

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

Valu-Trac Investment Management 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. Valu-Trac Investment Management Limited accepts responsibility accordingly.

**PROSPECTUS**

**OF**

**VT ARGONAUT FUNDS**

**(An open-ended investment company  
incorporated with limited liability and  
registered in England and Wales  
under registered number IC000943)**

**(A UCITS scheme)**

This document constitutes the Prospectus for **VT ARGONAUT FUNDS** which has been prepared in accordance with the Collective Investment Schemes Sourcebook.

This Prospectus is dated, and is valid as at, 1 August 2024.

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

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## **Important Information**

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

The Company is an investment company with variable capital incorporated with limited liability and registered in England and Wales under registered number IC000943. It is a UCITS scheme as defined in COLL, and also an umbrella company for the purposes of the OEIC Regulations.

Valu-Trac Investment Management Limited, the authorised corporate director ("ACD") 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. Valu-Trac Investment Management Limited, accepts responsibility accordingly.

No person has been authorised by the Company or the ACD to give any information or to make any representations in connection with the offering of Shares other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been made by the Company or the ACD. 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 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 from Valu-Trac Investment Management Limited,

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

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.

US Persons are not permitted to subscribe for shares in the sub-funds. The shares in the Funds have not and will not be registered under the United States Securities Act 1933, the United States Investment Company Act 1940, or the securities laws of any of any of the States of the United States of America and may not be directly or indirectly offered or sold in the United States of America or for the account or benefit of any US Person, except

pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the United States Securities Act 1933, United States Investment Company Act 1940 and similar requirements of such state securities law.

The UK government has enacted legislation enabling it to comply with its obligations in relation to international tax compliance including the United States provisions commonly known as "FATCA" and the Organisation for Economic Co-Operation and Development provisions known as the "CRS". As a result the ACD may need to disclose the name, address, taxpayer identification number and investment information relating to certain investors in the Company to HM Revenue & Customs, who will in turn exchange this information with their overseas counterparts in relevant jurisdictions.

The extent to which the Company is able to report to HM Revenue & Customs 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, each prospective shareholder is agreeing to provide information upon request to the ACD or its agent. If a shareholder does not provide the necessary information, the ACD will be required to report it to HM Revenue & Customs and may exercise its right to redeem completely the holding of an affected shareholder (at any time upon any or no notice).

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 and ACD cannot be bound by an out of date prospectus when a new version has been issued and investors should check with Valu-Trac Investment Management Limited, that this is the most recently published prospectus.

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

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

Except from the information about itself as Depositary contained in this Prospectus, the Depositary is not a person responsible for the information contained in this Prospectus and accordingly does not accept any responsibility therefore under the COLL Sourcebook or otherwise.

The Money Laundering Regulations 2017, The Proceeds of Crime Act 2002, The FCA Senior Management Arrangements Systems & Controls Source book and Joint Money Laundering Steering Group guidance notes (which are updated from time to time) state that the ACD

must check your identity and the source of the money invested. The checks may include an electronic search of information held about you on the electoral roll and using credit reference agencies. The credit reference agency may check the details you supply against any particulars on any database (public or otherwise) to which they have access and may retain a record of that information although this is only to verify your identity and will not affect your credit rating. They may also use your details in the future to assist other companies for verification purposes. If you apply for shares you are giving the ACD permission to ask for this information in line with the Data Protection legislation. If you invest through a financial adviser they must fill an identity verification certificate on your behalf and send it to the ACD with your application.

The ACD shall not divulge any confidential information concerning investors unless required to do so by law or regulation or as set out in this Prospectus or the ACD's Privacy Policy (available at [www.valu-trac.com](http://www.valu-trac.com) or otherwise on request). Shareholders and potential investors acknowledge that their personal data as well as confidential information contained in the application form and arising from the business relationship with the ACD may be stored, modified, processed or used in any other way by the ACD, its agents, delegates, sub-delegates and certain third parties in any country in which the ACD conducts business or has a service provider (even in countries that do not provide the same statutory protection towards investors' personal data deemed equivalent to those prevailing in the European Union) for the purpose of administering and developing the business relationship with the investor. Subject to applicable law, investors may have rights in respect of their personal data, including a right to access and rectification of their personal data and, in some circumstances, a right to object to the processing of their personal data.

**Target market for MiFID II purposes:** The Target Market for MiFID II purposes for each Fund is set out in Appendix V.

1. **DEFINITIONS**

<b>"ACD" or "VT"</b>	Valu-Trac Investment Management Limited, the authorised corporate director of the Company;
<b>"ACD Agreement"</b>	an agreement between the Company and the ACD;
<b>"Administrator"</b>	Valu-Trac Investment Management Limited, or such other entity as is appointed to act as administrator to the Company from time to time;
<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 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;

<b>"Auditor"</b>	Johnston Carmichael LLP, or such other entity as is appointed to act as auditor to the Company from time to time;
<b>"Business Day"</b>	any day which is not a Saturday, Sunday or a public holiday on which banks are ordinarily open for business in the City of London;
<b>"Class" or "Classes"</b>	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;
<b>"COLL"</b>	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, as amended from time to time;
<b>"Company"</b>	VT Argonaut Funds;
<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>	CACEIS Bank (UK Branch) 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 I;
<b>"Dealing Day"</b>	Monday to Friday except for (unless the ACD otherwise decides) a bank or public holiday in England and Wales and any other days declared by the ACD to be a non- Dealing

	Day);
<b>“Depositary”</b>	NatWest Trustee and Depositary Services Limited, or such other entity as is appointed to act as depositary of the Company;
<b>“Director” or “Directors”</b>	the directors of the Company from time to time (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>“Efficient Portfolio Management” or “EPM”</b>	as defined in paragraph 11 of Appendix III;
<b>“Eligible Institution”</b>	one of certain eligible institutions as defined in the glossary of definitions to the FCA Handbook;
<b>“the FCA”</b>	the Financial Conduct Authority or any other regulatory body which may assume its regulatory responsibilities from time to time;
<b>“the FCA Handbook”</b>	the FCA Handbook of Rules and Guidance, as amended from time to time;
<b>“FCA PRN”</b>	the FCA’s product reference number for the Company of one of its sub-funds;
<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>“Instrument of Incorporation”</b>	the instrument of incorporation of the Company as amended from time to time;
<b>“Investment Manager”</b>	Argonaut Capital Partners LLP, the investment manager to the ACD in respect of the Company;



<b>“ISA”</b>	an individual savings account under The Individual Savings Account Regulations 1998 (as amended);
<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>“OEIC Regulations”</b>	the Open-Ended Investment Companies Regulations 2001 as amended or re-enacted from time to time;
<b>“Platform”</b>	a fund supermarket or wrap arrangement which falls within the definition of Platform Service in the FCA Handbook, as arranging and safeguarding and administering assets and distributing retail investment products which are offered to retail clients by more than one product provider;
<b>“Register”</b>	the register of Shareholders of the Company;
<b>“Registrar”</b>	Valu-Trac Investment Management Limited, or such other entity as is appointed to act as registrar to the Company from time to time;
<b>“Regulated Activities Order”</b>	the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544) as amended from time to time;
<b>“Regulations”</b>	the OEIC Regulations and the FCA Handbook (including the COLL Sourcebook);
<b>“OEIC Regulations”</b>	the Open-Ended Investment Companies Regulations 2001 as amended or replaced from time to time;
<b>“Operational Currencies”</b>	the various currencies in which a Fund’s underlying investments are denominated;
<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 Fund for Shares of another Fund and "Switching" shall be construed accordingly;
<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 from time to time);
<b>"UCITS scheme"</b>	a UK UCITS;
<b>"UK UCITS"</b>	has the meaning given to it in the FCA Handbook;
<b>"US Persons"</b>	any citizen or resident of the United States of America, its territories and possessions including the State and District of Columbia and all areas subject to its jurisdiction (including the Commonwealth of Puerto Rico), any corporation, trust, partnership or other entity created or organised in or under the laws of the United States of America, any state thereof or any estate or trust the income of which is subject to United States federal income tax, regardless of source. The expression also includes any person

falling within the definition of the term "U.S. Person" under Regulation S promulgated under the United States Securities Act of 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 VT Argonaut Funds (the Company) is an investment company with variable capital incorporated in England and Wales under registered number IC000943 and authorised by the FCA with effect from 12 March 2012. The FCA product reference number is 576956. The Company has been certified by the FCA as complying with the conditions necessary for it to enjoy the rights conferred by the UCITS Directive. The Company has an unlimited duration.

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 certain authorised unit trusts details of which are set out in Appendix IV.

#### 2.1.2 **Head Office**

The head office of the Company is at Level 4 Dashwood House, 69 Old Broad Street, London, EC2M 1QS.

#### 2.1.3 **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.

#### 2.1.4 **Base Currency**

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

#### 2.1.5 **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 countries outside the UK, 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 from time to time 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 UCITS scheme.

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.

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. Shareholders are not liable for the debts of the Company. A Shareholder is not liable to make any further payment to the Company after they have paid the price on purchase of the Shares.

Investors should note that the Company's Funds are 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.

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.

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.

Whilst the provisions of the OEIC Regulations provide for segregated liability between 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 whether a foreign court would give effect to the segregated liability and cross-investment provisions contained in the OEIC Regulations. Therefore, it is not possible to be certain that the assets of a Fund will always be completely insulated from the liabilities of another Fund of the Company in every circumstance.

## 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 from time to time 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 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 Instrument of Incorporation allows hedged currency Share Classes to be issued in each Fund. Currently only the following Funds have hedged currency Share Classes as detailed below.

The current hedged currency share classes are shown in Appendix I to this Prospectus.

At Share Class level, the ACD may, but is not obliged to do so, for efficient portfolio management purposes, conduct currency hedging transactions in order to hedge, some or all of the currency exposure between a Fund's Operational Currencies and the currency in which that Share Class is denominated. The benefit and cost of such transactions shall accrue solely to the investors in such Share Class and the Net Asset Value per Share of that Share Class shall be increased/reduced as the case may be by the benefit/cost of any such hedging transactions. The value of such Share Class expressed in the currency of the Share Class will still be subject to exchange rate risk in relation to the currency which a Shareholders uses (i.e. where this is not the same as the currency in which the hedged share class is denominated).

The adoption of a currency hedging strategy may substantially limit holders of the hedged Share Class from benefiting if the denominated currency of the hedged Share Class falls against the Operational Currencies of the Fund. All costs and gains/losses of such hedging transactions will accrue solely to the holders of the hedged Share Class. Any hedging into the currency of the hedged Share Class will not exceed the pro rata holding of the Operational Currencies of the relevant Fund and accordingly will not exceed 100% of the Net asset value of the relevant Share Class. Shareholders should note that, because there is no obligation to undertake hedging transaction in respect of the hedged Share Classes, they may not be completely protected from any adverse fluctuations between the currency in which it is denominated and the Fund's Operational Currencies. Shareholders should note that hedged Share Classes are still exposed to foreign currency risks where hedging transactions, back to the Operational Currencies, are not in place in

respect of some or all of the underlying investments in the Fund where they are denominated in a currency other than the Share Class currency.

The ACD may use currency forwards, currency futures, currency option transactions, currency swaps, currency hedging with interest rate or equity swap transactions (or such other instruments as are permitted under Appendix III).

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.

Class A (Euro) Retail Shares (currency hedged or unhedged) in any Fund are available to investors who wish to invest in the relevant Fund in Euros.

Class I (Euro) (currency hedged) Institutional Shares are available to investors who wish to invest in the relevant Fund in Euros and who can satisfy the minimum investment level.

Class I (USD) (currency hedged) Institutional Shares are available to investors who wish to invest in the relevant Fund in US Dollars and who can satisfy the minimum investment level.



Class A (CHF) Retail Shares (currency hedged or unhedged) in any Fund are available to investors who wish to invest in the relevant Fund in Swiss Francs.

Class I (CHF) (currency hedged) Institutional Shares are available to investors who wish to invest in the relevant Fund in Swiss Francs and who can satisfy the minimum investment level.

Details of which of the Share Classes are presently available in each Fund are set out in Appendix I.

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. Full 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) to Convert all or part of their Shares in a Class for Shares in another Class in the same Fund or to Switch all or part of their Shares in a Class or a Fund for Shares of another Class within the same Fund or 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**

The dealing office of the ACD is normally open from 9.00 a.m. to 5.00 p.m. (London time) on each Business Day to receive postal requests for the purchase, sale and switching of Shares. The ACD may vary these times at its discretion. Requests to deal in Shares may also be made by sending clear written instructions (or an application form) to the ACD. The initial purchase must, at the discretion of the ACD, be accompanied by an application form. In addition, the ACD may from time to time make arrangements to allow Shares to be bought or sold on-line or through other communication media (electronic or otherwise).

Telephone calls and electronic communications will be recorded. The ACD will keep a copy of telephone calls and electronic communications. A copy of the record is available from the ACD on request. The records will be kept for up to five years and where requested by the FCA, for up to seven years. The ACD may also, at its discretion, introduce further methods of dealing in Shares in the future. At present, transfer of title by electronic communication is not accepted.

In its dealings in Shares of the Funds the ACD is dealing as principal. The ACD may make a profit from dealing in Shares as principal. The ACD separately identifies any profits it makes as dealing as principal between 'risk free' and 'at risk' and does not retain any risk free profits arising.

In respect of some Funds, deals must be received 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 following Dealing Day. For details of the Valuation Point and, where relevant, the Cut Off Point of a Fund, please see Appendix I.

#### 3.1 **Buying Shares**

##### 3.1.1 **Procedure**

Shares may be bought directly from the ACD or through a professional adviser or other intermediary. Where permitted by the rules in the FCA Handbook, an intermediary who recommends an investment in the Company to Shareholders may be entitled to receive commission from the ACD, which may include ongoing commission based on the value of Shares held by a Shareholder. For details of dealing charges see paragraph 3.6 below. Application forms may be obtained from the ACD.

Valid applications to purchase Shares in a Fund (received before the Cut Off Point, if appropriate) will be processed at the Share price calculated, based on the Net Asset Value per Share, at the next Valuation Point

following receipt of the application, except in the case where dealing in a Fund has been suspended as set out in paragraph 3.13.

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 in writing or any other communication media made available 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.

Any subscription monies remaining after a whole number of Shares have been issued will not be returned to the applicant. Instead, smaller denomination Shares will be issued. A smaller denomination Share is equivalent to one ten thousandth of a larger denomination Share.

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.

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

A confirmation giving details of the number and price of Shares bought will be issued 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 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.

Payment for investment in non-Sterling Share Classes can only be made via telegraphic transfer from a bank account in the base currency in which that Class is denominated as the ACD is not able to carry out currency conversion transactions. Further details can be obtained from the ACD on 01343 880 344.

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.

### 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 to the Administrator 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 such party as the ACD may direct. 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 Regular Savings Plan will normally be collected on a monthly basis usually on the tenth of each month (or the following Dealing Day) with Shares being allocated at the Share price ruling at the 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 the 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, 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, which shall be purchased by the ACD dealing as principal.

Valid instructions to the ACD to redeem Shares in a Fund (received before the Cut Off Point, if appropriate) will be processed at the Share price calculated, based on the Net Asset Value per Share, at the next Valuation Point following receipt of the instruction, except in the case where dealing in a Fund has been suspended as set out in paragraph 3.13.

A redemption instruction in respect of Shares in writing or any other communication media made available, is a legally binding contract. However, an instruction to the ACD 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 3.6 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 (in respect of Sterling denominated Share Classes) will normally be made to the first named Shareholder (at their risk), or 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. Payment of redemption proceeds in relation to any Share Class denominated in a currency other than Sterling can only be made to a bank account in the relevant currency as the ACD is not able to carry out currency conversions. Further details can be obtained from the ACD on 01343 880 344.

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.

### 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).

## 3.3 **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.
- There are the following restrictions on Switching which are subject in each case to the ACD's discretion.
  - Shareholders generally cannot Switch into Class R Retail Shares (currency hedged or unhedged) unless through an authorised adviser or a Platform.

### 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 they should apply to the ACD in the same manner as for a sale as set out below.

Conversions may not be effected at the next Valuation Point and may be held over and processed with Conversion instructions given by other Shareholders. If you would like information about when your Conversion will be processed please contact the ACD on 01343 880 344.

Conversions will not generally be treated as a disposal for capital gains tax purposes and no stamp duty reserve tax will be payable on the Conversion.

There is no fee on a Conversion.

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 their 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.

A request to Switch may be made in writing to the dealing office of the ACD. Shareholders are required to provide written instructions to the ACD (which, in the case of joint Shareholders, must be signed by all the joint Shareholders) before Switching is effected.

The ACD may at its discretion make a charge on the Switching or Conversion of Shares between Funds or Classes. Any such charge on Switching or Conversion 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 Switching currently payable, please see paragraph 3.6.3 "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. Written instructions must be received by the ACD before the Cut Off Point in the Fund or Funds concerned to be dealt with at the prices at the next Valuation Point on or at such other Valuation Point as the ACD at the request of the Shareholder giving the relevant instruction may agree. Switching requests received after a Cut Off Point will be held over until the next day which is a Dealing Day in each of the relevant Fund or Funds.

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 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, Converted or Switched is the Net Asset Value per Share. Any initial charge, or redemption charge, (or SDRT on a non-pro rata in specie redemption, where applicable) 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 subscribed by a potential Shareholder in respect of each Share Class as set out in Appendix I. Appendix I also highlights the initial charge as a percentage of the price of Shares. 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 does not currently make a charge on the redemption of Shares in any Class.

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).

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

On the Switching of Shares between Funds or the Converting of Shares between Classes in the Company 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 or Converting is payable by the Shareholder to the ACD.

There is currently no charge for Switching between Funds or for Converting Shares in one Class of a Fund for Shares in another Class of the same Fund.

### 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 a 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 principals resulting in the final price for the Shares.

It is envisaged (based on future projections) that a dilution adjustment will be applied from time to time.

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. A typical dilution adjustment may range from 0.01% to 0.50% when buying or selling Shares.

#### **3.6.5 Stamp duty reserve tax ("SDRT")**

The SDRT charge on the surrender of shares in an ICVC applies only to an in specie redemption of shares made otherwise than on a pro rata basis. A surrender of Shares to the Company should therefore generally be exempt from SDRT. The current policy is that all SDRT costs (if applicable) will be paid out of the Company's Scheme Property and charged to capital and that SDRT will not be recovered from individual Shareholders. However, the ACD reserves the right to require individual Shareholders to pay SDRT whenever it considers that the circumstances have arisen which make such imposition fair to all Shareholders or potential Shareholders. Deductions of any such costs from capital may erode or constrain capital growth.

### **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 when buying or redeeming Shares. This may involve an electronic check of information. 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 can use credit reference agencies (who will record that an enquiry has been made) and/or may check electronic databases. In the case of bodies corporate, trusts and other legal arrangements, it is also required to establish the identity of any trustees or other controllers who have greater than 25% control of the body corporate or property of the trust that are not named on the application. In addition, it is also required to establish the identity of any individuals who have a specified beneficial interest in the Shares. In the case of individuals it is required to establish the identity of any individuals who have a specified beneficial interest in the Shares that are not named on the application. The applicant retains legal title to the Shares and instructions will only be accepted from the applicant. The beneficial owner details are required for anti-money laundering purposes only. The ACD reserves the right to refuse any application to invest without providing any justification for doing so.

### 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. At present, transfer of title by electronic communication is not accepted.

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

The ACD may from time to time 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 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 their affected Shares to a person qualified to own them or submit a written request for their redemption to the ACD or establish to the satisfaction of the ACD (whose judgement is final and binding) that they or the beneficial owner is qualified and entitled to own the affected Shares, they 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 they are holding or owns affected Shares shall immediately, unless they have already received a notice as set out above, either transfer all their affected Shares to a person qualified to own them or submit a request in writing to the ACD for the redemption of all their 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.

### 3.10 **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% (or a lesser or higher percentage if considered appropriate) 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.

### 3.11 **In specie redemptions**

If a Shareholder requests the redemption of Shares the ACD may, where it considers the deal to be substantial in relation to the total size of the Fund concerned or in some way detrimental to the Fund, arrange, having given prior notice in writing to the Shareholder, that, in place of payment for the Shares in cash, the Company transfers property or if required by the Shareholder, the net proceeds of sale of the relevant property, to the Shareholder. Before the redemption proceeds of the Shares become payable, the ACD must give written notice to the Shareholder that the relevant property or the proceeds of sale of the relevant property will be transferred to that Shareholder so that the Shareholder can require the net proceeds of redemption rather than the relevant property if they so desire.

