

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

Marlborough Fund Managers Limited, the manager of the Trust, is the person responsible for the information contained in this Prospectus. To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained herein does not contain any untrue or misleading statement or omit any matters required by the Collective Investment Schemes Sourcebook to be included in it. Marlborough Fund Managers Limited accepts responsibility accordingly.

**PROSPECTUS**  
**OF**  
**JUNIOR OILS TRUST**  
**(A UCITS scheme)**

This document constitutes the Prospectus for Junior Oils Trust which has been prepared in accordance with the Collective Investment Schemes Sourcebook.

This Prospectus is dated, and is valid as at, 1<sup>st</sup> January 2012.

Copies of this Prospectus have been sent to the Financial Services Authority and the Trustee.

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## **Important information**

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

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

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

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

The provisions of the Trust Deed are binding on each of the Unitholders and a copy of the Trust Deed is available on request from Marlborough Fund Managers Limited.

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

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

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

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

1. **DEFINITIONS**

**“Approved Bank”**

(in relation to a bank account opened by the Manager):

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

**“Auditor”**

Barlow Andrews, or such other entity as is appointed to act as auditor to the Trust from time to time

**“Business Day”**

a day on which the London Stock Exchange is open. If the London Stock Exchange is closed as a result of a holiday or for any other reason, or there is a holiday elsewhere or other reason which impedes the

	calculation of the fair market of the Trust's portfolio of securities or a significant portion thereof the Manager may decide that any business day shall not be construed as such
<b>"Class" or "Classes"</b>	in relation to Units, means (according to the context) a particular class or classes of Unit
<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 FSA as amended from time to time
<b>"Dealing Day"</b>	Monday to Friday where these days are business days, excluding the last business day before Christmas and the last business day of the year
<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>	for the purposes of this Prospectus, means an investment technique where derivatives are used for one or more of the following purposes: reduction of risk, reduction of cost or generation of additional income with an acceptably low level of risk, as more fully described in Appendix IV
<b>"Eligible Institution"</b>	one of certain eligible institutions as defined in the glossary of definitions to the FSA Handbook
<b>"the FSA"</b>	the Financial Services Authority or any other regulatory body which may assume its regulatory responsibilities from time to time
<b>"the FSA Handbook"</b>	the FSA Handbook of Rules and Guidance, as amended from time to time
<b>"the FSA Register"</b>	the public record, as required by section 347 of the Financial Services and Markets Act 2000 (The public record) of every:

- (a) authorised person;
- (b) AUT;
- (c) ICVC;
- (d) recognised scheme;
- (e) recognised investment exchange;
- (f) recognised clearing house;
- (g) individual to whom a prohibition order relates;
- (h) approved person; and
- (i) person within such other class (if any) as the FSA may determine;

except as provided by any transitional provisions

**“Home State”**

- (1) (in relation to a credit institution) the EEA State in which the credit institution has been authorised in accordance with the Banking Consolidation Directive
- (2) (in relation to an investment firm):
  - (a) where the investment firm is a natural person, the EEA State in which his head office is situated;
  - (b) where the investment firm is a legal person, the EEA State in which its registered office is situated or, if under its national law it has no registered office, the EEA State in which its head office is situated
- (3) (in relation to an insurer with an EEA right) the EEA State in which the registered office of the insurer is situated
- (4) (in relation to a market) the EEA State

in which the registered office of the body which provides trading facilities is situated or, if under its national law it has no registered office, the EEA State in which that body's head office is situated

(5) (in relation to a Treaty firm) the EEA State in which its head office is situated, in accordance with paragraph 1 of Schedule 4 to the Act (Treaty rights)

<b>"Investment Manager"</b>	Sector Investment Managers Limited, the investment manager to the Manager in respect of the Trust
<b>"Manager"</b>	Marlborough Fund Managers Limited, the manager of the Trust
<b>"NAV" or "value"</b>	the value of the Scheme Property less the liabilities of the Trust as calculated in accordance with the Trust Deed
<b>"Register"</b>	the register of Unitholders of the Trust
<b>"Registrar"</b>	Marlborough Fund Managers Limited, or such other entity as is appointed to act as Registrar to the Trust 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 FSA Handbook (including the COLL Sourcebook
<b>"Scheme Property"</b>	the scheme property of the Trust required under the COLL Sourcebook to be given for safekeeping to the Trustee
<b>"SDRT"</b>	stamp duty reserve tax
<b>"Switch"</b>	the exchange where permissible of Units of one Class for Units of another Class
<b>"Trust Deed"</b>	the trust deed constituting the Trust, as amended from time to time in accordance

	with the COLL Sourcebook
<b>“Trust”</b>	Junior Oils Trust
<b>“Trustee”</b>	HSBC Bank Plc, or such other entity as is appointed to act as Trustee
<b>“UCITS scheme”</b>	a scheme constituted in accordance with the UCITS Directive (a European Directive relating to undertakings for collective investment in transferable securities which has been adopted in the UK)
<b>“Unit” or “Units”</b>	a unit or units in the Trust
<b>“Unitholder”</b>	a holder of registered Units in the Trust
<b>“Valuation Point”</b>	the point, on a Dealing Day, whether on a periodic basis or for a particular valuation, at which the Manager carries out a valuation of the Scheme Property for the Trust for the purpose of determining the price at which Units of a Class may be issued, cancelled or redeemed. The current Valuation Point is 12.00 noon London time on each Dealing Day
<b>“VAT”</b>	value added tax

## 2. **DETAILS OF THE TRUST**

### 2.1 **General Information**

#### 2.1.1 **General**

Junior Oils Trust (the Trust) is a unit trust authorised by the Financial Services Authority with effect from 15 July 2004. The Trust has an unlimited duration.

Unitholders are not liable for the debts of the Trust.

The Manager is also the manager of certain authorised unit trusts and open-ended investment companies details of which are set out in Appendix V.

#### 2.1.2 **Base Currency**

The base currency of the Trust is Pounds Sterling.

#### 2.1.3 **Units**

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

The Trust is designed and managed to support longer-term investment and active trading is discouraged. Short-term or excessive trading into and out of the Trust may harm performance by disrupting portfolio management strategies and by increasing expenses. The Manager may at its discretion refuse to accept applications for, or switching of, Units, 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 Trust. For these purposes, the Manager may consider an investor's trading history in the Trust or other Marlborough Fund Managers Limited funds and accounts under common ownership or control.

### 2.2 **The structure of the Trust**

#### 2.2.1 **The Trust**

The Trust is a UCITS scheme.

Investment of the assets of the Trust must comply with the COLL Sourcebook and the investment objective and policy of the Trust. Details of the Trust, including its investment objective and policy, are set out in Appendix I.

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

## 2.2.2 **Units**

### **Classes of Units within the Trust**

The rights represented by Units are those of a beneficial interest under a trust.

Units do not carry preferential or pre-emptive rights to acquire further Units.

Further Classes of Unit may be established from time to time by the Manager with the approval of the FSA, the agreement of the Trustee and in accordance with the Trust Deed. On the introduction of any new Class, either a revised prospectus or a supplemental prospectus will be prepared, setting out the details of each Class.

The currency in which each new Class of Units will be denominated will be determined at the date of creation and set out in the Prospectus issued in respect of the new Class of Units.

The Trust may issue income and accumulation Units although only accumulation Units are currently in issue. Further details of the Units presently available, including details of their criteria for subscription and fee structure, are set out in Appendix I.

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

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

The Trust Deed allows gross income and gross accumulation Units to be issued, as well as net income and net accumulation Units, but

currently no gross Units are in issue. Net Units are Units in respect of which income allocated to them is distributed periodically to the relevant Unitholders (in the case of income Units) or credited periodically to capital (in the case of accumulation Units), in either case in accordance with relevant tax law, net of any tax deducted or accounted for by the Trust. Gross Units are income or accumulation Units where, in accordance with relevant tax law, distribution or allocation of income is made without any tax being deducted or accounted for by the Trust. All references in this Prospectus are to net Units unless otherwise stated.

Where the Trust 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 will be adjusted accordingly.

Unitholders are entitled (subject to certain restrictions) to Switch all or part of their Units in a Class for Units of another Class. Details of this switching facility and the restrictions are set out in paragraph 3.4 "Switching".

### 3. **BUYING, REDEEMING AND SWITCHING UNITS**

The dealing office of the Manager 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 Units. The Manager may vary these times at its discretion. Requests to deal in Units may also be made by telephone on each business day (at the Manager's discretion) between 9.00 a.m. and 5.00 p.m. (London time) directly to the office of the Manager (telephone: 0808 145 2500 or such other number as published from time to time). The initial purchase must, at the discretion of the Manager, be accompanied by an application form.

In addition, the Manager may from time to time make arrangements to allow Units to be bought or sold on-line or through other communication media, but the Manager has no current plans to do so.

Telephone calls will be recorded. The Manager may also, at its discretion, introduce further methods of dealing in Units in the future.

In its dealings in Units the Manager is dealing as principal. The Manager does not actively seek to make a profit from dealing in Units as principal but does so in order to facilitate the efficient management of the Trust. The Manager is not accountable to Unitholders for any profit it makes from dealing in Units as principal.

#### 3.1 **Money laundering**

As a result of legislation in force in the UK to prevent money laundering, the Manager 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 Units. Until satisfactory proof of identity is provided, the Manager reserves the right to refuse to issue Units, pay the proceeds of a redemption of Units, or pay income on Units to the investor. In the case of a purchase of Units where the applicant is not willing or is unable to provide the information requested within a reasonable period, the Manager also reserves the right to sell the Units purchased and return the proceeds to the account from which the subscription was made. These proceeds may be less than the original investment.

The Manager will, where possible, verify identity using information from credit reference agencies. Where this is not possible or where the Manager decides, at its own discretion, that it is appropriate further documentation will be requested.

## 3.2 **Buying Units**

### 3.2.1 **Procedure**

Units may be bought directly from the Manager or through a professional adviser or other intermediary. Any intermediary who recommends an investment in the Trust to Unitholders may be entitled to receive commission from the Manager. An ongoing commission, based on the value of Units held may also be paid to qualifying intermediaries. In addition, the Manager may from time to time make arrangements to allow Units to be bought through other communication media. For details of dealing charges see paragraph 3.5 below. Application forms may be obtained from the Manager.

Valid applications to purchase Units in the Trust will be processed at the Unit price calculated, in accordance with the Regulations, at the next Valuation Point following receipt of the application, except in the case where dealing in the Trust has been suspended as set out in paragraph 3.10.

The Manager, 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 Manager's discretion, payment for large purchases of Units may be made by telegraphic transfer.

