in compliance with the COLL Sourcebook. The ACD may delegate its management and administration functions, but not responsibility, to third parties, including associates subject to the rules in the COLL Sourcebook and FUND Sourcebook.

It has therefore delegated to the Investment Manager the function of managing and acting as the investment adviser for the investment and reinvestment of the assets of the Funds (as further explained in paragraph 6.4 below).

**6.2.2 Terms of Appointment:**

The appointment of the ACD has been made under an agreement dated 23<sup>rd</sup> May 2020 between the Company and the ACD, (the "**ACD Agreement**").

Pursuant to the ACD Agreement, the ACD manages and administers the affairs of the Company in accordance with the Regulations, the Instrument of Incorporation and this Prospectus. The ACD Agreement incorporates detailed provisions relating to the ACD's responsibilities. It also excludes the ACD from liability to the Company or any Shareholder for any error of judgment or loss suffered in connection with the subject matter of the ACD Agreement, unless arising as a direct consequence of recklessness, fraud, bad faith, wilful default or negligence in the performance or non-performance of its obligations and functions under the ACD Agreement. Any liability for defaults of a person to whom it has delegated certain functions is also limited to the extent permitted by the Regulations.

The Company has agreed to indemnify the ACD, to the extent permitted by the COLL Sourcebook, (for itself and its delegates) against claims and expenses that arise in respect of their duties, except where there is fault on its or their part of the kind referred to above.

In accordance with the Regulations, the ACD has in place a number of policies which set out how it operates and manages the Funds in a number of key areas. The ACD's (and the Investment Manager's) voting policy (which sets out how and when voting rights attached to the Funds' investments are to be exercised) is available from the ACD on request.

The Investment Manager's Best Execution policy (which sets out how the Investment Manager complies with these rules) can be obtained by contacting the Investment Manager.

Note that investors in the Funds may request from the ACD information about entities where trade orders are transmitted or placed for execution.

Details of the fees payable to the ACD are set out in the paragraph headed "Charges payable to the ACD" below.

The ACD may carry out or arrange for the carrying out of stock lending transactions in respect of the Funds. The ACD reserves the right to receive a fee in relation to stock lending, subject to giving Shareholders 60 days' written notice of the details of such fees.

The ACD Agreement is for an initial period of five years, and will continue after then unless and until terminated by resolution of the Company in general meeting on not less than 12 months' prior notice to the ACD, or earlier on certain types of breaches or the insolvency of a party.

The Company has no directors other than the ACD. The ACD is the authorised corporate director of certain open-ended investment companies details of which are set out in Appendix IV.

### 6.3 **The Depositary**

Pursuant to an agreement dated 6<sup>th</sup> May 2020 between the ACD and the Depositary (the "Depositary Services Agreement"), and for the purposes of and in compliance with the UK AIFM Regime and the relevant FCA Rules, the Depositary has been appointed as depositary to the Company.

The Depositary is a public limited company incorporated in England and Wales with company registration number 00014259. HSBC Bank plc is a wholly owned subsidiary of HSBC Holdings plc. The Depositary's registered and head office is located at 8 Canada Square, London E14 5HQ and the principal business activity of the Depositary is the provision of financial services, including trustee and depositary services. HSBC Bank plc is authorised by the Prudential Regulation Authority and regulated by the Prudential Regulation Authority and the Financial Conduct Authority.

The Depositary provides services to the Company as set out in the Depositary Services Agreement and, in doing so, shall comply with the UK AIFM Regime, the OEIC Regulations and the relevant FCA Rules.

The Depositary's duties include the following:-

- a. Ensuring that the Company's cash flows are properly monitored and that all payments made by or on behalf of applicants upon the subscription to shares of the Company have been received.
- b. Safekeeping the assets of the Company, which includes (i) holding in custody all financial instruments that can be registered in a financial instrument account opened in the Depositary's books and all financial instruments that can be physically delivered to the Depositary; and (ii) verifying the ownership of other assets and maintaining records accordingly.
- c. Ensuring that issues, redemptions and cancellations of the shares of each Company are carried out in accordance with applicable law and the relevant FCA Rules.
- d. Ensuring that the value of the shares of the Company is calculated in accordance with applicable law and the relevant FCA Rules.
- e. Carrying out the instructions of the UK AIFM and the ACD, unless they conflict with applicable law and the relevant FCA Rules.
- f. Ensuring that in transactions involving the Company's assets any consideration is remitted to the Company within the usual time limits.

g. Ensuring that the Company's income is applied in accordance with applicable law and the relevant FCA Rules.

The appointment of the Depositary under the Depositary Services Agreement may be terminated without cause by not less than 90 days written notice provided that the Depositary Services Agreement does not terminate until a replacement Depositary has been appointed.

The Depositary may delegate its safekeeping functions subject to the terms of the Depositary Services Agreement.

Shareholders have no personal right to directly enforce any rights or obligations under the Depositary Services Agreement.

In general, the Depositary is liable for losses suffered by the Company as a result of its negligence or wilful default to properly fulfil its obligations. Subject to the paragraph below, and pursuant to the Depositary Services Agreement, the Depositary will be liable to the Company for the loss of financial instruments of the Company which are held in its custody. The Depositary will not be indemnified out of the Scheme Property for the loss of financial instruments where it is so liable.

The liability of the Depositary will not be affected by the fact that it has delegated safekeeping to a third party save where this liability has been lawfully discharged to a delegate (any such discharge will be notified to the Shareholders and consent will be obtained from the UK AIFM and the ACD to such delegation and discharge). At the date of this Prospectus, the Depositary has not discharged its liability for the safekeeping of assets in its safekeeping.

The Depositary will not be liable where the loss of financial instruments arises as a result of an external event beyond the reasonable control of the Depositary, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary. The Depositary shall not be liable for any indirect, special or consequential loss.

In the event there are any changes to the Depositary's liability under the UK AIFM Regime and the relevant FCA Rules, the UK AIFM will inform Shareholders of such changes without delay.

Actual or potential conflicts of interest may arise between the Depositary and its delegates, for example, and without prejudice to the generality of the foregoing, where an appointed delegate is an affiliated group company and is providing a product or service to the Company and has a financial or business interest in such product or service or where an appointed delegate is an affiliated group company which receives remuneration for other related products or services it provides to the Company.



In addition, actual or potential conflicts of interest may also arise between the Company, the Shareholders or the UK AIFM on the one hand and the Depositary on the other hand.

For example, such actual or potential conflict may arise because the Depositary is part of a legal entity or is related to a legal entity which provides other products or services to the Company or the UK AIFM and from which fees and profits in relation to the provision of those products or services may arise and from which the Depositary may benefit directly or indirectly. In addition, the Depositary may have a financial or business interest in the provision of such products or services, or receives remuneration for related products or services provided to the Company, or may have other clients whose interests may conflict with those of the Company, the Shareholders or the UK AIFM.

In particular, HSBC Bank plc may provide foreign exchange services to the Company for which they receive a fee out of the property of the Company. HSBC Bank plc or any of its affiliates or connected persons may also act as market maker in the investments of the Company; provide broking services to the Company and/or to other funds or companies; act as financial adviser, banker, derivatives counterparty or otherwise provides services to the issuer of the investments of the Company; act in the same transaction as agent for more than one client; have a material interest in the issue of the investments of the Company; or earn profits from or has a financial or business interest in any of these activities.

The Depositary will ensure that any such additional services provided by it or its affiliates are on terms which are not materially less favourable to the Company than if the conflict or potential conflict had not existed.

The Depositary has a conflict of interest policy in place to identify, manage and monitor on an on-going basis any actual or potential conflict of interest. The Depositary has functionally and hierarchically separated the performance of its depositary tasks from its other potentially conflicting tasks. The system of internal controls, the different reporting lines, the allocation of tasks and the management reporting allow potential conflicts of interest and the Depositary issues to be properly identified, managed and monitored.

## 6.4 **The Investment Manager**

### 6.4.1 **General**

The ACD has appointed Standard Life Investments Limited (the "Investment Manager") as the investment adviser to the ACD in relation to the Fund. The Investment Manager is authorised and regulated by the FCA. The principal activity of the Investment Manager is the provision of investment management services.

#### 6.4.2 **Terms of Appointment:**

Under the terms of an agreement dated 5<sup>th</sup> February 2021 between the Investment Manager and the ACD (the "Investment Management Agreement"), the Investment Manager has the authority of the ACD to make decisions on behalf of the ACD in respect of the investments of the Fund, subject always to the provisions of the Instrument, the Prospectus, the Regulations, and the investment objectives and policies of the Fund. The Investment Manager is also authorised to deal on behalf of the Fund. Subject to instances where the Investment Management Agreement may be terminated with immediate effect in the interests of the shareholders, the Investment Management Agreement shall continue for a minimum period of 3 years from the effective date of the 31<sup>st</sup> March 2021. Either party may terminate the agreement after the expiry of the minimum period by either party giving the other at least 6 months' written notice.

Under the terms of the Investment Management Agreement, the Investment Manager may delegate to any person the performance of its duties and services required to be performed by it under the Investment Management Agreement.

#### 6.5 **The Administrator**

The ACD is the Administrator of the Company and has not delegated the performance of this function.

#### 6.6 **The Registrar**

##### 6.6.1 **General**

The ACD is the registrar to the Company.

The registered office of the Registrar is Marlborough House, 59 Chorley New Road, Bolton BL1 4QP.

##### 6.6.2 **Register of Shareholders**

The Register of Shareholders will be maintained by the Registrar at the address of its registered office as noted above, and may be inspected at that address during normal business hours by any Shareholder or any Shareholder's duly authorised agent.

#### 6.7 **The Auditors**

The auditors of the Company are Ernst & Young LLP, whose address is Atria One, 144 Morrison Street, Edinburgh, EH3 8EX.

## 6.8 **Co-manufacturing, distribution and unitholder relationship management**

The ACD has appointed CFSL to provide co-manufacturing (for the purposes of the FCA's Rules in relation to product governance), distribution and unitholder relationship management services to the ACD in respect of the Company. CFSL has been selected by the ACD, for these purposes, given its expertise and experience in the charitable sector.

Subject to and under the terms of the ACD's agreement with CFSL, the ACD has agreed to pay CFSL a proportion of the annual management charges it receives from the Company (subject to certain caps). Further details of such fees are available on written request to the ACD.

## 6.9 **Conflicts of Interest**

The ACD, other companies within the ACD's group of companies and the Investment Manager may act as managers to other funds or sub-funds which follow similar investment objectives to those of the Funds. It is therefore possible that the ACD and/or the Investment Manager may in the course of their business have potential conflicts of interest with the Company or a particular Fund. The ACD and/or Investment Manager will, however, have regard in such event to the ACD's obligations under the ACD Agreement and, in particular, to its obligation to act in the best interests of the Company 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 Depositary may act as the depositary of other open-ended investment companies and as trustee or custodian of other collective investment schemes.

The Investment Manager may manage other accounts/portfolios with similar investment objectives.

## 7. FEES AND EXPENSES

### 7.1 General

Each Fund formed after this Prospectus is superseded may bear its own direct establishment costs.

The Company may pay out of the property of the Company any liabilities arising on the unitisation, amalgamation or reconstruction of the Company or of any Fund.