For this purpose, the ACD may consider a deal to be substantial if the relevant Shares constitute 5% (or a lesser or higher percentage if considered appropriate) of those in issue in the relevant Fund.

The Depositary must take reasonable care to ensure that the property concerned would not be likely to result in any material prejudice to the interests of Shareholders.

The ACD will select the property to be transferred or sold in consultation with the Depositary.

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

The ACD may, with the prior agreement of the Depositary, and must without delay if the Depositary so requires, temporarily suspend the issue, cancellation, sale and redemption of Shares in any or all of the Funds, where, due to exceptional circumstances, it is in the interests of all the Shareholders in the relevant Fund or Funds.

The ACD or the Depositary (as appropriate) will immediately inform the FCA of the suspension and the reasons for it, and will follow this up as soon as practicable

with written confirmation of the suspension and the reasons for it to the FCA and the regulator in each EEA state where the Fund is offered for sale.

The ACD and the Depositary must ensure that the suspension is only allowed to continue for as long as is justified having regard to the interests of Shareholders.

The ACD will notify Shareholders as soon as is practicable after the commencement of the suspension, including details of the exceptional circumstances which have led to the suspension, in a clear, fair and not misleading way and giving Shareholders details of how to find further information about the suspension. Where such suspension takes place, the ACD will publish details on its website or other general means, sufficient details to keep Shareholders appropriately informed about the suspension, including, if known, its possible duration. During the suspension none of the obligations in COLL 6.2 (Dealing) will apply but the ACD will comply with as much of COLL 6.3 (Valuation and Pricing) during the period of suspension as is practicable in light of the suspension.

Suspension will cease as soon as practicable after the exceptional circumstances leading to the suspension have ceased but the ACD and the Depositary will formally review the suspension at least every 28 days and will inform the FCA of the review and any change to the information given to Shareholders.

The ACD may agree during the suspension to deal in Shares in which case all deals accepted during and outstanding prior to the suspension will be undertaken at a price calculated at the first Valuation Point after the restart of dealings in Shares.

### 3.13 **Client money**

3.13.1 The ACD will make use of the revised 'delivery versus payment' (DvP) exemption as set out in the FCA Rules, which provides for a one Business Day window during which money held for the purposes of settling a transaction in Shares is not treated as 'client money'. Specifically, under the DvP exemption, money received by the ACD from an investor, or money due to be paid to an investor by the ACD, need not be treated as client money if: (i) the ACD receives the money from an investor for the subscription of Shares and the money is passed to the Depositary for the purpose of creating Shares by close of business on the Business Day following receipt of money from the investor; or (ii) the ACD holds the money in the course of redeeming Shares provided that the proceeds of that redemption are paid to an investor by close of business on the Business Day following receipt from the Depositary.

- 3.13.2 Accordingly under the exemption when investors are buying Shares the ACD will protect investor money in a client money account if it does not pass the investor's money onto the Depositary by the close of the Business Day following receipt. Similarly when Shareholders sell shares in the ICVC, the ACD will protect their money in a client money account if it does not pass their money to them by the close of the Business Day following receipt from the Depositary. No interest is payable by the ACD on moneys credited to this account.
- 3.13.3 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.
- 3.13.4 Any unclaimed client money held for at least six years without movement may be paid away to a registered charity or to court in accordance with the FCA Rules. The ACD will take appropriate steps to contact the investor and return the money, where possible.
- 3.13.5 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.
- 3.13.6 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.
- 3.13.7 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).
- 3.13.8 Interest will not be paid on individual cash balances held in the client money account.

### 3.14 **Governing law**

All deals in Shares are governed by English law.



## 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 Cut Off Point in order to be processed at the next Valuation Point. 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 Scheme Property which is not 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
  - (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 security, at a value which in the opinion of the ACD, is fair and reasonable;
- 4.2.2.5 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;

- 4.2.2.6 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 and stamp duty reserve tax 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 and any stamp duty reserve tax provision anticipated to be 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, (or SDRT on a non-pro rata in specie redemption) 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.valu-trac.com](http://www.valu-trac.com) under a sub-heading of "VT Argonaut Funds". The prices of Shares may also be obtained by calling 01343 880344 during the ACD's normal business hours. 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 the ACD does not 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.

## 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 their 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.

#### 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 3.12).

#### 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 **Liabilities of the Company and the Funds**

As explained in paragraph 2.2, under the OEIC Regulations, each Fund is a segregated portfolio of assets and those assets can only be used to meet the liabilities of, or claims against, that Fund. Whilst the provisions of the OEIC Regulations provide for segregated liability between Funds, the concept of segregated liability is relatively new. Accordingly, where claims are brought by local creditors in foreign courts or under foreign law contracts it is not yet known whether a foreign court would give effect to the segregated liability and cross-investment provisions contained in the OEIC Regulations. Therefore, it is not possible to be certain that the assets of a Fund will always be completely insulated from the liabilities of another Fund of the Company in every circumstance.

#### 5.8 **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 their investment in Shares.

## 5.9 **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.

#### 5.10 **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.

#### 5.11 **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.

#### 5.12 **Overseas bonds and currencies**

From time to time, 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.

#### 5.13 **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.

#### 5.14 **Inflation Risk**

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

#### 5.15 **Concentrated Portfolio**

A typical collective investment vehicle has approximately between 80 and 100 stocks in its portfolio. The VT Argonaut Absolute Return Fund, the VT Argonaut Flexible Fund, the VT Argonaut European Alpha Fund and the VT Argonaut Equity Income Fund<sup>1</sup> may have a more

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<sup>1</sup> The VT Argonaut European Alpha Fund and the VT Argonaut Equity Income Fund are in the process of termination and are no longer available for investment.

concentrated portfolio. This means that these Funds will carry more risk than funds spread across a large number of stocks.

#### 5.16 **Currency Hedging Risk**

In so far as a Fund has Classes of Shares that are not denominated in the Operational Currencies of the Fund in question, such Classes may be designated as hedged currency Share Classes. A number of the Funds have currency hedged Share Classes as set out in Appendix I to this prospectus. As the fees, expenses, gains and losses associated with such Share Class hedging will be borne individually by the hedged Share Classes, there will be no impact on other Share Classes. Holding a hedged currency Share Class may substantially limit the Shareholders of that Class from benefiting if the currency in which the Share Class is denominated falls against the Operational Currencies of the Fund. There is no guarantee that the ACD will be successful in hedging the currency risk, nor that they will fully hedge the Operational Currencies exposure within the hedged Share Classes.

The Funds may also hedge currency exposure to the Fund's Base Currency in relation to assets denominated in the Operational Currencies. The fees, expenses, gains and losses associated with such hedging will be borne by the individual Funds. Currency hedging at Fund level may substantially limit the Shareholders of that Fund from benefiting if the Base Currency of the Fund falls against the Operational Currencies of the Fund.

#### 5.17 **Performance Fee**

A performance fee will be paid to the Investment Manager on the basis of performance of the VT Argonaut Absolute Return Fund. In accordance with COLL 6.7.6AR, the performance fee will be calculated on the basis of the Fund's performance after deduction of all other payments out of the scheme property of the Fund property. Further, the performance fee is based on net realised and net unrealised gains and losses as at the end of each performance period and as a result, performance fees may be paid on unrealised gains which may subsequently never be realised.

Performance fee equalisation ensures that any performance fee is charged only to those shares which have appreciated in value, that all Shareholders of the same Class have the same amount per share at risk and that all Shares within the same Class have the same Net Asset Value per Share. The lack of performance fee equalisation in this Fund may mean that, in certain circumstances, some Shareholders may pay a higher or lower performance fee than they should, based on the performance of their Shares.

#### 5.18 **Exchange Traded Commodities (ETCs)**

In order to obtain exposure to commodity based investments such as gold and silver, the VT Argonaut Absolute Return Fund and the VT Argonaut Flexible Fund may invest in Exchange Traded Commodities (ETCs).

An ETC is an investment vehicle that tracks the performance of an underlying commodity. Single commodity ETCs follow the spot-price of a single commodity and are classified as a transferable security. They offer direct exposure to the commodities markets and the value of the ETC will rise and fall in direct proportion to the price of the underlying commodity. They are 'open ended' securities, which are created and redeemed on-demand. This means that the supply of ETCs is unlimited and that price changes will accurately mirror developments in the price of the underlying commodity.

#### 5.19 **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.

#### 5.20 **Derivatives and volatility**

Derivative instruments may be used in 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.**

The COLL Sourcebook also 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. **Derivatives will be used in VT Argonaut Absolute Return Fund and the VT Argonaut Equity Income Fund<sup>2</sup> for the purposes of investment. Where the ACD invests in derivatives and forward transactions in the pursuit of these Funds' objectives, the Net Asset Value of that Fund may at times be volatile (in the absence of compensating investment techniques). However, it is the ACD's intention that the relevant Fund will not have volatility over and above the general market volatility of the markets of that 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 a Fund's objective will cause its risk profile to change.**

#### 5.21 **Efficient Portfolio Management**

Efficient portfolio management ("EPM") is used by the Funds to reduce risk and/or costs in the Funds and to produce additional capital or income in the Funds. The Funds may use derivatives, borrowing and cash holding (see clause 21 of Appendix III) for efficient portfolio management. It is not intended that using these techniques for efficient portfolio management will increase the volatility of the Funds. In adverse situations, however, a Fund's use of derivatives may become ineffective in hedging or EPM and a Fund may suffer significant loss as a result. There is no guarantee that the Funds will achieve the objective for which they entered into a transaction in relation to EPM. This may result in losses for investors.

A Fund's ability to use EPM strategies may be limited by market conditions, regulatory limits and tax considerations. Any income or capital generated by efficient portfolio management techniques will be paid to the Funds net of direct or indirect operational costs.

EPM techniques may involve a Fund entering into derivatives, borrowing and cash holding with a counterparty where there may be a risk that a counterparty will wholly or partially fail to honour its contractual obligations. To mitigate that risk, the counterparties to these transactions may be required to provide collateral to the Funds. The counterparty will forfeit its collateral if it defaults on the transaction. However, in the event of counterparty default, if the collateral is in the form of securities, there is a risk that when they are sold it will realise insufficient cash to settle the counterparty's liability to the Funds. This may result in losses for investors.

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<sup>2</sup> The VT Argonaut Equity Income Fund is in the process of termination and is no longer available for investment.

The ACD has in place a collateral management policy which details the eligible categories of acceptable collateral received. Please see the paragraph headed "Collateral Management Policy" below for further information on the collateral management policy.

#### 5.22 **Leverage**

A Fund's leverage has a maximum limit of 200% of the Net Asset Value of the Fund, based on the sum of notional exposures of equities and equity financial derivative instruments in the investment portfolio. This level of leverage will vary over time and may increase under certain market conditions (e.g. at times of very low market volatility) to see to meet the investment objective of the Fund. There is no guarantee that the additional long and short exposure will achieve the desired absolute returns and the use of leverage could amplify the performance of an otherwise similar unleveraged fund – both up and down.

#### 5.23 **Warrants**

When a Fund invests in warrants, the price of units may fluctuate more than if the Fund was investing in the underlying securities because of the greater volatility of the warrant price.

#### 5.24 **Options**

It is anticipated that options may be transacted through an OTC counterparty, and once agreed, confirmed and cleared using the services provided by an exchange. Further information on this process is available on request. This allows the fund to benefit from the flexibility of OTC options whilst gaining the benefits of an exchange and clearing house environment. This reduces both operational and counterparty risk to the Fund.

Options may also be traded directly on exchange or over-the-counter.

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

Subject to any restrictions in each Fund's respective investment objective and policy and in the investment and borrowing powers of the Company set out in Appendix III, each Fund may invest in other regulated collective investment schemes. As an investor of 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.

For the avoidance of doubt, no more than 10% of each Fund will be invested in collective investment schemes and any such investment will be compliant with COLL 5.2.13R.

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

Subject to any restrictions in each Fund’s respective investment objective and policy and in the investment and borrowing powers of the Company set out in Appendix III, 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.

For the avoidance of doubt, no more than 10% of each Fund will be invested in exchange traded funds and any such investment will be compliant with COLL 5.2.13R.

## 5.27 **Tax risk**

The rates of, and any relief from, taxation may change over time. Tax information is set out later in the document. If you have any doubts about your tax position, you should seek professional advice.

## 5.28 **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.

## 5.29 **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.

### 5.30 **Cyber Security**

As the use of technology has become more prevalent in the course of business, funds have become more susceptible to operational and financial risks associated with cyber security, including: theft, loss, misuse, improper release, corruption and destruction of, or unauthorised access to, confidential or highly restricted data relating to the company and the Shareholders and compromises or failures to systems, networks, devices and applications relating to the operations of the Company and its service providers. Cyber security risks may result in financial losses to the Company and the Shareholders; the inability of the Company to transact business with the Shareholders; delays or mistakes in the calculation of the Net Asset Value or other materials provided to Shareholders; the inability to process transactions with Shareholders or the parties; violations of privacy and other laws,; regulatory fines, penalties and reputational damage; and compliance and remediation costs, legal fees and other expenses. The Company's service providers (including but not limited to the ACD and the Depositary and their agents), financial intermediaries, companies in which a Fund invests and parties with which the Company engages in portfolio or other transactions also may be adversely impacted by cyber security risks in their own business, which could result in losses to the Company or the Shareholders. While measures have been developed which are designed to reduce the risks associated with cyber security, there is no guarantee that those measures will be effective, particularly since the Company does not directly control the cyber security defences or plans of its service providers, financial intermediaries and companies in which a Fund invests or with which it does business.

### 5.31 **Risks associated with the UK leaving the European Union ("Brexit")**

The UK has formally left the European Union (informally known as "Brexit").

The political, economic and legal consequences of Brexit are not yet fully known. It is possible investments in the UK may be more difficult to value, to assess for suitability of risk, harder to buy or sell or subject to greater or more frequent rises and falls in value.

The UK's laws and regulations concerning funds may in future diverge from those of the European Union. This may lead to changes in the operation of the Company or the rights of investors or the territories in which the Shares of the Company may be promoted and sold.

### 5.32 **Political Risks**

The value of the Company's investments may be affected by uncertainties such as international political developments, civil conflicts and war, changes in government policies, changes in taxation, restrictions on foreign investment and

currency repatriation, currency fluctuations and other developments in the laws and regulations of countries in which investments may be made. For example, assets could be compulsorily re-acquired without adequate compensation.

#### 5.33 **Epidemic/Pandemic**

Occurrences of epidemics/pandemics (such as COVID-19), depending on their scale, may cause damage to national and local economies which will have an impact on investments. Global economic conditions may be disrupted by widespread outbreaks of infectious or contagious diseases, and such disruption may adversely affect funds, may increase volatility, impair liquidity and potential returns and make assets difficult to value. During such epidemics investment management practices that have worked well in the past, or are accepted ways of addressing certain conditions, could prove ineffective. Custody, trading and settlements may also be affected. As a result there may be a negative impact on the value of funds.

#### 5.34 **Key Person Risk**

The Investment Manager's future success depends to a significant degree on the skills, experience and efforts of Barry Norris and the loss of his services may compromise its ability to effectively provide investment management to the Company in the longer term. In this situation the ACD will, in consultation with the Depositary, consider what action to take in respect of the ongoing operation of the Company, including whether it may be in the best interests of Shareholders to wind down the Company in an orderly manner.



## 6. MANAGEMENT AND ADMINISTRATION

### 6.1 Regulatory Status

The ACD, the Depositary, the Custodian and the Investment Manager 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 Valu-Trac Investment Management Limited which is a private company limited by shares incorporated in England and Wales on 3 October 1989 with company number 02428648.

The directors of the ACD are:-

Anne Laing  
Aidan O'Carroll  
Andrew Lewis  
John Brett  
Jeremy Brettell  
Adrian Bond

The directors of the ACD and their significant business activities (if any) not connected with the business of the ACD are as set out in Appendix IV.

The Company has no other directors.

**Registered Office:** Level 4, Dashwood House, 69 Old Broad Street, London, EC2M 1QS

**Principal Place of Business:** Mains of Orton, Orton, Moray, IV32 7QE.

**Share Capital:** An issued share capital of £3,398,295 represented by 3,398,295 ordinary share of £1 each fully paid.

**Ultimate Holding Company:** Valu-Trac Limited, a company incorporated in Bermuda.

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.

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 between the Company and the ACD, as amended from time to time (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 contains detailed provisions relating to the responsibilities of the ACD and excludes it from any liability to the Company or any Shareholder for any act or omission except in the case of negligence, wilful default, fraud, bad faith, breach of duty or breach of trust in relation to the Company on its part. 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 ACD Agreement provides indemnities to the ACD to the extent allowed by the Regulations and other than for matters arising by reason of its negligence, wilful default, fraud, bad faith, breach of duty or breach of trust in the performance of its duties and obligations. Subject to certain limited exceptions set out in the Regulations, the ACD may retain the services of any person to assist it in the performance of its functions.

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) and Level One Disclosure policy (which outlines our policies and procedures relating to our broker relationships and commission arrangements) are available on the following website: [www.valu-trac.com](http://www.valu-trac.com). Further information on how the ACD's policies are reviewed are also available 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 Agreement can be terminated by either party giving the other 6 months' written notice, or earlier if the parties agree a shorter period or in the event of 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**

#### **6.3.1 General**

The Depositary of the Company is NatWest Trustee and Depositary Services Limited.

The Depositary is incorporated in England as a private limited company. Its registered and head office is at 250 Bishopsgate, London EC2M 4AA. The ultimate holding company of the Depositary is NatWest Group plc, which is incorporated in Scotland. The principal business activity of the Depositary is the provision of trustee and depositary services. The Depositary is authorised and regulated by the FCA. It is authorised to carry on investment business in the United Kingdom by virtue of its authorisation and regulation by the regulator.

#### **6.3.2 Duties of the Depositary**

The Depositary is responsible for the safekeeping of scheme property, monitoring the cash flows of the Company, and must ensure that certain processes carried out by the ACD are performed in accordance with the applicable rules and scheme documents.

### 6.3.3 **Conflicts of Interest**

The Depositary may act as the depositary of other open-ended investment companies and as trustee or custodian of other collective investment schemes.

It is possible that the Depositary and/or its delegates and sub-delegates may in the course of its or their business be involved in other financial and professional activities which may on occasion have potential conflicts of interest with the Company or a Fund and/or other funds managed by the ACD or other funds for which the Depositary acts as the depositary, trustee or custodian. The Depositary will, however, have regard in such event to its obligations under the Instrument of Incorporation, the Depositary Agreement and the Regulations and, in particular, will use reasonable endeavours to ensure that the performance of its duties will not be impaired by any such involvement it may have and that any conflicts which may arise will be resolved fairly and in the best interests of shareholders collectively so far as practicable, having regard to its obligations to other clients.

Nevertheless, as the Depositary operates independently from the Company, Shareholders, the ACD and its associated suppliers and the Custodian, the Depositary does not anticipate any conflicts of interest with any of the aforementioned parties.

### 6.3.4 **Delegation of Safekeeping Functions**

The Depositary is permitted to delegate (and authorise its delegate to sub-delegate) the safekeeping of Scheme Property.

The Depositary has delegated safekeeping of the Scheme Property to CACEIS Bank (UK branch) whose contact details are set out in Appendix VIII ("the Custodian"). In turn, the Custodian has delegated the custody of assets in certain markets in which the Company may invest to various sub-delegates ("Sub-custodians"). A list of Sub-custodians is given in Appendix VII. Investors should note that the list of Sub-custodian is updated only at each Prospectus review. An updated list of Sub-custodians is maintained by the ACD at [www.valu-trac.com](http://www.valu-trac.com).

### 6.3.5 **Updated Information**

Up to date information regarding (i) the Depositary's name, (ii) the description of its duties and any conflicts of interest that may arise between the Company, the Shareholders or the ACD and the

Depositary, and (iii) the description of any safekeeping functions delegated by the Depositary, the description of any conflicts of interest that may arise from such delegation, and the list showing the identity of each delegate and sub-delegate, will be made available to Shareholders on request.

#### 6.3.6 **Terms of Appointment**

The appointment of the Depositary has been made under an agreement between the ACD, the Company and the Depositary (the "**Depositary Agreement**").

Under the Depositary Agreement, the Depositary is free to render similar services to others and the Depositary, the Company and the ACD are subject to a duty not to disclose confidential information.