A purchase of Units in writing or by telephone 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 Manager has the right to reject, on reasonable grounds relating to the circumstances of the applicant, any application for Units in whole or part, and in this event the Manager will return any money sent, or the balance of such monies, at the risk of the applicant.

Applicants who have received advice may have the right to cancel their application to buy Units at any time during the 14 days after the date on which they receive a cancellation notice from the Manager. If an applicant (except for those investors who subscribe through the Regular Savings Plan) decides to cancel the contract, and the value of the investment has fallen at the time the Manager 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 cancel their first subscription only; if a Regular Saver decides to cancel their contract within 14 days after the date on which they receive the cancellation notice then they will receive back the full amount of their initial subscription. The Manager may extend cancellation rights to other investors but is under no obligation to do so.

### 3.2.2 **Documents the buyer will receive**

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

Registration of Units can only be completed by the Manager upon receipt of any required registration details. These details may be supplied in writing to the Manager or by returning to the Manager the properly completed registration form and copy of the confirmation.

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

Certificates will not be issued in respect of Units. Ownership of Units will be evidenced by an entry on the Register. Tax vouchers in respect of periodic distributions on Units will show the number of Units held by the recipient.

### 3.2.3 **Regular Savings Plan**

The Manager may make available certain Classes of Units through the Regular Savings Plan (details of current Classes of Units which are available are shown in Appendix I). Further information on how to invest through the Regular Savings Plan is available from the Manager.

### 3.2.4 **Minimum subscriptions and holdings**

The minimum initial subscriptions, subsequent subscriptions and holdings levels for each Class of Unit are set out in Appendix I.

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

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

### 3.3 **Redeeming Units**

#### 3.3.1 **Procedure**

Every Unitholder is entitled on any Dealing Day to redeem its Units, which shall be purchased by the Manager dealing as principal.

Valid instructions to the Manager to redeem Units will be processed at the Unit price calculated, calculated in accordance with the Regulations at the next Valuation Point following receipt of the instruction, except in the case where dealing in the Trust has been suspended as set out in paragraph 3.10.

A redemption instruction in respect of Units in writing or by telephone or any other communication media made available is a legally binding contract. However, an instruction to the Manager to redeem Units, although irrevocable, may not be settled by the Manager if the redemption represents Units where the money due on the earlier purchase of those Units has not yet been received or if insufficient documentation or anti-money laundering information has been received by the Manager.

For details of dealing charges see paragraph 3.5 below.

#### 3.3.2 **Documents a redeeming Unitholder will receive**

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

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

Such payment will be made within four business days of the later of (a) receipt by the Manager of the form of renunciation (or other sufficient written instructions) duly signed and completed by all the relevant Unitholders 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 Manager of the request to redeem.

### 3.3.3 **Minimum redemption**

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

## 3.4 **Switching**

Subject to any restrictions on the eligibility of investors for a particular Unit Class, a Unitholder may at any time Switch all or some of his Units of one Class ("the Original Units") for Units of another Class ("the New Units") in the Trust. The number of New Units issued will be determined by reference to the respective prices of New Units and Original Units at the Valuation Point applicable at the time the Original Units are redeemed and the New Units are issued.

Telephone switching instructions may be given but Unitholders are required to provide written instructions to the Manager (which, in the case of joint Unitholders, must be signed by all the joint Unitholders) before switching is effected.

If a partial Switch would result in the Unitholder holding a number of Original Units or New Units of a value which is less than the minimum holding in the Class concerned, the Manager may, if it thinks fit, convert the whole of the applicant's holding of Original Units to New Units (and make a charge on switching on such conversion) or refuse to effect any Switch of the Original Units. 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 Manager before the Valuation Point on a

Dealing Day in the Trust to be dealt with at the prices at the Valuation Point on that Dealing Day or at such other Valuation Point as the Manager at the request of the Unitholder giving the relevant instruction may agree. Switching requests received after a Valuation Point will be held over until the next day which is a Dealing Day.

The Manager may adjust the number of New Units 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 Units or redemption of the Original Units as may be permitted pursuant to the COLL Sourcebook.

**A Unitholder who Switches Units in one Class for Units in any other Class will not be given a right by law to withdraw from or cancel the transaction.**

### 3.5 **Dealing Charges**

The price per Unit at which Units are bought, redeemed or switched is calculated in accordance with the Regulations. Any initial charge or redemption charge, (or SDRT on a specific deal, if applicable) is payable in addition to the price or deducted from the proceeds and is taken from the gross subscription or redemption monies.

#### 3.5.1 **Initial Charge**

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

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

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

From the initial charge received, or out of its other resources, the Manager may pay a commission to relevant intermediaries including the Investment Manager and its Associates.

### 3.5.2 **Redemption Charge**

The Manager may make a charge on the redemption of Units in each Class. At present, no redemption charge is levied.

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

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

SDRT is charged on the surrender of Units to the Trust and on certain transfers of Units. The SDRT due is calculated at the rate of 0.5 per cent. of the market value of the Units surrendered. This charge is subject to reduction in accordance with reliefs available from time to time.

The current policy is that all SDRT costs will be paid out of the Trust's Scheme Property and charged to capital. SDRT will not be recovered from Unitholders. However, the Manager reserves the right to require Unitholders to pay SDRT whenever it considers that the circumstances have arisen which make such imposition fair to all Unitholders or potential Unitholders. The Manager may impose an SDRT provision on large deals when no SDRT provision is imposed on smaller deals or which is larger than that imposed on smaller deals. A "large deal" is a transaction (or a series of transactions in one dealing period) by any person to buy, sell or exchange Units of £15,000 or more. In the event there is a change in this policy the Manager will give prior notification of such change to Unitholders prior to it taking effect.

Since the authorisation of the Trust to the date of this Prospectus it has not been necessary to recover any SDRT from Unitholders on any dealings in the Units. Although it cannot be guaranteed, it is the opinion of the Manager that SDRT will rarely be recovered from Unitholders on the sale of Units. This statement is based on the Manager's current policy for SDRT as detailed above. If imposed on a particular deal the maximum provision for SDRT shall always be equivalent to the current rate of SDRT.

## 3.6 **Transfers**

Unitholders are entitled to transfer their Units to another person or body. All transfers must be in writing in the form of an instrument of transfer approved by the Manager for this purpose. Completed instruments of transfer must be

returned to the Manager in order for the transfer to be registered by the Manager. The Manager may refuse to register a transfer unless any provision for SDRT due has been paid.

### 3.7 **Restrictions and Compulsory Transfer and Redemption**

The Manager may from time to time impose such restrictions as it may think necessary for the purpose of ensuring that no Units are acquired or held by any person in breach of the law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory or which would result in the Trust incurring any liability to taxation which the Trust is not able to recoup itself or suffering any other adverse consequence. In this connection, the Manager may, inter alia, reject in its discretion any application for the purchase, redemption, transfer or switching of Units.

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

- (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 Trust incurring any liability to taxation which the Trust would not be able to recoup itself or suffering any other adverse consequence (including a requirement to register under any securities or investment or similar laws or governmental regulation of any country or territory); or
- (c) are held in any manner by virtue of which the Unitholder or Unitholders in question is/are not qualified to hold such Units or if it reasonably believes this to be the case;

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

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

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

### **3.8 Issue of Units in exchange for in specie assets**

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

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

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

### **3.9 In specie redemptions**

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

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

The Manager will select the property to be transferred or sold in consultation with the Trustee. They must ensure that the selection is made with a view to achieving no more advantage or disadvantage to the Unitholder requesting the redemption than to the continuing Unitholders.

### 3.10 **Suspension of dealings in the Trust**

The Manager may, with the prior agreement of the Trustee, and must without delay if the Trustee so requires temporarily suspend the issue, cancellation, sale and redemption of Units in the Trust where due to exceptional circumstances it is in the interests of all the Unitholders in the Trust.

The Manager and the Trustee must ensure that the suspension is only allowed to continue for as long as is justified having regard to the interests of Unitholders.

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

The Manager will notify Unitholders 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 Unitholders details of how to find further information about the suspension.

Where such suspension takes place, the Manager will publish details on its website or other general means, sufficient details to keep Unitholders 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 Manager 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 Manager and the Trustee will formally review the suspension at least every 28 days and will inform the FSA of the review and any change to the information given to Unitholders.

The Manager may agree during the suspension to deal in Units 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 Units.

### 3.11 **Large deals**

Any purchase or redemption of Units with a value equal to or in excess of £15,000 will amount to a "large deal". For large deals (subject to the

Regulations), the Manager may sell Units at more than, or redeem Units at less than, the published price (see paragraph 4.2 below).

3.12 **Governing law**

All deals in Units are governed by the law of England and Wales.

#### 4. **VALUATION OF THE TRUST**

##### 4.1 **General**

The Trust will be valued in accordance with the provisions set out in Appendix III. The value per Unit in the Trust is calculated at each Valuation Point.

##### 4.2 **Calculation of the value**

Valuations of the Trust will take place on each Dealing Day at the Valuation Point for the purposes of determining prices of which Units may be bought or sold to the Manager being calculated on an offer basis (for the purposes of calculating the issue price of a Unit) or a bid basis (for the purposes of calculating the cancellation price of a Unit) respectively. The price at which the Manager sells Units (the offer price), may not exceed the issue price of units plus the Manager's initial charge. The price at which the Manager redeems Units (the bid price) will not be less than the cancellation price (less any redemption charge and any SDRT provision). The bid price will not exceed the relevant issue price.

Large deals (see paragraph 3.11) may be carried out at a higher offer price or a lower bid price than those published, provided these prices do not exceed the relevant maximum and minimum parameters set out in the paragraph above.

The Manager may at any time during a business day carry out an additional valuation if it considers it desirable to do so. The Manager shall inform the Trustee 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 dealings. Where permitted and subject to the Regulations, the Manager 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.

For the purposes of calculating the Manager's and Trustee's periodic charges the Scheme Property is valued on a mid-market basis, for the purposes of calculating the investment limits the Scheme Property is valued on a bid basis.

The Manager will, upon completion of each valuation, notify the Trustee of the issue price, the cancellation price, the maximum offer price and the minimum bid price of Units, of each Class.

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

#### 4.3 **Price per Unit in each Class**

The price per Unit at which Units are issued or cancelled is calculated by taking the proportion, attributable to the Units of the class in question, of the value on the issue basis (when calculating the issue price per Unit) or the cancellation basis (when calculating the cancellation price per Unit) of the Scheme Property by reference to the most recent valuation, computing the number of Units of the relevant class in issue immediately before that valuation, dividing the total by that number of Units. Any initial charge or redemption charge, (or SDRT on a specific deal, if applicable) is payable in addition to the price or deducted from the proceeds and is taken from the gross subscription or redemption monies.