All fees, costs, charges or expenses payable by a Shareholder or out of the property of the Company or each Fund (as the case may be) are set out in this section 7. The Company or each Fund (as the case may be) may, so far as the COLL Sourcebook allows, also pay out of the property of the Company or each Fund (as the case may be) all relevant fees, costs, charges and expenses incurred by the Company or each Fund (as the case may be), which will include the following:

- 7.1.1 the charges and expenses payable to the ACD (which will include the fees and expenses payable to the Depository, the Investment Manager, the Administrator, Custodian and Fund Accountant and their respective delegates);
- 7.1.2 fees and expenses in respect of establishing and maintaining the Register of Shareholders (and any plan sub-register) and related functions;
- 7.1.3 transaction costs (including, without limitation, fees and/or expenses incurred in acquiring, registering and disposing of investments);
- 7.1.4 expenses incurred in producing, distributing and dispatching income and other payments to Shareholders;
- 7.1.5 fees in respect of the publication and circulation of details of the Net Asset Value and prices;
- 7.1.6 the fees and expenses of the auditors and tax, legal and other professional advisers of the Company;
- 7.1.7 the costs of convening and holding Shareholder meetings (including meetings of Shareholders in any particular Fund, or any particular Class within a Fund);
- 7.1.8 costs incurred in taking out and maintaining any insurance policy in relation to the Company and/or its Directors;
- 7.1.9 expenses incurred in company secretarial duties, including the cost of minute books and other documentation required to be maintained by the Company;

- 7.1.10 payments, costs or any other administrative expenses in relation to the preparation of and dissemination of literature required or necessary for the purpose of complying with the Regulations or any other applicable law or regulation (excluding the cost of disseminating the simplified prospectus or equivalent successor documentation);
- 7.1.11 tax and duties payable by the Company;
- 7.1.12 interest on and charges incurred in borrowings;
- 7.1.13 any amount payable by the Company under any indemnity provisions contained in the Instrument of Incorporation or any agreement with any functionary of the Company;
- 7.1.14 fees of the FCA under 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 Shares are or may lawfully be marketed;
- 7.1.15 any payments otherwise due by virtue of changes to the Regulations;
- 7.1.16 costs (apart from promotional payments) in respect of communications with investors;
- 7.1.17 fees of any paying, representative or other agents of the Company or the ACD;
- 7.1.18 any costs in modifying the ACD Agreement and any other relevant document required under the Regulations;
- 7.1.19 the fees of any stock lending agent and the fees of the ACD for arranging any stock lending, subject to giving Shareholders 60 days' prior written notice of the details of these fees;
- 7.1.20 all fees and expenses incurred in relation to the addition and initial organisation of any new Funds, the listing of Shares on any stock exchange, any offer of Shares (including the preparation, translation, printing and distribution of any prospectus (apart from the costs and expenses of distributing any simplified prospectus) and listing documents) and the creation, Conversion and cancellation of Shares in a new or existing Fund and any costs and expenses incurred in registering, having recognised or going through any other process in relation to the company or any Fund in any territory outside the UK for the purpose of marketing the Shares in such territory, including any translation costs; and
- 7.1.21 royalties, licensing fees and other like payments in relation to the use of intellectual property.

VAT may be payable on these charges.

It is not currently proposed to seek a listing for the Shares on any stock exchange, but if a listing is sought in the future the fees connected with the listing will be payable by the Company.

Expenses are allocated between capital and income in accordance with the COLL Sourcebook.

## **7.2 Costs relating to EPM**

Certain direct and indirect operational costs and/or fees may arise as a result of Efficient Portfolio Management techniques being used for the benefit of the Company and/or the Funds. These costs and/or fees are regarded as transaction costs and, therefore, would fall within 7.1.3 above. Further details on the payment of costs and/or fees relating to Efficient Portfolio Management techniques will be set out in the Annual Report.

## **7.3 Charges payable to the ACD**

In payment for carrying out its duties and responsibilities the ACD is entitled to take an annual management charge out of each Fund. The annual management charge is calculated and accrued on a daily basis by reference to the Net Asset Value of the Fund on the previous Dealing Day and the amount due for each month is payable in respect of each calendar month as soon as practicable after the month end. The current management charge for each Fund (expressed as a percentage per annum of the Net Asset Value of each Fund) is set out in Appendix I.

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

VAT may be payable on these charges.

Where the investment objective of a Fund is to treat the generation of income as a higher priority than capital growth, or the generation of income and capital growth have equal priority, all or part of the ACD's fees may be charged against capital instead of against income as set out in Appendix I. This will only be done with the approval of the Depositary. This treatment of the ACD's fee will increase the amount of income (which may be taxable) available for distribution to Shareholders in the Fund concerned, but may constrain capital growth.

If a Class's expenses in any period exceed its income the ACD may take that excess from the capital property attributable to that Class.

#### 7.4 **Increase in the charges payable to the ACD**

Any increase of the annual management charge by the ACD will be carried out in accordance with the Regulations.

#### 7.5 **Depositary's fees and expenses**

The Depositary receives for its own account a periodic fee which will accrue daily. The calculation of the periodic fee is based on the first or only valuation point of the Fund on each Business Day. The periodic fee charged during a calendar month is paid to the Depositary on or as soon as is reasonably practicable after the last Business Day of that calendar month, and is payable out of the property attributable to the Fund.

The rate of the periodic fee is agreed between the ACD and the Depositary from time to time and in relation to each Fund, the current agreed periodic fee is calculated on a sliding scale plus VAT of the total value of the Fund per annum.

- 0.030% per annum of the first £200 million of the Scheme Property;
- 0.015% per annum of the next £800 million of the Scheme Property;
- 0.0075% per annum of the balance over £1 billion.

The first accrual in relation to any Fund will take place in respect of the period beginning on the day on which the first valuation of the Fund is made and ending on the last calendar day of the month in which that day falls and will be calculated based upon the first valuation point. Any material increase will only be permitted after 60 days' notice has been given to all Shareholders and the Prospectus has been revised to reflect the new current rate and the date of its commencement.

#### **Custody and activity fees**

A custody fee is charged on the same value and accrual basis as the Depositary fee. The value is sub-divided according to the geographical spread of the portfolio and the rates set out below applied to the individual parts.

Fixed rate activity fees (again, based on geographical spread) are charged monthly on the movement of stocks other than on corporate actions, scrip dividends or stock loans.

The current range of rates for the custody and activity fees of the most commonly used countries are as shown below:

## Ranges of Charges

Item	Range
Transaction Charges	£8 to £60
Custody Charges	0.005% to 0.14%

The custody and activity fees are currently exempt from value added tax.

The maximum charge for an activity fee is £175 per transaction plus VAT (if applicable). The maximum charge for the safekeeping fee is 0.15% of the value of the Asset per annum plus VAT where applicable. The currencies and activities and safekeeping fees are currently exempt from VAT.

## Expenses

The Depositary will also be reimbursed out of the property attributable to each Fund, expenses properly incurred in the performance of, or arranging the performance of, functions conferred on it by the Depositary Agreement, the Regulations or by the general law, including (but not limited to):

- (a) custody of assets (including overseas custody services);
- (b) the acquisition, holding and disposal of property;
- (c) the collection of dividends, interest and any other income;
- (d) the maintenance of distribution accounts;
- (e) the conversion of foreign currencies;
- (f) registration of assets in the name of the Depositary or its nominees or agents;
- (g) borrowings, stock lending or other permitted transactions;
- (h) communications with any parties (including facsimile and SWIFT);
- (i) taxation matters;
- (j) insurance matters;
- (k) dealing in derivatives; and
- (l) the Depositary's report as set out in annual reports of the Company.



## **Ranges of Charges**

The amount or rate of any of the Depositary's fees and charges referred to above shall (unless otherwise stated) be determined by reference to the scale or tariff or other basis from time to time agreed between the ACD and the Depositary and notified to the ACD by the Depositary.

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

On a winding up of the Company, the termination of a Fund or the redemption of a class of shares, the Depositary will be entitled to its pro rata fees, charges and expenses to the date of the commencement of the winding up the termination or the redemption (as appropriate) and any additional expenses necessarily realised in settling or receiving any outstanding obligations. No compensation for loss of office is provided for in the Depositary Agreement.

Any VAT on any fees, charges or expenses payable to the Depositary will be added to such fees, charges or expenses.

## **Allocation of Expenses**

Any fees, liabilities, expenses, costs or charges not attributable to a particular Fund will generally be allocated between the Funds pro rata to net asset value of the Funds. However, the ACD has the discretion to allocate these fees and expenses in a manner which is fair to the Shareholders generally. In each such case such expenses and disbursements may also be payable if incurred by any person (including the ACD or an associate or nominee of the Depositary or of the ACD) who has had the relevant duty delegated to it pursuant to the Regulations by the Depositary.

### **7.6 Allocation of fees and expenses between Funds**

All the above fees, duties and charges (other than those borne by the ACD) will be charged to the Fund in respect of which they were incurred. Where an expense is not considered to be attributable to any one Fund, the expense will normally be allocated to all Funds pro rata to the value of the Net Asset Value of the Funds, although the ACD has discretion to allocate these fees and expenses in a manner which it considers fair to Shareholders generally.

## **8. SHAREHOLDER MEETINGS AND VOTING RIGHTS**

### **8.1 Class and Fund Meetings**

The Company has dispensed with the need to hold Annual General Meetings. A copy of the ACD Agreement will be provided to a Shareholder on request.

The provisions below, unless the context otherwise requires, apply to Class meetings and meetings of Funds as they apply to general meetings of the Company, but by reference to Shares of the Class or Fund concerned and the Shareholders and value and prices of such Shares.

### **8.2 Requisitions of Meetings**

The ACD may requisition a general meeting at any time.

Shareholders may also requisition a general meeting of the Company. A requisition by Shareholders must state the objects of the meeting, be dated, be signed by Shareholders who, at the date of the requisition, are registered as holding not less than one tenth in value of all Shares then in issue and the requisition must be deposited at the head office of the Company. The ACD must convene a general meeting no later than eight weeks after receipt of such requisition.

### **8.3 Notice and Quorum**

Shareholders will receive at least 14 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 Shareholders, present in person or by proxy. The quorum for an adjourned meeting is one person entitled to be counted in a quorum. Notices of meetings and adjourned meetings will be sent to Shareholders at their registered addresses.

### **8.4 Voting Rights**

At a general meeting, on a show of hands every Shareholder 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.

On a poll vote, a Shareholder may vote either in person or by proxy. The voting rights attaching to each Share are such proportion of the voting rights attached to all the Shares in issue that the price of the Share bears to the aggregate price of all the Shares in issue at the date seven days before the notice of meeting is sent out.

A Shareholder 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.

In the case of joint Shareholders, the vote of the senior who votes, whether in person or by proxy, must be accepted to the exclusion of the votes of the other joint Shareholders. For this purpose, seniority must be determined by the order in which the names stand in the Register.

Except where the COLL Sourcebook or the Instrument of Incorporation 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.

The ACD may not be counted in the quorum for a meeting and neither the ACD nor any associate (as defined in the COLL Sourcebook) of the ACD is entitled to vote at any meeting of the Company except in respect of Shares which the ACD or associate holds on behalf of or jointly with a person who, if the registered Shareholder, would be entitled to vote and from whom the ACD or associate has received voting instructions.

Where all the Shares in a Fund are registered to, or held by, the ACD or its associates and they are therefore prohibited from voting and a resolution (including an extraordinary resolution) is required to conduct business at a meeting, it shall not be necessary to convene such a meeting and a resolution may, with the prior written agreement of the Depositary, instead be passed with the written consent of Shareholders representing 50% or more, or for an extraordinary resolution, 75% or more, of the Shares in issue.

“Shareholders” in this context means Shareholders entered on the register at a time to be determined by the ACD and stated in the notice of the meeting which must not be more than 48 hours before the time fixed for the meeting.