The powers, duties, rights and obligations of the Depositary, the Company and the ACD under the Depositary Agreement shall, to the extent of any conflict, be overridden by the FCA Rules.

Under the Depositary Agreement the Depositary will be liable to the Company for any loss of financial instruments held in custody or for any liabilities incurred by the Company as a result of the Depositary's negligent or intentional failure to fulfil its obligations.

However, the Depositary Agreement excludes the Depositary from any liability except in the case of fraud, wilful default, negligence or failure to exercise due care and diligence in the performance or non- performance of its obligations.

It also provides that the Company will indemnify the Depositary for any loss suffered in the performance or non-performance of its obligations except in the case of fraud, wilful default, negligence or failure to exercise due care and diligence on its part.

The Depositary Agreement may be terminated on six months' notice by the Company or the Depositary or earlier on certain breaches or the insolvency of a party. However, termination of the Depositary Agreement will not take effect, nor may the Depositary retire voluntarily, until the appointment of a new Depositary.

Details of the fees payable to the Depositary are given in paragraph 7.7.

### 6.4 **The Investment Manager**

#### 6.4.1 **General**

The ACD has appointed the Investment Manager, Argonaut Capital Partners LLP, to provide investment management and advisory services to the ACD. The Investment Manager is authorised and regulated by the FCA.

The Investment Manager's registered office is at 4<sup>th</sup> Floor, 115 George Street, Edinburgh EH2 4JN.

The principal activity of the Investment Manager is the provision of investment management services.

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

The terms of each Investment Management Agreement between the ACD and the Investment Manager (where the ACD does not perform the role of investment manager itself) provide that the Investment Manager has authority to make decisions on behalf of the ACD on a discretionary basis in respect of day to day investment management of the Scheme Property including authority to place purchase orders and sale orders. Subject to the agreement of the ACD, the Investment Manager may appoint sub-investment advisers to discharge some or all of these duties. The Agreement may be terminated by either party on not less than six months' written notice or earlier upon the happening of certain specified events.

The Investment Manager will receive a fee paid by the ACD out of its remuneration received each month from the Company.

#### 6.5 **The Registrar and Administrator**

The ACD acts as Registrar and Administrator to the Company. The register will be kept at the offices of the ACD, where it can be inspected by Shareholders during normal business hours.

#### 6.6 **The Auditor**

The auditors of the Company are Johnston Carmichael LLP, whose principal place of business is at Commerce House, South Street, Elgin, IV30 1JE.

## 6.7 **Conflicts of Interest**

The ACD, the Investment Manager and other companies within the ACD's and/or the Investment Manager's group may, from time to time, act as managers, investment managers or advisers 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. Each of the ACD and the Investment Manager will, however, have regard in such event to its obligations under the ACD Agreement and the Investment Management Agreement respectively 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.

## 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.

### 7.2 Charges payable to the ACD

#### ***Annual Management Charge***

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 annual 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.

#### ***Performance fee***

Where applicable, out of the scheme property, the Investment Manager will become entitled to a fee related to the performance of a Fund. The performance fee will be calculated and paid as set out in Appendix VI.



### 7.3 **Fees and expenses**

There are other fees payable in relation to the Funds which are taken directly from Scheme Property as follows:

- 7.3.1 transaction costs (including, without limitation, fees and/or expenses incurred in acquiring, registering and disposing of investments and in OTC derivatives servicing);
- 7.3.2 expenses incurred in producing, distributing and dispatching income and other payments to Shareholders;
- 7.3.3 the costs of convening and holding Shareholder meetings (including meetings of Shareholders (including meetings convened by shareholders) in any particular Fund, or any particular Class within a Fund);
- 7.3.4 costs incurred in taking out and maintaining any insurance policy in relation to the Company and/or its Directors;
- 7.3.5 expenses incurred in company secretarial duties, including the cost of minute books and other documentation required to be maintained by the Company;
- 7.3.6 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 key investor information document or equivalent successor documentation);
- 7.3.7 tax and duties payable by the Company;
- 7.3.8 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;
- 7.3.9 any payments due by virtue of changes to the Regulations;
- 7.3.10 costs (apart from promotional payments) in respect of communications with investors;
- 7.3.11 fees of any paying, representative or other agents of the Company or the ACD;
- 7.3.12 any costs in modifying the ACD Agreement and any other relevant document required under the Regulations;

- 7.3.13 the fees of any stock lending agent and the fees of the ACD or any other party for arranging any stock lending;
- 7.3.14 the fees and costs incurred in connection with the purchase of investment research used in the management of the assets of the Funds (subject at all times to the ACD's and the Investment Manager's compliance with applicable FCA requirements). (Please refer to section 7.9 of this Prospectus for further details);
- 7.3.15 certain liabilities or on amalgamation or reconstruction arising after transfer of property to the Company in consideration for the issue of shares as more fully detailed in COLL;
- 7.3.16 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 Key Investor Information Document) 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;
- 7.3.17 royalties, licensing fees and other like payments in relation to the use of intellectual property;
- 7.3.18 the costs of dealing in the scheme property necessary to be incurred and normally shown in contract notes and similar documents;
- 7.3.19 the fees and expenses payable to the Custodian and its delegates (including any out of pocket expenses properly and reasonably incurred by the Custodian in the performance of its duties) including transaction charges;
- 7.3.20 stamp (including, for the avoidance of doubt, SDRT as referred to in paragraph 3.6.5 above) and other duties, taxes, governmental charges, commissions, brokerage, transfer fees, registration fees and other charges payable in respect of the acquisition, holding or realisation of any investment and any foreign exchange transactions carried out in connection therewith;
- 7.3.21 all expenses of any nature of or incidental to deposits of cash made by the Company;

- 7.3.22 any taxation and duties payable in respect of the holding of the Scheme Property or the issue of Shares, including stamp or other duties or taxes in relation to the transfer to the Company of assets taken in exchange for the issue of Shares;
- 7.3.23 all taxes and corporate fees payable by the Company to any Government or other authority or to any agency of such Government or authority whether in Great Britain or elsewhere;
- 7.3.24 any interest on borrowings, and charges and expenses incurred in effecting, arising out of or terminating such borrowings, or in negotiating or varying the terms of such borrowings; and
- 7.3.25 expenses incurred in acquiring and disposing of investments (including the costs associated with entering into hedging transactions in any hedged share classes (which includes the costs paid to any applicable Hedging Service Provider for calculating the required daily hedge and placing hedging transactions) and which will be applied only to the relevant hedged share class);
- 7.3.26 the costs of registering investments;
- 7.3.27 fees in respect of the publication and circulation of details of the Net Asset Value (including the costs of electronic data/information sources) and the costs of obtaining fund ratings and benchmark costs;
- 7.3.28 the fees, charges, expenses and disbursements of the tax, legal and other professional services providers or advisers of the Company;
- 7.3.29 the periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which shares are or may lawfully be marketed;
- 7.3.30 the fees and expenses payable to the Depositary, Administrator, Registrar and to their respective delegates (including Custodian) unless otherwise specified in this Prospectus (including any out of pocket expenses properly and reasonably incurred by the Depositary (see 7.7 below), Administrator, Registrar in the performance of their duties);
- 7.3.31 the fees and expenses payable to the Auditor;
- 7.3.32 fees of the FCA under the Financial Services and Markets Act 2000;
- 7.3.33 the fees and expenses in respect of third party system providers to enable STP with the Registrar **(in respect of VT Argonaut Equity Income Fund only; this fund is in the process of termination and is no longer available for investment)**; and

7.3.34 any costs and expenses related to reporting of data in relation to any requirement under the Regulations or where the ACD or the Company has an obligation to submit data under International law and agreement (e.g. in relation to UCITS V, FATCA etc.) **(in respect of VT Argonaut Equity Income Fund only; this fund is in the process of termination and is no longer available for investment).**

VAT is payable on these charges where appropriate.

*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.

#### 7.4 **Costs relating to EPM**

Certain direct and indirect operational costs and/or fees may arise from time to time 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 7.3.1 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.

#### 7.5 **Investment Manager's Fee**

The Investment Manager's fees and expenses (plus VAT thereon) for providing investment management services will be paid by the ACD out of the annual management charge.

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

The Depositary receives for its own account a periodic fee which will be calculated and accrue daily and is payable monthly on the last Business Day in each calendar month in respect of that day and the period since the last Business Day in the preceding month and is payable as soon as practicable after the last Business Day in each month. The fee is calculated by reference to the value of the Fund on the last Business Day of the preceding month except for the first accrual which is

calculated by reference to the first Valuation Point of the Fund. The rate of the periodic fee is agreed between the ACD and the Depositary and is calculated on a sliding scale based on the value of each Fund on the following basis:

- Up to £100 million – 3 bps (0.03%) per annum
- £100 million to £200 million – 2.5 bps (0.025%) per annum
- £200 million to £400 million – 2.0 bps (0.020%) per annum
- thereafter – 1.5 bps (0.015%) per annum

The annual fee is subject to a minimum of £15,000 plus VAT per annum per Fund.

These rates can be varied from time to time in accordance with the OEIC Regulations and the Rules.

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 that Fund is made and ending on the last Business Day of the month in which that day falls.

In addition to the periodic fee referred to above, the Depositary shall also be entitled to be paid transaction and custody charges in relation to transaction handling and safekeeping of the Scheme Property as follows:

<b>Item</b>	<b>Range</b>
Transaction Charges	£0 to £40.
Custody Charges*	0% to 0.12%.

These charges vary from country to country depending on the markets and the type of transaction involved. Transaction charges accrue at the time the transactions are effected and are payable as soon as is reasonably practicable, and in any event not later than the last Business Day of the month when such charges arose or as otherwise agreed between the Depositary and the ACD. Custody charges accrue and are payable as agreed from time to time by the ACD and the Depositary.

Where relevant, the Depositary may make a charge for its services in relation to: distributions, the provision of banking services, holding money on deposit, lending money, or engaging in stock lending or derivative transactions, in relation to a Fund and may purchase or sell or deal in the purchase or sale of Scheme Property, provided always that the services concerned and any such dealing are in accordance with the provisions of the COLL Sourcebook.

The Depositary will also be entitled to payment and reimbursement of all costs, liabilities and expenses properly incurred in the performance of, or arranging the performance of, functions conferred on it by the Instrument, the COLL Sourcebook or by the general law.

On a winding up of a Fund, the Depositary will be entitled to its pro rata fees, charges and expenses to the date of winding up, the termination, or the redemption (as appropriate) and any additional expenses necessarily realised in settling or receiving any outstanding obligations.

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

In each such case such payments, expenses and disbursements may be payable to any person (including the ACD or any associate or nominee of the Depositary or of the ACD) who has had the relevant duty delegated to it pursuant to the COLL Sourcebook by the Depositary.

#### 7.7 **Registrar and Administrator Fees**

The ACD is entitled to receive out of the Scheme Property fees in respect of its Registrar and Administration Services. This fee will be calculated and accrued daily and charged monthly as soon as practicable after the month end.

#### 7.8 **Research Payment Account**

The Investment Manager operates a Research Payment Account ("**RPA**") on behalf of the Company.

The purpose of a RPA is to facilitate the payment by the Fund for research into securities and markets that the Fund might already be invested in, or be intending to invest in. Such research provides the Investment Manager with detailed information relating to the asset or proposed asset, with the aim of enabling it to make more informed investment decisions on behalf of the Fund.

The Investment Manager will set a budget for the Fund (the "**RPA Budget**"), which will have to be agreed and approved by the ACD. The Research Budget is an annual budget to align with the Fund's reporting year (the "**RPA Year**"). The RPA Budget cannot be exceeded during the RPA Year, although it can be increased during the RPA Year by agreement between the Investment Manager and the ACD. Any increase to the RPA Budget will be introduced in accordance with applicable FCA Rules.

The RPA Budget amount, including the estimated charge being applied to the Fund, will be available for the Fund's Shareholders in the Report and Accounts at [www.valu-trac.com](http://www.valu-trac.com) or on application to the ACD at its registered address.

If the approved budgeted amount is not exhausted within the RPA Year, the balance

will either be returned to the Fund, or will be carried forward to the next RPA Year. The ACD will confirm the treatment of any excess in its communications with shareholders and on the aforementioned web pages. Where there is a shortfall (without an increase in the RPA Budget amount having previously agreed and the shareholders informed), it will be paid for by the Investment Manager. The RPA Budget is not precisely linked to the volume or value of transactions discussed in clause 3 below.

In its capacity as ACD of the Company, Valu-Trac Investment Management Limited conducts appropriate oversight of the Investment Manager's operation of the RPA and its compliance with the Regulations (including COBS 2.3B).

Further disclosure in relation to the operation and benefits of the RPAs:

1. The Funds will benefit from detailed investment research regarding individual securities, industry sectors and geographical sectors provided to the Investment Manager, enabling the Investment Manager to make more informed decisions regarding the assets to be held by the Fund;
2. The Investment Manager will regularly assess the quality of the research purchased, based on robust quality criteria, and its ability to contribute to better investment decisions on behalf of the Fund. Commentary regarding this assessment will be included within the Investment Manager's Report, which will be published twice each year;
3. The Investment Manager proposes to primarily use the "Transaction Method" for the collection of research charges. This means that the Investment Manager will instruct brokers to collect amounts in respect of research charges alongside its own transaction costs and fees. These amounts are calculated separately to the transaction but collected alongside the transaction and will be deducted from the Fund's assets on or around the time of the relevant transaction. The brokers will then pay the research cost into the RPA which the Investment Manager will subsequently use to pay research providers;
4. The actual charge to the RPA Budget for the Fund can be found in each half-yearly report issued by the Company's ACD from the first accounting period end following 19<sup>th</sup> January 2018.

## 7.9 **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 they vote, use all their votes or cast all the votes they use 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**

### 9.1 **General**

The information below is a general guide based on current United Kingdom law and HM Revenue & Customs practice, all of which are subject to change. It is not intended to be exhaustive and there may be other tax considerations which may be relevant to prospective investors.

It summarises the tax position of the Company and of investors who are resident in the United Kingdom for tax purposes and hold Shares as investments. The regime for taxation of income and capital gains received by investors depends on the tax law applicable to their particular circumstances and/or the place where the Scheme Property is invested.

Prospective investors who are in any doubt about their tax position, or who may be subject to tax in a jurisdiction other than the United Kingdom, are recommended to take professional advice.

### 9.2 **The Company**

Each Fund will be treated as a separate entity for United Kingdom tax purposes.

The Company is generally exempt from United Kingdom tax on capital gains realised on the disposal of its investments. However, in some cases, gains realised on holdings in non-reporting offshore funds will incur a tax charge on disposal.

Any dividend distribution received by the Company will not normally be charged to corporation tax provided that it falls within one of the exempt classes set out in the relevant legislation. The Company will be subject to corporation tax on most other types of income but after deducting allowable management expenses and the gross amount of any interest distributions. Where the Company suffers foreign tax on income received, this will normally be an irrecoverable tax expense.

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

### 9.3 **Shareholders**

#### 9.3.1 **Income distributions**

Any income distribution made by the Company, unless designated by the Company as an interest distribution, will be treated as if it were a dividend from a UK company. No deduction of UK income tax is made from a dividend distribution.

Corporate Shareholders within the charge to UK corporation tax receive this income distribution as franked investment income to the extent that the distribution relates to underlying franked investment income (before deduction of expenses, but net of UK corporation tax) for the period in respect of which the distribution is made. Any part of the distribution which is not received as franked investment income is deemed to be an annual payment from which income tax at the rate of 20% has been deducted.

### 9.3.2 **Capital gains**

Shareholders who are resident in the UK for tax purposes may be liable to capital gains tax or, where the Shareholder is a company, corporation tax in respect of gains arising from the sale, exchange or other disposal of Shares (including Switches between Funds but not Switches between Classes in respect of the same Fund).

Capital gains made by individual Shareholders on disposals from all chargeable sources of investment will be tax free if the net gain (after deduction of allowable losses) falls within an individual's annual capital gains exemption.

Shareholders chargeable to UK corporation tax must include all chargeable gains realised on the disposal of Shares in their taxable profits.

Special provisions apply to a UK corporate Shareholder which invests in a bond fund (see above). Where this is the case, the corporate Shareholder's Shares in the Fund are treated for tax purposes as rights under a creditor loan relationship. This means that the increase or decrease in value of the Shares during each accounting period of the corporate Shareholder is treated as a loan relationship credit or debit, as appropriate and constitutes income (as opposed to a capital gain) for tax purposes and, as such, is taxed in the year that it arises.

The amount representing the income equalisation element of the Share price is a return of capital and is not taxable as income in the hands of Shareholders. This amount should be deducted from the cost of Shares in computing any capital gain realised on a subsequent disposal.

### 9.3.3 **Income Equalisation**

The first income allocation received by an investor after buying Shares may include an amount of income equalisation, which will be shown on the issued tax voucher. This is effectively a repayment of the income equalisation paid by the investor as part of the purchase price. It is a return of capital, and is not taxable. Rather it should be deducted from the acquisition cost of the Shares for capital gains tax purposes.

### 9.3.4 **Reporting of tax information**

The Company and the ACD are subject to obligations which require them to provide certain information to relevant tax authorities about the Company, investors and payments made to them.

Under the Automatic Exchange of Information (AEOI) Regime the Company is obliged to share certain information in relation to investors with HMRC which will be shared with other tax authorities. AEOI refers to US Foreign Account Tax Compliant Act ("FATCA") and associated inter-governmental agreements and OECD's Common Reporting Standard ("CRS") as applicable in participating jurisdictions.

Failure to comply with these requirements will subject a Fund to US withholding taxes on certain US-sourced income and gains under FATCA and various penalties as applicable in different participating jurisdictions for being non-compliant with CRS regulations.

Shareholders may be asked to provide additional information to the ACD to enable the Fund to satisfy these obligations. Failure to provide requested information under FATCA may subject a Shareholder to liability for any resulting US withholding taxes, US tax information reporting and/or mandatory redemption, transfer or other termination of the Shareholder's interest in a Fund.

To the extent a Fund is subject to withholding tax as a result of:

- a Shareholder failing (or delaying) to provide relevant information to the ACD;
- a Shareholder failing (or delaying) to enter into a direct agreement with the IRS;
- the Fund becoming liable under FATCA or any legislation or regulation to account for tax in any jurisdiction in the event that a Shareholder or beneficial owner of a Share receives a distribution,

payment or redemption, in respect of their Shares or disposes (or be deemed to have disposed) of part or all of their Shares in any way;

(each a "Chargeable Event"),

the ACD may take any action in relation to a Shareholder's or beneficial owner's holding to ensure that such withholding is economically borne by the relevant Shareholder or beneficial owner, and/or the ACD and/or its delegate or agent shall be entitled to deduct from the payment arising on a Chargeable Event an amount equal to the appropriate tax. The action by the ACD may also include, but is not limited to, removal of a non-compliant Shareholder from the Company or the ACD or its delegates or agents redeeming or cancelling such number of Shares held by the Shareholder or such beneficial owner as are required to meet the amount of tax. Neither the ACD nor its delegate or agent, will be obliged to make any additional payments to the Shareholder or beneficial owner in respect of such withholding or deduction.

Each investor agrees to indemnify the Company, each Fund and/or the ACD and its delegates/agents for any loss caused by such investor arising to the Company, a Fund and/or ACD and/or its delegates/agents by reason of them becoming liable to account for tax in any jurisdiction on the happening of a Chargeable Event.

**The foregoing statements are based on UK law and HMRC practice as known at the date of this Prospectus, which is subject to change, are intended to provide general guidance only. Shareholders and applicants for Shares are recommended to consult their professional advisers if they are in any doubt about their tax position. No liability is accepted by the ACD for such interpretation.**

## 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 is to be wound up or a particular Fund terminated (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; or
- 10.4 on the effective date of a duly approved scheme of arrangement which is to result in the Scheme ceasing to hold any scheme property; or
- 10.5 in the case of a Fund on the effective date of a duly approved scheme of arrangement which is to result in the Fund ceasing to hold any scheme property; or
- 10.6 on the date when all the Funds fall within 10.5 above or have otherwise ceased to hold any scheme property, notwithstanding the Scheme may have assets and liabilities that are not attributable to any particular Fund.