#### 4.4 **Pricing basis**

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

#### 4.5 **Publication of Prices**

The prices of all Units are published in The Financial Times, the website of the Investment Management Association ("IMA"): [www.investmentuk.org](http://www.investmentuk.org) and [www.marlboroughfunds.com](http://www.marlboroughfunds.com). Prices may also be obtained by calling 0808 145 2501 or 01204 545 580 during normal business hours. As the Manager 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 Manager may also, at its sole discretion, decide to publish certain Unit prices in other third party websites or publications but the Manager 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 Manager.

## 5. **RISK FACTORS**

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

### 5.1 **General**

The investments of the Trust 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 Trust. There is no certainty that the investment objective of the Trust will actually be achieved and no warranty or representation is given to this effect. The level of any yield for the Trust may be subject to fluctuations and is not guaranteed.

The entire market of a particular asset class or geographical sector may fall, having a more pronounced effect on funds heavily invested in that asset class or region. There will be a variation in performance between funds with similar objectives due to the different assets selected.

### 5.2 **Effect of Initial Charge or Redemption Charge**

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

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

### 5.3 **Suspension of Dealings in Units**

Investors are reminded that in certain circumstances their right to redeem Units (including a redemption by way of switching) may be suspended (see "Suspension of dealings in the Trust" above). This will mean that investors will not have access to their money during the period of the suspension.

### 5.4 **Currency Exchange Rates**

Currency fluctuations may adversely affect the value of the Trust's investments and the income thereon and, depending on an investor's currency of reference, currency fluctuations may adversely affect the value of his investment in Units.

### 5.5 **Sector Fund Risk**

The Trust's investments are concentrated in a narrow section of the economy, the oil sector. This means that the Trust's investment concentration in the oil sector is higher than most regulated funds and the broad securities market. Consequently, the Trust may tend to be more volatile than other regulated

funds, and consequently the value of an investment in the Trust may be subject to large price swings up or down.

#### 5.6 **Oil Industry Risk**

The oil industry and businesses in which the Trust invests may be adversely affected by foreign government, federal or state regulations on oil production, distribution and sale. Stock prices of companies in oil related industries are also affected by supply and demand. Although security selection affects the performance of the Trust, short term fluctuations in commodity prices may influence fund returns and increase price fluctuations in the Trust's units.

#### 5.7 **Derivatives**

**The Trust may employ financial derivative instruments on eligible derivatives markets, but solely for the purpose of hedging (sometimes known as Efficient Portfolio Management ('EPM')), with the aim of reducing the risk profile of the Trust.**

**To the extent that derivative instruments are utilised for hedging purposes, the risk of loss to the Trust may be increased where the value of the derivative instrument and the value of the security or position which it is hedging are insufficiently correlated.**

For more information in relation to investment in derivatives please see paragraph 11 in Appendix III.

#### 5.8 **Counterparty Risk in over-the-counter markets**

The Trustee on behalf of the Trust may enter into transactions in over-the-counter markets, which will expose the Trust to the credit of its counterparties and their ability to satisfy the terms of such contracts. For example, the Trustee on behalf of the Trust may enter into agreements or use other derivative techniques, each of which expose the Trust to the risk that the counterparty may default on its obligations to perform under the relevant contract. In the event of a bankruptcy or insolvency of a counterparty, the Trust could experience delays in liquidating the position and significant losses, including declines in the value of its investment during the period in which the Trust seeks to enforce its rights, inability to realise any gains on its investment during such period and fees and expenses incurred in enforcing its rights. There is also a possibility that the above agreements and derivative techniques are terminated due, for instance, to bankruptcy, supervening illegality or change in the tax or accounting laws relative to those at the time the agreement was originated. In such circumstances, investors may be unable to cover any losses incurred.

## 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.

**Currency Fluctuations** – Significant changes in the currencies of the countries in which investments are made in respect of the currency of denomination of the Trust may occur following the investment of the Trust in these currencies. These changes may impact the total return of the Trust 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 the Trust 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 Trust 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**

Investment in smaller companies can be higher risk than investment in well established blue chip companies. Funds investing significantly in smaller companies can be subject to more volatility due to the limited marketability of the underlying asset.

#### 5.11 **Credit and Fixed Interest Securities**

Fixed interest securities are particularly affected by trends in interest rates and inflation. If interest rates go up, the value of capital may fall, and vice versa. Inflation will also decrease the real value of capital.

The value of a fixed interest security will fall in the event of the default or reduced credit rating of the issuer. Generally, the higher the rate of yield, the higher the perceived credit risk of the issuer. High yield bonds with lower credit ratings (also known as sub-investment grade bonds) are potentially more risky (higher credit risk) than investment grade bonds. A sub-investment grade bond has a Standard & Poor's credit rating of below BBB. BBB is described as having adequate capacity to meet financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the bond issuer to meet its financial commitments.

#### 5.12 **Counterparty and Settlement**

The Trust will be exposed to a credit risk on parties with whom it trades and will also bear the risk of settlement default.

#### 5.13 **Liquidity**

Due to the types of assets the Trust invests in there may be occasions where there is an increased risk that a position cannot be liquidated in a timely manner at a reasonable price.

#### 5.14 **Custody**

There may be a risk of loss where the assets of the Trust are held in custody that could result from the insolvency, negligence or fraudulent action of a custodian or sub-custodian.

#### 5.15 **Tax**

Tax laws currently in place may change in the future which could affect the value of a Unitholder's investments. See the section headed 'Taxation' for further details about taxation of the Trust.

## 5.16 **Inflation and Interest Rates**

The real value of any returns that an investor may receive from the Trust could be affected by interest rates and inflation over time.

## 6. MANAGEMENT AND ADMINISTRATION

### 6.1 Regulatory Status

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

### 6.2 Manager

#### 6.2.1 General

The Manager is Marlborough Fund Managers Limited which is a private company limited by shares incorporated in England and Wales on 3 October 1986.

<b>Registered Office:</b>	Marlborough House, 59 Chorley New Road, Bolton, BL1 4QP
<b>Share Capital:</b>	It has a share capital of £50,000 issued and paid up.
<b>Ultimate Holding Company:</b>	UFC Fund Management Plc, a company incorporated in England and Wales.

The Manager is responsible for managing and administering the Trust's affairs in compliance with the COLL Sourcebook. The Manager 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 Trust (as further explained in paragraph 6.4 below).

The Manager is also under no obligation to account to the Trustee, the Trust or the Unitholders for any profit it makes on the issue or re-issue or cancellation of Units which it has redeemed.

### 6.3 The Trustee

#### 6.3.1 General

The Trustee of the Trust is HSBC Bank plc of 8 Canada Square, London E14 5HQ formed by Deed of Settlement in 1836, registered as an unlimited company in 1873 under the Companies Act 1862 and registered as a company limited by shares in 1880 under the

Companies Act 1862-1879. The principal business activity of the Trustee is banking. It is authorised and regulated by the Financial Services Authority.

The Trustee is responsible for the safekeeping of all the Scheme Property (other than tangible moveable property) of the Trust and has a duty to take reasonable care to ensure that the Trust is managed in accordance with the Trust Deed and the provisions of the COLL Sourcebook relating to the pricing of, and dealing in, Units and relating to the income and the investment and borrowing powers of the Trust.

The Trustee is entitled to receive remuneration out of the Scheme Property for its services, as explained in paragraph 7.3 "Trustee's fee and expenses" below. The Trustee is under no obligation to account to the Manager, the Trust or the Unitholders for any profits or benefits it makes or receives that are made or derived from or in connection with its role as trustee.

## **6.4 The Investment Manager**

### **6.4.1 General**

The Manager has appointed the Investment Manager, Sector Investment Managers Limited, to provide investment management services to the Manager. The Investment Manager is authorised and regulated by the Financial Services Authority.

The Investment Manager's registered office is at 67 Grosvenor Street, London, W1K 3JN.

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

### **6.4.2 Terms of Appointment**

The terms of the Investment Management Agreement between the Manager and the Investment Manager include the provision of discretionary investment management to attain the investment objectives, discretion to place purchase and sale orders with regulated dealers and on the exercise of voting rights relating to such investments and on the marketing of Units (subject to the approval of the Manager) and preparation of the Investment Manager's report half yearly for inclusion in the Manager's report for circulation to Unitholders. The Agreement is terminable after the

expiry of three years on receipt of six months written notice given by either party.

The Investment Manager is entitled to receive a fee paid by the Manager out of its remuneration received each month from the Trust as explained below in paragraph 7.4 and is also entitled to receive commission paid by the Manager in respect of investment in the Trust by its clients.

The Investment Manager will not be considered as a broker fund adviser under the FSA Handbook in relation to the Trust.

## **6.5 The Registrar**

### **6.5.1 General**

Marlborough Fund Managers Limited is the Registrar to the Trust.

The registered office of the Registrar is Marlborough House, 59 Chorley New Road, Bolton, BL1 6LF.

### **6.5.2 Register of Unitholders**

The Register of Unitholders will be maintained by the Registrar at the above address, and may be inspected at that address or the principal place of business of the Manager, during normal business hours by any Unitholder or any Unitholder's duly authorised agent.

The plan register, where applicable, (being a record of persons who subscribe for Units through Individual Savings Accounts (ISAs)) can be inspected at the office of the Registrar.

## **6.6 The Auditors**

The auditors of the Trust are Barlow Andrews, whose address is 78 Chorley New Road, Bolton, BL1 4BY.

## **6.7 Conflicts of Interest**

The Manager or the Investment Manager may, from time to time, act as investment managers or advisers to other funds or sub-funds which follow similar investment objectives to those of the Trust. It is therefore possible that the Manager and/or the Investment Manager may in the course of their business have potential conflicts of interest with the Trust. Each of the Manager and the Investment Manager will, however, have regard in such event to its general obligations to act in the best interests of the Trust so far as practicable, having regard to its obligations to other clients, when undertaking any investment business where potential conflicts of interest may arise.

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

## 7. FEES AND EXPENSES

### 7.1 Ongoing

All costs, charges, fees or expenses, other than the charges made in connection with the subscription and redemption of Units (see paragraph 3.5) payable by a Unitholder or out of Scheme Property are set out in this section.