## 9. **TAXATION**

THE FOLLOWING SUMMARY IS BASED ON CURRENT UK LAW AND HM REVENUE & CUSTOMS ("HMRC") PUBLISHED PRACTICE. THE RELEVANT TAXATION RULES, INCLUDING LEVELS AND BASES OF, AND RELIEFS FROM TAXATION, THEIR INTERPRETATION AND HMRC PRACTICE, MAY BE SUBJECT TO CHANGE IN THE FUTURE.

IT IS INTENDED TO OFFER SOME GENERAL GUIDANCE ON CERTAIN ASPECTS OF THE UK TAXATION OF THE COMPANY AND ITS SHAREHOLDERS. IT DOES NOT TAKE ACCOUNT OF PARTICULAR INVESTORS' INDIVIDUAL CIRCUMSTANCES AND DOES NOT ADDRESS THE POSITION OF INVESTORS WHO ARE NON-UK RESIDENT (AND IN THE CASE OF INDIVIDUALS NON-UK DOMICILED), DEALERS IN SECURITIES OR WHO ARE NOT THE ABSOLUTE BENEFICIAL OWNERS OF THE SHARES HELD AS AN INVESTMENT. THIS SUMMARY SHOULD NOT BE REGARDED AS DEFINITIVE OR EXHAUSTIVE AND DOES NOT CONSTITUTE LEGAL OR TAX ADVICE AND PROSPECTIVE INVESTORS SHOULD SEEK THEIR OWN PROFESSIONAL ADVICE ON THE TAXATION CONSEQUENCES OF INVESTING IN THE COMPANY IF THEY ARE IN ANY DOUBT ABOUT IT.

### 9.1 **Taxation of the Company**

Each Fund is regarded as a separate taxable corporate entity in its own right and is subject to the special corporation tax rules that apply to authorised investment funds. The applicable rate of corporation tax is the basic rate of income tax in force for the financial year (currently 20%).

Insofar as a Fund invests in foreign investments it may, in addition, be subject to tax in overseas jurisdictions at varying rates, generally by way of the foreign tax being withheld from income payments.

#### **Income**

Each Fund will be liable to corporation tax on any excess of taxable income over allowable expenses, including expenses of management.

#### **Chargeable gains**

The Funds will be exempt from UK corporation tax on chargeable gains arising on the disposal of their investments. An exception to this are gains arising from non-reporting offshore funds which may be chargeable as income to corporation tax.

#### **Stamp taxes**

The Funds are liable to pay SDRT (or stamp duty) when they purchase underlying investments subject to SDRT (or stamp duty). The position of incoming and outgoing investors is covered at 9.5 'Stamp duty reserve tax'.

## 9.2 **Taxation of the Shareholder**

In the case of Accumulation Shares, accumulation of income will be treated as a distribution for UK tax purposes. It is not currently intended that any of the Funds will be treated as a "bond fund" for UK tax purposes.

### **Individual Shareholders**

#### **Income**

The Funds will make dividend distributions without deduction of income tax. The first £2,000 dividend income including of dividend distributions received by individual investors in any tax year is covered by the dividend allowance and is exempt from UK income tax. Amounts received in excess of this should be reported on the individual investor's UK Self-Assessment Tax Return and individual investors liable to income tax at the basic rate will have an additional liability to income tax equal to 7.5% of the dividends to the extent that such sum, when treated as the top slice of the individual's income, falls above the threshold for basic rate tax. Higher rate taxpayers will have a further liability to income tax equal to 32.5% of the dividends to the extent that such sum, when treated as the top slice of the individual's income, falls above the threshold for higher rate tax. Additional rate taxpayers will have a further liability to income tax equal to 38.1% of the dividends to the extent that such sum, when treated as the top slice of the individual's income, falls above the threshold for the additional rate of tax.

#### **Chargeable gains**

Capital gains made by individual Shareholders who are resident in the UK for tax purposes on the sale, disposal or as a result of any other chargeable event will be tax free if they fall within an individual's annual capital gains exemption. For the tax year 2020/2021, the first £12,300 of an individual's chargeable gains (that is after deduction of allowable losses) from all sources will, therefore, be exempt from capital gains tax. Subject to their personal circumstances, gains in excess of this amount are taxed at 10% for basic rate taxpayers and 20% for higher and additional rate taxpayers.

#### **ISAs**

It is intended that Shares will satisfy the eligibility requirement to be qualifying investments for a stocks and shares component of an ISA. Income and gains within an ISA are tax free.

### **Corporate Shareholders**

#### **Dividend distributions**

Dividend distributions received by corporate Shareholders chargeable to UK corporation tax will need to be streamed into 'franked' and 'unfranked' income according to the underlying gross income of the Company.

In broad terms, the portion treated as being 'franked' will be such proportion of the Company's total income (brought into account when determining the distribution for the period in question) which consists of dividend income received which is treated as exempt under Part 9A of CTA 2009. The 'franked' portion will be treated as exempt dividend income when received by a UK resident corporate Shareholder (unless the Shareholder is treated as a dealer in securities for tax purposes). The 'unfranked' portion will be treated as an annual payment from which income tax at a rate of 20% has been deducted. A UK resident corporate Shareholder will, therefore, be liable to corporation tax at the rate applicable to that corporate Shareholder but with credit for the income tax deducted. Such Shareholders may, therefore, be liable to further tax or entitled to reclaim the deemed tax credit from HMRC. Any ability to claim repayment of the income tax credit will be limited to the corporate Shareholder's share of the Fund's liability to corporation tax for the distribution period in question.

### 9.3 **Chargeable gains**

Capital gains made by Shareholders liable to UK corporation tax will be chargeable to corporation tax after taking account the availability of any historic indexation relief. The rate of corporation tax is currently 19%.

### 9.4 **Information reporting**

The International Tax Compliance Regulations 2015 (SI 2015/878) as amended (the "Tax Compliance Regulations") enable the automatic exchange of information between the UK and other jurisdictions. The Tax Compliance Regulations implement the UK's obligations in respect of: (a) the Intergovernmental Agreement signed by the UK and the USA to implement FATCA; and (b) the Multilateral Competent Authority Agreement on the Automatic Exchange of Financial Account Information signed by the UK on 29 October 2014 to implement the OECD's Common Reporting Standard ("CRS") on Reporting and Due Diligence for Financial Account Information.

The Company is a UK Financial Institution for the purposes of the Tax Compliance Regulations. Consequently it (or the ACD) will be required to undertake due diligence and/or obtain information on Shareholders, including their name, address, tax identification number, tax residency and status, and details (if applicable in the case of certain types of Shareholders) of persons that directly or indirectly have an interest in the Shareholders. They will be required to report certain information about Shareholders and their investments to HMRC on an annual basis.

Shareholders are, therefore, notified that information relating to Shareholders which is required to be reported under the Tax Compliance Regulations (or by other similar

laws or regulations) will be reported to HMRC and may be transferred to the government of another territory in accordance with a relevant agreement.

The ACD or its delegate retains the right to request from Shareholders such information, documentation and certification as they determine may be required from time to time in order to fulfil reporting duties on such matters. Any Shareholder that fails to provide the required information may be subject to a compulsory redemption of their Shares and/or mandatory penalties.

By signing the application form to subscribe for Shares in the Company, each affected Shareholder is agreeing to the disclosure as outlined above and to provide any relevant information upon request from the ACD or its delegate.

The extent to which information about Shareholders will be required to be reported to HMRC will depend upon the information provided and the ACD's determination of what is necessary in order to comply with their relevant obligations. Shareholders are encouraged to consult with their own tax advisors regarding the possible implications of the Tax Compliance Regulations, FATCA, the CRS and similar rules on their interest in the Company.

#### 9.5 **Stamp Duty and Stamp Duty Reserve Tax (SDRT)**

There is generally no stamp duty reserve tax (SDRT) charge on the acquisition or surrender of Shares but SDRT can arise on:

**i. Third party transfers of Shares without re-registration**

Where a third party buys Shares from a Shareholder and the transaction is not handled by the ACD (i.e. a third party purchase where only beneficial ownership of the Shares change) then the principal SDRT charge on agreements to transfer for consideration will still apply at 0.5%.

**ii. Non-pro rata in specie redemptions**

Non-pro rata in specie redemptions are subject to the principal SDRT charge at 0.5% on any chargeable securities acquired by the redeeming Shareholder.

## 10. **WINDING UP OF THE COMPANY OR TERMINATION OF A FUND**

The Company will not be wound up except as an unregistered company under Part V of the Insolvency Act 1986 or under the COLL Sourcebook. A Fund may only be terminated under the COLL Sourcebook.

Where the Company is to be wound up or a Fund is to be terminated under the COLL Sourcebook, such winding up or termination may only be commenced following approval by the FCA. The FCA may only give such approval if the ACD provides a statement (following an investigation into the affairs of the Company) either that the Company will be able to meet its liabilities within 12 months of the date of the statement or that the Company will be unable to do so. The Company may not be wound up under the COLL Sourcebook if there is a vacancy in the position of ACD at the relevant time.

The Company may be wound up or a Fund must be terminated under the COLL Sourcebook:

- 10.1 if an extraordinary resolution to that effect is passed by Shareholders; or
- 10.2 when the period (if any) fixed for the duration of the Company or a particular Fund by the Instrument of Incorporation expires, or any event occurs on the occurrence of which the Instrument of Incorporation provides that the Company or a particular Fund is to be wound up or terminated (as appropriate) (for example, if the share capital of the Company or (in relation to any Fund) the Net Asset Value of the Fund is below £10 million, or if a change in the laws or regulations of any country means that, in the ACD's opinion, it is desirable to terminate the Fund); or
- 10.3 on the date stated in any agreement by the FCA to a request by the ACD for the revocation of the authorisation order in respect of the Company or for the termination of the relevant Fund.

On the occurrence of any of the above:

- 10.4 COLL 6.2 (Dealing), COLL 6.3 (Valuation and Pricing) and, COLL 6.6.20R to COLL 6.6.24G (Assessment of Value) (with effect from 30th September 2019) COLL 5 (Investment and borrowing powers) will cease to apply to the Company or the relevant Fund;
- 10.5 the Company will cease to issue and cancel Shares in the Company or the relevant Fund and the ACD shall cease to sell or redeem Shares or arrange for the Company to issue or cancel them for the Company or the relevant Fund;
- 10.6 no transfer of a Share shall be registered and no other change to the Register of Shareholders shall be made without the sanction of the ACD;



- 10.7 where the Company is being wound up, the Company shall cease to carry on its business except in so far as it is beneficial for the winding up of the Company;
- 10.8 the corporate status and powers of the Company and subject to 10.1 to 10.4 above, the powers of the Depositary shall continue until the Company is dissolved.

The ACD shall, as soon as practicable after the Company or the Fund falls to be wound up or terminated (as appropriate), realise the assets and meet the liabilities of the Company and, after paying out or retaining adequate provision for all liabilities properly payable and retaining provision for the costs of winding up/termination, arrange for the Depositary to make one or more interim distributions out of the proceeds to Shareholders proportionately to their rights to participate in the property of the Company or the Fund. If the ACD has not previously notified Shareholders of the proposal to wind up the Company or terminate the Fund, the ACD shall, as soon as practicable after the commencement of winding up of the Company or the termination of the Fund, give written notice of the commencement to Shareholders. When the ACD has caused all of the property to be realised and all of the liabilities of the Company or the particular Fund to be realised, the ACD shall arrange for the Depositary to make a final distribution to Shareholders on or prior to the date on which the final account is sent to Shareholders of any balance remaining in proportion to their holdings in the Company or the particular Fund.