On the occurrence of any of the above:

- 10.7 COLL 6.2 (Dealing), COLL 6.3 (Valuation and Pricing), COLL 6.6.20R to COLL 6.6.24G (Assessment of Value) (with effect from 30th September 2019) and COLL 5 (Investment and borrowing powers) will cease to apply to the Company or the relevant Fund;
- 10.8 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;
- 10.9 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;
- 10.10 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;
- 10.11 the corporate status and powers of the Company and subject to 10.7 to 10.10 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 or 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 termination of a Fund, the ACD must prepare a final account showing how the winding up or termination took place and how the property was distributed. The auditor of the Company shall make a report in respect of the final account stating its opinion as to whether the final account has been properly prepared. This final account and the auditor's report must be sent to the FCA and to each Shareholder (or the first named of joint Shareholders) on it within four months of the completion of the winding up or termination.

## 11. GENERAL INFORMATION

### 11.1 Accounting Periods

The annual accounting period of the Company ends each year on the last day of December (the accounting reference date) with an interim accounting period ending on 30 June.

### 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 bank/telegraphic transfer 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 accumulation or 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 auditor 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 normally be published within two months of each annual accounting period although the ACD reserves the right to publish the annual report at a later date but not later than four months from the end of each annual accounting period and the half yearly report will be published within two months of each interim accounting period. A report containing the full accounts is available to any person free of charge at [www.valu-trac.com](http://www.valu-trac.com) and upon request to the ACD directly.

### 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 Mains of Orton, Orton, Moray, IV32 7QE:

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 Prospectus and the Instrument of Incorporation 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 between the Company and the ACD; and

11.5.2 the Depositary Agreement between the Company the Depositary and the ACD.

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

### 11.6 **Strategy for the exercise of voting rights**

The ACD has a strategy for determining when and how voting rights attached to ownership of Scheme Property are to be exercised for the benefit of each Fund. A summary of this strategy, together with details of the actions taken pursuant to it,

is available from the ACD on request by writing to Mains of Orton, Orton, Moray, IV32 7QE.

#### 11.7 **Best Execution**

The Investment Manager's best execution policy sets out the basis upon which they will effect transactions and place orders in relation to the Company whilst complying with its obligations under the FCA Handbook to obtain the best possible result for the Company. Details of this policy can be obtained by contacting the Investment Manager.

#### 11.8 **Inducements**

The ACD will make disclosures to the Company in relation to inducements as required by the FCA Regulations. Further details of any such inducements may be obtained on request from the ACD.

#### 11.9 **Provision of Investment Advice**

All information concerning the Company and about investing in Shares of the Company is available from the ACD at Mains of Orton, Orton, Moray, IV32 7QE. The ACD will not 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.

#### 11.10 **Telephone Recordings**

Please note that the ACD may record telephone calls for training and monitoring purposes and to confirm investors' instructions. Telephone recordings will be stored for up to 7 years.

#### 11.11 **Complaints**

Complaints concerning the operation or marketing of the Company may be referred to the Head of Compliance at the ACD at Mains of Orton, Orton, Moray, IV32 7QE or, if you subsequently wish to take your complaint further, direct to the Financial Ombudsman Service at Exchange Tower, London E14 9SR. The website of the Financial Ombudsman Service is at [www.financial-ombudsman.org.uk](http://www.financial-ombudsman.org.uk).

Please note that a copy of the ACD's guide to making a complaint is available upon request.

The Financial Services Compensation Scheme (FSCS) offers compensation when an authorised firm is unable to pay claims against it, usually because the firm has gone out of business. The ACD is covered by the Financial Services Compensation

Scheme. Investors may be entitled to compensation from the scheme if the ACD cannot meet its obligations. Most types of investment business are covered for 100% of the first £85,000 only. Further information is available from:

The Financial Services Compensation Scheme  
PO Box 300  
Mitcheldean  
GL17 1DY

Tel: 0800 678 1100

Website: [www.fscs.org.uk](http://www.fscs.org.uk)

#### 11.12 **Risk Management**

The ACD will provide, upon the request of a Shareholder, further information relating to:

11.12.1 the quantitative limits applying in the risk management of any Fund;

11.12.2 the methods used in relation to 11.12.1; and

11.12.3 any recent development of the risk and yields of the main categories of investment.

#### 11.13 **Indemnity**

The Instrument of Incorporation contains provisions indemnifying the Directors, other officers and the Company's auditor 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.

#### 11.14 **Notices**

All notices or documents required to be served on the 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.

#### 11.15 **Genuine diversity of ownership**

Shares in, and information on, the Company are and will continue to be marketed and made easily and widely available to reach the intended categories of investors and in a manner appropriate to attract those categories of investors. The intended categories of investors are retail and institutional investors.

#### 11.16 **Collateral Management Policy**

The ACD has a collateral management policy which it keeps under regular review. The policy defines “eligible” types of collateral which the Funds may receive to mitigate counterparty exposure. The policy will also include any additional restrictions deemed appropriate by the ACD. Collateral will generally be of high quality and liquid (i.e. cash and government securities). If this were to change the policy will be revised and updated.

The ACD will determine the collateral acceptable according to its counterparty risk policy and the value of which varies dependent on agreements in place. The ACD requests the collateral value which as a minimum requirement, will fully cover (100%) of the nominal value invested. Collateral may be subject to a haircut depending on the classes of assets received. The haircut policy depends on quality of assets received, their price volatility, together with the outcome of any stress tests performed under normal and exceptional liquidity conditions. When cash collateral is reinvested, it will be diversified in accordance with the requirements of ESMA’s Guidelines on ETFs and other UCITS issues (ESMA/2012/832EN). Where a Fund re-invests cash collateral in one or more permitted types of investment, there is a risk that the investment will earn less than the interest that is due to the counterparty in respect of that cash and that it will return less than the amount of cash that was invested.

#### **11.17 Provisions to facilitate any future election for tax-elected fund status**

The Funds may not have a United Kingdom property business or an overseas property business (as defined for regulation 69Z46 of the Authorised Investment Funds (Tax) Regulations 2006).

No Fund may enter into or be a party to any form of debt, the interest on which is dependent on the results of that Fund or the value of its assets, or where the interest exceeds a normal commercial return on the principal, or where the capital to be repaid exceeds the amount lent or is not reasonably comparable with amounts generally repayable on listed securities (as provided in regulation 69Z47 of the Authorised Investment Funds (Tax) Regulations 2006).

#### **11.18 Remuneration Policy**

FCA Rules require that the ACD applies remuneration policies and practices that are consistent with, and promote, effective risk management for certain categories of staff (namely those whose activities have a material impact on the risk profile of the ACD or the UCITS funds that it manages (“Code Staff”). The ACD, taking account of the principle of proportionality, has in place a remuneration policy (the “Remuneration Policy”) which is reviewed at least annually.

The ACD considers the Remuneration Policy to be appropriate to the size, internal operations, nature, scale and complexity of the Fund and in line with the risk profile, risk appetite and the strategy of the Fund.

The Remuneration Policy will apply to the fixed and variable (if any) remuneration received by the Code Staff.

In respect of any investment management delegates, the ACD requires that: (i) the entities to which such activities have been delegated are subject to regulatory requirements on remuneration that are equally as effective as those applicable under the European Securities and Market's Authority's ("ESMA's") Guidelines on Sound Remuneration Policies under the UCITS Directive and AIFMD / Article 14 of the UCITS Directive; or (ii) appropriate contractual arrangements are put in place with entities to which such activities have been delegated in order to ensure that there is no circumvention of the remuneration rules set out in the ESMA Guidelines or the FCA Handbook.

The ACD's remuneration policy requires, amongst other items, that the remuneration practices within the ACD:

- 11.18.1 are consistent with and promote sound and effective risk management;
- 11.18.2 do not encourage risk taking which is inconsistent with the risk profiles or the instrument constituting the fund or the prospectus, as applicable, of the UCITS it manages;
- 11.18.3 do not impair the ACD's compliance with its duty to act in the best interests of the UCITS it manages; and
- 11.18.4 include fixed and variable components of remuneration, including salaries and discretionary pension benefits.

Up-to-date details of the ACD's remuneration policy, including but not limited to (i) a description of how remuneration and benefits are calculated; and (ii) the identities of persons responsible for awarding the remuneration and benefits including the composition of the remuneration committee, where such a committee exists, can be found at [www.valu-trac.com](http://www.valu-trac.com). Shareholders may obtain a paper copy of the full remuneration policy, free of charge, on request from the ACD.

#### 11.19 **Securities Financing Transactions Disclosures**

The ACD is, as "UCITS manager" of the Funds, subject to the provisions of the UK Regulation on Reporting and Transparency of Securities Financing Transactions ("SFTR"). Amongst other things, SFTR sets out certain disclosure

requirements regarding the ACD's (and therefore the Investment Adviser's) use of certain securities financing transactions:

- 11.19.1 The Funds may use securities financing transactions ("SFT", as defined in SFTR as a repurchase or reverse-repurchase transaction, securities or commodities lending and securities or commodities borrowing, a buy- sell back transaction or sell-buy back transaction or a margin lending transaction (in each case as further defined in SFTR)) for efficient portfolio management purposes and total return swaps ("TRS"). The limitations on their use are explained in Appendix III of this Prospectus entitled "Investment and Borrowing Powers of the Company". The Funds' use of SFTs and TRSs is consistent with its investment objective and policy and accordingly SFTs and TRSs may be used to reduce risk, reduce cost and/or generate additional capital or income with a risk level that is consistent with that of the Funds and the risk diversification rules laid down in the COLL Sourcebook.
- 11.19.2 As is required by SFTR, the ACD will disclose in its annual report certain information regarding its use of SFTs and TRSs. Subject to the limitations referred to in 11.19.1 above, the Funds may participate in contracts for difference (CFDs) and shorting. These activities will be used to optimise the total return for shareholders through cost reduction or supplemental income.
- 11.19.3 As described in the Appendix III of this Prospectus, SFTs and TRSs will only be entered into with "approved counterparties" as defined in the FCA Handbook.
- 11.19.4 The Fund 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.



- 11.19.5 Where the Company enters into a reverse repurchase agreement the ACD shall ensure that it is able at any time to recall the full amount of cash or to terminate the reverse repurchase agreement on either an accrued basis or a mark-to-market basis, unless the agreement is entered into for a fixed term not exceeding seven days.
- 11.19.6 Where the Company enters into a reverse repurchase agreement the ACD shall ensure that it is able at any time to recall any securities subject to the repurchase agreement or to terminate the reverse repurchase agreement which it has entered, unless the agreement is entered into for a fixed term not exceeding seven days.
- 11.19.7 As collateral in connection with SFTs and TRSs, the Fund will accept cash and government-issued bonds of any maturity that comply with the following criteria:
- i. Liquidity: bond collateral must be liquid and able to be traded at a price that is reasonably close to its pre-sale valuation;
  - ii. Valuation: bond collateral must be capable of being valued on a daily basis, and assets that exhibit high price volatility shall not be accepted as collateral unless suitably conservative haircuts are in place;
  - iii. Issuer credit quality: collateral must be of relatively low credit risk when received;
  - iv. Correlation: collateral must be expected not to display a high correlation with the performance of the counterparty; and
  - v. Diversification: collateral that is cash (USD, GBP, EUR), sovereign and government-backed agency securities, investment grade supranational, corporate and convertible bonds and exchange traded funds is not subject to diversification requirements. Other collateral from any country or single issuer must not, in aggregate from all recipients, be more than 20% of the Fund's Net Asset Value.
- Collateral received must be capable of being enforced by the Fund in the event of default without reference to or approval by the party providing the collateral.
- 11.19.8 Exposures and collateral value will typically be marked to observable market values each Business Day. To the extent practicable, the prices will be determined from reputable pricing sources, reflecting recently

traded prices. Where the Fund has a contractual entitlement to receive a material amount of collateral as variation margin, then the Fund has a policy to request delivery of collateral.

- 11.19.9 The entitlement of the Fund to receive collateral will be determined as a matter of contract. The Fund will typically endeavour to negotiate terms that allow the Fund to collect variation margin in respect of mark-to-market movements in favour of the Fund. However, in keeping with normal commercial practice of large dealers in SFTs and TRSs, it is common for the Fund to have to agree to deliver initial margin to dealer counterparties on SFTs and TRSs. This initial margin amounts to a debt obligation of the dealer and is a credit risk on that dealer. Any collateral entitlement of the Fund is typically calculated net of the initial margin requirement, meaning that the aggregate collateral received on the SFTs and TRSs will typically be less than the mark-to-market value in favour of the Fund.
- 11.19.10 The type of acceptable collateral as well as the diversification requirements are explained in 11.19.4 above.
- 11.19.11 Any collateral obtained by the Funds pursuant to an SFT shall be valued in accordance with the ACD's valuation policy detailed in section 4 of this Prospectus entitled "Valuation of the Company" but subject to the ACD's haircut policy as described in section 11.16 "Collateral Management Policy". Such haircut policy accounts for the fact that the valuation of the collateral or liquidity profile may deteriorate over time.
- 11.19.12 Section 5 of this Prospectus entitled "Risk Factors" provides a description of the risks linked to the use of derivatives as well as counterparty risk.
- 11.19.13 The assets of the Funds that are subject to any SFT and TRS and any collateral received in connection with such arrangements are maintained and held via a tri-party collateral manager or are otherwise held in a segregated collateral account at Euroclear.
- 11.19.14 The Fund will have some credit and operational risk exposure to its counterparties which will require the Fund to pool collateral to support its obligations in connection with certain of its financing arrangements. This includes the credit risk created by the Fund delivering initial margin on SFTs and TRSs. Generally, counterparties will have the right to sell, pledge, re-hypothecate, assign, use or otherwise dispose of the collateral pooled by the Fund in connection with such transactions. Additionally, the Fund may lend securities on a collateralised or an uncollateralised basis.

11.19.15 The reuse of collateral is limited by the COLL Sourcebook to certain asset classes. Further the reuse should not result in a change to the Funds' investment objectives to add substantial risks to the Funds' risk profile. Section 11.19.4 above sets out the relevant diversification requirements.

## APPENDIX I

### FUND DETAILS

<b>Name:</b>	VT Argonaut European Alpha Fund <b>NOTE: this fund is in the process of termination and is no longer available for investment.</b>
<b>Type of Fund:</b>	UCITS scheme
<b>FCA PRN:</b>	635843
<b>Launch date:</b>	14 July 2012
<b>First Dealing Day:</b>	16 July 2012
<b>Investment objective:</b>	The Fund aims to achieve returns (capital and income) in excess of the returns of the Investment Association (IA) Europe ex UK Sector over the long term (5 years).
<b>Investment policy:</b>	<p>The Fund will seek to achieve its objective by investing in a concentrated portfolio of approximately 30-60 stocks. The Fund will invest at least 80% in companies incorporated in countries in Europe. The Fund may also invest in companies that are headquartered or quoted outside Europe which derive a significant part of their business from Europe and whose securities are listed or traded on an eligible securities exchange.</p> <p>The Fund will not concentrate on any particular sector but will invest in a broad range of companies without regard to market capitalisation.</p> <p>The Fund may also invest in other equities, fixed interest, units in collective investment schemes, money market instruments and deposits.</p> <p><b>The Fund may also make use of certain financial contracts known as derivatives and forward transactions for the purpose of efficient portfolio management, including the use of hedging techniques and stock lending.</b> It is not intended that the use of derivatives for efficient portfolio management purposes will increase the risk profile of the Fund.</p>

## **Benchmark**

A target for the Fund's performance has been set by reference to the IA Europe ex UK Sector (the "**Target Benchmark**") over a five year period.

The IA Europe ex UK Sector is considered to be an appropriate benchmark because it enables investors to compare the performance of the portfolio against competing funds in the same sector.

Investors may use the Fund's performance against the Target Benchmark to assess the comparable Fund's rank or quartile as compared to the performance of other funds in the IA Europe ex UK Sector over a variety of time frames.

The ACD reserves the right to change the comparator following consultation with the Depositary and in accordance with the rules of COLL. A change could arise, for example, where the ACD determines that an alternative may be more appropriate. Shareholders will be notified of such a change, in accordance with the rules in COLL.

<b>Final accounting date:</b>	31 December
<b>Interim accounting dates:</b>	30 June
<b>Income distribution dates*:</b>	31 August, Last day of February
<b>Valuation Point:</b>	12 noon
<b>Cut Off Point:</b>	11:59 am
<b>Dealing frequency:</b>	Daily on a Dealing Day

\* 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 Shares*:</b>	Class A Retail	Class A Retail	Class R Retail	Class R Retail	Class I Institutional	Class I Institutional	Class I Institutional†	Class I Institutional†	Class A (Eur) Retail	Class I (Eur) Institutional
<b>Type of Shares:</b>	Income	Accumulation	Income	Accumulation	Income	Accumulation	Income (Currency Hedged)	Accumulation (Currency Hedged)	Accumulation	Accumulation
<b>Currency of denomination:</b>	Pounds sterling (£ - GBP)	Pounds sterling (£ - GBP)	Pounds sterling (£ - GBP)	Pounds sterling (£ - GBP)	Pounds sterling (£ - GBP)	Pounds sterling (£ - GBP)	Pounds sterling (£ - GBP)	Pounds sterling (£ - GBP)	Euro (€ - EUR)	Euro (€ - EUR)
<b>Initial charge**:</b>	5.25%	5.25%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	5.25%	0.00%
<b>Redemption charge:</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Annual Management Charge:</b>	1.75%	1.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	1.75%	0.75%
<b>Performance Fee</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Minimum initial investment:</b>	£500	£500	£500	£500	£3,000,000	£3,000,000	£3,000,000	£3,000,000	€ 2,500	€ 3,000,000
<b>Minimum subsequent investment:</b>	£250	£250	£250	£250	£1,000	£1,000	£1,000	£1,000	€ 1,000	€ 1,000
<b>Minimum holding:</b>	£250	£250	£250	£250	£3,000,000	£3,000,000	£3,000,000	£3,000,000	€ 2,500	€ 3,000,000
<b>Minimum redemption:</b>	£100	£100	£100	£100	£1,000	£1,000	£1,000	£1,000	€ 1,000	€ 1,000

<b>Classes of Shares*:</b>	Class A Retail	Class A Retail	Class R Retail	Class R Retail	Class I Institutional	Class I Institutional	Class I Institutional†	Class I Institutional†	Class A (Eur) Retail	Class I (Eur) Institutional
<b>Regular Savings Plan:</b>	Yes, minimum payment of £100 per month (minimum £50 per fund)	Yes, minimum payment of £100 per month (minimum £50 per fund)	Yes, minimum payment of £100 per month (minimum £50 per fund)	Yes, minimum payment of £100 per month (minimum £50 per fund)	N/A	N/A	N/A	N/A	N/A	N/A
<b>ISA status:</b>	Qualifying Investment for stocks and shares component	Qualifying Investment for stocks and shares component	Qualifying Investment for stocks and shares component	Qualifying Investment for stocks and shares component	N/A	N/A	N/A	N/A	N/A	N/A
<b>Charges taken from income</b>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	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.									

\* Investors should note the eligibility criteria for each class of share as set out in paragraph 2.2.2 before subscribing.

\*\* The initial charge is shown as a percentage of the amount invested which is equivalent to 5.5409% of the price of shares.

† Share class launch date - 13 April 2015

<b>Name:</b>	VT Argonaut Absolute Return Fund
<b>Type of Fund:</b>	UCITS scheme
<b>FCA PRN:</b>	635846
<b>Launch date:</b>	14 July 2012
<b>First Dealing Day:</b>	16 July 2012
<b>Investment objective:</b>	<p>To provide positive returns over a 3 year period, regardless of market conditions.</p> <p>Capital invested in the Fund is at risk and there is no guarantee that the investment objective will be met over a 3 year, or any other period.</p>
<b>Investment policy:</b>	<p>The Fund will seek to achieve the investment objective by investing in a portfolio of long equity positions (which may include equity derivatives) and synthetically short equity positions (being derivative positions). At least half of this gross exposure (in aggregate, including equity derivatives) will be to companies that are listed on any UK or European stock exchange or domiciled in the UK or Europe.</p> <p>The portfolio may, at times, be concentrated (meaning 30-60 long equity positions and 20-50 short equity positions).</p> <p>The Fund may also invest at the Investment Manager's discretion in other transferable securities, exchange traded funds, exchange traded commodities and exchange traded notes, derivative instruments and (subject to a limit of 10% of the value of the fund) collective investment schemes.</p> <p>Any such exposures could be gained by direct investment or through funds or derivative instruments.</p> <p>In pursuit of its investment objective, all or a substantial proportion of the Fund's assets may consist of cash, near cash, deposits and/or money market instruments. The Fund may also invest in warrants.</p> <p>The Fund may use derivatives and forward transactions for the purposes of meeting the investment objective or efficient portfolio</p>



management. The use of derivatives is expected to be significant in respect of short positions held by the Fund. However, the derivative exposure is expected to be non-complex, with all short positions in individual stocks being through CRD swaps that will have a 1:1 exposure to underlying equities.