The Manager may, so far as the COLL Sourcebook allows, also pay out of the Scheme Property all relevant costs, charges, fees and expenses including the following:

- 7.1.1 broker's commission, fiscal charges and other disbursements which are necessary to be incurred in effecting transactions for the Trust and normally shown in contract notes, confirmation notes and difference accounts as appropriate;
- 7.1.2 any costs incurred in modifying the Trust Deed including costs incurred in respect of meetings of Unitholders convened for purposes which include modifying the Trust Deed, where the modification is necessary to implement changes in the law or as a direct consequence of any change in the law, or is expedient having regard to any change in the law made by or under any fiscal enactment and which the Manager and the Trustee agree is in the interest of Unitholders, or to remove obsolete provisions from the Trust Deed;
- 7.1.3 any costs incurred in respect of meetings of Unitholders convened on a requisition by Unitholders not including the Manager or an associate of the Manager;
- 7.1.4 liabilities on unitisation, amalgamation or reconstruction;
- 7.1.5 interest on permitted borrowings and charges incurred in effecting or terminating such borrowings or in negotiating or varying the terms of such borrowings;
- 7.1.6 taxation and duties payable in respect of the Scheme Property, the Trust Deed or the issue of Units;
- 7.1.7 the audit fees of the Auditors (including VAT) and any expenses of the Auditors;
- 7.1.8 the periodic fees of the Financial Services Authority, together with any corresponding periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which Units in the Trust are or may be marketed;

7.1.9 fees and expenses in respect of maintaining the register of Unitholders, including any sub-registers kept for the purpose of the administration of Individual Savings Accounts.

The Manager is also entitled to be paid out of the Scheme Property any expenses, incurred by the Manager or its delegates of the kinds described above.

Expenses are allocated between capital and income in accordance with the Regulations. However, the approach for the Trust is set out in Appendix I. Where expenses are deducted in the first instance from income if and only if this is insufficient, deductions will be made from capital (save for any charge made in respect of SDRT under paragraph 3.5.3 "Stamp Duty Reserve Tax"). If deductions were made from capital, this would result in capital erosion and constrain growth.

## 7.2 **Charges payable to the Manager**

### 7.2.1 *Annual Management Charge*

In payment for carrying out its duties and responsibilities the Manager is entitled to take an annual fee out of the Trust as set out in Appendix I. The annual management charge will accrue on a daily basis in arrears by reference to the value of the Scheme Property on the immediately preceding Dealing Day and the amount due for each month is payable on the last Dealing Day of each month. The current annual management charge for the Trust (expressed as a percentage per annum of the value of the Trust) is set out in Appendix I.

### 7.2.2 *Registration Fees*

The Manager is entitled to receive a fee out of the Scheme Property for providing registration services (including establishing and maintaining sub registers where applicable), out of which the Manager will pay the fees of the Registrar. At present the Manager acts as registrar for the Trust. The charge comprises (i) a fixed annual amount together with (ii) an additional amount in respect of each Unitholder on the register at the beginning of the accounting period concerned. The amount of the current charge is (i) a fixed annual amount of £200 together with (ii) an additional amount of £10.75 in respect of each Unitholder holding Units directly or through an ISA. Where applicable VAT shall be payable on these expenses in addition to the expenses themselves. Any such VAT will be chargeable out of the property of the Trust.

### 7.2.3 *Expenses*

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

VAT is payable on the charges or expenses mentioned above, where appropriate.

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

The current annual fee payable to the Manager for a Class may only be increased or a new type of remuneration introduced in accordance with the Regulations.

### 7.3 **Trustee's fee and expenses**

The Trustee is entitled to receive out of the Scheme Property by way of remuneration a periodic charge, which will be calculated and accrue daily and be paid monthly as soon as practicable after the end of each month, and certain additional charges and expenses. The rate of the Trustee's periodic charge in respect of the Trust will be such rate or rates as agreed from time to time between the Manager and the Trustee in accordance with the COLL Sourcebook. The current rate of the Trustee's periodic charge in respect of the Trust is 0.03% (3 basis points) of the value of the Scheme Property.

In the event of the termination of the Trust, the Trustee shall continue to be entitled to a periodic charge for the period up to and including the day on which the final distribution in the termination of the Trust shall be made or, in the case of a termination following the passing of an extraordinary resolution approving a scheme of arrangement, up to and including the final day on which the Trustee is responsible for the safekeeping of the Scheme Property. Such periodic charge will be calculated, be subject to the same terms and accrue and be paid as described above, except that for the purpose of calculating the periodic charge in respect of any day falling after the day on which the termination of the Trust commences, the value of the Scheme Property shall be its value determined at the beginning of each such day.

In addition to a periodic charge the Trustee may also be paid by way of remuneration custody fees where it acts as Custodian and other transaction and bank charges. The Trustee also acts as Custodian of the Scheme Property of the Trust.

The remuneration for acting as custodian is calculated at such rate and/or amount as the Manager and the Trustee may agree from time to time.

The current remuneration ranges from between 0.008% per annum to 0.15% per annum of the value of the Scheme Property, plus VAT (if any) calculated at an ad

valorem rate determined by the territory or country in which the assets of the Trust are held. The current range of transaction charges is between £15 and £60 per transaction plus VAT (if any). Charges for principal markets are:

	<b>Transaction charge per trade</b>	<b>Custody charge % per annum</b>
UK (Crest Transaction)	£15.00	0.008
UK (Non Crest Transactions)	£20.00	0.009
United States	£20.00	0.02
Euroclear/Clearstream	£22.50	0.025
Europe	£22.50 to £45.00	0.02 to 0.07
Japan	£30.00	0.03
Other Markets	£30.00 to £60.00	0.025 to 0.15

Custody and transaction charges will be payable monthly in arrears.

In addition to the remuneration referred to above, the Trustee is entitled to receive reimbursement for expenses properly incurred by it in discharge of its duties or exercising any powers conferred upon it in relation to the Trust. Such expenses include, but are not restricted to:

- (i) delivery of stock to the Trustee or custodian;
- (ii) custody of assets;
- (iii) collection of income and capital;
- (iv) submission of tax returns;
- (v) handling tax claims;
- (vi) preparation of the Trustee's annual report;
- (vii) such other duties as the Trustee is required by law to perform.

VAT (if any) in connection with any of the above is payable in addition.

In each such case such expenses and disbursements will also be payable if incurred by any person (including the Manager or an associate or nominee of the Trustee or of the Manager) who has had the relevant duty delegated to it pursuant to the COLL Sourcebook by the Trustee.

#### 7.4 **Investment Manager's fee**

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

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

#### 8.1 **Class and Trust Meetings**

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

#### 8.2 **Requisitions of Meetings**

The Manager may requisition a general meeting at any time.

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

#### 8.3 **Notice and Quorum**

Unitholders 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 Unitholders, 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 Unitholders at their registered addresses.

#### 8.4 **Voting Rights**

At a general meeting, on a show of hands every Unitholder who (being an individual) is present in person or (being a corporation) is present by its representative properly authorised in that regard, has one vote.

On a poll vote, a Unitholder may vote either in person or by proxy. The voting rights attaching to each Unit are such proportion of the voting rights attached

to all the Units in issue that the price of the Unit bears to the aggregate price of all the Units in issue at a reasonable date before the notice of meeting is sent out such date to be decided by the Manager.

A Unitholder entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.

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

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

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

Where all the Units in the Trust are registered to, or held by, the Manager 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 Trustee, instead be passed with the written consent of Unitholders representing 50% or more, or for an extraordinary resolution 75% or more, of the Units in issue.

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

#### **8.5 Variation of Class Rights**

The rights attached to a Class may not be varied without the sanction of an extraordinary resolution passed at a meeting of Unitholders of that Class.

### **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 summarises the tax position of the Trust and of investors who are United Kingdom resident individuals and hold Units as investments. The regime for taxation of income and capital gains received by individual investors depends on the tax law applicable to their personal circumstances and/or the place where the Scheme Property is invested. Prospective investors who are in any doubt about their tax position, or who may be subject to tax in a jurisdiction other than the United Kingdom, are recommended to take professional advice.

## 9.2 **The Trust**

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

Dividends from United Kingdom companies are received by the Trust with a tax credit and no further tax is payable by the Trust on that income. The Trust 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 Trust suffers foreign tax on income received, this may normally be deducted from the United Kingdom tax due on that income.

The Trust 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 **Unitholders**

### 9.3.1 **Income**

The Trust will pay distributions (which will be automatically retained in the Trust in the case of accumulation Units) with a tax credit. Individuals liable to income tax at the basic rate will have no further liability to tax. Higher rate taxpayers will have to pay an additional amount of income tax on the amount received. Certain categories of Unitholder may be able to reclaim some tax credits.

### 9.3.2 **Income Equalisation**

The first income allocation received by an investor after buying Units may include an amount of income equalisation. 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 Units for capital gains tax purposes.

### 9.3.3 **Gains**

Unitholders may be liable to capital gains tax on gains arising from the redemption, transfer or other disposal of Units. The rate of tax, and available reliefs, will be as applicable from time to time.

#### 9.3.4 **EU Savings Directive**

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

### 10. **WINDING UP OF THE TRUST**

- 10.1 The Trust will not be wound up except in accordance with the COLL Sourcebook.
- 10.2 The Trustee shall proceed to wind-up the Trust:
  - 10.2.1 if the order declaring the Trust to be an authorised unit trust scheme is revoked; or
  - 10.2.2 if the Manager or the Trustee requests the FSA to revoke the order declaring the Trust to be an authorised unit trust scheme and the FSA has agreed (provided no material change in any relevant factor occurs) that on the winding-up of the Trust, the FSA will accede to that request; or
  - 10.2.3 the expiration of any period specified in the Trust Deed as the period at the end of which the Trust is to terminate; or
  - 10.2.4 on the effective date of a duly approved scheme of arrangement which is to result in the relevant Trust being left with no property.
- 10.3 If any of the events set out above occurs the rules in the COLL Sourcebook concerning Dealing (COLL 6.2), Valuation and Pricing (COLL 6.3) and Investment and Borrowing Powers (COLL 5), will cease to apply. The Trustee shall cease to issue and cancel units and the Manager will stop redeeming and selling units.

- 10.4 In the case of a scheme of arrangement referred to in paragraph 10.2.4 above, the Trustee shall wind up the Trust in accordance with the approved scheme of arrangement.
- 10.5 In any other case, the Trustee shall, as soon as practicable after the relevant Trust falls to be wound-up, realise the assets of the Trust and, after paying, or retaining adequate provision for, all liabilities properly payable and retaining provision for the costs of the winding-up, distribute the proceeds to the Unitholders and the Manager proportionately to their respective interest in the Trust.
- 10.6 Any unclaimed net proceeds or other cash (including unclaimed distribution payments) held by the Trustee after twelve months from the date the proceeds became payable, shall be paid by the Trustee into Court, although the Trustee will have the right to retain any expenses incurred in making that payment. On completion of the winding-up, the Trustee shall notify the FSA in writing of that fact and the Trustee or the Manager shall request the FSA to revoke the order of authorisation.

## 11. **GENERAL INFORMATION**

### 11.1 **Accounting Periods**

The annual accounting period of the Trust ends each year on 31 August (the accounting reference date) with an interim accounting period ending on the last day in February.