As soon as reasonably practicable after completion of the winding up of the Company or the termination of a particular Fund, the Depositary shall notify the FCA that the winding up or termination has been completed.

On completion of a winding up of the Company, the Company will be dissolved and any money (including unclaimed distributions) still standing to the account of the Company, will be paid into court by the ACD within one month of the dissolution.

Following the completion of a winding up of the Company or the termination of a Fund, the ACD must prepare a final account showing how the winding up/termination took place and how the property was distributed. The auditors of the Company shall make a report in respect of the final account stating their opinion as to whether the final account has been properly prepared. This final account and the auditors' report must be sent to the FCA and to each Shareholder (or the first named of joint Shareholders) on it within two months of the completion of the winding up or termination.

As the Company is an umbrella company, any liabilities attributable or allocated to a particular Fund under the COLL Sourcebook shall be met first out of the property attributable or allocated to that particular Fund. If the liabilities of a particular Fund are greater than the proceeds of the realisation of the property attributable or allocated to the Fund, the deficit shall be met out of the property attributable or allocated to the solvent Funds in respect of which the proceeds of realisation exceed

liabilities and will be divided between those Funds in a manner which is fair to Shareholders in those solvent Funds.

## 11. GENERAL INFORMATION

### 11.1 Accounting Periods

The annual accounting period of the Company ends each year on 30 April (the accounting reference date) with interim accounting periods ending on 31 July, 31 October and 31 January.

### 11.2 Income Allocations

Some Funds may have interim and final income allocations and other Funds may have quarterly income allocations and some Funds may only have final income allocation dates (see Appendix I). For each of the Funds income is allocated in respect of the income available at each accounting date.

In relation to income Shares, distributions of income for each Fund in which income Shares are issued are paid by cheque or BACS directly into a Shareholder's bank account on or before the relevant income allocation date in each year as set out in Appendix I. Income will normally be accumulated/distributed (as appropriate to the Share Class) within two months of the accounting date(s) but the ACD reserves the right to accumulate/pay at a later date but not later than four months after the accounting date(s) as permitted by the Regulations.

For Funds in which accumulation Shares are issued, income will become part of the capital property of the Fund and will be reflected in the price of each such accumulation Share as at the end of the relevant accounting period.

If a distribution made in relation to any income Shares remains unclaimed for a period of six years after it has become due, it will be forfeited and will revert to the relevant Fund (or, if that no longer exists, to the Company).

The amount available for distribution in any accounting period is calculated by taking the aggregate of the income received or receivable for the account of the relevant Fund in respect of that period, and deducting the charges and expenses of the relevant Fund paid or payable out of income in respect of that accounting period. The ACD then makes such other adjustments as it considers appropriate (and after consulting the Company's auditors as appropriate) in relation to taxation, income equalisation, income unlikely to be received within 12 months following the relevant income allocation date, income which should not be accounted for on an accrual basis because of lack of information as to how it accrues, transfers between the income and capital account and other matters.

With the agreement of the Depositary individual amounts of income of £10 or less may not be paid.

### 11.3 **Annual Reports**

The annual report of the Company will be published within four months of each annual accounting period and the half yearly report will be published within two months of each interim accounting period. The latest annual and interim reports are available to any person free of charge at [www.ifslfunds.com](http://www.ifslfunds.com) and upon request to the ACD directly.

The reports of the Company shall (if relevant) contain details of:

- (a) the percentage of each Fund's assets that are subject to special arrangements arising from their illiquid nature;
- (b) any new arrangements that the ACD has made for managing a Fund's liquidity;
- (c) each Fund's current risk profile and the risk management systems employed by the ACD to manage those risks.

### 11.4 **Documents of the Company**

The following documents may be inspected free of charge during normal business hours on any business day at the offices of the ACD at Marlborough House, 59 Chorley New Road, Bolton, BL1 4QP :

11.4.1 the most recent annual and half yearly reports of the Company;

11.4.2 the Prospectus;

11.4.3 the Instrument of Incorporation (and any amending documents); and

11.4.4 the material contracts referred to below.

Shareholders may obtain copies of the above documents from the ACD. The ACD may make a charge at its discretion for copies of documents (apart from the most recent annual and half yearly reports of the Company, the Instrument of Incorporation and the Prospectus which are available free of charge).

### 11.5 **Material Contracts**

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

11.5.1 the ACD Agreement dated 23<sup>rd</sup> May 2020 between the Company and the ACD; and

11.5.2 the Depositary Agreement dated 6<sup>th</sup> May 2020 between the Company the Depositary and the ACD.

Details of the above contracts are given under the section "Management and Administration".

#### **11.6 Investment Information**

All information concerning the Company and about investing in Shares of the Company is available from the ACD at Investment Fund Services Limited c/o CAF Financial Solutions Limited, 25 Kings Hill Avenue, Kings Hill, West Malling, Kent ME19 4TA. The ACD is not authorised to give investment advice and persons requiring such advice should consult a professional financial adviser. All applications for Shares are made solely on the basis of the current prospectus of the Company, and investors should ensure that they have the most up to date version.

#### **11.7 Recordings – Telephone calls and other electronic communications**

Please note that the ACD and the Administrator may record telephone calls and other electronic communications for training and monitoring purposes, to confirm investors' instructions and in order to comply with applicable rules. The records will be stored for up to five years or if requested by the FCA, up to 7 years.

#### **11.8 Complaints**

Complaints concerning the operation or marketing of the Company may be referred to the Investor Support Team of the ACD at Investment Fund Services Limited, Marlborough House, 59 Chorley New Road, Bolton BL1 4QP, or, if you subsequently wish to take your complaint further, direct to the Financial Ombudsman Service at Exchange Tower, Harbour Exchange Square, London E14 9SR.

#### **11.9 Indemnity**

The Instrument of Incorporation contains provisions indemnifying the Directors, other officers and the Company's auditors or the Depositary against liability in certain circumstances otherwise than in respect of their negligence, default, breach of duty or breach of trust, and indemnifying the Depositary against liability in certain circumstances otherwise than in respect of its failure to exercise due care and diligence in the discharge of its functions in respect of the Company.

#### **11.10 Notices**

All notices or documents required to be served on Shareholders shall be served by post to the address of the Shareholder as evidenced on the register. All documents and remittances are sent at the risk of the Shareholder.

#### **11.11 Professional Liability Risks**

As the Company is a UK AIF for the purposes of the UK AIFM Regime, the ACD is required to ensure that certain Professional Liability Risks are covered at all times,

either through additional own funds and/or through appropriate coverage of professional indemnity insurance. The ACD satisfies its obligations to cover Professional Liability Risks in relation to the Company by: (a) holding professional indemnity insurance (in accordance with the Regulations) and maintaining an amount of own funds to meet the capital requirements under the UK AIFM Regime; and (b) complying with the qualitative requirements in the UK AIFM Regime that address professional liability risks.

#### **11.12 Genuine diversity of ownership**

Shares in the Funds are and will continue to be widely available. The intended categories of investors are retail investors (who should seek independent financial advice before investing in a Fund) and institutional investors. Different Share Classes of a Fund are issued to different types of investors.

Shares in the Funds are and will continue to be marketed and made available sufficiently widely to reach the intended categories of investors for each Share Class, and in a manner appropriate to attract those categories of investors.

#### **11.13 Shareholder's rights**

Shareholders are entitled to participate in the Company on the basis set out in this prospectus. Paragraphs 11.8 ("Complaints"), 8 ("Shareholder Meetings and Voting Rights"), 11.3 ("Annual Reports") and 11.4 ("Documents of the Company") of this prospectus set out important rights about Shareholders' participation in the Company.

Shareholders may have no direct rights against the service providers to the Company set out in paragraph 6 ("Management and Administration").

Shareholders may be able to take action if the contents of this document are inaccurate or incomplete.

Shareholders have statutory and other legal rights which include the right to complain and may include the right to cancel an order or seek compensation.

Shareholders who are concerned about their rights in respect of the Company (or any Fund) should seek legal advice.

#### **11.14 Information available to Shareholders**

The following information will be made available to Shareholders as part of the Company's periodic reporting and, as a minimum, in the annual report:

(a) the percentage of each Fund's assets which will be subject to special arrangements arising from their illiquid nature, including an overview of any special arrangements in place, the valuation methodology applied to assets which are subject to such arrangements and how management and performance fees will apply to these assets;

(b) the current risk profile of each Fund, and information on the risk management systems used by the ACD to manage those risks;

(c) the total amount of leverage employed by each Fund calculated in accordance with the gross and commitment methods; and

(d) any material changes to the information above.

Shareholders will be notified appropriately of any material changes to the liquidity management systems and procedures such as the suspension of redemptions, the deferral of redemptions or similar special liquidity arrangements. It is intended that any changes to the maximum level of leverage which a Fund may employ will be provided to Shareholders without undue delay.

#### **11.17 Fair Treatment of Investors**

Under the UK AIFM Regime, the ACD must treat all Shareholders fairly. The ACD has a number of policies and procedures in place to ensure that it will act honestly, fairly, professionally, independently and in the interest of the Company and its investors. For example, the ACD ensures the fair treatment of Shareholders through an organisational structure which employs robust review and oversight procedures.

Furthermore, the ACD adheres to its "Conflicts of Interest Policy", which establishes requirements to identify and manage conflicts of interest in line with regulatory requirements, including potential conflicts of interest that could arise between investors. The ACD will endeavour to avoid situations whereby its own interests, or its duty to any persons on behalf of whom it acts, conflicts with its duty to clients.

In addition, the ACD adheres to its "Treating Customers Fairly Policy", the purpose of which is to ensure that Shareholders understand the risks inherent in the markets and securities in which they invest and clearly understand the nature of the services the ACD provides, including terms, conditions and charges.

As at the date of this Prospectus the ACD has not granted preferential treatment or the right to obtain preferential treatment to any investor or potential investor in the Funds. As such, all investors in the Company will invest in the same manner and on the same terms.

## APPENDIX I

### FUND DETAILS

#### IFSL CAF Fixed Interest Fund

<b>Type of Fund:</b>	Non-UCITS retail scheme
<b>FCA PRN:</b>	635759
<b>Launch date:</b>	12 March 2011
<b>First Dealing Day:</b>	14 March 2011
<b>Investment objective:</b>	<p>The aim of the Fund is to increase the value of an investment over a minimum of 5 years.</p> <p>The Fund will do this through a combination of income received by the Fund, which is money paid out of investments, such as dividends from shares and interest from bonds and capital growth, which is profit on investments held.</p> <p>The provision of consistent income generation by the Fund is recognised as important for investors and the Fund will seek to maximise distributions whilst keeping within the scope of the investment objective and policy.</p>
<b>Investment policy:</b>	<p>The Fund will be actively managed, which means the Investment Manager decides which investments to buy and when. It will invest at least 80% in other collective investment schemes, investment trusts and exchange traded funds (collectively "Investment Funds"). This could include other Investment Funds managed by the Authorised Corporate Director or the Investment Manager.</p> <p>The Fund have exposure to at least 80% in global bonds, which are loans typically issued by companies, governments and other institutions. These may be either investment grade, where the issuer has a high and reliable capacity to repay the debt, or sub-investment grade, which can be more vulnerable to changing market conditions but typically pay a higher rate of interest. This may include up to 20% in bonds held directly.</p> <p>The Investment Manager considers economic and market conditions when choosing investments, alongside a focus on individual analysis of the Investment Funds. The aim is to identify fund managers who the Investment Manager believes will add value to the Fund in the future and direct</p>



bonds that provide good liquidity whilst meeting the investment objective.