**Investment strategy:**

The Investment Manager will seek to identify methodically those investments, generally in European markets including the UK and Eastern Europe, with the most and least attractive characteristics for investment. This assessment will be made with a view to being long on stocks with superior or underestimated earnings trends and being short on stocks with inferior or overestimated earnings trends.

The investment process will involve traditional long investing (taking a position in a stock on the expectation of the stock rising) and also "shorting" (taking a position with the expectation of the stock falling). Stocks are selected by the Investment Manager primarily on over (shorts) and under (longs) estimated corporate earnings trends with the aim of providing "double alpha" from our stock-picking. Alpha is the difference between our returns and those of the market average. Successfully executed this will result in positive returns from the Fund regardless of market conditions.

The Fund may also use leverage to enhance returns or cash to protect capital. The Investment Manager will vary leverage and market exposure according to market conditions.

Investment strategies will be achieved through some use of derivative products (which will include contracts for difference (swaps), traded options and financial futures) in the pursuit of the investment objective. Direct investment will be made mainly in equities for long and short exposure. Short positions will be generated synthetically through derivatives, designed to

allow the Fund to benefit economically from the fall in the price of the underlying securities to which the derivatives relate.

In pursuit of its investment policy, all or a substantial proportion of the Fund's assets may consist of cash, near cash, deposits, warrants and/or money market instruments; the Fund may also invest in government bonds and other transferable securities collective investment schemes (and use may be made of borrowing and hedging techniques permitted by the FCA Rules).

In addition to a cash holding being maintained to contribute to the absolute return, substantial cash holdings could be required in support of derivatives to achieve the same economic return as holding the securities themselves.

The Fund's over-the-counter financial derivatives may be transacted with a single counterparty and strategies may be generated through a single derivative contract. In all circumstances, however, the Fund will comply with the investment restrictions and limits set out in the Prospectus. Derivatives strategies are designed to have the same economic effect as if the Fund were investing directly in the equities underlying the derivatives.

In addition, the Fund has the ability to invest in transferable securities embedding derivatives such as convertible bonds and to employ techniques involving, foreign exchange forwards, futures, options and contracts for difference for the purpose of efficient portfolio management. These strategies may be used for reducing risk, reducing cost or generating additional capital for the Fund.

The Fund aims to generate absolute returns from five principal strategies:

- Long investing where there is a strong conviction that the stock price will rise;

- Short investing where there is a strong conviction that the stock price will fall;
- Pair trades – a combination of long and short investments to minimise sector and market risk. This could take the form of arbitrage opportunities such as long corporate debt paired with short equity;
- Cash (or cash equivalents) holdings of up to 100% of the portfolio;
- Leverage to increase exposure to equity and corporate debt securities whether long or short but only to the extent permitted by the FCA Regulations†.

**Performance Comparator:**

The Fund is not managed against any formal benchmark. The Fund uses the Investment Association’s (IA) IA Targeted Absolute Return Sector for performance comparison purposes only (“**Performance Comparator**”). The Performance Comparator is not used as a performance target or as a constraint in relation to the composition of the Fund’s portfolio.

The Performance Comparator was chosen because it enables investors to compare the performance of the portfolio against competing funds in the same sector.

The Performance Comparator is used to compare the Fund’s rank or quartile as compared to the performance of other funds in the IA Targeted

Absolute Return Sector over a variety of time frames.

The ACD reserves the right to change the comparator following consultation with the Depositary and in accordance with the rules of COLL. A change could arise, for example, where the ACD determines that an alternative may be more appropriate. Shareholders will be notified of such a change, in accordance with the rules in COLL.

<b>Final accounting date:</b>	31 December
<b>Interim accounting dates:</b>	30 June
<b>Income distribution dates*:</b>	31 August, Last day of February
<b>Valuation Point:</b>	12 noon
<b>Cut Off Point:</b>	11:59 am
<b>Dealing frequency:</b>	Daily on a Dealing Day

\* 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 Shares*:</b>	Class A (currency hedged) Retail	Class R (currency hedged) Retail	Class I (currency hedged) Institutional	Class O (currency hedged) Institutional	Class A (Eur) (currency hedged) Retail	Class I (Eur) (currency hedged) Institutional	Class O (Eur) (currency hedged) Institutional	Class A (USD) (currency hedged) Retail	Class I (USD) (currency hedged) Institutional	Class O (USD) (currency hedged) Institutional	Class A (CHF) (currency hedged) Retail	Class I (CHF) (currency hedged) Institutional
<b>Type of Shares:</b>	Accumulation	Accumulation	Accumulation	Accumulation	Accumulation	Accumulation	Accumulation	Accumulation	Accumulation	Accumulation	Accumulation	Accumulation
<b>Currency of denomination:</b>	Pounds sterling (£ - GBP)	Pounds sterling (£ - GBP)	Pounds sterling (£ - GBP)	Pounds sterling (£ - GBP)	Euro (€ - EUR)	Euro (€ - EUR)	Euro (€ - EUR)	\$ - USD	\$ - USD	\$ - USD	Swiss Franc (CHF)	Swiss Franc (CHF)
<b>Initial charge**:</b>	5.25%	0.00%	0.00%	5.00%	5.25%	0.00%	5.00%	5.25%	0.00%	5.00%	5.25%	0.00%
<b>Redemption charge:</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	TBC	N/A	TBC	TBC	N/A
<b>Annual Management Charge:</b>	1.50%	0.75%	0.75%	1.50%	1.50%	0.75%	1.50%	1.50%	0.75%	1.50%	1.50%	0.75%
<b>Performance Fee:</b>	See Appendix VI for details	See Appendix VI for details	See Appendix VI for details	See Appendix VI for details	See Appendix VI for details	See Appendix VI for details	See Appendix VI for details	See Appendix VI for details	See Appendix VI for details	See Appendix VI for details	See Appendix VI for details	See Appendix VI for details
<b>Minimum initial investment:</b>	£500	£500	£3,000,000	£500	€ 2,500	€ 3,000,000	€ 2,500	\$2,500	\$3,000,000	\$ 2,500	CHF 2,500	CHF 3,000,000
<b>Minimum subsequent investment:</b>	£250	£250	£1,000	£250	€ 1,000	€ 1,000	€ 1,000	\$1,000	\$1,000	\$1,000	CHF 1,000	CHF 1,000
<b>Minimum holding:</b>	£250	£250	£3,000,000	£250	€ 2,500	€ 3,000,000	€ 2,500	\$2,500	\$3,000,000	\$2,500	CHF 2,500	CHF3,000,000

<b>Minimum redemption:</b>	£100	£100	£1,000	£100	€ 1,000	€ 1,000	€ 1,000	\$1,000	\$1,000	\$1,000	CHF1,000	CHF 1,000
<b>Regular Savings Plan:</b>	Yes, minimum payment £100 per month	Yes, minimum payment £100 per month	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>ISA Status:</b>	Qualifying for Stocks and Shares ISA	Qualifying for Stocks and Shares ISA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Charges from Income</b>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

**Past Performance – Information is set out in Appendix V**

**The Fund is an Equity Fund for purposes of tax.**

\* Investors should note the eligibility criteria for each class of share as set out in paragraph 2.2.2 before subscribing.

\*\* The initial charge is shown as a percentage of the amount invested which is equivalent to 5.5409% of the price of shares.

**Name:** VT Argonaut Flexible Fund

**Type of Fund:** UCITS scheme

**FCA PRN:** 1017520

**Launch date:** [Not yet launched]

**First Dealing Day:** [Not yet launched]

**Investment objective:** To provide positive returns (a combination of capital and income) over a 5 year period.

Capital invested in the Fund is at risk and there is no guarantee that the investment objective will be met over a 5 year, or any other, period.

**Investment policy:**

The Fund will seek to achieve its objective by investing in a portfolio of stocks that is, at times, concentrated (meaning, at times, approximately 30-60 stocks). The Fund is not constrained by any allocation limits and therefore may invest up to 100% in such stocks, with no minimum requirement. However, the Fund will typically invest between 50% to 80% of its assets in the shares of companies incorporated in countries in Europe (including the United Kingdom) and the United States (the "US"). The Fund may also invest in companies that are headquartered or quoted outside Europe or the US whose securities are listed or traded on a developed exchange markets.

The Fund will not concentrate on any particular sector but will invest in a broad range of companies whose shares are liquid and marketable and have a capitalisation of at least £500 million.

The Fund may also invest in other shares, fixed interest securities (including mainly US Treasury Bills, but also other government bonds and investment grade corporate bonds), gold and silver (via indirect investment only such as investment in exchange traded funds, exchange traded commodities and exchange traded notes), units in collective investment schemes, money market instruments, cash and deposits.

In pursuit of its investment objective, all or a substantial proportion of the Fund's assets may consist of cash, near cash, deposits, and/or money market instruments. The Fund may also invest in warrants.

The Fund may also make use of certain financial contracts known as derivatives and forward transactions for the purpose of efficient portfolio management, including the use of hedging. It is not intended that the use of derivatives for efficient portfolio management purposes will be significant or that it will increase the risk profile of the Fund.



**Performance Comparator:**

The Fund is not managed against any formal benchmark. The Fund uses the Investment Association's (IA) IA Flexible Sector for performance comparison purposes only ("**Performance Comparator**"). The Performance Comparator is not used as a performance target or as a constraint in relation to the composition of the Fund's portfolio.

The Performance Comparator was chosen because it enables investors to compare the performance of the portfolio against competing funds in the same sector.

The Performance Comparator is used to compare the Fund's rank or quartile as compared to the performance of other funds in the IA Flexible Sector over a variety of time frames.

The ACD reserves the right to change the comparator following consultation with the Depositary and in accordance with the rules of COLL. A change could arise, for example, where the ACD determines that an alternative may be more appropriate. Shareholders will be notified of such a change, in accordance with the rules in COLL

<b>Final accounting date:</b>	31 December
<b>Interim accounting dates:</b>	30 June
<b>Income distribution dates*:</b>	Last day of February, 31 May, 31 August, 30 November
<b>Valuation Point:</b>	12 noon
<b>Cut Off Point:</b>	11:59 am
<b>Dealing frequency:</b>	Daily on a Dealing Day

\* 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 Shares*:</b>	Class A (GBP) Retail	Class A (GBP) Retail	Class I (EUR) Institutional	Class I (GBP) Institutional	Class I (GBP) Institutional	Class I (GBP) (currency hedged) Institutional	Class I (GBP) (currency hedged) Institutional	Class I (EUR)
<b>Type of Shares:</b>	Income	Accumulati	Accumulation	Income	Accumulation	Income	Accumulation	Accumulation
<b>Currency denomination: of</b>	Pounds sterling (£ - GBP)	Pounds sterling (£ - GBP)	Euro (€ - EUR)	Pounds sterling (£ - GBP)	Pounds sterling (£ - GBP)	Pounds sterling (£ - GBP)	Pounds sterling (£ - GBP)	Euro (€ - EUR)
<b>Initial charge**:</b>	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Redemption charge:</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	TBC
<b>Annual Management Charge:</b>	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%
<b>Performance Fee:</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Minimum initial investment:</b>	£500	£500	€3,000,000	£500	£500	£3,000,000	£3,000,000	€3,000,000
<b>Minimum subsequent investment:</b>	£250	£250	€1,000	£250	£250	£1,000	£1,000	€1,000
<b>Minimum holding:</b>	£250	£250	€3,000,000	£250	£250	£3,000,000	£3,000,000	€3,000,000

<b>Minimum redemption:</b>	£100	£100	€1,000	£100	£100	£1,000	£1,000	€1,000
<b>Regular Savings Plan:</b>	Yes, minimum payment £100 per month	Yes, minimum payment £100 per month	N/A	N/A	N/A	N/A	N/A	N/A
<b>ISA Status:</b>	Qualifying for Stocks and Shares ISA	Qualifying for Stocks and Shares ISA	N/A	N/A	N/A	N/A	N/A	N/A
<b>Charges from Income***</b>	Capital	Capital	Capital	Capital	Capital	Capital	Capital	Capital

**Past Performance – Information is set out in Appendix V.**

**The Fund is an Equity Fund for purposes of tax.**

\* Investors should note the eligibility criteria for each class of share as set out in paragraph 2.2.2 before subscribing.

\*\* The initial charge is shown as a percentage of the amount invested which is equivalent to 5.5409% of the price of shares

\*\*\* As charges are taken from capital this will erode capital growth.

<b>Name:</b>	VT Argonaut Equity Income Fund
	<b>NOTE: this fund is in the process of termination and is no longer available for investment</b>
<b>Type of Fund:</b>	UCITS scheme
<b>FCA PRN:</b>	768021
<b>Launch date:</b>	30 December 2016
<b>First Dealing Day:</b>	3 January 2017
<b>Investment objective:</b>	The Fund aims to provide an income (net of fees) in excess of the yield of the European market (as represented by the IA Europe ex UK sector) with capital growth over any 5 year calendar period.
<b>Investment policy:</b>	<p>The Fund will invest in a concentrated portfolio of approximately 30-60 stocks. The Fund will invest predominantly in securities of companies incorporated in Europe (including up to 5% in UK companies).</p> <p>The Fund may also invest in companies that are headquartered or quoted outside Europe which derive a significant part of their business from Europe and whose securities are listed or traded on an eligible securities or derivatives exchange. The Fund may also invest in emerging European markets including Russia and Eastern Europe.</p> <p>The Fund is not constrained by any index weightings and will not concentrate on any particular country, sector or market capitalisation.</p> <p>To aid liquidity, the Fund also has the ability to invest in assets such as American Depositary Receipts and Global Depositary Receipts.</p> <p>The Fund may also invest in other transferable securities, units in collective investment schemes, money market instruments and deposits.</p> <p>The Fund may make use of derivatives and forward transactions for the purposes of investment and for efficient portfolio management, including the use of</p>

hedging techniques.

**Benchmark:**

The Fund aims to provide an income (net of fees) in excess of the yield of the IA (Investment Association's) Europe ex UK sector with capital growth over any 5 year calendar period. The Europe ex UK sector is therefore a target benchmark against which the performance of the Fund has been set ("**Target Benchmark**").

Investors may use the Fund's performance against the Target Benchmark to assess the risks of investing in the Fund.

**Final accounting date:**

31 December

**Interim accounting dates:**

30 June

**Income distribution dates\*:**

Last day of February, 31 May, 31 August, 30 November

**Valuation Point:**

12 noon

**Cut Off Point:**

11:59 am

**Dealing frequency:**

Daily on a Dealing Day

\* 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 Shares*:</b>	Class R Retail	Class R Retail	Class R (currency hedged) Retail#	Class R (currency hedged) Retail#
<b>Type of Shares:</b>	Income	Accumulation	Income	Accumulation
<b>Currency of denomination:</b>	Pounds sterling (£ - GBP)	Pounds sterling (£ - GBP)	Pounds sterling (£ - GBP)	Pounds sterling (£ - GBP)
<b>Initial charge:</b>	0.00%	0.00%	0.00%	0.00%
<b>Redemption charge:</b>	N/A	N/A	N/A	N/A
<b>Annual Management Charge:</b>	0.65%	0.65%	0.65%	0.65%
<b>Performance Fee</b>	N/A	N/A	N/A	N/A
<b>Minimum initial investment:</b>	£500	£500	£500	£500
<b>Minimum subsequent investment:</b>	£250	£250	£250	£250
<b>Minimum holding:</b>	£250	£250	£250	£250
<b>Minimum redemption:</b>	£100	£100	£100	£100
<b>Regular Savings Plan:</b>	Yes, minimum payment of £100 per month (minimum £50 per fund)	Yes, minimum payment of £100 per month (minimum £50 per fund)	Yes, minimum payment of £100 per month (minimum £50 per fund)	Yes, minimum payment of £100 per month (minimum £50 per fund)
<b>ISA status:</b>	Qualifying Investment for stocks and shares component	Qualifying Investment for stocks and shares component	Qualifying Investment for stocks and shares component	Qualifying Investment for stocks and shares component
<b>Charges taken from income:</b>	Charges taken 100% from capital **	Charges taken 100% from capital **	Charges taken 100% from capital **	Charges taken 100% 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.			

\* Investors should note the eligibility for each class of share as set out in paragraph 2.2.2 before subscribing.

\*\* As charges are taken from capital this will erode capital growth.

# Class R (currency hedged) Retail Accumulation and Class R (currency hedged) Retail Income shares have not yet launched.

## 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 the United Kingdom or an EEA State\*.

\*Austria, Belgium, Bulgaria, Croatia, 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 eligible markets on which the Funds are currently permitted to deal:

Please note that some of the eligible markets may not be open currently. They will only be opened once all requisite due diligence has been completed.

**Eligible Securities Markets:  
United States of America**

NYSE Euronext New York  
The NASDAQ Stock Market (NASDAQ)  
NYSE Amex Equities  
The market in transferable securities issued by or on behalf of the United States of America conducted through those persons for the time being recognised and supervised by the Federal Reserve Bank of New York and known as primary dealers

**Australia  
Canada**

Australian Securities Exchange (ASX)  
Toronto Stock Exchange (TSX)  
TSX Venture Exchange

**Hong Kong  
India  
Indonesia  
Japan**

Hong Kong Stock Exchange  
National Stock Exchange of India (NSE)  
Indonesian Stock Exchange  
Tokyo Stock Exchange

**Korea  
Malaysia  
Mexico  
New Zealand  
Philippines  
Singapore  
South Africa  
Switzerland  
Taiwan  
Thailand**

Nagoya Stock Exchange  
Korea Exchange (KRX)  
Bursa Malaysia Securities Bhd  
Bolsa Mexicana de Valores (BMV)  
New Zealand Stock Exchange (NZX)  
Philippine Stock Exchange  
Singapore Exchange (SGX)  
JSE Limited  
SIX Swiss Exchange (SWX)  
Taiwan Stock Exchange  
The Stock Exchange of Thailand (SET)

**Eligible Derivatives Markets:  
United Kingdom**

The London International Financial Futures and Options Exchange  
(NYSE LIFFE)



## **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 UCITS 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. **UCITS 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 approved money market instruments;

2.1.3 permitted 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; or

2.2.2 dealt in on a market in an EEA State which is regulated, operates regularly and is open to the public; or

2.2.3 admitted to or dealt in on an eligible market which has been designated an eligible market by the ACD in consultation with the Depositary (as described below); or

2.2.4 a money-market instrument within COLL 5.2.10 AR(1) (is as described in paragraph 10.5 of "Investment in approved money market instruments" below); or

2.2.5 recently issued transferable securities provided that:

2.2.5.1 the terms of issue include an undertaking that application will be made to be admitted to an eligible market; and

2.2.5.2 such admission is secured within a year of issue.

2.3 Not more than 10% in value of the Scheme Property of a Fund may consist of transferable securities, which do not fall within paragraph 2.2 or of approved money market instruments, which do not fall within COLL 5.2.10 AR(1) (i.e. as described in paragraph 10.5 of "Investment in approved money market

instruments" below).

- 2.4 The requirements on spread of investments generally and in relation to investment in government and public securities do not apply during any period in which it is not reasonably practical to comply, provided that the requirement to maintain prudent spread of risk in paragraph 1.1 of this Appendix is complied with.