The Manager may even out the payments of income within an accounting period by carrying forward income otherwise distributable with a view to augmenting amounts to be paid out at a later date.

### 11.2 **Notice to Unitholders**

All notices or other documents sent by the Manager to a Unitholder will be sent by normal post to the last address notified in writing to the Manager by the Unitholder.

### 11.3 **Income Allocations**

The Trust has interim and final income allocations. Income is allocated in respect of the income available at each accounting date.

In relation to income Units, distributions of income for the Trust are paid by cheque on or before the relevant income allocation date in each year as set out in Appendix I.

Where accumulation Units are issued, income will become part of the capital property of the Trust and will be reflected in the price of each such accumulation Unit as at the end of the relevant accounting period.

If a distribution made in relation to any income Units remains unclaimed for a period of six years after it has become due, it will be forfeited and will revert to the Trust.

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

#### 11.4 **Annual Reports**

The annual short report of the Trust will be published and sent to Unitholders within two months from the end of each annual accounting period and the half yearly short report will be published within two months of each interim accounting period. Short reports will be issued free of charge.

A long report containing the full accounts is available to any person free of charge on request to the Manager.

#### 11.5 **Documents of the Trust**

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

- 11.5.1 the Prospectus;
- 11.5.2 the most recent annual and half yearly reports of the Trust;
- 11.5.3 the Trust Deed (and any amending documents); and
- 11.5.4 The ACD's voting policy (which sets out how and when voting rights attached to the Fund's investments are to be exercised), execution policy (which sets out the procedures to be followed when transactions are carried out on behalf of the Fund) and inducement policy (which sets out the types of payments, including fees,

commissions and non-monetary benefits, which may be received or made by a third party in respect of the Fund).

Unitholders may obtain copies of the above documents from the Manager. The Manager may make a charge at its discretion for copies of documents (apart from the most recent versions of the Prospectus, the annual and half yearly long reports of the Trust and the policies mentioned above which are available free of charge to anyone who requests).

#### **11.6 Provision of Investment Advice**

All information concerning the Trust and about investing in Units of the Trust is available from the Manager at Marlborough House, 59 Chorley New Road, Bolton, BL1 4QP. The Manager is not authorised to give investment advice and persons requiring such advice should consult a professional adviser. All applications for Units are made solely on the basis of the current prospectus of the Trust, and investors should ensure that they have the most up to date version.

#### **11.7 Telephone Recordings**

Please note that the Manager may record telephone calls for training and monitoring purposes and to confirm investors' instructions.

#### **11.8 Complaints**

Complaints concerning the operation or marketing of the Trust may be referred to the Compliance Officer of the Manager at Marlborough House, 59 Chorley New Road, Bolton BL1 4QP or, if you subsequently wish to take your complaint further, direct to the Financial Ombudsman Service at South Quay Plaza, 183 Marsh Wall, London E14 9SR.

#### **11.9 Risk Management**

The Manager will provide, upon the request of a Unitholder, further information relating to:

- 11.9.1 the quantitative limits applying in the risk management of the Trust;
- 11.9.2 the methods used in relation to 11.9.1 and
- 11.9.3 any recent development of the risk and yields of the main categories of investment.

## APPENDIX I

### TRUST DETAILS

<b>Name:</b>	Junior Oils Trust
<b>Type of Scheme:</b>	UCITS scheme
<b>Investment Objective and Policy:</b>	The investment objective of the fund is to provide long-term capital growth from a global portfolio of small to medium capitalisation companies specialising in oil exploration and production. There may be occasions in light of adverse market conditions where the Investment Manager chooses to hold a high level of bonds and government securities.
<b>Performance Benchmark:</b>	FTSE 350 Oil & Gas
<b>Final accounting date:</b>	31 August
<b>Interim accounting date:</b>	Last day in February
<b>Income distribution dates:</b>	31 October (final) 30 April (interim)
<b>Units Classes and type of Units:</b>	Accumulation
<b>Initial charge:</b>	5.25%
<b>Redemption charge:</b>	Nil
<b>Switching charge:</b>	Nil
<b>Annual Management Charge:</b>	1.75% per annum
<b>Charges taken from Income:</b>	Yes
<b>Investment minima:*</b>	
Lump sum	£1000
Holding	£1000
Top-up	£100
Regular Savings Plan	£100 per month
Redemption	N/A (provided minimum holding is maintained)
<b>Past performance:</b>	Past performance information is set out in Appendix VI

\* The Manager may waive the minimum levels at its discretion.

## APPENDIX II

### ELIGIBLE SECURITIES MARKETS AND ELIGIBLE DERIVATIVES MARKETS

The Trust may deal through securities and derivatives markets which are regulated markets (as defined in the glossary to the FSA Handbook) or markets established in an EEA State which are regulated, operate regularly and are open to the public (excluding Cyprus and Slovenia).

The Trust may also deal through the securities markets and derivatives markets indicated below:

#### Eligible Securities Markets

United States of America	NYSE Euronext The NASDAQ Stock Market (NASDAQ) NYSE Amex Equities
Australia	Australian Securities Exchange (ASX)
Canada	Toronto Stock Exchange (TSX) TSX Venture Exchange
Hong Kong	Stock Exchange of Hong Kong
Japan	Tokyo Stock Exchange Osaka Securities Exchange Nagoya Stock Exchange
Korea	Korea Exchange (KRX)
Mexico	Bolsa Mexicana de Valores (BMV)
New Zealand	New Zealand Stock Exchange (NZX)
Singapore	Singapore Exchange (SGX)
South Africa	Johannesburg Stock Exchange
Switzerland	SIX Swiss Exchange (SWX)
Thailand	The Stock Exchange of Thailand (SET)

United Kingdom

Alternative Investment Market of the London  
Stock Exchange (AIM)

**Eligible Derivatives Markets**

Australia

Australian Securities Exchange (ASX)

Canada

Montreal Exchange

Mexico

Bolsa Mexicana de Valores (BMV)

USA

NYSE Amex Options  
Chicago Board of Trade  
New York Mercantile Exchange (NYMEX)

## APPENDIX III

### VALUATION AND PRICING

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

1. All the property the Scheme (including receivables) is to be included, subject to the following provisions.
2. The valuation of the property of the Scheme shall consist of two parts, one on an issue basis and one on a cancellation basis calculated in accordance with the following provisions.
  - 2.1 The valuation of property for that part of the valuation which is on an issue basis is as follows:
    - 2.1.1 Property which is not cash (or other assets dealt with in paragraphs 3 and 4 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:
      - 2.1.1.1 units or shares in a collective investment scheme:
        - (a) if a single price for buying and selling units or shares is quoted, at that price (plus any dealing costs, which means any fiscal charges, commission or other charges (including any preliminary charge) payable in the event of the Scheme carrying out the transaction in question, assuming that the commission and charges (other than fiscal charges) which would be payable by the Scheme are the least that could reasonably be expected to be paid in order to carry out the transaction and including any dilution levy or SDRT provision which would be added in the event of a purchase by the Scheme of the units in question (except that, where the Manager, or an associate of the Manager, is also the manager or authorised corporate director of the collective investment scheme whose units are held by the Scheme, dealing costs must not include a preliminary charge which would be payable in the event of a purchase by the Scheme of those units)); or
        - (b) if separate buying and selling prices are quoted, at the maximum sale price, less any expected discount (plus any dealing costs, which means any fiscal charges, commission or other charges (but excluding any preliminary charge on

sale of units in a collective investment scheme) payable in the event of the Scheme carrying out the transaction in question, assuming that the commission and charges (other than fiscal charges) which would be payable by the Scheme are the least that could reasonably be expected to be paid in order to carry out the transaction); but where the Manager, or an associate of the Manager, is also the manager or authorised corporate director of the collective investment scheme whose units are held by the Scheme, the issue price shall be taken instead of the maximum sale price; or

- (c) if, in the opinion of the Manager, the price obtained is unreliable or no recent traded price is available or if no recent price exists, at a buyer's price which, in the opinion of the Manager, is fair and reasonable;

2.1.1.2 any other investment:

- (a) the best available market dealing offer price on the most appropriate market in a standard size (plus any dealing costs, which means any fiscal charges, commission or other charges payable in the event of the Scheme carrying out the transaction in question, assuming that the commission and charges (other than fiscal charges) which would be payable by the Scheme are the least that could reasonably be expected to be paid in order to carry out the transaction); or
- (b) if, in the opinion of the Manager, the price obtained is unreliable or no recent traded price is available or if no recent price exists, at a buyer's price which, in the opinion of the Manager, is fair and reasonable.

2.1.1.3 if any other property, or no price exists under 2.1.1.1 or 2.1.1.2, the Manager's reasonable estimate of a buyer's price (plus any dealing costs, which means any fiscal charges, commission or other charges payable in the event of the Scheme carrying out the transaction in question, assuming that the commission and charges (other than fiscal charges) which would be payable by the Scheme are the least that could reasonably be expected to be paid in order to carry out the transaction but excluding any preliminary charge on sale of units in a collective investment scheme). The buyer's price is the consideration which would be paid by the buyer for an immediate transfer or assignment (or, in Scotland, assignation) to him at arm's length.