In addition, the Investment Funds may also hold other permitted investments such as shares in companies and money market instruments, although this is expected to be minimal.

The Fund may hold up to 20% in cash to enable the ready settlement of liabilities, for the efficient management of the portfolio or in pursuit of the Fund's investment objective.

The Fund can use derivatives or forward transactions to manage currency exposure, in order to reduce currency risk in the Fund, also known as hedging. The Fund will not always hold these, however at times they may be held for extended periods. Any underlying funds held within this Fund may also use derivatives to varying degrees.

## **Benchmark**

The Investment Association (IA), the trade body for UK investment managers, has created a number of 'sectors' as a way of dividing funds into broad groups with similar characteristics.

The Fund is included in the IA's Sterling Strategic Bond sector. You may want to assess the Fund's performance compared to the performance of this sector.

<b>Final accounting date:</b>	30 April
<b>Interim accounting dates:</b>	31 July, 31 October, 31 January
<b>Income distribution dates*:</b>	15 June, 15 September, 15 December, 15 March
<b>Cut Off Point for dealing</b>	12 noon
<b>Valuation Point:</b>	12 noon
<b>Dealing frequency:</b>	Daily on a Dealing Day
<b>Classes of Shares:</b>	A Class (Accumulation & Income) B Class (Accumulation & Income) C Class (Accumulation only) D Class (Income only) Z Class (Accumulation & Income)
<b>Charges taken from income:</b>	No, charges are taken from capital
<b>Past performance:</b>	Past performance information is set out in Appendix V
<b>Status of Fund for tax purposes:</b>	The Fund is a Bond Fund for tax purposes

**Initial offer period:** 12 March 2011 to 12 noon VP on 14 March 2011

**Initial price:** £1.00

**Whether Shares will be issued in any other currency:** No

\* Income will normally be accumulated/distributed (as appropriate to the Share Class) within two months of the accounting date(s) but the ACD reserves the right to accumulate/pay at a later date but not later than four months after the accounting date(s) as permitted by the regulations.

## IFSL CAF UK Equity Fund

<b>Type of Fund:</b>	Non-UCITS retail scheme
<b>FCA PRN:</b>	635760
<b>Launch date:</b>	12 March 2011
<b>First Dealing Day:</b>	14 March 2011
<b>Investment objective:</b>	<p>The aim of the Fund is to achieve capital growth which is profit on investments held, over a minimum of 5 years.</p> <p>Due to the nature of investments held the Fund is also likely to provide an income, which is money paid out of investments such as dividends from shares and interest from bonds, however this will not be the primary focus of the Fund.</p>
<b>Investment policy:</b>	<p>The Fund will be actively managed, which means the Investment Manager decides which investments to buy and when. It will invest at least 80% in other collective investment schemes, investment trusts and exchange traded funds (collectively "Investment Funds"). This could include other Investment Funds managed by the Authorised Corporate Director or the Investment Manager.</p> <p>The Fund will have exposure to at least 80% in UK companies (meaning shares of companies that are listed and domiciled in the UK, or incorporated in the UK). This may include up to 20% held directly in shares of UK companies.</p> <p>The Investment Manager considers economic and market conditions when choosing investments, alongside a focus on individual analysis of the Investment Funds. The aim is to identify fund managers who the Investment Manager believes will add value to the Fund in the future and direct shares that provide good liquidity whilst meeting the investment objective.</p> <p>Through the Investment Funds, the Fund may have some exposure in shares of companies in other developed or emerging markets globally, along with other permitted investments such as bonds and money market instruments, although this is expected to be minimal.</p> <p>The Fund may hold up to 20% in cash to enable the ready settlement of liabilities, for the efficient management of the portfolio or in pursuit of the Fund's investment objective.</p> <p>The Fund can use derivatives or forward transactions to manage currency exposure, in order to reduce currency risk in the Fund, also known as</p>

hedging. The Fund will not always hold these, however at times they may be held for extended periods. The use of derivatives is not expected to have a significant impact on the risk profile of the Fund. Any underlying funds held within this Fund may also use derivatives to varying degrees.

## **Benchmark**

You may wish to compare the Fund with the performance of the FTSE All-Share TR index which is a widely used indicator of the performance of UK stock markets.

The benchmark does represent, or act as, a constraint in the selection of investments or the management of the Fund.

The performance of the Fund may deviate materially from the performance of the benchmark.

The Investment Association (IA), the trade body for UK investment managers, has created a number of 'sectors' as a way of dividing funds into broad groups with similar characteristics.

The Fund is included in the IA's UK All Companies sector. You may want to assess the Fund's performance compared to the performance of this sector.

<b>Final accounting date:</b>	30 April
<b>Interim accounting dates:</b>	31 July, 31 October, 31 January
<b>Income distribution dates*:</b>	15 June, 15 September, 15 December, 15 March
<b>Cut Off Point for dealing</b>	12 noon
<b>Valuation Point:</b>	12 noon
<b>Dealing frequency:</b>	Daily on a Dealing Day
<b>Classes of Shares:</b>	A Class (Accumulation & Income) B Class (Accumulation & Income) C Class (Accumulation only) D Class (Accumulation & Income)
<b>Charges taken from income:</b>	50% to be taken from income, 50% to be taken from capital
<b>Past performance:</b>	Past performance information is set out in Appendix V
<b>Status of Fund for tax purposes:</b>	The Fund is an Equity Fund for the purposes of tax.

**Initial offer period:** 12 March 2011 to 12 noon VP on 14 March 2011

**Initial price:** £1.00

**Whether Shares will be issued in any other currency:** No

\* Income will normally be accumulated/distributed (as appropriate to the Share Class) within two months of the accounting date(s) but the ACD reserves the right to accumulate/pay at a later date but not later than four months after the accounting date(s) as permitted by the regulations.

± The shares in the IFSL CAF UK Equity Fund are not in any way sponsored, endorsed, sold or promoted by FTSE International Ltd ("FTSE") or by The London Stock Exchange plc, (the "Exchange") or by The Financial Times Limited ("FT") and neither FTSE nor Exchange nor FT makes any warranty or representation whatsoever, expressly or implied, either as to the results to be obtained from the FTSE All Share Index ("the Index") and/or the figure at which the said Index stands at any particular time on any particular day or otherwise. The Index is compiled and calculated by FTSE. However, neither FTSE nor Exchange nor FT shall be liable (whether in negligence or otherwise) to any person for any error in any of the Index and neither FTSE or Exchange or FT shall be under any obligation to advise any person of any error therein. "FTSETM", "FT-SE®" and "Footsie" are trade marks of the London Stock Exchange plc and the Financial Times Limited and are used by FTSE International Limited ("FTSE") under License. "ALL-Share" is a trademark of FTSE.

## IFSL CAF International Equity Fund

<b>Type of Fund:</b>	Non-UCITS retail scheme
<b>FCA PRN:</b>	635761
<b>Launch date:</b>	12 March 2011
<b>First Dealing Day:</b>	14 March 2011
<b>Investment objective:</b>	<p>The aim of the Fund is to achieve capital growth, which is profit on investments held, over a minimum of 5 years.</p> <p>Due to the nature of investments held the Fund is also likely to provide an income, which is money paid out of investments such as dividends from shares and interest from bonds, however this will not be the primary focus of the Fund.</p>
<b>Investment policy:</b>	<p>The Fund will be actively managed, which means the Investment Manager decides which investments to buy and when. It will invest at least 80% in other collective investment schemes, investment trusts and exchange traded funds (collectively "Investment Funds"). This could include other Investment Funds managed by the Authorised Corporate Director or the Investment Manager.</p> <p>The Fund will have exposure to at least 80% in shares of companies listed on non-UK markets, including either developed or emerging markets. This may include up to 20% held directly in the shares of non-UK companies.</p> <p>The Investment Manager considers economic and market conditions when choosing investments, alongside a focus on individual analysis of the Investment Funds. The aim is to identify fund managers who the Investment Manager believes will add value to the Fund in the future and direct shares that provide good liquidity whilst meeting the investment objective.</p> <p>In addition, the Investment Funds may also hold other permitted investments such as bonds, shares in UK companies and money market instruments, although this is expected to be minimal.</p> <p>The Fund may also hold up to 20% in cash to enable the ready settlement of liabilities, for the efficient management of the portfolio and in pursuit of the Fund's investment objective.</p> <p>The Fund can use derivatives or forward transactions to manage currency exposure, in order to reduce currency risk in the Fund, also known as hedging. The Fund will not always hold these, however at times they may be held for extended</p>

periods. The use of derivatives is not expected to have a significant impact on the risk profile of the Fund. Any underlying funds held within this Fund may also use derivatives to varying degrees.

**Benchmark**

You may wish to compare the Fund with the performance of the MSCI All Countries World Ex UK index, which is a widely used indicator of the performance of global stock markets. This benchmark does not represent, or act as, a constraint in the selection of investments or the management of the Fund. The performance of the Fund may deviate materially from the performance of the benchmark.

The Investment Association (IA), the trade body for UK investment managers, has created a number of 'sectors' as a way of dividing funds into broad groups with similar characteristics.

The Fund is included in the IA's Global sector. You may want to assess the Fund's performance compared to the performance of this sector.

<b>Final accounting date:</b>	30 April
<b>Interim accounting dates:</b>	31 July, 31 October, 31 January
<b>Income distribution dates*:</b>	15 June, 15 September, 15 December, 15 March
<b>Cut Off Point for Dealing</b>	12 noon
<b>Valuation Point:</b>	12 noon
<b>Dealing frequency:</b>	Daily on a Dealing Day
<b>Classes of Shares:</b>	A Class (Accumulation & Income) C Class (Accumulation only) D Class (Income only)
<b>Charges taken from income:</b>	Yes
<b>Past performance:</b>	Past performance information is set out in Appendix V
<b>Status of Fund for tax purposes:</b>	The Fund is an Equity Fund for the purposes of tax.
<b>Initial offer period:</b>	12 March 2011 to 12 noon VP on 14 March 2011
<b>Initial price:</b>	£1.00
<b>Whether Shares will be issued in any other currency:</b>	No

\* Income will normally be accumulated/distributed (as appropriate to the Share Class) within two months of the accounting date(s) but the ACD reserves the right to accumulate/pay at a later date but not later than four months after the accounting date(s) as permitted by the regulations.



## IFSL CAF Alternative Strategies Fund

<b>Type of Fund:</b>	Non-UCITS retail scheme
<b>FCA PRN:</b>	635762
<b>Launch date:</b>	12 March 2011
<b>First Dealing Day:</b>	14 March 2011
<b>Investment objective:</b>	<p>The aim of the Fund is to produce a positive return over any 12-month period, in both rising and falling markets after any charges have been taken out of the Fund.</p> <p>This is done through both capital growth, which is profit on investments, and income received by the Fund, which is money paid out of investments, such as dividends from shares and interest from bonds.</p> <p>The Fund aims to outperform the UK Consumer Price Index, over any 3 year period, after any charges have been taken out of the Fund.</p> <p>There is no guarantee that the Fund will achieve its objectives over any time period. Capital is at risk.</p>
<b>Investment policy:</b>	<p>The Fund will be actively managed, which means the Investment Manager decides which investments to buy and when. It will invest at least 80% in other collective investment schemes, investment trusts and exchange traded funds (collectively "Investment Funds").</p> <p>Through these Investment Funds, the Fund will be exposed to a broad range of asset types and investment strategies, including:</p> <ul style="list-style-type: none"><li>• shares</li><li>• bonds</li><li>• real assets, such as property or commodities (for example gold and oil)</li><li>• alternative investment strategies such as absolute return funds, which aim to produce a profit over time regardless of what the stock market does</li><li>• derivatives and other instruments whose performance is linked to the returns of another variable factor, such as an index or exchange rate</li></ul> <p>These Investment Funds could include those managed by the Authorised Corporate Director or the Investment Manager.</p> <p>The Fund may also invest up to 20% directly in shares and bonds.</p> <p>The Investment Manager considers economic and market conditions when choosing investments,</p>

alongside a focus on individual analysis of the Investment Funds. The aim is to identify fund managers who the Investment Manager believes will add value to the Fund in the future and direct holdings that provide good liquidity whilst meeting the investment objective.