### 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 3.2 of this Appendix to an investment which is issued by a body corporate, and which is an investment falling within articles 76 (shares, etc.) or 77 (instruments creating or acknowledging indebtedness) or article 77A (alternative debentures) 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 Shares 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.
  - 3.8 A unit or share in a closed end fund shall be taken to be a transferable security for the purposes of investment by a Fund, provided it fulfils the criteria for transferable securities set out in paragraph 3.5 above and either:
    - 3.8.1 where the closed end fund is constituted as an investment company or a unit trust:
      - 3.8.1.1 it is subject to corporate governance mechanisms applied to companies; and

- 3.8.1.2 where another person carries out asset management activity on its behalf, that person is subject to national regulation for the purpose of investor protection; or
  - 3.8.2 where the closed end fund is constituted under the law of contract:
    - 3.8.2.1 it is subject to corporate governance mechanisms equivalent to those applied to companies; and
    - 3.8.2.2 it is managed by a person who is subject to national regulation for the purpose of investor protection.
- 3.9 A Fund may invest in any other investment which shall be taken to be a transferable security for the purposes of investment by a Fund provided the investment:
  - 3.9.1 fulfils the criteria for transferable securities set out in 3.5 above; and
  - 3.9.2 is backed by or linked to the performance of other assets, which may differ from those in which a Fund can invest.
- 3.10 Where an investment in 3.9 contains an embedded derivative component, the requirements of this Section with respect to derivatives and forwards will apply to that component.
- 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 10% 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 the United Kingdom or 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 4.4.1, a market must not be considered appropriate unless it is regulated, operates regularly, is recognised as a market or exchange or as a self regulating organisation by an overseas regulator, 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 For the purposes of this requirement companies included in the same group for the purposes of consolidated accounts as defined in accordance with section 399 of the Companies Act 2006, Directive 83/349/EEC or in the same group in accordance with international accounting standards are regarded as a single body.
  - 5.3 Not more than 20% in the value of the Scheme Property of a Fund is to consist of deposits with a single body.
  - 5.4 Not more than 5% in value of the Scheme Property of a Fund is to consist of transferable securities (or certificates representing such securities) or approved money market instruments issued by any single body, except that the limit of 5% is raised to 10% in respect of up to 40% in value of the Scheme Property of a Fund (covered bonds need not be taken into account for the purposes of applying the limit of 40%).
  - 5.5 The limit of 5% is raised to 25% in value of the Scheme Property of a Fund in respect of covered bonds provided that when a Fund invests more than 5% in covered bonds issued by a single body, the total value of covered bonds held must not exceed 80% in value of the Scheme Property.

- 5.6 The exposure to any one counterparty in an OTC derivative transaction must not exceed 5% in value of the Scheme Property of a Fund. This limit is raised to 10% where the counterparty is an Approved Bank.
- 5.7 Not more than 10% in value of the Scheme Property is to consist of the units or shares of any one collective investment scheme.
- 5.8 Not more than 20% in value of the Scheme Property may consist of transferable securities and approved money market instruments issued by the same group.
- 5.9 In applying the limits in paragraphs 5.3, 5.4 and 5.6 and subject to paragraph 5.5 not more than 20% in value of the Scheme Property of a Fund is to consist of any combination of two or more of the following:
- transferable securities (including covered bonds) or approved money market instruments issued by; or
  - deposits made with; or
  - exposures from OTC derivatives transactions made with,
- a single body.
- 5.10 For the purpose of calculating the limits in paragraphs 5.6 and 5.9 of this paragraph 5, 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:
- 5.10.1 it is marked-to-market on a daily basis and exceeds the value of the amount at risk;
- 5.10.2 it is exposed only to negligible risks (e.g. government bonds of first credit rating or cash) and is liquid;
- 5.10.3 it is held by a third party custodian not related to the provider or is legally secured from the consequences of a failure of a related party; and
- 5.10.4 can be fully enforced by the UCITS scheme at any time.

## 6. **Counterparty risk and issuer concentration**

- 6.1 The ACD must ensure that counterparty risk arising from an OTC derivative is subject to the limits set out in paragraphs 5.6 and 5.9 above.

- 6.2 When calculating the exposure of a Fund to a counterparty in accordance with the limits in 5.6 above, the ACD must use the positive mark-to-market value of the OTC derivative contract with that counterparty.
- 6.3 An ACD may net the OTC derivative positions of a Fund with the same counterparty, provided they are able legally to enforce netting agreements with the counterparty on behalf of the Fund.
- 6.4 The netting agreements in paragraph 6.3 are permissible only with respect to OTC derivatives with the same counterparty and not in relation to any other exposures the Fund may have with that same counterparty.
- 6.5 The ACD may reduce the exposure of Scheme Property to a counterparty of an OTC derivative through the receipt of collateral. Collateral received must be sufficiently liquid so that it can be sold quickly at a price that is close to its pre-sale valuation.
- 6.6 The ACD must take collateral into account in calculating exposure to counterparty risk in accordance with the limits in paragraph 5.6 above when it passes collateral to an OTC counterparty on behalf of a Fund.
- 6.7 Collateral passed in accordance with paragraph 6.6 may be taken into account on a net basis only if the ACD is able legally to enforce netting arrangements with this counterparty on behalf of a Fund.
- 6.8 The ACD must calculate the issuer concentration limits referred to in paragraph 5.6 above on the basis of the underlying exposure created through the use of OTC derivatives pursuant to the commitment approach.
- 6.9 In relation to the exposure arising from OTC derivatives as referred to in paragraph 5.10, the ACD must include any exposure to OTC derivative counterparty risk in the calculation.

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

- 7.1 The following section applies in respect of a transferable security or an approved money-market instrument ("such securities") that is issued by:
- 7.1.1 the United Kingdom or an EEA State
  - 7.1.2 a local authority of the United Kingdom or an EEA State
  - 7.1.3 a non-EEA State; or
  - 7.1.4 a public international body to which the United Kingdom or one or more EEA States belong.



- 7.2 The Company or any 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:
- 7.2.1 the ACD has before any such investment is made consulted with the Depositary and as a result considers that the issuer of such securities is one which is appropriate in accordance with the investment objectives of the authorised Fund;
  - 7.2.2 no more than 30% in value of the Scheme Property consists of such securities of any one issue;
  - 7.2.3 the Scheme Property of a Fund includes such securities issued by that or another issuer, of at least six different issues;
  - 7.2.4 the disclosures in the Prospectus required by the FCA have been made.
- 7.3 More than 35% in value of the property of each Fund may be invested in such securities issued or guaranteed by any one of the following: the United Kingdom and the United States of America.

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

- 8.1 Up to 10% 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:
- 8.1.1 The Second Scheme must:
    - 8.1.1.1 be a UCITS scheme or satisfy the conditions necessary for it to enjoy the rights conferred by the UCITS Directive as implemented in the EEA; or
    - 8.1.1.2 be recognised under the provisions of s.272 of the Financial Services and Markets Act 2000 (individually recognised overseas schemes) that is authorised by the supervisory authorities of Guernsey, Jersey or the Isle of Man (provided the requirements of COLL 5.2.13AR are met); or
    - 8.1.1.3 be authorised as a non-UCITS retail scheme (provided that the requirements of COLL 5.2.13AR(1),(3) and (4) are met; or
    - 8.1.1.4 be authorised in an EEA State provided the requirements of Article 50(1)(e) of the UCITS Directive are met; or
    - 8.1.1.5 be authorised by the competent authority of an OECD member country (other than another EEA State) which has:

- (i) signed the IOSCO Multilateral Memorandum of Understanding; and
- (ii) approved the Second Scheme's management company, rules and depositary/custody arrangements;

(provided the requirements of COLL 5.2.13AR are met).

- 8.1.2 The Second Scheme has terms which prohibit more than 10% in value of the scheme property consisting of units or shares in collective investment schemes.
- 8.1.3 Investment may only be made in Second Funds or other collective investment schemes managed by the ACD or an associate of the ACD if the Prospectus of the investing Fund clearly states that it may enter into such investments and the rules on double charging contained in the COLL Sourcebook are complied with.
- 8.1.4 Where the Second Scheme is an umbrella, the provisions in paragraphs 8.1.2 to 8.1.3 apply to each sub-fund as if it were a separate scheme.
- 8.2 The Scheme Property attributable to a Fund may include Shares in another Fund of the Company (the "Second Fund") subject to the requirements of paragraph 8.3 below.
- 8.3 A Fund may invest in or dispose of Shares of a "Second Fund" provided that:-
  - 8.3.1 the Second Fund does not hold Shares in any other Fund of the Company;
  - 8.3.2 the requirements set out at paragraphs 8.5 and 8.6 below are complied with; and
  - 8.3.3 not more than 35% in value of the Scheme Property of the investing or disposing Fund is to consist of Shares in the Second Fund.
- 8.4 The Funds may, subject to the limit set out in paragraph 8.1 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.
- 8.5 Investment may only be made in a Second Fund or other collective investment schemes managed or operated by, or whose authorised corporate director is, the ACD of the Funds or one of its associates if the rules on double charging contained in the COLL Sourcebook are complied with.
- 8.6 If a substantial proportion of a Fund's assets are invested in other collective investment schemes, the maximum level of management fees that may be

charged by an investee collective investment scheme to the Fund concerned will be 3%.

**9. Investment in nil and partly paid securities**

9.1 A transferable security or an approved money market instrument on which any sum is unpaid falls within a power of investment only if it is reasonably foreseeable that the amount of any existing and potential call for any sum unpaid could be paid by the Fund, at the time when payment is required, without contravening the rules in COLL 5.

9.2 A warrant which is an investment falling within article 80 of the Regulated Activities Order (certificates representing certain securities) and which is akin to an investment falling within article 79 (instruments giving entitlement to investments) of the Regulated Activities Order may not be included in the Scheme Property unless it is listed on an eligible securities market.

**10. Investment in approved money market instruments**

10.1 A Fund may invest in approved money market instruments which are money market instruments normally dealt in on the money market, are liquid and whose value can be accurately determined at any time.

10.2 A money-market instrument shall be regarded as normally dealt in on the money market if it:

- (a) has a maturity at issuance of up to and including 397 days;
- (b) has a residual maturity of up to and including 397 days;
- (c) undergoes regular yield adjustments in line with money market conditions at least every 397 days; or
- (d) has a risk profile, including credit and interest rate risks, corresponding to that of an instrument which has a maturity as set out in paragraphs 10.2(a) or 10.2(b) or is subject to yield adjustments as set out in paragraph 10.2(c).

10.3 A money-market instrument shall be regarded as liquid if it can be sold at limited cost in an adequately short time frame, taking into account the obligation of the ACD to redeem Shares at the request of any qualifying Shareholder.

10.4 A money-market instrument shall be regarded as having a value which can be accurately determined at any time if accurate and reliable valuations systems, which fulfil the following criteria, are available:

- (a) enabling the ACD to calculate a net asset value in accordance with the value at which the instrument held in the Fund could be exchanged between knowledgeable willing parties in an arm's length transaction; and
- (b) based either on market data or on valuation models including systems based on amortised costs.
- (c) A money-market instrument that is normally dealt in on the money market and is admitted to or dealt in on an eligible market shall be presumed to be liquid and have a value which can be accurately determined at any time unless there is information available to the ACD that would lead to a different determination.

10.5 In addition to instruments admitted to or dealt in on an eligible market, a Fund may invest in an approved money-market instrument provided it fulfils the following requirements:

- (a) the issue or the issuer is regulated for the purpose of protecting investors and savings; and
- (b) the instrument is issued or guaranteed in accordance with paragraph 8.7 below; and
- (c) the issuer is a company whose capital and reserves amount to at least EUR 10 million and which presents and publishes its annual accounts in accordance with the requirements of the Companies Act 2006 applicable to public companies limited by shares or by guarantee, or private companies limited by shares or by guarantee, or, for companies incorporated in the EEA, Directive 2013/34/EU, is an entity which, within a group of companies which includes one or several listed companies, is dedicated to the financing of the group or is an entity which is dedicated to the financing of securitisation vehicles which benefit from a banking liquidity line.

10.6 The issue or the issuer of a money-market instrument, other than one dealt in on an eligible market, shall be regarded as regulated for the purpose of protecting investors and savings if:

- (a) the instrument is an approved money-market instrument;
- (b) appropriate information is available for the instrument (including information which allows an appropriate assessment of the credit risks related to investment in it), in accordance with paragraphs 10.9, 10.10 and 10.11 below; and
- (c) the instrument is freely transferable.

10.7 A Fund may invest in an approved money-market instrument if it is:

- (a) issued or guaranteed by any one of the following:
  - (i) a central authority of the United Kingdom or an EEA State or, if the EEA State is a federal state, one of the members making up the federation;
  - (ii) a regional or local authority of the United Kingdom or an EEA State;
  - (iii) the European Central Bank or a central bank of an EEA State;
  - (iv) the European Union or the European Investment Bank;
  - (v) a non-EEA State or, in the case of a federal state, one of the members making up the federation;
  - (vi) a public international body to which the United Kingdom or one or more EEA States belong; or
- (b) issued by a body, any securities of which are dealt in on an eligible market; or
- (c) issued or guaranteed by an establishment which is:
  - (i) subject to prudential supervision in accordance with criteria defined by UK or EU law; or
  - (ii) subject to and complies with prudential rules considered by the FCA to be at least as stringent as those laid down by UK or EU law.

10.8 An establishment shall be considered to satisfy the requirement in paragraph 10.7 (c)(ii) if it is subject to and complies with prudential rules, and fulfils one or more of the following criteria:

- (a) it is located in the European Economic Area;
- (b) it is located in an OECD country belonging to the Group of Ten;
- (c) it has at least investment grade rating;
- (d) on the basis of an in-depth analysis of the issuer, it can be demonstrated that the prudential rules applicable to that issuer are at least as stringent as those laid down by UK or EU law.

10.9 In the case of an approved money-market instrument within paragraphs 10.7 and 8.8 above or issued by a body of the type referred to in COLL 5.2.10EG, or which is issued by an authority within paragraph 10.7(a)(ii) or a public international body within paragraph 10.7(a)(vi)(a) but is not guaranteed by a central authority within 10.7(a)(i), the following information must be available:

- (a) information on both the issue or the issuance programme, and the legal and financial situation of the issuer prior to the issue of the instrument, verified by appropriately qualified third parties not subject to instructions from the issuer;
- (b) updates of that information on a regular basis and whenever a significant event occurs; and
- (c) available and reliable statistics on the issue or the issuance programme.

10.10 In the case of an approved money-market instrument issued or guaranteed by an establishment within paragraph 10.7(c), the following information must be available:

- (i) information on the issue or the issuance programme or on the legal and financial situation of the issuer prior to the issue of the instrument;
- (ii) updates of that information on a regular basis and whenever a significant event occurs; and
- (iii) available and reliable statistics on the issue or the issuance programme, or other data enabling an appropriate assessment of the credit risks related to investment in those instruments.

10.11 In the case of an approved money-market instrument:

- (a) within paragraphs 10.7(a)(i), 10.7(a)(iv) or 10.7(a)(v); or
- (b) which is issued by an authority within paragraph 10.7(a)(ii) or a public international body within paragraph 10.7(a)(vi) and is guaranteed by a central authority within paragraph 10.7(a)(i);
- (c) information must be available on the issue or the issuance programme, or on the legal and financial situation of the issuer prior to the issue of the instrument.

## 11. **Efficient Portfolio Management**

11.1 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 Funds.**

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

11.2.1 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

11.2.2 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:

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

11.2.2.2 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

11.2.2.3 Stock lending arrangements.

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

11.3 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.

## 12. **Derivatives: general**

12.1 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 13 (Permitted transactions (derivatives and forwards)) below, and the transaction is covered, as required by paragraph 23 (Cover for investment in derivatives) of this Appendix.

12.2 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.

- 12.3 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.
- 12.4 A transferable security or an approved money-market instrument will embed a derivative if it contains a component which fulfils the following criteria:
- (a) 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;
  - (b) its economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract; and
  - (c) it has a significant impact on the risk profile and pricing of the transferable security or approved money-market instrument.
- 12.5 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.
- 12.6 Where a Fund invests in an index based derivative, provided the relevant index falls within COLL 5.2.33R (Relevant Indices) the underlying constituents of the index do not have to be taken into account for the purposes of COLL 5.2.11R and COLL 5.2.12R.
- 12.7 In the context of this Prospectus, "efficient portfolio management" means the use of derivatives (which are reasonably regarded by the ACD as economically appropriate and are fully covered) in order to achieve a reduction in certain relevant risks, a reduction of costs, or to generate additional capital or income for the Funds with no, or an acceptably low level of risk.

**The VT Argonaut Absolute Return Fund, the VT Argonaut Flexible Fund, and VT Argonaut Equity Income Fund will be able to use derivatives for the purpose of meeting the investment objectives and policies as well as for efficient portfolio management purposes.**

- 12.8 **Where the ACD invests in derivatives and forward transactions in the pursuit of such a Fund's objectives and policies, the net asset value of that Fund may at times be volatile (in the absence of compensating investment techniques). Such a Fund may 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. The use of derivatives and forward transactions in the pursuit of a Fund's objective may cause its risk profile to change, this may be material.**

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

13.1 A transaction in a derivative must be:

13.1.1 in an approved derivative; or

13.1.2 be one which complies with paragraph 17 (OTC transactions in derivatives) of this Appendix.

13.2 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, approved money market instruments permitted under paragraph 10 (Investment in approved money market instruments), deposits, permitted derivatives under this paragraph, collective investment scheme units or shares permitted under paragraph 8 (Investment in collective investment schemes), financial indices which satisfy the criteria set out in COLL 5.2.20, interest rates, foreign exchange rates, and currencies.

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

13.4 A transaction in a derivative must not cause a Fund to diverge from its investment objectives as stated in the Instrument constituting the scheme and the most recently published version of this Prospectus.

13.5 A transaction in a derivative must not be entered into if the intended effect is to create the potential for an uncovered sale of one or more, transferable securities, money market instruments, units or shares in collective investment schemes, or derivatives.

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

**14. Financial indices underlying derivatives**

14.1 The financial indices referred to in 14.2 are those which satisfy the following criteria:

(a) the index is sufficiently diversified;

(b) the index represents an adequate benchmark for the market to which it refers;  
and

(c) the index is published in an appropriate manner.

14.2 A financial index is sufficiently diversified if:

- (a) it is composed in such a way that price movements or trading activities regarding one component do not unduly influence the performance of the whole index;
- (b) where it is composed of assets in which a Fund is permitted to invest, its composition is at least diversified in accordance with the requirements with respect to spread and concentration set out in this section; and
- (c) where it is composed of assets in which a Fund cannot invest, it is diversified in a way which is equivalent to the diversification achieved by the requirements with respect to spread and concentration set out in this section.

14.3 A financial index represents an adequate for the market to which it refers if:

- (a) it measures the performance of a representative group of underlyings in a relevant and appropriate way;
- (b) it is revised or rebalanced periodically to ensure that it continues to reflect the markets to which it refers, following criteria which are publicly available; and
- (c) the underlyings are sufficiently liquid, allowing users to replicate it if necessary.

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

- (a) its publication process relies on sound procedures to collect prices, and calculate and subsequently publish the index value, including pricing procedures for components where a market price is not available; and
- (b) material information on matters such as index calculation, rebalancing methodologies, index changes or any operational difficulties in providing timely or accurate information is provided on a wide and timely basis.

14.5 Where the composition of underlyings of a transaction in a derivative does not satisfy the requirements for a financial index, the underlyings for that transaction shall where they satisfy the requirements with respect to other underlyings pursuant to paragraph 13.2, be regarded as a combination of those underlyings.

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

15.1 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.

16. **Requirement to cover sales**

16.1 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.

17. **OTC transactions in derivatives**

17.1 Any transaction in an OTC derivative under paragraph 13.1.2 must be:

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

17.1.2 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; a person whose permission (including any requirements or limitations), as published in the FCA Register, permits it to enter into the transaction as principal off-exchange; a central counterparty ("**CCP**") that is authorised and recognised in that capacity in accordance with the EMIR; or a CCP supervised in a jurisdiction that has implemented the relevant G20 reforms on over-the-counter derivatives to at least the same extent as the United Kingdom; and is identified as having done so by the Financial Stability Board in its summary report on progress in implementation of G20 financial regulatory reforms dated 25 June 2019;

17.1.3 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

17.1.4 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:

17.1.4.1 on the basis of an up-to-date market value which the ACD and the Depositary have agreed is reliable; or

- 17.1.4.2 if the value referred to in 17.1.4.1 is not available, on the basis of a pricing model which the ACD and the Depositary have agreed uses an adequate recognised methodology; and
- 17.1.5 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:
  - 17.1.5.1 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
  - 17.1.5.2 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 17.1.3 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.

## 18. **Valuation of OTC derivatives**

- 18.1 For the purposes of paragraph 17.1.3, the ACD must:
  - 18.1.1 establish, implement and maintain arrangements and procedures which ensure appropriate, transparent and fair valuation of the exposures of a Fund to OTC derivatives; and
  - 18.1.2 ensure that the fair value of OTC derivatives is subject to adequate, accurate and independent assessment.
- 18.2 Where the arrangements and procedures referred to in paragraph 18.1 involve the performance of certain activities by third parties, the ACD must comply with the requirements in SYSC 8.1.13 R (Additional requirements for a management company) and COLL 6.6A.4 R (4) to (6) (Due diligence requirements of AFMs of UCITS schemes).
- 18.3 The arrangements and procedures referred to in paragraph 18.1 above must be
  - 18.3.1 adequate and proportionate to the nature and complexity of the OTC derivative concerned; and
  - 18.3.2 adequately documented.