2.2 The valuation of property for that part of the valuation which is on a cancellation basis is as follows:

2.2.1 Property which is not cash (or other assets dealt with in paragraphs 3 and 4 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:

2.2.1.1 units or shares in a collective investment scheme:

- (a) if a single price for buying and selling units or shares is quoted, at that price (less any dealing costs, which means any fiscal charges, commission or other charges payable in the event of the Scheme carrying out the transaction in question, assuming that the commission and charges (other than fiscal charges) which would be payable by the Scheme are the least that could reasonably be expected to be paid in order to carry out the transaction, any redemption charge payable on sale of units in a collective investment scheme, taking account of any expected discount, any dilution levy or SDRT provision which would be deducted in the event of a sale by the Scheme of the units in question (except that, where the Manager, or an associate of the Manager, is also the manager or authorised corporate director of the collective investment scheme whose units are held by the Scheme, dealing costs must not include a redemption charge which would be payable in the event of a sale by the Scheme of those units)); or
- (b) if separate buying and selling prices are quoted, at the minimum redemption price (less any dealing costs, which means any fiscal charges, commission or other charges payable in the event of the Scheme carrying out the transaction in question, assuming that the commission and charges (other than fiscal charges) which would be payable by the Scheme are the least that could reasonably be expected to be paid in order to carry out the transaction and any charge payable on the sale of units in a collective investment scheme (except that, where the Manager, or an associate of the Manager, is also the manager or authorised corporate director of the collective investment scheme whose units are held by the Scheme, dealing costs must not include a redemption charge which would be payable in the event of a sale by the Scheme of those units), less any

expected discount); but, if the property sold in one transaction would amount to a large deal (as defined in the Glossary), the cancellation price shall be taken instead of the minimum redemption price; or

- (c) if, in the opinion of the Manager, the price obtained is unreliable or no recent traded price is available or if no recent price exists, at a seller's price which, in the opinion of the Manager, is fair and reasonable;

2.2.1.2 any other investment:

- (a) the best available market dealing bid price on the most appropriate market in a standard size (less any dealing costs, which means any fiscal charges, commission or other charges payable in the event of the Scheme carrying out the transaction in question, assuming that the commission and charges (other than fiscal charges) which would be payable by the Scheme are the least that could reasonably be expected to be paid in order to carry out the transaction); or

- (b) if, in the opinion of the Manager, the price obtained is unreliable or no recent traded price is available or if no recent price exists, at a seller's price which, in the opinion of the Manager, is fair and reasonable;

2.2.1.3 if any other property, or no price exists under 2.2.1.1 or 2.2.1.2, the Manager's reasonable estimate of a seller's price (less any dealing costs, which means any fiscal charges, commission or other charges payable in the event of the Scheme carrying out the transaction in question, assuming that the commission and charges (other than fiscal charges) which would be payable by the Scheme are the least that could reasonably be expected to be paid in order to carry out the transaction, and including any redemption charge payable on sale of units in a collective investment scheme, taking account of any expected discount, any dilution levy or SDRT provision which would be deducted in the event of a sale by the Scheme of the units in question (except that, where the Manager, or an associate of the Manager, is also the manager or authorised corporate director of the collective investment scheme whose units are held by the Scheme, dealing costs must not include a redemption charge which would be payable in the event of a sale by the Scheme of those units)).

3. Property which is a derivative transaction shall be treated as follows:
  - (a) if a written option, (and the premium for writing the option has become part of the scheme property) deduct, for the calculation of the issue basis, the amount of the net valuation of premium (estimated on the basis of writing an option of the same series on the best terms then available on the most appropriate market on which such options are traded, but add, in the case of the calculation of the cancellation basis, dealing costs); but if it is an OTC derivative, the valuation methods in COLL 5.2.23R shall be used; or
  - (b) if an off-exchange future, include at the net value of closing out (in the case of the calculation of the issue basis, estimated on the basis of the amount of profit or loss receivable or incurable by the Scheme on closing out the contract and deducting minimum dealing costs in the case of profit and adding them in the case of loss; but if it is an OTC derivative, the valuation methods in COLL 5.2.23R shall be used); or
  - (c) if any other form of derivative transaction, include at the net value of margin on closing out (estimated on the basis of the amount of margin (whether receivable or payable by the Scheme on closing out the contract) on the best terms then available on the most appropriate market on which such contracts are traded and including minimum dealing costs so that the value is the figure as a negative sum); but if it is an OTC derivative, the valuation methods in COLL 5.2.23R shall be used.
4. Cash and amounts held in current and deposit accounts shall be valued at their nominal values.
5. In determining the value of the scheme property, all instructions given to the Trustee to issue or cancel units shall be assumed (unless the contrary is shown) to have been carried out and any cash paid or received and all required consequential action required by the Regulations or the Trust Deed shall be assumed (unless the contrary is shown) to have been taken.
6. Subject to paragraphs 7 and 8 below, agreements for the unconditional sale or purchase of 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, in the opinion of the Manager, their omission shall not materially affect the final net asset amount.
7. Futures or contracts for differences which are not yet due to be performed and unexpired written or purchased options which have not been exercised shall not be included under paragraph 6.

8. All agreements are to be included under paragraph 6 which are, or ought reasonably to have been, known to the person valuing the property assuming that all other persons in the Manager's employment take all reasonable steps to inform it immediately of the making of any agreement.
9. Deduct an estimated amount for anticipated tax liabilities (on unrealised capital gains where the liabilities have accrued and are payable out of the property of the Scheme; 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, value added tax, stamp duty and stamp duty reserve tax.
10. Deduct an estimated amount for any liabilities payable out of the property of the Scheme and any tax thereon (treating periodic items as accruing from day to day).
11. Deduct the principal amount of any outstanding borrowings whenever payable and any accrued but unpaid interest on borrowings.
12. In the case of a margined contract, deduct any amount reasonably anticipated to be paid by way of variation margin.
13. Add an estimated amount for accrued claims for tax of whatever nature which may be recoverable.
14. Add any other credits due to be paid into the property of the Scheme.
15. In the case of a margined contract, add any amount reasonably anticipated to be received by way of variation margin.
16. Add 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.
17. The valuation is in the Scheme's base currency. To convert to the base currency the value of property which would otherwise be valued in another currency the Manager will either:
  - 17.1 select a rate of exchange which represents the average of the highest and lowest rates quoted at the relevant time for conversion of that currency into base currency on the market on which the manager would normally deal if it wished to make such a conversion; or
  - 17.2 invite the Trustee to agree that it is in the interests of unitholders to select a different rate, and, if the Trustee so agrees, use that other rate.

## **APPENDIX IV**

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

#### **1. General**

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

The Manager shall ensure that, taking into account the investment objectives and policy of the Trust, the property of the Trust will provide a prudent spread of risk.

Normally, the Trust will be fully invested save for an amount to enable redemption of units, efficient management of the Trust in relation to its strategic objectives and other purposes which may be reasonably regarded as ancillary to the investment objectives of the Trust.

This amount will vary depending upon prevailing circumstances and although it would normally not exceed 10% of the total value of the Trust, there may be times when the Investment Manager considers stock markets around the world 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 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.

The Trust will not maintain an interest in immovable property or tangible moveable property.

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

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

#### **1.2 Cover**

1.2.1 Where the COLL Sourcebook allows a transaction to be entered into or an investment to be retained only (for example, investment in nil and partly paid securities and the general power to accept or underwrite) if possible obligations

arising out of the investment transactions or out of the retention would not cause any breach of any limits in COLL 5, it must be assumed that the maximum possible liability of the Trust 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 Trust 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.

### 1.3 **Transferable Securities**

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

1.3.2 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.

1.3.3 In applying paragraph 1.3.2 of this Appendix to an investment which is issued by a body corporate, and which is an investment falling within articles 76 (shares, etc) or 77 (instruments creating or acknowledging indebtedness) of the Regulated Activities Order, the need for any consent on the part of the body corporate or any members or debenture holders of it may be ignored.

1.3.4 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.

1.4 The Trust may invest in a transferable security only to the extent that the transferable security fulfils the following criteria:

- 1.4.1 the potential loss which the Trust may incur with respect to holding the transferable security is limited to the amount paid for it;
- 1.4.2 its liquidity does not compromise the ability of the Manager to comply with its obligation to redeem Units at the request of any qualifying Unitholder under the FSA Handbook;
- 1.4.3 reliable valuation is available for it as follows:
  - 1.4.3.1 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;
  - 1.4.3.2 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;
- 1.4.4 appropriate information is available for it as follows:
  - 1.4.4.1 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;
  - 1.4.4.2 in the case of a transferable security not admitted to or dealt in on an eligible market, where there is regular and accurate information available to the Manager on the transferable security or, where relevant, on the portfolio of the transferable security;
  - 1.4.4.3 it is negotiable; and
  - 1.4.4.4 its risks are adequately captured by the risk management process of the Manager.
- 1.5 Unless there is information available to the Manager that would lead to a different determination, a transferable security which is admitted to or dealt in on an eligible market shall be presumed:

- 1.5.1 not to compromise the ability of the Manager to comply with its obligation to redeem Units at the request of any qualifying Unitholder; and
- 1.5.2 to be negotiable.
- 1.6 No more than 5% of the Scheme Property may be invested in warrants.
- 2. **UCITS schemes - general**
- 2.1 Subject to the investment objective and policy of the Trust and the restrictions set out in this Prospectus, the Scheme Property must, except where otherwise provided in COLL 5, only consist of transferable securities.
- 3. **Closed end funds constituting transferable securities**
- 3.1 A unit or a share in a closed end fund shall be taken to be a transferable security for the purposes of investment by the Trust, provided it fulfils the criteria for transferable securities set out in paragraph 1.4 and either:
  - 3.1.1 where the closed end fund is constituted as an investment company or a unit trust:
    - 3.1.1.1 it is subject to corporate governance mechanisms applied to companies; and
    - 3.1.1.2 where another person carries out asset management activity on its behalf, that person is subject to national regulation for the purpose of investor protection; or
  - 3.1.2 where the closed end fund is constituted under the law of contract:
    - 3.1.2.1 it is subject to corporate governance mechanisms equivalent to those applied to companies; and
    - 3.1.2.2 it is managed by a person who is subject to national regulation for the purpose of investor protection.
- 4. **Transferable securities linked to other assets**
- 4.1 The Trust may invest in any other investment which shall be taken to be a transferable security for the purposes of investment by the Trust provided the investment:

- 4.1.1 fulfils the criteria for transferable securities set out in 1.4 above; and
  - 4.1.2 is backed by or linked to the performance of other assets, which may differ from those in which the Trust can invest.
- 4.2 Where an investment in 4.1 contains an embedded derivative component, the requirements of this section with respect to derivatives and forwards will apply to that component.

5. **Transferable securities generally to be admitted or dealt in on an Eligible Market**

- 5.1 Transferable securities held within the Trust must be:
- 5.1.1 admitted to or dealt in on an eligible market as described in 6.3.1; or
  - 5.1.2 dealt in on an eligible market as described in 6.3.2; or
  - 5.1.3 admitted to or dealt in on an eligible market as described in 6.4; or
  - 5.1.4 recently issued transferable securities provided that:
    - 5.1.4.1 the terms of issue include an undertaking that application will be made to be admitted to an eligible market; and
    - 5.1.4.2 such admission is secured within a year of issue.
- 5.2 However, the Trust may invest no more than 10% of the Scheme Property in transferable securities other than those referred to in 5.1.