To allow the Fund the flexibility to aim to achieve its objective the Investment Manager has complete discretion over the exposure to different asset types the Fund has. This means any eligible asset types can be held, within any geographic or industry sector.

The Fund may also hold up to 20% in cash to enable the ready settlement of liabilities, for the efficient management of the portfolio and in pursuit of the Fund's investment objective.

The Fund can use derivatives or forward transactions to manage currency exposure, in order to reduce currency risk in the Fund, also known as hedging. The Fund will not always hold these, however at times they may be held for extended periods. The use of derivatives is not expected to have a significant impact on the risk profile of the Fund.

**Performance target:**

The performance target is the level of performance the Fund aims to deliver however there is no certainty this will be achieved.

The Fund aims to outperform the UK Consumer Price Index ("UK CPI"), in any rolling 3 year period, after any charges have been taken out of the Fund.

The UK CPI is a widely used indicator of inflation in the UK and measures the impact of the change in prices for goods and services. It provides a way of monitoring the spending power of your investment over time. This performance target has been chosen as it is a well-known measure of inflation, which is believed to be a fair target of the absolute return nature of the Fund.

**Final accounting date:**

30 April

**Interim accounting dates:**

31 July, 31 October, 31 January

**Income distribution dates\*:**

15 June, 15 September, 15 December, 15 March

**Cut Off Point for dealing**

12 noon

**Valuation Point:**

12 noon

**Dealing frequency:**

Daily on a Dealing Day

<b>Classes of Shares:</b>	A Class (Accumulation & Income) C Class (Accumulation only) D Class (Income only)
<b>Charges taken from income:</b>	Yes
<b>Past performance:</b>	Past performance information is set out in Appendix V
<b>Status of Fund for tax purposes:</b>	The Fund is an Equity Fund for the purposes of tax.
<b>Initial offer period:</b>	12 March 2011 to 12 noon VP on 14 March 2011
<b>Initial price:</b>	£1.00
<b>Whether Shares will be issued in any other currency:</b>	No

\* Income will normally be accumulated/distributed (as appropriate to the Share Class) within two months of the accounting date(s) but the ACD reserves the right to accumulate/pay at a later date but not later than four months after the accounting date(s) as permitted by the regulations.

<b>Classes of share</b>	<b>Currency of denomination</b>	<b>Initial charge</b>	<b>Redemption charge</b>	<b>Annual management charge</b>	<b>Minimum initial investment</b>	<b>Minimum subsequent investment</b>	<b>Minimum holding</b>	<b>Minimum redemption</b>	<b>Regular savings plan</b>	<b>Regular withdrawal facility (accumulation shares only)</b>
A Class Accumulation and Income  (Available to all investors)	Pounds sterling	0%	0%	0.55%	£1,000	£1,000	£1,000	£250	Yes (minimum payment of £100 per month total (minimum £50 per fund))	Yes (minimum withdrawal per fund year is £300 or 3% on a minimum qualifying investment of £10,000). This facility is not available if you are investing new money by direct debit in a savings scheme on a monthly basis.
B Class Accumulation and Income (IFSL CAF Fixed Interest Fund)  B Class Accumulation and Income (IFSL CAF UK Equity Fund)  (only available to investors who were previously invested in the CAF Bond Income Fund and CAF UK Equity Growth Fund)	Pounds sterling	0%	0%	0.475%  0.55%	£1,000	£1,000	£1,000	£250	Yes (minimum payment of £100 per month total (minimum £50 per fund))	Yes (minimum withdrawal per fund per year is £3,000 or 3% on a minimum qualifying investment of £10,000). This facility is not available if you are investing new money by direct debit in a savings scheme on a monthly basis.
C Class Accumulation and Income	Pounds sterling	0%	0%	0.55%	£1,000	£1,000	£1,000	£250	Not available	Not available

(only available to the nominee of the managed portfolio service (managed by Standard Life Investments Limited on behalf of CFSL) currently Platform Securities Nominees Limited)										
D Class Accumulation (IFSL CAF UK Equity Fund)  D Class Income (IFSL CAF Fixed Interest Fund, IFSL CAF UK Equity Fund, IFSL CAF International Fund & IFSL CAF Alternative Strategies Fund)  (The D Class Shares are only available for purchase through the CAF	Pounds Sterling	0%	0%	0.38%	No minimum	No minimum	No minimum	No minimum	Not available	Not available

Investment Account)										
Z Class Accumulation and Income (IFSL CAF Fixed Interest Fund)  (The Z Class Shares are only available for purchase through the CAF Investment Account)	Pounds Sterling	0%	0%	0.29%	No minimum	No minimum	No minimum	No minimum	Not available	Not available

## APPENDIX II

### ELIGIBLE SECURITIES MARKETS AND ELIGIBLE DERIVATIVES MARKETS

Each Fund may deal through securities and derivative markets which are regulated markets and meet the requirements for Eligible Markets as set out in COLL 5.2.10 which includes any market which is regulated, operates regularly and is open to the public located in an EEA State\*.

\*Austria, Belgium, Bulgaria, Croatia, Republic of Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden.

Detailed below are the additional eligible markets on which the Funds are currently permitted to deal:

<b>For approved securities</b>
NYSE MKT LLC
Nasdaq OMX BX
Chicago Stock Exchange
Montreal Exchange
New York Stock Exchange
NYSE Arca
Nasdaq OMX PHLX
SIX Swiss Exchange
London Stock Exchange
International Capital Market Association (ICMA)
A market made by dealers which are regulated by the Federal Reserve Bank of New York and the United States Securities and Exchange Commission
A market made by dealers which are regulated by the United States National Association of Securities Dealers and the United States Securities and Exchange Commission

<b>For approved derivatives</b>
NYSE MKT LLC
Chicago Board of Options Exchange (CBOE)
CME Group
Nasdaq OMX Helsinki
New York Mercantile Exchange (NYMEX)
NYSE Arca
Meff Exchange

## **APPENDIX III**

### **INVESTMENT AND BORROWING POWERS OF THE COMPANY**

#### **1. General**

The Scheme Property of each Fund will be invested with the aim of achieving the investment objective of that Fund but subject to the limits set out in the investment policy, this Prospectus and the limits set out in Chapter 5 of the COLL Sourcebook (“**COLL 5**”) that are applicable to Non-UCITS Retail Schemes.

Normally, a Fund will be fully invested save for an amount to enable the pursuit of a Fund’s investment objective, redemption of Shares, efficient management of the Fund in relation to its strategic objectives and other purposes which may be reasonably regarded as ancillary to the investment objectives of the Fund. This amount will vary depending upon prevailing circumstances and although it would normally not exceed 10% of the total value of each Fund, there may be times when the Investment Manager considers stock markets to be overpriced or that a period of instability exists which presents unusual risks. In such cases or during such periods, a higher level of liquidity may be maintained and, if considered prudent, the amount of fixed interest, cash or near cash instruments held would be increased. Unless market conditions were deemed unusually risky, the increased amount and period would not be expected to exceed 30% and six months respectively.

#### **1.1 Prudent spread of risk**

The ACD must ensure that, taking account of the investment objective 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 warrants and 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. **Non-UCITS Retail Schemes - general**

- 2.1 Subject to the investment objective and policy of a Fund, the Scheme Property of a Fund must, except where otherwise provided in COLL 5 only consist of any or all of:
  - 2.1.1 transferable securities;
  - 2.1.2 money market instruments;
  - 2.1.3 units or shares in permitted collective investment schemes;
  - 2.1.4 permitted derivatives and forward transactions; and
  - 2.1.5 permitted deposits
- 2.2 Transferable securities and money market instruments held within a Fund must (subject to paragraph 2.3 of this Appendix) be:
  - 2.2.1 admitted to or dealt on an eligible market as described below;
  - 2.2.2 recently issued transferable securities provided that:
    - 2.2.2.1 the terms of issue include an undertaking that application will be made to be admitted on an eligible market; and
    - 2.2.2.2 such admission is secured within a year of issue;
  - 2.2.3 approved money market instruments not admitted to or dealt on an eligible market which satisfy the requirements for investment set out in COLL 5.2.10AR to COLL 5.2.10CR.
- 2.3 Transferable securities held within the Company must also satisfy the criteria in COLL 5.2.7AR, COLL 5.2.7CR and COLL 5.2.7ER for the purposes of investment by a UCITS scheme.
- 2.4 Not more than 20% in value of the Scheme Property is to consist of transferable securities, which are not approved securities (aggregated with the value of the Scheme Property which can be invested in unregulated collective investment schemes as set out in COLL 5.6.2G (2) (b)) or money market instruments which are liquid and have a value which can be determined accurately at any time.

2.5 The requirements on spread of investments do not apply until 12 months after the later of:

2.5.1 the date on which the authorisation order in respect of the Funds takes effect; and

2.5.2 the date the initial offer period commenced,

provided always that paragraph 1.1 above is complied with during any such period.

### 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 77A (alternative debentures), 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 3.1 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 A 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 ACD to comply with its obligation to redeem Shares at the request of any qualifying Shareholder under the COLL Sourcebook;

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 ACD 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 ACD.

3.6 Unless there is information available to the ACD 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 ACD to comply with its obligation to redeem units at the request of any qualifying shareholder; and

3.6.2 to be negotiable.

3.7 No more than 5% of the Scheme Property of a Fund may be invested in warrants.

#### 4. **Eligible markets regime: purpose**

4.1 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.

- 4.2 Where a market ceases to be eligible, investments on that market cease to be approved securities. The 20% restriction 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.
- 4.3 A market is eligible for the purposes of the rules if it is:
- 4.3.1 a regulated market as defined in the FCA Handbook; or
  - 4.3.2 a market in an EEA State which is regulated, operates regularly and is open to the public.
- 4.4 A market not falling within paragraph 4.3 of this Appendix is eligible for the purposes of COLL 5 if:
- 4.4.1 the ACD, after consultation and notification with the Depositary, decides that market is appropriate for investment of, or dealing in, the Scheme Property of a Fund;
  - 4.4.2 the market is included in a list in the Prospectus; and
  - 4.4.3 the Depositary has taken reasonable care to determine that:
    - 4.4.3.1 adequate custody arrangements can be provided for the investment dealt in on that market; and
    - 4.4.3.2 all reasonable steps have been taken by the ACD in deciding whether that market is eligible.
- 4.5 In paragraph 4.4, 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.
5. **Spread: general**
- 5.1 This rule on spread does not apply to government and public securities.
  - 5.2 Not more than 20% in the value of the Scheme Property of a Fund is to consist of deposits with a single body.
  - 5.3 Not more than 10% in value of the Scheme Property of a Fund is to consist of transferable securities or money market instruments issued by any single body subject to COLL 5.6.23R (Schemes replicating an index).
  - 5.4 The limit of 10% in 5.3 above is raised to 25% in value of the Scheme Property in respect of covered bonds.