## 19. **Risk management**

- 19.1 The ACD uses a risk management process (including a risk management policy in accordance with COLL 6.12), enabling it to monitor and measure at any time the risk of a Fund's positions and their contribution to the overall risk profile of the Fund.
- 19.2 Before using the process, the ACD will notify the FCA of the details of the risk management process. The following details of the risk management process must be regularly notified to the FCA and at least on an annual basis:
- 19.2.1 a true and fair view of the types of derivatives and forward transactions to be used within a Fund together with their underlying risks and any relevant quantitative limits; and
  - 19.2.2 the methods for estimating risks in derivative and forward transactions.
- 19.3 The ACD must notify the FCA in advance of any material alteration to the details above.

## 20. **Investments in deposits**

- 20.1 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.

## 21. **Stock lending**

- 21.1 The entry into stock lending or repo transactions 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.
- 21.2 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.
- 21.3 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.

- 21.4 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:
- 21.4.1 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;
- 21.4.2 the counterparty is:
- 21.4.2.1 an authorised person; or
- 21.4.2.2 a person authorised by a Home State regulator; or
- 21.4.2.3 a person registered as a broker-dealer with the Securities and Exchange Commission of the United States of America; or
- 21.4.2.4 a bank, or a branch of a bank, supervised and authorised to deal in investments as principal, with respect to OTC derivatives by at least one of the following federal banking supervisory authorities of the United States of America:
- (a) the Office of the Comptroller of the Currency;
- (b) the Federal Deposit Insurance Corporation;
- (c) the Board of Governors of the Federal Reserve System; and
- (d) the Office of Thrift Supervision, and
- 21.4.3 collateral is obtained to secure the obligation of the counterparty under the terms referred to in paragraph 21.4.1 and the collateral is:
- 21.4.3.1 acceptable to the depositary;
- 21.4.3.2 adequate; and
- 21.4.3.3 sufficiently immediate.
- 21.4.4 The counterparty for the purpose of paragraph 21.4 is the person who is obliged under the agreement referred to in paragraph 21.4.1 to transfer to the depositary the securities transferred by the depositary under the stock lending arrangement or securities of the same kind.
- 21.4.5 21.4.3 does not apply to a stock lending transaction made through

Euroclear Bank SA/NV's Securities Lending and Borrowing Programme.

- 21.5 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.
- 21.6 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.
- 21.7 There is no limit on the value of the Scheme Property of a Fund which maybe the subject of stock lending transactions.

**22. Schemes replicating an index**

- 22.1 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 composition of a relevant index as defined below.
- 22.2 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.
- 22.3 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.
- 22.4 The indices referred to above are those which satisfy the following criteria:
- 22.4.1 the composition is sufficiently diversified;
  - 22.4.2 the index is a representative benchmark for the market to which it refers; and
  - 22.4.3 the index is published in an appropriate manner.

**23. Cover for investment in derivatives**

- 23.1 A Fund may invest in derivatives and forward transactions as part of its investment policy provided:
- 23.1.1 its global exposure relating to derivatives and forward transactions held in the Fund does not exceed the net value of the scheme property; and

23.1.2 its global exposure to the underlying assets does not exceed in aggregate the investment limits laid down in paragraph 5 above (Spread: general).

#### 24. **Daily calculation of global exposure**

24.1 The ACD must calculate the global exposure of a Fund on at least a daily basis.

24.2 For the purposes of this section exposure must be calculated taking into account the current value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the positions.

#### 25. **Calculation of global exposure**

25.1 The ACD must calculate the global exposure of any Fund it manages either as:

25.1.1 the incremental exposure and leverage generated through the use of derivatives and forward transactions (including embedded derivatives as referred to in Paragraph 12 (Derivatives: general), which may not exceed 100% of the net value of the Scheme Property; or

25.1.2 the market risk of the Scheme Property.

25.2 The ACD must calculate the global exposure of a Fund by using:

25.2.1 the commitment approach; or

25.2.2 the value at risk approach.

Currently, the commitment approach is used for all sub-funds except for the VT Argonaut Absolute Return Fund for which the value at risk approach is used.

25.3 The ACD must ensure that the method selected in paragraph 25.2 is appropriate, taking into account:

25.3.1 the investment strategy pursued by the Fund;

25.3.2 the types and complexities of the derivatives and forward transactions used; and

25.3.3 the proportion of the Scheme Property comprising derivatives and forward transactions.

25.4 Where a Fund employs techniques and instruments including repo contracts or stock lending transactions in accordance with Paragraph 21 (Stock lending) in order to generate additional leverage or exposure to market risk, the ACD must take those transactions into consideration when calculating global exposure.

25.5 For the purposes of 25.2, value at risk means a measure of the maximum



expected loss at a given confidence level over the specific time period.

25.6 Where the ACD uses the commitment approach for the calculation of global exposure, it must:

25.6.1 ensure that it applies this approach to all derivative and forward transactions (including embedded derivatives as referred to in Paragraph 12 (Derivatives: general)), whether used as part of the Fund's general investment policy, for the purposes of risk reduction or for the purposes of efficient portfolio management in accordance with Paragraph 21 (Stock lending); and

25.6.2 convert each derivative or forward transaction into the market value of an equivalent position in the underlying asset of that derivative or forward (standard commitment approach).

25.7 The ACD may apply other calculation methods which are equivalent to the standard commitment approach.

25.8 The ACD may take account of netting and hedging arrangements when calculating global exposure of a Fund, where these arrangements do not disregard obvious and material risks and result in a clear reduction in risk exposure.

25.9 Where the use of derivatives or forward transactions does not generate incremental exposure for the Fund, the underlying exposure need not be included in the commitment calculation.

25.10 Where the commitment approach is used, temporary borrowing arrangements entered into on behalf of the Fund in accordance with Paragraph 28 (Borrowing powers) need not form part of the global exposure calculation.

## 26. **Cover and Borrowing**

26.1 Cash obtained from borrowing, and borrowing which the ACD reasonably regards an Eligible Institution or an Approved Bank to be committed to provide, is available for cover under paragraph 23 of this Appendix as long as the normal limits on borrowing (see below) are observed.

26.2 Where, for the purposes of this paragraph the Company borrows an amount of currency from an Eligible Institution or an Approved Bank; and keeps an amount in another currency, at least equal to such borrowing for the time on deposit with the lender (or their agent or nominee), then this applies as if the borrowed currency, and not the deposited currency, were part of the Scheme Property, and the normal limits on borrowing under paragraph 30 (Borrowing powers) of this Appendix do not apply to that borrowing.

27. **Cash and near cash**

27.1 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:

27.1.1 the pursuit of the Fund's investment objectives; or

27.1.2 the redemption of units or shares; or

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

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

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

28. **General**

28.1 It is envisaged that the Funds will normally be fully invested but there may be times that it is appropriate not to be fully invested when the ACD reasonably regards this as necessary in order to enable the redemption of units or shares, efficient management of the Fund or any one purpose which may reasonably be regarded as ancillary to the investment objective of the Fund.

28.2 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.

28.3 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.

28.4 It is not intended that the Company have any interest in any immovable or moveable property for the direct pursuit of its business.

29. **Underwriting**

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.

30. **Borrowing powers**

30.1 The Company may, subject to the COLL Sourcebook, borrow money from an Eligible Institution or an Approved Bank for the use of the Company or a Fund on terms that the borrowing is to be repayable out of the Scheme Property.

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

30.3 The ACD must ensure that borrowing does not, on any Business Day, exceed 10% of the value of the Fund.

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

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

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

31.2 Transactions permitted by paragraph 21 (Stock lending) are not to be regarded as lending for the purposes of paragraph 31.1.

31.3 Nothing in this paragraph prevents the Depositary at the request of the ACD from lending, depositing, pledging or charging Scheme Property for margin requirements where transactions in derivatives or forward transactions are used for the account of the Company in accordance with COLL 5.

32. **Restrictions on lending of money**

32.1 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.

32.2 Acquiring a debenture is not lending for the purposes of paragraph 32.1, nor is the placing of money on deposit or in a current account.

33. **Guarantees and indemnities**

- 33.1 The Depositary, for the account of a Fund, must not provide any guarantees or indemnity in respect of the obligation of any person.
- 33.2 Scheme Property may not be used to discharge any obligation arising under a guarantee or indemnity with respect to the obligation of any person.
- 33.3 Paragraphs 33.1 and 33.2 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.

34. **Concentration**

A UCITS Scheme:

- 34.1 must not acquire transferable securities other than debt securities which:
- 34.1.1 do not carry a right to vote on any matter at a general meeting of the body corporate that issued them; and
  - 34.1.2 represent more than 10% of these securities issued by that body corporate;
- 34.2 must not acquire more than 10% of the debt securities issued by any single issuing body;
- 34.3 must not acquire more than 25% of the units or shares in a collective investment scheme;
- 34.4 must not acquire more than 10% of the money market instruments issued by any single body;
- 34.5 need not comply with the limits in paragraphs 34.2, 34.3 and 34.4 and of this Appendix if, at the time of the acquisition, the net amount in issue of the relevant investment cannot be calculated.

35. **Significant Influence**

- 35.1 The Company must not acquire transferable securities issued by a body corporate and carrying rights to vote (whether or not on substantially all matters) at a general meeting of that body corporate if:
- 35.1.1 immediately before the acquisition, the aggregate of any such securities held by the Company gives that Company power significantly to influence the conduct of business of that body corporate; or

35.1.2 the acquisition gives the Company that power.

35.2 For the purposes of paragraph 35.1 the Company is to be taken to have power significantly to influence the conduct of business of a body corporate if it can, because of the transferable securities held by it, exercise or control the exercise of 20% or more of the voting rights in that body corporate (disregarding for this purpose any temporary suspension of voting rights in respect of the transferable securities of that body corporate).

## APPENDIX IV

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

<b>Authorised collective investment schemes of which the ACD is the authorised fund manager</b>			
<b>Name</b>	<b>Place of registration</b>	<b>Registration number</b>	<b>Product Reference</b>
Alligator Fund ICVC	England and Wales	IC000203	407790
Moray Place Investment Company*	Scotland	IC000934	573760
The Beagle Fund*	England and Wales	IC000789	505177
The Discovery Fund	England and Wales	IC000365	413970
The Mulben Investment Funds	England and Wales	IC000816	516628
The Prestney Fund	England and Wales	IC000175	407766
The Teal Fund	England and Wales	IC000257	227831
The VT Cindabella Fund	England and Wales	IC001049	714901
The VT Oxeye Funds**	England and Wales	IC001063	743815
Valu-Trac Investment Funds ICVC	Scotland	IC000953	581955
Valu-Trac Proprietary Funds ICVC*	Scotland	IC000986	605631
VT AI-FUNDS ICVC	England and Wales	IC016426	913889
VT AJ Bell ICVC	England and Wales	IC001082	769363
VT Argonaut Funds	England and Wales	IC000943	576956
VT Asset Intelligence Fund Solutions ICVC*	England and Wales	IC035155	940231
VT Astute Funds ICVC	England and Wales	IC029376	928663

VT Avastra Funds	England and Wales	IC000854	532059
VT Blackfinch Funds ICVC	England and Wales	IC026707	925120
VT Brompton Funds ICVC	England and Wales	IC001077	762880
VT Cantab Funds ICVC	England and Wales	IC001114	808050
VT Cape Wrath Focus Fund*	England and Wales	IC001061	741524
VT Chelsea Managed ICVC	England and Wales	IC001085	773989
VT Clear Peak Capital ICVC	England and Wales	IC011866	841768
VT Contra Capital Funds ICVC	England and Wales	IC021606	918272
VT Dominion Holdings ICVC*	England and Wales	IC001093	778841
VT Downing Investment Funds ICVC	England and Wales	IC000824	521374
VT Downing Investor Funds ICVC	England and Wales	IC024590	921279
VT DOWNING FOX FUNDS ICVC	England and Wales	IC154903	997031
VT EPIC Investment Funds ICVC	England and Wales	IC000935	573884
VT EPIC Investment Fund Series II	England and Wales	IC000025	188718
VT EPIC Investment Fund Series III	England and Wales	IC000584	472521
VT Esprit FS ICVC	England and Wales	IC001105	794635
VT Freedom UCITS OEIC	England and Wales	IC031441	932492
VT Garraway Investment Fund Series IV	England and Wales	IC000534	465988
VT Gravis UK Listed Property (Feeder) Fund	England and Wales	Unit Trust	913629
VT Gravis Funds ICVC	England and Wales	IC001055	724240

VT Gravis Real Assets Fund	England and Wales	IC016070	913626
VT Greystone ICVC	England and Wales	IC000403	434235
VT Greystone Cautious Managed ICVC*	England and Wales	IC000407	435265
VT Greystone Conservative Managed ICVC*	England and Wales	IC000533	465365
VT Halo Funds ICVC	England and Wales	IC001018	629070
VT Holland Advisors Funds ICVC	England and Wales	IC040266	947634
VT Johnston Financial Funds ICVC	England and Wales	IC027796	926097
VT KMGIM Strategies ICVC	England and Wales	IC016648	914127
VT Momentum Investment Funds	England and Wales	IC000851	531222
VT Momentum Investment Funds II	England and Wales	IC000342	407990
VT Munro Smart-Beta Fund	England and Wales	IC000551	467964
VT North Capital Funds ICVC	England and Wales	IC026575	924848
VT Plain English Finance Funds ICVC	England and Wales	IC001096	782737
VT PortfolioMetrix GBP Funds ICVC	England and Wales	IC035161	940234
VT Portfolio Solutions ICVC	England and Wales	IC030801	931577
VT PPM Investment Funds	England and Wales	IC017239	914471
VT Price Value Partners Funds ICVC	England and Wales	IC001033	671132
VT Redlands Fund	England and Wales	IC001043	694999
VT Redlands NURS ICVC*	England and Wales	IC001089	776548
VT RM Funds ICVC	England and Wales	IC001108	800855



VT Rossie House Investment Management Funds ICVC*	England and Wales	IC000991	607962
VT SG Defined Return Assets ICVC	England and Wales	IC001097	784172
VT Sinfonia OEIC	England and Wales	IC000624	478014
VT Smartfund ICVC	England and Wales	IC001012	621247
VT Sorbus Vector Funds ICVC	England and Wales	IC001059	731963
VT Tatton Oak ICVC	England and Wales	IC000737	494501
VT Teviot Funds ICVC	England and Wales	IC001094	780433
VT Tyndall Funds ICVC	England and Wales	IC001050	715282
VT Ursus Arctos Funds ICVC	Scotland	IC001004	613236
VT Vanneck Equity Fund	England and Wales	IC001003	613235
VT Vanneck Funds ICVC	England and Wales	IC001112	806954
VT Woodhill Investment Funds ICVC	England and Wales	IC001009	618204

\* denotes a Non-UCITS Retail Scheme

\*\* denotes a Qualified Investor Scheme

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<b>Directors of the ACD and their significant business activities not connected with the business of the Company</b>	
Anne Laing	None
Jeremy Brettell	Chair of AlbaCo Limited Non-Executive Director: <ul style="list-style-type: none"> <li>- Integrated Financial Arrangements Ltd</li> <li>- Integralife UK Limited</li> <li>- Wesleyan Bank Ltd</li> <li>- Anderson Strathern Asset Management Ltd</li> </ul>
Aidan O'Carroll	<ul style="list-style-type: none"> <li>- Chair of Revenue Scotland</li> <li>- Non Executive Director: Hillhouse Estates Limited; ABE Global Ltd</li> </ul>
John Brett	Non-Executive Director and Chair of: <ul style="list-style-type: none"> <li>- Royal London Unit Trust Managers Limited;</li> <li>- RLUM Limited</li> <li>- Anderson Strathern Asset Management Ltd</li> </ul>
Adrian Bond	<ul style="list-style-type: none"> <li>- None</li> </ul>
Matthew Brennan	<ul style="list-style-type: none"> <li>- None</li> </ul>
Andrew Lewis	Non-Executive Director of Apex Depository UK Ltd

## APPENDIX V

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

#### 1. Historic performance:

Where possible, we have shown the performance over the last 5 years, for each complete year, to last quarter end. However, where the Fund has been in existence for less than any of the above periods, we show the performance since the launch of the Fund, plus for each complete year, to last quarter end.

- In respect of Income shares (where they are available), the performance shown will assume that any income has been distributed (i.e. not reinvested to purchase additional shares).

#### **VT Argonaut European Alpha Fund**

**Note: this fund is in the process of termination and is no longer available for investment**

Class	Percentage Growth year to 31 December 2019	Percentage Growth year to 31 December 2020	Percentage Growth year to 31 December 2021	Percentage Growth year to 31 December 2022	Percentage Growth year to 31 December 2023
*A Inc (GBP)	19.30%	1.10%	-1.90%		
*A Acc (GBP)	19.20%	1.10%	-2.00%	-6.4	5.2
*A Acc (EUR)	25.80%	-4.40%	5.30%	-11.3	7.4
*R Inc (GBP)	20.40%	2.1%	-0.9%		
*R Acc (GBP)	20.40%	2.20%	-1.00%	-5.4	6.3
*I Inc (GBP)	20.40%	2.10%	-0.9%		
*I Acc (GBP)	20.40%	2.20%	-1.00%	-5.4	6.3
*I Acc (EUR) Hedged	27.10%	-3.60%	5.70%	-10.4	8.4
**I Acc (GBP) Hedged	25.50%	-0.20%	4.90%	-8.8	10.3
(IA) Europe ex UK	20.38%	10.53%	15.63%		

**Launch date: 14 July 2012\***

**Launch date: 6 April 2017\*\***

**VT Argonaut Absolute Return Fund**

Class	Percentage Growth year to 31 December 2019	Percentage Growth year to 31 December 2020	Percentage Growth year to 31 December 2021	Percentage Growth year to 31 December 2022	Percentage Growth year to 31 December 2023
#A Acc (GBP)	12.00%	15.00%	9.70%	11.1	13.8
#A Acc (EUR) Hedged	0.70%	N/A	4.50%	10.7	13.2
### A Acc (USD) Hedged	N/A	N/A	10.00%	9.7	14.4
#R Acc (GBP)	12.80%	16.30%	10.30%	11.3	14.4
#I Acc (GBP)	12.80%	16.60%	10.30%	11.2	14.6
#I Acc (EUR) Hedged	10.90%	14.80%	15.40%	11.1	12.9
##I Acc (USD) Hedged	14.70%	15.10%	10.50%	10.7	15.5
### O Acc (GBP)	N/A	N/A	10.20%	10.8	13.8
### O Acc (USD) Hedged	N/A	N/A	10.30%	10.1	14.6
### O Acc (EUR) Hedged	N/A	N/A	10.40%	9.4	12.7

**Launch date: 14 July 2012#**

**Launch date: 20 March 2014##**

**Launch date: 12 December 2020 ###**

During 2020 the A Accumulation EUR Hedged share class became dormant and later relaunched. Therefore, the full calendar year performance is unavailable.

## **VT Argonaut Equity Income Fund Retail Accumulation**

**Note: this fund is in the process of termination and is no longer available for investment**

Class	Percentage Growth year to 31 December 2019	Percentage Growth year to 31 December 2020	Percentage Growth year to 31 December 2021	Percentage Growth year to 31 December 2022	Percentage Growth year to 31 December 2023
Acc	18.00%	7.10%	5.90%	8.4	5.2
Inc	18.00%	6.70%	6.0%		
IA Europe ex UK	20.38%	10.53%	15.63%		

**Launch date: 30 December 2016**

Source of performance data: Morningstar Direct (and \*Lipper)

## **VT Argonaut Flexible Fund**

The VT Argonaut Flexible Fund launched on [DATE] and consequently there is no past performance data available.

## **2. Investor profiles**

In accordance with the UCITS regime, 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 are marketable to both retail and institutional investors. The details of each of the share classes is set out in section 2.2.2.

### ***VT Argonaut European Alpha Fund***

**Note: this fund is in the process of termination and is no longer available for investment**

The Fund is suitable for investors who are interested in obtaining exposure to European equity markets through a concentrated portfolio. understand the higher risk associated with a concentrated portfolio. Investors must be able to accept significant temporary losses and therefore this Fund is suitable for investors who can afford to set aside their capital for at least 5 years.