6. **Eligible markets regime: purpose**

- 6.1 To protect investors the markets on which investments of the Trust 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.
- 6.2 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.
- 6.3 A market is eligible for the purposes of the rules if it is:

- 6.3.1 a regulated market as defined in the FSA Handbook; or
  - 6.3.2 a market in an EEA State which is regulated, operates regularly and is open to the public; or
  - 6.3.3 a market falling within paragraph 6.4 of this Appendix.
- 6.4 A market falling within paragraph 6.3.3 of this Appendix is eligible for the purposes of COLL 5 if:
- 6.4.1 the Manager, after consultation and notification with the Trustee, decides that market is appropriate for investment of, or dealing in, the Scheme Property;
  - 6.4.2 the market is included in a list in the Prospectus; and
  - 6.4.3 the Trustee has taken reasonable care to determine that:
    - 6.4.3.1 adequate custody arrangements can be provided for the investment dealt in on that market; and
    - 6.4.3.2 all reasonable steps have been taken by the Manager in deciding whether that market is eligible.
- 6.5 In paragraph 3.4.1, a market must not be considered appropriate unless it is regulated, operates regularly, is recognised, is open to the public, is adequately liquid and has adequate arrangements for unimpeded transmission of income and capital to or for the order of investors.
7. **Spread: general**
- 7.1 This rule on spread does not apply to government and public securities.
  - 7.2 For the purposes of this requirement companies included in the same group for the purposes of consolidated accounts as defined in accordance with Directive 83/349/EEC or in the same group in accordance with international accounting standards are regarded as a single body.
  - 7.3 With the exception of those instruments specified in paragraph 7.8 below, not more than 5% in value of the Scheme Property is to consist of transferable securities issued by any single body, except that the limit of 5% is raised to 10% in respect of up to 40% in value of the Scheme Property (covered bonds need not be taken into account for

the purposes of applying the limit of 40%). For these purposes certificates representing certain securities are treated as equivalent to the underlying security.

- 7.4 The limit of 5% is raised to 25% in value of the Scheme Property in respect of covered bonds provided that when the Trust 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.
- 7.5 The exposure to any one counterparty in an OTC derivative transaction must not exceed 5% in value of the Scheme Property. This limit is raised to 10% where the counterparty is an Approved Bank.
- 7.6 The COLL Sourcebook provides that not more than 20% in value of the Scheme Property is to consist of the units of any one collective investment scheme.
- 7.7 Not more than 20% in value of the Scheme Property may consist of transferable securities issued by the same group.
- 7.8 The COLL Sourcebook provides that in applying the limits in COLL 5.2.11R(3), 7.3 and 7.5 and subject to 7.4, not more than 20% in value of the Scheme Property is to consist of any combination of two or more of the following (if applicable):
  - 7.8.1 transferable securities (including covered bonds) or approved money market instruments issued by; or
  - 7.8.2 deposits made with; or
  - 7.8.3 exposures from OTC derivatives transactions made with;a single body.

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

- 8.1 The following section applies to government and public securities ("such securities").
- 8.2 Where no more than 35% in value of the Scheme Property is invested in such securities issued by any one body, there is no limit on the amount which may be invested in such securities or in any one issue.
- 8.3 The Trust may invest more than 35% in value of the Scheme Property in such securities issued by any one body provided that:
  - 8.3.1 the Manager has before any such investment is made consulted with the Trustee 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;

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

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

8.3.4 the disclosures required by the FSA have been made.

8.4 In giving effect to the foregoing object more than 35 % of the Scheme Property may be invested in Government and other public securities issued or guaranteed by the Government of the United Kingdom, the Scottish Administration, the Executive Committee of the Northern Ireland Assembly or the National Assembly of Wales, the Governments of Austria, Belgium, Cyprus, Czech Republic, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain and Sweden, Australia, Canada, Japan, New Zealand, Switzerland or the United States of America, and securities issued by the European Investment Bank.

8.5 Notwithstanding 7.1 and subject to 7.2 and 7.3 above, in applying the 20% limit in paragraph 7.8 with respect to a single body, government and public securities issued by that body shall be taken into account.

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

9.1 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:

9.1.1 The Second Scheme must:

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

9.1.1.2 be recognised under the provisions of s.270 of the Financial Services and Markets Act 2000; or

9.1.1.3 be authorised as a non-UCITS retail scheme (provided the requirements of Article 19(1)(e) of the UCITS Directive are met); or

9.1.1.4 be authorised in another EEA State provided the requirements of Article 19(1)(e) of the UCITS Directive are met.; or

9.1.1.5 be authorised by the competent authority of an OECD member country (other than another EEA State) which has:

(a) signed the IOSCO Multilateral Memorandum of Understanding; and

(b) approved the Second Scheme's management company, rules and depositary/custody arrangements;

(provided the requirements of article 19(1)(e) of the UCITS Directive are met)

9.1.2 The Second Scheme has terms that prohibit more than 10% in value of the scheme property consisting of units in collective investment schemes. Where the Second Scheme is an umbrella, the provisions in this paragraph 9.1.2 and paragraph 9.1.3 and paragraph 7 (Spread: General) apply to each sub-fund as if it were a separate scheme.

9.1.3 Investment may only be made in other collective investment schemes managed by the Manager or an associate of the Manager if the Trust's Prospectus clearly states that it may enter into such investments and the rules on double charging contained in the COLL Sourcebook are complied with.

9.2 The Trust may, subject to the limits set out in 9.1 above, invest in collective investment schemes managed or operated by, or whose authorised corporate director is, the Manager of the Trust or one of its associates.

## 10. **Investment in nil and partly paid securities**

10.1 A transferable security 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 Trust, at the time when payment is required, without contravening the rules in COLL 5.

## 11. **Derivatives: general**

- 11.1 **The Investment Manager may employ derivatives solely for the purposes of hedging in accordance with Efficient Portfolio Management.**
- 11.2 A transaction in derivatives or a forward transaction must not be effected for the Trust 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 24 (Cover for transactions in derivatives and forward transactions) of this Appendix.
- 11.3 Where the Trust invests in derivatives, the exposure to the underlying assets must not exceed the limits set out in the COLL Sourcebook in relation to COLL 5.2.11R (Spread: general) and COLL 5.2.12R (Spread: government and public securities) except for index based derivatives where the rules below apply.
- 11.4 Where a transferable security or approved money-market instrument embeds a derivative, this must be taken into account for the purposes of complying with this section.
- 11.5 A transferable security or an approved money-market instrument will embed a derivative if it contains a component which fulfils the following criteria:
- 11.5.1 by virtue of that component some or all of the cash flows that otherwise would be required by the transferable security or approved money-market instrument which functions as host contract can be modified according to a specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, and therefore vary in a way similar to a stand-alone derivative;
  - 11.5.2 its economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract; and
  - 11.5.3 it has a significant impact on the risk profile and pricing of the transferable security or approved money-market instrument.
- 11.6 A transferable security or an approved money-market instrument does not embed a derivative where it contains a component which is contractually transferable independently of the transferable security or the approved money-market instrument. That component shall be deemed to be a separate instrument.
- 11.7 Where the Trust invests in an index based derivative, provided the relevant index falls within paragraph 14 (Financial Indices underlying

derivatives), 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. **Efficient Portfolio Management**

12.1 The Trust may utilise the Scheme Property to enter into transactions for the purposes of Efficient Portfolio Management ("EPM"). The ACD does not anticipate the intended use of derivatives and forward transactions to have any detrimental effect on the overall risk profile of the Trust. Permitted EPM transactions (excluding stock lending arrangements) are transactions in derivatives e.g. to hedge against price or currency fluctuations, dealt with or traded on an eligible derivatives market; off-exchange options or contracts for differences resembling options; or synthetic futures in certain circumstances. The Manager must take reasonable care to ensure that the transaction is economically appropriate to the 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 for the Fund with a risk level which is consistent with the risk profile of the Trust and the risk diversification rules laid down 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.

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

12.2.1 Transactions undertaken to reduce risk or cost in terms of fluctuations in prices, interest rates or exchange rates where the Manager reasonably believes that the transaction will diminish a risk or cost of a kind or level which it is sensible to reduce; or

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

12.2.2.1 pricing imperfections in the market as regards the property which the Trust holds or may hold; or

12.2.2.2 receiving a premium for the writing of a covered call option or a cash covered put option on the Scheme Property which the Trust is willing to buy or sell at the exercise price; or

12.2.2.3 stock lending arrangements.

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

12.3 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 COLL Sourcebook, 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 Regulations. A permitted transaction may at any time be closed out.

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

13.1 A transaction in a derivative must be in an approved derivative; or be one which complies with paragraph 17 (OTC transactions in derivatives).

13.2 A transaction in a derivative must have the underlying consisting of any one or more of the following to which the Trust is dedicated:

13.2.1 transferable securities;

13.2.2 approved money-market instruments permitted under COLL 5.2.8R(3)(a) to COLL 5.2.8R(3)(d);

13.2.3 deposits and permitted derivatives under this paragraph;

13.2.4 collective investment scheme units permitted under paragraph 9 (Investment in collective investment schemes);

13.2.5 financial indices which satisfy the criteria set out in paragraph 14 (Financial indices underlying derivatives);

13.2.6 interest rates;

13.2.7 foreign exchange rates; and

13.2.8 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 the Trust to diverge from its investment objective as stated in the Trust Deed constituting the Trust 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, approved money-market instruments, units in collective investment schemes, or derivatives, provided that a sale is not to be considered as uncovered if the conditions in paragraph 16.2 are satisfied.
- 13.6 Any forward transaction must be with an Eligible Institution or an Approved Bank.
- 13.7 A derivative includes an investment which fulfils the following criteria:
- 13.7.1 it allows transfer of the credit risk of the underlying independently from the other risks associated with that underlying;
  - 13.7.2 it does not result in the delivery or the transfer of assets other than those referred to in COLL 5.2.6AR, including cash;
  - 13.7.3 in the case of an OTC derivative, it complies with the requirements in paragraph 17; and
  - 13.7.4 its risks are adequately captured by the risk management process of the Manager and by its internal control mechanisms in the case of risk asymmetry of information between the Manager and the counterparty to the derivative resulting from the potential access of the counterparty to non-public information on persons whose assets are used as the underlying by that derivative.
- 13.8 The Trust may not undertake transactions in derivatives on commodities.

14. **Financial Indices underlying derivatives**

- 14.1 The financial indices referred to in 13.2 are those which satisfy the following criteria:
- 14.1.1 the index is sufficiently diversified;
  - 14.1.2 the index represents an adequate benchmark for the market to which it refers; and
  - 14.1.3 the index is published in an appropriate manner.

- 14.2 A financial index is sufficiently diversified if:
  - 14.2.1 it is composed in such a way that price movements or trading activities regarding one component do not unduly influence the performance of the whole index;
  - 14.2.2 where it is composed of assets in which the Trust 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
  - 14.2.3 where it is composed of assets in which the Trust 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 benchmark for the market to which it refers if:
  - 14.3.1 it measures the performance of a representative group of underlyings in a relevant and appropriate way;
  - 14.3.2 it is revised or rebalanced periodically to ensure that it continues to reflect the markets to which it refers, following criteria which are publicly available; and
  - 14.3.3 the underlyings are sufficiently liquid, allowing users to replicate it if necessary.
- 14.4 A financial index is published in an appropriate manner if:
  - 14.4.1 its publication process relies on sound procedures to collect prices, and calculate and subsequently publish the index value, including pricing procedures for components where a market price is not available; and
  - 14.4.2 material information on matters such as index calculation, rebalancing methodologies, index changes or any operational difficulties in providing timely or accurate information is provided on a wide and timely basis.
- 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 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 Trust may be entered into only if that property can be held for the account of the Trust, and the Manager having taken reasonable care determines that delivery of the property under the transaction will not occur or will not lead to a breach of the COLL Sourcebook.