- 5.5 In applying 5.3, certificates representing certain securities are to be treated as equivalent to the underlying security.
- 5.6 The COLL Sourcebook provides that not more than 35% in value of the Scheme Property is to consist of the units or shares of any one collective investment scheme.
- 5.7 The exposure to any one counterparty in an OTC derivative transaction must not exceed 10% in value of a Fund.
- 5.8 For the purpose of calculating the limit in 5.7, 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:
- 5.8.1 it is marked-to-market on a daily basis and exceeds the value of the amount at risk;
  - 5.8.2 it is exposed only to negligible risks (e.g. government bonds of first credit rating or cash) and is liquid;
  - 5.8.3 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
  - 5.8.4 can be fully enforced by the Fund at any time.
- 5.9 For the purposes of calculating the limits in 5.7, OTC derivative positions with the same counterparty may be netted provided that the netting procedures:
- 5.9.1 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
  - 5.9.2 are based on legally binding agreements.
- 5.10 In applying this paragraph (Spread: general), 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:
- 5.10.1 it is backed by an appropriate performance guarantee; and
  - 5.10.2 it is characterised by a daily mark-to-market valuation of the derivative positions and at least daily margining.

## 6. **Spread: government and public securities**

- 6.1 The following section applies in respect of a transferable security or an approved money-market instrument ("such securities") that is issued by:

- 11.14.1 an EEA State;
- 11.14.2 a local authority of an EEA State;
- 11.14.3 a non-EEA State; or
- 11.14.4 a public international body to which one or more EEA States belong.

6.2 Where no more than 35% in value of the Scheme Property of a Fund 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.

6.3 A Fund may invest more than 35% in value of the Scheme Property of a Fund in such securities issued by any one body provided that:

6.3.1 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 Fund;

6.3.2 no more than 30% in value of the Scheme Property consists of such securities of any one issue;

6.3.3 the Scheme Property of a Fund includes such securities issued by that or another issuer, of at least six different issues;

6.3.4 the disclosures in the Prospectus required by the FCA have been made.

## 7. **Investment in collective investment schemes**

7.1 Up to 100% of the value of the Scheme Property may be invested in units or shares in other collective investment schemes ("**Second Scheme**") provided that Second Scheme satisfies all of the following conditions.

7.1.1 The Second Scheme must:

7.1.1.1 satisfy the conditions necessary for it to enjoy the rights conferred by the UCITS Directive; or

7.1.1.2 be authorised as a Non-UCITS Retail Scheme; or

7.1.1.3 be recognised under the provisions of s.264, s.270 or s.272 of the Financial Services and Markets Act 2000; or

7.1.1.4 be constituted outside the United Kingdom and have investment and borrowing powers which are the same or more restrictive than those of a Non-UCITS Retail Scheme; or

- 7.1.1.5 be a scheme not falling within paragraphs 7.1.1.1 to 7.1.1.4 and in respect of which no more than 20% in value of the Scheme Property (including any transferable securities which are not approved securities) is invested.
- 7.1.2 The Second Scheme is a scheme which operates on the principle of the prudent spread of risk.
- 7.1.3 The Second Scheme is prohibited from having more than 15% in value of the scheme property consisting of units or shares in collective investment schemes.
- 7.1.4 The participants in the Second Scheme must be entitled to have their units or shares redeemed in accordance with the scheme at a price related to the net value of the property to which the units or shares relate and determined in accordance with the scheme.
- 7.1.5 Where the Second Scheme is an umbrella, the provisions in paragraphs 7.1.2 to 7.1.4 apply to each sub-fund as if it were a separate scheme.
- 7.2 Investment may be made in collective investments schemes established in any jurisdiction, subject to compliance with the requirements of section 7.1 above
- 7.3 The Scheme Property attributable to a Fund may include shares in another Fund (a "Second Fund") subject to the requirements of paragraph 7.3 below.
- 7.4 Funds may invest in a Second Fund provided that:
  - 7.4.1 the Second Fund does not hold Shares in any other Fund of the Company;
  - 7.4.2 the requirements set out in paragraphs 7.6 and 7.7 below are complied with; and
  - 7.4.3 the investing or disposing Fund must not be a feeder UCITS to the Second Fund.
- 7.5 The Funds may, subject to the limit set out in 7.1 above, invest in collective investment schemes managed or operated by, or whose authorised corporate director is, the ACD of the Funds or one of its associates.
- 7.6 Investment may only be made in a Second Fund or other collective investment schemes managed by the ACD or an Associate of the ACD if the rules on double charging contained in the COLL Sourcebook are complied with.
- 7.7 Where a Fund of the Company invests in or disposes of Shares in a Second Fund or units or shares in another collective investment scheme which is managed or

operated by the ACD or an Associate of the ACD, the ACD must pay to that 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.

## 8. **Investment in Nil and Partly Paid Securities**

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.

## 9. **Investment in money market instruments**

9.1 A Fund may invest up to 100% in money market instruments provided the money market instrument is listed on or normally dealt on an eligible market (in accordance with paragraph 4 of this Appendix).

9.2 Notwithstanding the above, up to 20% of the Scheme Property may be invested in money market instruments which do not meet these criteria but which are liquid and have a value which can be determined accurately at any time.

## 10. **Efficient Portfolio Management**

10.1 The Funds may utilise property to enter into transactions for the purposes of Efficient Portfolio Management. There is no limit on the amount or value of the Scheme Property which may be used for EPM but the ACD must ensure that the transaction is economically appropriate in that they are realised in a cost effective way, they are entered into for one or more of the following specific aims: reduction of the relevant risks (whether in the price of investments, interest rates or exchange rates) or to the reduction of the relevant costs and/or to the generation of additional capital or income with a risk level which is consistent with the risk profile of the scheme and the risk diversification rules in COLL. The exposure must be fully "covered" by cash and/or other property sufficient to meet any obligation to pay or deliver that could arise. **The use of derivatives for EPM should not lead to an increase in risk to the Fund.**

10.2 Permitted transactions are those that the Fund reasonably regards as economically appropriate to EPM, that is:

10.2.1 Transactions undertaken to reduce risk or cost in terms of fluctuations in prices, interest rates or exchange rates where the ACD reasonably believes



that the transaction will diminish a risk or cost of a kind or level which it is sensible to reduce; or

10.2.2 Transactions for the generation of additional capital growth or income for the Fund by taking advantage of gains which the ACD reasonably believes are certain to be made (or certain, barring events which are not reasonably foreseeable) as a result of:

10.2.2.1 pricing imperfections in the market as regards the property which the Fund holds or may hold; or

10.2.2.2 receiving a premium for the writing of a covered call option or a covered put option on property of the Fund which the Fund is willing to buy or sell at the exercise price, or

10.2.2.3 Stock lending arrangements.

A permitted arrangement in this context may at any time be closed out.

10.3 Transactions may take the form of "derivatives transactions" (that is, transactions in options, futures or contracts for differences) or forward currency transactions. A derivatives transaction must either be in a derivative which is traded or dealt in on an eligible derivatives market (and effected in accordance with the rules of that market), or be an off-exchange derivative which complies with the relevant conditions set out in the FCA Rules, or be a "synthetic future" (i.e. a composite derivative created out of two separate options). Forward currency transactions must be entered into with counterparties who satisfy the FCA Rules. A permitted transaction may at any time be closed out.

10.4 Any income or capital generated by efficient portfolio management techniques will be paid to the Fund net of direct or indirect operational costs.

## 11. **Derivatives: General**

**Derivatives will also be used for the purposes of investment for IFSL CAF Alternative Strategies Fund only. It is not the ACD's intention that the use of derivatives and forward transactions in the pursuit of IFSL CAF Alternative Strategies Fund's objective will cause its risk profile to change.**

11.1 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 12 (Permitted transactions (derivatives and forwards)) below, and the transaction is covered, as required by paragraph 12 (Cover for transactions in derivatives and forward transactions).

- 11.2 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 (COLL 5.2.11R Spread: general, COLL 5.2.12R Spread: government and public securities) except for index based derivatives where the rules below apply.
- 11.3 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 section.
- 11.4 A transferable security or an approved money-market instrument will embed a derivative if it contains a component which fulfils the following criteria:
  - 11.4.1 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;
  - 11.4.2 its economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract; and
  - 11.4.3 it has a significant impact on the risk profile and pricing of the transferable security or approved money-market instrument.
- 11.5 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.
- 11.6 Where a Fund invests in an index based derivative, provided the relevant index falls within COLL 5.6.2R (Relevant Indices) the underlying constituents of the index do not have to be taken into account for the purposes of COLL 5.6.7R and COLL 5.6.8R.

12. **Permitted transactions (derivatives and forwards)**

- 12.1 A transaction in a derivative must be:
  - 12.1.1 in an approved derivative; or
  - 12.1.2 be one which complies with paragraph 16 (OTC transactions in derivatives).
- 12.2 A transaction in a derivative must have the underlying consisting of any one or more of the following to which the scheme is dedicated: transferable securities, money-market instruments, deposits, permitted derivatives under this paragraph,

collective investment scheme units permitted under paragraph 7 (Investment in collective investment schemes), permitted immovables, gold, financial indices which satisfy the criteria set out in COLL 5.2.20R, interest rates, foreign exchange rates, and currencies.

12.3 The exposure to the underlyings in 12.2 above must not exceed the limits in paragraph 5 and 6 above.

12.4 A transaction in an approved derivative must be effected on or under the rules of an eligible derivatives market.

12.5 A transaction in a derivative must not cause a Fund to diverge from its investment objective as stated in the Instrument of Incorporation and the most recently published version of this Prospectus.

12.6 A transaction in a derivative must not be entered into if the intended effect is to create the potential for an uncovered sale of transferable securities, money-market instruments, units in collective investment schemes, or derivatives, provided that a sale is not to be considered as uncovered if the conditions in paragraph 15.2 are satisfied.

12.7 Any forward transaction must be with an Eligible Institution or an Approved Bank.

### 13. **Financial indices underlying derivatives**

13.1 The financial indices referred to in 12.2 are those which satisfy the following criteria:

13.1.1 the index is sufficiently diversified;

13.1.2 the index represents an adequate benchmark for the market to which it refers; and

13.1.3 the index is published in an appropriate manner.

13.2 A financial index is sufficiently diversified if its components adhere to the spread requirements in this section.

13.3 A financial index represents an adequate benchmark for the market to which it refers 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.

13.4 A financial index is published in an appropriate manner if:

13.4.1 it is accessible to the public; and

13.4.2 the index provider is independent from the index replicating scheme.

#### 14. **Transactions for the purchase of property**

A derivative or forward transaction which will or could lead to the delivery of property for the account of the Company may be entered into only if that property can be held for the account of the Company, and the ACD 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.

#### 15. **Requirement to cover sales**

15.1 No agreement by or on behalf of the Company 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 Company by delivery of property or the assignment (or, in Scotland, assignation) of rights, and the property and rights above are owned by the Company at the time of the agreement. This requirement does not apply to a deposit.

15.2 The above does not apply where:

15.2.1 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

15.2.2 the ACD or the Depositary has the right to settle the derivative in cash and cover exists within the Scheme Property of a Fund which falls within one of the following asset classes:

15.2.2.1 cash;

15.2.2.2 liquid debt instruments (e.g. government bonds of first credit rating) with appropriate safeguards (in particular, haircuts); or

15.2.2.3 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).

15.3 In the asset classes referred to in paragraphs 15.2.1 and 15.2.2, 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.