An investment in the Fund should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors.

### ***VT Argonaut Absolute Return Fund***

The VT Argonaut Absolute Return Fund is suitable for investors who are interested in obtaining absolute returns from exposure (via direct holdings and derivatives) to European equity and corporate debt markets through a concentrated portfolio. Investors should understand the risks associated with short exposures and the higher risk associated with a concentrated portfolio. There is no guarantee that the investment objective will be met and investors must be able to accept significant temporary losses.

Therefore this Fund is suitable for experienced investors looking for enhanced absolute returns and who can afford to set aside their capital for at least 5 years.

An investment in this Fund should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors.

#### ***VT Argonaut Equity Income Fund***

**Note: this fund is in the process of termination and is no longer available for investment**

The VT Argonaut Equity Income Fund is suitable for investors who are interested in seeking income by obtaining exposure to European equity markets (excluding the United Kingdom) through a concentrated portfolio. Investors should understand the higher risk associated with a concentrated portfolio. Investors must be able to accept significant temporary losses and therefore this Fund is suitable for investors who can afford to set aside their capital for at least 5 to 7 years.

An investment in this Fund should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors.

#### ***VT Argonaut Flexible Fund***

The Fund is suitable for investors who are interested in obtaining exposure to equity markets with a flexible approach to exposure both geographically across Europe and the US and across sectors, through a concentrated portfolio. Investors should understand the higher risk associated with a concentrated portfolio. Investors must have a high tolerance for market volatility in order to achieve long-term objectives, and must be able to accept significant temporary losses and therefore this Fund is suitable for investors who can afford to set aside their capital for at least 5 years.

An investment in the Fund should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors.

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.

#### **Target Market for MiFID II (applicable to all Funds):**

Type of clients: retail, professional clients and eligible counterparties (subject to the applicable legal and regulatory requirements in the relevant jurisdiction).

Clients' knowledge and experience: investors with at least basic knowledge and experience of funds which are to be managed in accordance with a specific investment objective and

policy.

Clients' financial situation with a focus on ability to bear losses: Investors must be prepared to accept fluctuations in the value of capital including capital loss and accept the risks of investing in equity markets, including having the ability to bear 100% capital loss.

Clients' risk tolerance and compatibility of risk/reward profile of the product with the target market: due to the volatility of markets and specific risks of investing in shares in a fund (including those set out in the risk warnings in this Prospectus), investors should have a high risk tolerance. They should be willing to accept price fluctuations in exchange for the opportunity of higher returns.



Clients' objectives and needs: investors should be seeking to invest for the medium to long term who wish to gain access to a portfolio managed in accordance with the specific investment objective and policy of the Fund.

Clients' who should not invest: shares in the Company is deemed incompatible for investors which:

- are looking for full capital protection or full repayment of the amount invested and clients who want a guaranteed return (whether income or capital)
- are fully risk averse/have no risk tolerance
- need a fully guaranteed income of fully predictable return profile

Distribution channel: This product is eligible for all distribution channels (e.g. investment advice, portfolio management, non-advised sales and pure execution services).

**Best Execution:**

The ACD's order execution policy sets out the factors which the ACD expects the Investment Manager to consider when effecting transactions and placing orders in relation to the Company.

This policy has been developed in accordance with the ACD's obligations under the Regulations to obtain the best possible result for the Company. Details of the order execution policy are available on the ACD's website at [www.valu-trac.com](http://www.valu-trac.com)

## APPENDIX VI

### PERFORMANCE FEE

In addition to the fee above, the Investment Manager is entitled to receive a performance fee. The fee becomes due in the event that the mid price of the Shares of the Fund calculated at the valuation point on the last Dealing Day of the Performance Period (as defined below) and adjusted to exclude accruals of the performance fee made during the Performance Period exceeds the higher of:-

- (i) the mid price of the relevant Share Class as of the last Dealing Day of the previous Performance Period (or if for whatever reason a valuation is not carried out on the last Dealing Day, on the last preceding Dealing Day on which a valuation is carried out) (and provided that in the case of the first Performance Period it will be the mid price of Shares on the first Dealing Day of that period on which a valuation is carried out) increased by 5% per annum (the "**Hurdle Rate**") since the last Dealing Day of the previous Performance Period; and
- (ii) the highest previous mid price, net of any performance fee, calculated at the end of any previous Performance Period (the "**High Watermark**")

(the higher being "the **Target Price**").

The "**Performance Period**" will be 1 January to 31 December every year, other than that relating to the first Performance Period, which commenced on 14 July 2012 and ended on 31 December 2012.

The performance fee is set at 20% of the aggregate out-performance as defined above (that is the aggregate excess of the mid price per Share of the Class in question (adjusted to exclude accruals of the performance fee) over the Target Price), and is payable yearly not later than the last Dealing Day of the calendar month immediately following the end of each Performance Period. It should be noted that as the mid price of Shares may differ between Classes, separate performance fee calculations will be carried out for separate Share Classes as applicable within the Fund, which may become subject to different amounts of performance fee.

The ACD may choose to increase the hurdle rate where it considers this appropriate in order to set fair performance criteria. In such circumstances, the ACD will give prior notification to Shareholders before implementing the change.

In the event that the appointment of the ACD terminates during a Performance Period or on the occurrence of one of the events specified in COLL 7.4.3(2), the performance fee shall cease to accrue and the Performance Period then current shall terminate as at the last Dealing Day prior to the date of termination or occurrence of the relevant event specified in COLL 7.4.3 (2) (in each case "**the Termination Date**"). In such event, the performance fee will be calculated as at the Termination Date and any performance fee due will be payable not later than the last Dealing Day of the calendar month immediately following the Termination Date.

The performance fee is accrued each day on the basis of the performance of the mid price of

the Class in question (adjusted to exclude accruals of the performance fee) relative to the hurdle rate during the period to date.

As an accrual for the performance fee forms part of the Net Asset Value for Shares in each Class, the performance fee accrual is reflected in the price of the Shares. Any performance fee accrual made on a Dealing Day is superseded by any accrual made on the following Dealing Day until such time as the performance fee becomes payable. Any accrual for a performance fee shall reflect the average number of Shares in issue during the Performance Period. However, where the actual number of shares in issue (on any day) is less than 95% of the average number of shares in issue shown on the performance fee calculation (which could occur where large redemptions of shares are placed relative to the number of shares in issue in that share class), the average number of shares in issue will be reset to the actual number of shares in issue.

Where Shares are redeemed during a period where the Net Asset Value has outperformed the Target Price, the performance fee accrued within the Net Asset Value will be crystallised and will be paid to the Investment Manager at the end of the Performance Period.

No performance fee will be charged until any underperformance during the Performance Period has been fully recovered. The term "underperformance" means that the mid price of the Class in question (adjusted to exclude accruals of the performance fee) is below the previous High Watermark.

The performance fee methodology will be verified by the Depositary.

There is no maximum value on the performance fee that could be taken.

The following are examples of how the performance fee will be calculated. These examples are based on Class A Shares but the methodology is appropriate for all Share Classes.

Please note that the performance fee calculation and accrual was suspended between 1<sup>st</sup> January 2013 and 31<sup>st</sup> December 2014. It was reintroduced on 1<sup>st</sup> January 2015, following written pre-notification to Shareholders.

**Examples** (note that all figures are assumed for illustration purposes only)

For the purposes of these examples, it is assumed that the average number of Shares in issue remains constant throughout each Performance Period.

**Performance Period 1** (refers to the first Performance Period)

Assume:

- The mid price of Class A Shares was 100p at launch.
- The Fund performance is such that the mid price of Class A Shares (adjusted to exclude accruals of performance fee) had increased to 108p at 31 December.
- The hurdle rate of 5% per annum corresponds to 2.3288% over one hundred and seventy (170) days. Therefore the Target Price of Class A Shares is 102.3288p (i.e. 100p increased by 2.3288%).

A performance fee will be payable at the end of the first Performance Period because the Fund has outperformed the hurdle rate. The performance fee will be calculated as follows:

The out-performance is 5.6712p per Share (i.e. 108p less 102.3288p), while the actual performance fee per Share is 5.6712p multiplied by 20% (i.e. 1.1342p). This means that the performance fee payable from the Fund is 1.1342p per Share.

The actual mid price of Class A Shares is then calculated including the accrual of the performance fee and would be 106.8658p (i.e. 108p less 1.1342p).

### Performance Period 1

	Mid price	Mid price adjusted by hurdle rate	High Watermark
First Dealing Day	100		
Last Dealing Day	108 (adjusted to exclude accruals of performance fee)	$100 \times 1.023288 = 102.3288$	100

The Target Price is 102.3288p

Performance Fee payable at end of Performance Period 1

=  $20\% \times (108 - 102.3288) \times (\text{average number of Shares})$

=  $1.1342 \times (\text{average number of Shares})$

Mid price of Shares including the accrual of the performance fee at end of Performance Period 1

=  $108 - 1.1342$

= 106.8658p

## 2.1 **Performance Period 2** (first full annual Performance Period)

Assume:

- The mid price of Class A Shares was 106.8658p at 1 January.
- The High Watermark is 106.8658p.
- The Fund performance is such that the mid price of Class A Shares (adjusted to exclude accruals of the performance fee) had decreased to 106p at 31 December.
- The hurdle rate is 5% per annum over 12 months. Therefore the Target Price of Class A Shares is 112.2091p (i.e. 106.8658p increased by 5%).

In this case no performance fee would be paid as the performance of the Fund has been negative.

### **Performance Period 2**

	Mid price	Mid price adjusted by hurdle rate	High Watermark
Last Dealing Day of the previous Performance Period	106.8658		
Last Dealing Day of the current Performance Period	106 (adjusted to exclude accruals of the Performance fee)	$106.8658 \times 1.05 = 112.2091$	106.8658

The Target Price is 112.2091p

No Performance Fee payable at end of Performance Period 2

Mid price of Shares at end of Performance Period 2 =106p

## 2.2 **Performance Period 3**

Assume:

- The mid price of Class A Shares was 106p at 1 January.
- The High Watermark is 106.8658p.

- The Fund performance is such that the mid price of Class A Shares (adjusted to exclude accruals of the performance fee) had increased to 125p at 31 December.
- The hurdle rate is 5% per annum over 12 months. Therefore the Target Price of Class A Shares is 111.3p (i.e. 106p increased by 5%).

A performance fee will be payable at the end of the third Performance Period because the Fund has outperformed the hurdle rate and the price is higher than any previous price calculated at the end of a performance fee period. The performance fee will be calculated as follows:

The out-performance is 13.7p per Share (i.e. 125p less 111.3p), while the actual performance fee per Share is 13.7p multiplied by 20% (i.e. 2.74p). This means that the performance fee payable from the Fund is 2.74p per Share.

The actual mid price of Class A Shares is then calculated including the accrual of the performance fee and would be 122.26p (i.e. 125p less 2.74p).

### Performance Period 3

	Mid price	Mid price adjusted by hurdle rate	High Watermark
Last Dealing Day of the previous Performance Period	106		
Last Dealing Day of the current Performance Period	125 (Adjusted to exclude the accruals of performance fee)	106 x 1.05 = 111.3	106.8658

The Target Price is 111.3p

Performance Fee payable at end of Performance Period 3

= 20% x ( 125 – 111.3) x (average number of Shares)

= 2.74 x (average number of Shares)

Mid price of Shares including the accrual of the performance fee at end of Performance Period 3

=125 - 2.74

=122.26p

## APPENDIX VII

### SUB-CUSTODIANS

The Depositary has delegated those safekeeping duties set out in Article 22(5)(a) of the UCITS Directive to CACEIS Bank (UK Branch) with registered office at 1-3, place Valhubert, 75013 Paris, France, and conducting its business in the UK through its London branch at Broadwalk House, 5 Appold Street, London, EC2A 2DA.

At the date of this prospectus CACEIS Bank (UK Branch) as global sub- custodian has appointed local sub-custodians as listed below.

MARKET	SUBCUSTODIAN
Argentina	Citibank N.A. Argentina Branch.
Australia	Citigroup Pty Limited
Austria	Raiffeisen Bank International AG
Bahrain	Standard Chartered Bank, DIFC Branch
Bangladesh	Standard Chartered Bank
Belgium	Citibank Europe Plc
Bermuda	Citibank N.A.
Bosnia & Herzegovina	Raiffeisen Bank International AG
Botswana	Standard Chartered Bank, DIFC Branch
Brazil	Citibank, N.A. – Filial Brasileira (Brazilian Branch)
Bulgaria	Raiffeisen Bank International AG
Canada	<b>Trust clients:</b> RBC IS Trust Canada <b>Bank clients:</b> Royal Bank of Canada
Chile	Banco de Chile
China B Shares (Shanghai)	Standard Chartered Bank (China) Limited
China B Shares (Shenzhen)	Standard Chartered Bank (China) Limited
China A Shares	Standard Chartered Bank (China) Limited
Colombia	Cititrust Colombia S.A.
Costa Rica	Citibank N.A.

<b>MARKET</b>	<b>SUBCUSTODIAN</b>
Croatia	Raiffeisen Bank International AG
Cyprus	Citibank Europe Plc, Greece Branch
Czech Republic	Raiffeisen Bank International AG
Denmark	Citibank Europe Plc
Egypt	Citibank N.A. Egypt
Estonia	Clearstream Banking S.A.
Finland	Citibank Europe Plc
France	Citibank Europe Plc
Germany	Citibank Europe Plc
Georgia	Citibank N.A.
Ghana	Standard Chartered Bank, DIFC Branch
Greece	Citibank Europe Plc, Greece Branch
Hong Kong	Standard Chartered Bank (Hong Kong) Limited  Hong Kong Connect: Citibank, N.A., Hong Kong Branch
Hungary	Raiffeisen Bank International AG
Iceland	Islandsbanki hf
ICSD	Clearstream Banking S.A.
India	Standard Chartered Bank
Indonesia	Standard Chartered Bank
Ireland	Citibank N.A., London Branch
Israel	Citibank N.A Israel
Italy	Citibank Europe Plc
Jamaica	Citibank N.A.
Japan	Citibank N.A., Tokyo Branch
Jordan	Standard Chartered Bank, DIFC Branch
Kazakhstan	JSC Citibank Kazakhstan



<b>MARKET</b>	<b>SUBCUSTODIAN</b>
Kenya	Standard Chartered Bank, DIFC Branch
Kuwait	Citibank, N.A. Kuwait Branch
Latvia	Clearstream Banking S.A.
Lithuania	Clearstream Banking S.A.
Luxembourg	Clearstream Banking S.A.
Macedonia	Citibank N.A.
Malaysia	Standard Chartered Bank Malaysia Berhad
Mauritius	Standard Chartered Bank, DIFC Branch
Mexico	Citibanamex Securities Services
Morocco	Societe General Marocaine de Banques
Namibia	Citibank N.A.
Netherlands	Citibank Europe Plc
New Zealand	Citibank N.A. New Zealand Branch
Nigeria	Standard Chartered Bank, DIFC Branch
Norway	Citibank Europe Plc
Oman	Standard Chartered Bank, DIFC Branch
Pakistan	Standard Chartered Bank, DIFC Branch
Panama	Citibank N.A.
Peru	Citibank del Peru S.A.
Philippines	Standard Chartered Bank
Poland	Bank Polska Kasa Opieki S.A.
Portugal	Citibank Europe Plc
Qatar	Standard Chartered Bank, DIFC Branch
Romania	BRD - Groupe Societe Generale
Russia	Raiffeisen Bank International AG
Saudi Arabia	HSBC Saudi Arabia

<b>MARKET</b>	<b>SUBCUSTODIAN</b>
Serbia	Raiffeisen Bank International AG
Singapore	Standard Chartered Bank
Slovak Republic	Raiffeisen Bank International AG
Slovenia	Raiffeisen Bank International AG
South Africa	Standard Chartered Bank, DIFC Branch
South Korea	Standard Chartered Bank Korea Limited
Spain	Citibank Europe Plc
Sri Lanka	Standard Chartered Bank
Sweden	Citibank Europe Plc, Sweden Branch
Switzerland	Credit Suisse AG
Taiwan	Standard Chartered Bank (Taiwan) Limited
Tanzania	Standard Chartered Bank, DIFC Branch
Thailand	Standard Chartered Bank (Thai) Pcl
Tunisia	Societe Generale Securities Service UIB Tunisia
Turkey	Citibank A.S.
UAE - Abu Dhabi	Standard Chartered Bank, DIFC Branch
UAE - Dubai	Standard Chartered Bank, DIFC Branch
UAE - Nasdaq Dubai Ltd	Standard Chartered Bank, DIFC Branch
Uganda	Standard Chartered Bank, DIFC Branch
UK	Citibank N.A., London Branch
Ukraine	JSC Citibank
Uruguay	Citibank N.A.
USA	The Bank of New York Mellon
Vietnam	Standard Chartered Bank, DIFC Branch
WAEMU (West African Economic and Monetary Union, including Benin, Burkina Faso, Guinea-	Standard Chartered Bank, DIFC Branch

<b>MARKET</b>	<b>SUBCUSTODIAN</b>
Bissau, Ivory Coast, Mali, Niger, Senegal and Togo)	
Zambia	Standard Chartered Bank, DIFC Branch

## **APPENDIX VIII**

### **DIRECTORY**

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

VT Argonaut Funds ICVC  
Dashwood House 69 Old  
Broad Street, London  
Ec2M 1QS

#### **Authorised Corporate Director and Registrar:**

Valu-Trac Investment Management Limited  
Mains of Orton  
Orton  
Moray  
IV32 7QE

#### **Depositary:**

NatWest Trustee and Depositary Services Limited  
House A, Floor 0  
175 Glasgow Road  
Gogarburn  
Edinburgh  
EH12 1HQ

#### **Custodian:**

CACEIS Bank, UK  
Branch  
Broadwalk House  
Appold Street  
London  
EC2A 2DA

#### **Investment Manager:**

Argonaut Capital Partners LLP  
4th Floor  
115 George Street  
Edinburgh  
EH2 4JN

#### **Auditors:**

Johnston Carmichael LLP  
Commerce House  
South Street  
Elgin  
IV30 1JE

## **APPENDIX IX**

### **ADDITIONAL INFORMATION FOR INVESTORS IN GERMANY**

#### **RIGHT TO PUBLIC SALE WITHIN GERMANY**

VT Argonaut Funds (the Company) has notified its intention to publicly market Shares in the Federal Republic of Germany. Since completion of the notification process the Company has the right to publicly market such Shares in Germany.

#### **PAYING AND INFORMATION AGENT IN GERMANY**

Société Générale S.A.  
Neue Mainzer Straße 46-50  
D-60311 Frankfurt/Main

will act as Paying and Information Agent for the Fund in Germany.

Shareholders resident in Germany may request to have all payments (repurchase proceeds, distributions and any other payments resulting from their investment in the Fund) which are to be made for their benefit through the German Paying and Information Agent.

Redemption orders may be filed with the German Paying and Information Agent for onward transmission to the Company's ACD.

The Prospectus, the Key Investor Information Documents, the memorandum and articles of association as well as the annual and semi-annual reports of the Company are available free of charge in hardcopy at the registered office of the paying and information agent.

Furthermore, copies of the documents listed in the section "Documents of the Company" of the prospectus are available for inspection free of charge during normal business hours on weekdays (Saturdays and public holidays excepted) at the registered office of the paying and information agent.

The subscription, redemption and conversion prices are also available free of charge at the registered office of the paying and information agent.

#### **TAXATION**

The following share classes fulfil the requirements to be qualified as tax transparent in Germany:

- VT Argonaut Absolute Return Fund - Class I Accumulation EUR  
(ISIN: GB00B779CH97)

This enables the relevant shareholders to make use of the benefits provided by the Investment Tax Act however the Company declines any liability in this respect.

In general, the tax treatment of an investor will depend on the personal circumstances and may change in the future. Investors are therefore advised to seek independent tax advice prior to investing in the Fund.

## **PUBLICATIONS**

The subscription and redemption prices will be published on [www.fundinfo.com](http://www.fundinfo.com).  
Shareholder notices, if any, will be published on [www.fundinfo.com](http://www.fundinfo.com).

In the cases enumerated in Sec. 298 (2) of the German Investment Code (KAGB), Shareholders will also be notified by means of a durable medium in accordance with Sec. 167 KAGB.