#### 16. **OTC Transactions in Derivatives**

16.1 Any transaction in an OTC derivative under paragraph 12.1.2 must be:

16.1.1 in a future or an option or a contract for differences;

- 16.1.2 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 FCA Register or whose Home State authorisation, permits it to enter into the transaction as principal off-exchange;
- 16.1.3 on approved terms; the terms of the transaction in derivatives are approved only if the ACD carries out at least daily a reliable and verifiable valuation in respect of that transaction corresponding to its fair value and which does not rely only on market quotations by the counterparty; and the ACD can enter into one or more further transactions to sell, liquidate or close out that transaction at any time, at its fair value; and
- 16.1.4 capable of reliable valuation; a transaction in derivatives is capable of reliable valuation only if the ACD 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:
  - 16.1.4.1 on the basis of an up-to-date market value which the ACD and the Depositary have agreed is reliable; or
  - 16.1.4.2 if the value referred to in 16.1.4.2 is not available, on the basis of a pricing model which the ACD and the Depositary have agreed uses an adequate recognised methodology; and
- 16.1.5 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:
  - 16.1.5.1 an appropriate third party which is independent from the counterparty of the derivative at an adequate frequency and in such a way that the ACD is able to check it; or
  - 16.1.5.2 a department within the ACD which is independent from the department in charge of managing the Fund and which is adequately equipped for such a purpose.

For the purposes of 16.1.3 above, "fair value" is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

17. **Risk management**

17.1 The ACD uses a risk management process, 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.

18. **Investments in deposits**

18.1 The 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.

19. **Stock lending**

19.1 The entry into stock lending transactions and 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.

19.2 The specific method of stock lending permitted in this section 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.

19.3 The stock lending permitted by this section may be exercised by the Fund when it reasonably appears to the Fund to be appropriate to do so with a view to generating additional income for the Fund with an acceptable degree of risk.

19.4 The Company or the Depositary at the request of Company may enter into 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 reacquired by the Depositary for the account of the Fund, are in a form which is acceptable to the Depositary and are in accordance with good market practice, the counterparty is an authorised person or a person authorised by a home state regulator, and collateral is obtained to secure the obligation of the counterparty. Collateral must be acceptable to the Depositary, adequate and sufficiently immediate.

19.5 The Depositary must ensure that the value of the collateral at all times is at least equal to the value of the securities transferred by the Depositary. This duty may be regarded as satisfied in respect of collateral the validity of which is about to

expire or has expired where the Depositary 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.

- 19.6 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.
- 19.7 There is no limit on the value of the Scheme Property which maybe the subject of stock lending transactions.
- 19.8 The ACD shall ensure that it is able at any time to recall any security that has been lent out or terminate any securities lending agreement it has entered into.

## 20. **Schemes replicating an index**

- 20.1 A 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 performance or composition of a relevant index as defined below.
- 20.2 The 20% limit can be raised for a particular Fund up to 35% in value of the Scheme Property, but only in respect of one body and where justified by exceptional market conditions.
- 20.3 In the case of a Fund replicating an index the Scheme Property of a Fund need not consist of the exact composition and weighting of the underlying in the relevant index where deviation from this is expedient for reasons of poor liquidity or excessive cost to the scheme in trading in an underlying investment.
- 20.4 The indices referred to above are those which satisfy the following criteria:
- 20.4.1 the composition is sufficiently diversified;
  - 20.4.2 the index is a representative benchmark for the market to which it refers;  
and
  - 20.4.3 the index is published in an appropriate manner.

## 21. **Cover for transactions in derivatives and forward transactions**

- 21.1 A 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 of a Fund. Exposure will include any initial outlay in respect of that transaction.

- 21.2 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. Therefore, a 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. Detailed requirements for cover of a Fund are set out below.
- 21.3 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).
- 21.4 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.
- 21.5 A transaction in derivatives or 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.
- 21.6 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.
- 21.7 Cash not yet received into the Scheme Property but due to be received within one month is available as cover.
- 21.8 Property the subject of a stock lending transaction is only available for cover if the ACD 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.
- 21.9 The global exposure relating to derivatives may not exceed the net value of the Scheme Property.

## 22. **Cash and near cash**

- 22.1 Cash and near cash must not be retained in the Scheme Property of a Fund except to the extent that, where this may reasonably be regarded as necessary in order to enable:
- 22.1.1 the pursuit of the Fund's investment objective; or
- 22.1.2 the redemption of units or shares; or



22.1.3 efficient management of the Fund in accordance with its investment objective; or

22.1.4 other purposes which may reasonably be regarded as ancillary to the investment objective of the Fund.

22.2 During the period of the initial offer the Scheme Property may consist of cash and near cash without limitation.

## 23. **General**

23.1 Where a Fund invests in or disposes of units or shares in another collective investment scheme which is managed or operated by the ACD or an associate of the ACD, the ACD 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.

23.2 A potential breach of any of these limits does not prevent the exercise of rights conferred by investments held by the Fund but, in the event of a consequent breach, the ACD 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 Shareholders.

23.3 It is not intended that any of the Funds have an interest in any immovable property or tangible property.

## 24. **Underwriting**

24.1 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.

## 25. **Borrowing powers and Leverage**

25.1 The ACD may, on the instructions of the Fund 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.

25.2 The ACD must ensure that borrowing does not, on any business day, exceed 10% of the value of the Fund.

25.3 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).

25.4 The ACD will not employ Leverage in respect of its management of the Company save where it undertakes certain derivatives and forward transactions for the limited purposes described in this Appendix III and subject at all times to the requirements and restrictions set out in the Regulations insofar as they relate to Non-UCITS Retail Schemes. Therefore the Company will not be regarded as a type of fund using Leverage on a substantial basis (as described in the UK AIFM Regime).

26. **Restrictions on lending of property other than money**

26.1 Scheme Property other than money must not be lent by way of deposit or otherwise.

26.2 Transactions permitted by paragraph 19 (Stock lending) are not to be regarded as lending for the purposes of paragraph 25.1.

26.3 The Scheme Property must not be mortgaged.

26.4 Where transactions in derivatives or forward transactions are used for the account of a Fund, nothing in this paragraph prevents the Company or the Depositary at the request of the Company from:

26.4.1 lending, depositing, pledging or charging Scheme Property for margin requirements; or

26.4.2 transferring Scheme Property under the terms of an agreement in relation to margin requirements provided that the ACD reasonably considers that both the agreement and the margin arrangements made under it (including in relation to the level of margin) provide appropriate protection to Shareholders.

27. **Restrictions on lending of money**

27.1 None of the money in the Scheme Property may be lent and, for the purposes of this paragraph, money is lent by the Fund if it is paid to a person ("the payee") on the basis that it should be repaid, whether or not by the payee.

27.2 Acquiring a debenture is not lending for the purposes of paragraph 26.1, nor is the placing of money on deposit or in a current account.

28. **Guarantees and indemnities**

28.1 The Depositary, for the account of a Fund, must not provide any guarantees or indemnity in respect of the obligation of any person.

28.2 Scheme Property may not be used to discharge any obligation arising under a guarantee or indemnity with respect to the obligation of any person.

28.3 Paragraphs 28.1 and 28.2 do not apply to any indemnity or guarantee given for margin requirements where derivatives or forward transactions are being used or an indemnity given to a person winding up a body corporate or other scheme in circumstances where share assets are becoming part of the Scheme Property by way of unitisation.

## **APPENDIX IV**

### **LIST OF OTHER AUTHORISED COLLECTIVE INVESTMENT SCHEMES OPERATED BY THE ACD**

The ACD is also the manager of the following collective investment schemes:

- ACUMEN OEIC
- IFSL AMR OEIC
- IFSL Avellemy OEIC
- IFSL Beaufort Investment Funds
- IFSL Brooks Macdonald Fund
- IFSL CAF Investment Fund
- IFSL Equilibrium OEIC
- IFSL James Hambro Umbrella Fund
- IFSL Ravenscroft OEIC
- IFSL Sanlam OEIC
- IFSL Signia OEIC
- IFSL Sinfonia OEIC
- IFSL Tilney Bestinvest Multi Asset Portfolio
- IFSL Tilney Bestinvest Multi Asset Portfolio Series II
- IFSL Trade Union Unit Trust
- Mazarin OEIC

## APPENDIX V

### PAST PERFORMANCE TABLES FOR EACH FUND AND INVESTOR PROFILE

#### 1. Historic performance, yield and risk category table:

Below we have shown the historical performance, for the period to 31<sup>st</sup> December 2020. Where possible, we have shown the performance over the last 5 years, for each complete calendar year. However, where the Fund has been in existence for less than 5 years, we have shown the performance for complete calendar years only. In respect of Income shares (where they are available), the performance shown will assume that any income has been reinvested.

Name	% Growth 1 Jan 16 to 31 Dec 16	% Growth 1 Jan 17 to 31 Dec 17	% Growth 1 Jan 18 to 31 Dec 18	% Growth 1 Jan 19 to 31 Dec 19	% Growth 1 Jan 20 to 31 Dec 20
IFSL CAF Alternative Strategies A Shares Accumulation	0.49	1.62	-3.44	2.45	-0.27
IFSL CAF Fixed Interest A Shares Accumulation	5.16	2.28	-3.28	9.06	5.80
IFSL CAF International Equity A Shares Accumulation	25.59	14.32	-6.18	21.30	11.70
IFSL CAF UK Equity A Shares Accumulation	9.72	11.78	-10.65	16.92	-4.25

Source of performance data: Morningstar Direct

## **2. Investor profiles**

This Prospectus sets out below a description of the profile of the typical investor for whom each Fund has been designed. Please note however that this description is not the ACD's assessment of the target market for the Funds for the purposes of the EU's Product Governance regime which may be obtained separately by distributors and other intermediaries from the ACD.

The Funds should be suitable for investors who are seeking a well diversified, actively managed investment exposure to the respective asset classes covered by the different Funds. These investors are expected to have a good understanding of the investment risk and return parameters of the asset classes the Funds invest into.

Class A Shares are intended for use by all investors.

Class B Shares are only available to investors who were previously invested in the CAF Bond Income Fund and CAF UK Equity Growth Fund.

Class C Shares are only available to the nominee of the managed portfolio service (managed by Standard Life Investments Limited on behalf of CFSL) currently Platform Securities Nominees Limited.

Class D and Class Z Shares are only available for purchase to holders of a CAF Investment Account.

Investors and potential investors should note that neither the description of the typical investor profile as set out above nor any other information contained in this Prospectus constitutes investment advice and investors and potential investors should consult their own professional advisers concerning the acquisition, holding or disposal of any shares in any of the Funds. Neither the Company, the ACD nor the Investment Manager makes any statement or representation in relation to the suitability, appropriateness or otherwise of any transaction in shares in any of the Funds.

## **APPENDIX VI**

### **DIRECTORY**

#### **The Company and Head Office:**

IFSL CAF Investment Fund

Marlborough House, 59 Chorley New Road, Bolton, BL1 4QP

#### **Authorised Corporate Director:**

Investment Fund Services Limited

Marlborough House, 59 Chorley New Road, Bolton, BL1 4QP

#### **CFSL:**

CAF Financial Solutions Limited

25 Kings Hill Avenue, Kings Hill, West Malling, Kent ME19 4TA

#### **Depository and Custodian:**

HSBC Bank plc

8 Canada Square, London, E14 5HQ

#### **Investment Manager:**

Standard Life Investments Limited

1 George Street, Edinburgh, EH2 2LL

#### **Sponsor:**

CAF Investments Limited

25 Kings Hill Avenue, Kings Hill, West Malling, Kent, ME19 4TA

#### **Administrator & Registrar:**

Investment Fund Services Limited

Marlborough House, 59 Chorley New Road, Bolton, BL1 4QP

#### **Auditor:**

Ernst & Young LLP

Atria One, 144 Morrison Street, Edinburgh, EH3 8EX