16. **Requirement to cover sales**

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

16.2 FSA Guidance states that the requirement set out in 16.1 above can be met where:

16.2.1 the risks of the underlying financial instrument of a derivative can be appropriately represented by another financial instrument and the underlying financial instrument is highly liquid; or

16.2.2 the Manager or the Trustee has the right to settle the derivative in cash and cover exists within the Scheme Property which falls within one of the following asset classes:

16.2.2.1 cash;

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

16.2.2.3 other highly liquid assets having regard to their correlation with the underlying of the financial derivative instruments, subject to appropriate safeguards (e.g. haircuts where relevant).

16.3 In the asset classes referred to in paragraph 16.2.2, an asset may be considered as liquid where the instrument can be converted into cash in no more than seven business days at a price closely corresponding to the current valuation of the financial instrument on its own market.

17. **OTC transactions in derivatives**

- 17.1 Any transaction in an OTC derivative under paragraph 13.1 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; or a person whose permission (including any requirements or limitations), as published in the FSA Register or whose Home State authorisation, permits it to enter into the transaction as principal off-exchange;
  - 17.1.3 on approved terms; the terms of the transaction in derivatives are approved only if, the Manager: 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 can enter into one or more further transaction to sell, liquidate or close out that transaction at any time, at a fair value; and
  - 17.1.4 capable of reliable valuation; a transaction in derivatives is capable of reliable valuation only if the Manager having taken reasonable care determines that, throughout the life of the derivative (if the transaction is entered into), it will be able to value the investment concerned with reasonable accuracy:
    - 17.1.4.1 on the basis of an up-to-date market value which the Manager and the Trustee 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 Manager and the Trustee 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 Manager is able to check it; or
    - 17.1.5.2 a department within the Manager which is independent from the department in charge of

managing the Trust and which is adequately equipped for such a purpose.

- 17.2 For the purposes of paragraph 17.1.3, "fair value" is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
- 17.3 The Trustee must take reasonable care to ensure that the Manager has systems and controls that are adequate to ensure compliance with 17.1.2 to 17.1.5 above.
- 17.4 For the purposes of paragraph 17.1.3 the Manager must: (a) establish, implement and maintain arrangements and procedures which ensure appropriate, transparent and fair valuation of the exposure of the Trust to OTC derivatives; and (b) ensure that the fair value of OTC derivatives is subject to adequate, accurate and independent assessment. Such arrangements and procedures must be adequate and proportionate to the nature and complexity of the OTC derivative concerned and adequately documented.

18. **Risk management**

- 18.1 The Manager uses a risk management process, enabling it to monitor and measure as frequently as appropriate the risk of the Trust's positions and their contribution to the overall risk profile of the Trust.
- 18.2 The following details of the risk management process must be regularly notified by the Manager to the FSA (and at least on an annual basis):
  - 18.2.1 The methods for estimating risks in derivative and forward transactions; and
  - 18.2.2 A true and fair view of the types of derivatives and forward transactions to be used within the Trust together with their underlying risks and any relevant quantitative limits.
- 18.3 In accordance with COLL the Manager maintains a written risk management policy which identifies the risks with which the Trust is or might be exposed to, and contains procedures which are intended to enable the Manager to access and manage the exposure of the Trust to material risks.

19. **Investment in deposits**

The Trust 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.

20. **Stock lending**

20.1 The entry into stock lending transactions or repo contracts for the account of the Trust is permitted for the generation of additional income for the benefit of the Trust, and hence for its investors.

20.2 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.

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

20.4 The Trustee at the request of the Manager may enter into a stock lending arrangement of the kind described in section 263B of the Taxation of Chargeable Gains Act 1992 (without extension by section 263C), but only if all the terms of the agreement under which securities are to be reacquired by the Trustee for the account of the Trust, are in a form which is acceptable to the Trustee and are in accordance with good market practice, the counterparty is an authorised person or a person authorised by a home state regulator, and collateral is obtained to secure the obligation of the counterparty. Collateral must be acceptable to the Trustee, adequate and sufficiently immediate.

20.5 The Trustee must ensure that the value of the collateral at all times is at least equal to the value of the securities transferred by the Trustee. This duty may be regarded as satisfied in respect of collateral the validity of which is about to expire or has expired where the Trustee takes reasonable care to determine that sufficient collateral will again

be transferred at the latest by the close of business on the day of expiry.

- 20.6 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 Trust.
- 20.7 There is no limit on the value of the Scheme Property which maybe the subject of stock lending transactions or repo contracts.

## 21. **Significant influence**

- 21.1 The Manager must not acquire or cause to be acquired for the Trust 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:
  - 21.1.1 immediately before the acquisition, the aggregate of any such securities held by the Trust taken together with any such securities already held for other trusts for which it is the manager, give the Manager power significantly to influence the conduct of business of that body corporate; or
  - 21.1.2 the acquisition gives the Manager that power.
- 21.2 For the purposes of paragraph 21.1 of this Appendix, the Manager 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 for all trusts for which it is the manager, 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).

## 22. **Concentration**

The Trust:

- 22.1 must not acquire transferable securities other than debt securities which:
  - 22.1.1 do not carry a right to vote on any matter at a general meeting of the body corporate that issued them; and

- 22.1.2 represent more than 10% of these securities issued by that body corporate;
- 22.2 must not acquire more than 10% of the debt securities issued by any single issuing body;
- 22.3 must not acquire more than 10% of the units in a collective investment scheme; and
- 22.4 need not comply with the limits in paragraphs 22.2 and 22.3 of this Appendix if, at the time of the acquisition, the net amount in issue of the relevant investment cannot be calculated.

**23. Derivative exposure**

- 23.1 The Trust may invest in derivatives and forward transactions as long as the exposure to which the Trust is committed by that transaction itself is suitably covered from within the Scheme Property. Exposure will include any initial outlay in respect of that transaction.
- 23.2 Cover ensures that the Trust is not exposed to the risk of loss of property, including money, to an extent greater than the net value of the Scheme Property. Therefore, the Trust must hold Scheme Property sufficient in value or amount to match the exposure arising from a derivative obligation to which the Trust is committed. Paragraph 24 (Cover for transactions in derivatives and forward transactions) below sets out detailed requirements for cover of the Trust.
- 23.3 A future is to be regarded as an obligation to which the Trust is committed (in that, unless closed out, the future will require something to be delivered, or accepted and paid for); a written option as an obligation to which the Trust is committed (in that it gives the right of potential exercise to another thereby creating exposure); and a bought option as a right (in that the purchaser can, but need not, exercise the right to require the writer to deliver and accept and pay for something).
- 23.4 Cover used in respect of one transaction in derivatives or forward transaction must not be used for cover in respect of another transaction in derivatives or a forward transaction.

**24. Cover for transactions in derivatives and forward transactions**

- 24.1 Global exposure relating to derivatives and forward transactions held in the Trust must not exceed the net value of the scheme property. Global exposure of the Trust must be calculated on an at

least daily basis, and must take into account the current value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the positions and includes underwriting commitments.

24.2 Property the subject of a transaction under COLL 5.4 (stock lending) is only available for cover if the Manager has taken reasonable care to determine that it is obtainable (by return or re-acquisition) in time to meet the obligation for which cover is required.

24.3 The global exposure of the Trust must be calculated either as

(i) the incremental exposure and leverage generated through the use of derivatives and forward transactions (including embedded derivatives), which may not exceed 100% of the net value of the scheme property; or

(ii) the market risk of the scheme property (being the risk of loss of the Trust resulting from the fluctuation in the market value of positions in the Trust's portfolio attributable to changes in market variables, such as interest rates, foreign exchange rates, equity and commodity prices or an issuer's credit worthiness).

24.4 The global exposure of the Trust is calculated by using the commitment approach in accordance with COLL. The Manager must: ensure that it applies this approach to all derivative and forward transactions (including embedded derivatives, as described above), whether used as part of the Trust's investment policy, for the purposes of risk reduction or for the purposes of efficient portfolio management; and convert each derivative or forward transaction into the market value of an equivalent position in the underlying asset of that derivative or forward.

24.5 (the "standard commitment approach"). The Manager may apply other calculation methods which are equivalent to the standard commitment approach. The Manager may also take account of netting and hedging arrangements when calculating the global exposure of the Trust, where such arrangements do not disregard obvious and material risks, and result in a clear reduction of risk exposure.

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

Where the commitment approach is used, temporary borrowing arrangements entered into on behalf of the Fund (see below under "borrowing") need not form part of the global exposure calculation.

**25. Cover and Borrowing**

- 25.1 Cash obtained from borrowing, and borrowing which the Manager reasonably regards an Eligible Institution or an Approved Bank to be committed to provide, is available for cover under paragraph 23 of this Appendix as long as the normal limits on borrowing (see below) are observed.
- 25.2 Where, for the purposes of this paragraph the Trust borrows an amount of currency from an Eligible Institution or an Approved Bank; and keeps an amount in another currency, at least equal to such borrowing for the time on deposit with the lender (or his agent or nominee), then this applies as if the borrowed currency, and not the deposited currency, were part of the Scheme Property, and the normal limits on borrowing under paragraph 29 (Borrowing powers) of this Appendix do not apply to that borrowing.

**26. Cash and near cash**

- 26.1 Cash and near cash must not be retained in the Scheme Property except to the extent that, where this may reasonably be regarded as necessary in order to enable:
  - 26.1.1 the redemption of units; or
  - 26.1.2 efficient management of the Trust in accordance with its investment objectives; or
  - 26.1.3 other purposes which may reasonably be regarded as ancillary to the investment objectives of the Trust.
- 26.2 During the period of the initial offer the Scheme Property may consist of cash and near cash without limitation.

**27. General**

- 27.1 It is envisaged that the Trust will normally be fully invested but there may be times that it is appropriate not to be fully invested when the Manager reasonably regards this as necessary in order to enable the redemption of units, efficient management of the Trust or any one purpose which may reasonably be regarded as ancillary to the investment objectives of the Trust.

- 27.2 Where the Trust invests in or disposes of units or shares in another collective investment scheme which is managed or operated by the Manager or an associate of the Manager, the Manager must pay to the Trust 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.
- 27.3 A potential breach of any of these limits does not prevent the exercise of rights conferred by investments held by the Trust but, in the event of a consequent breach, the Manager must then take such steps as are necessary to restore compliance with the investment limits as soon as practicable having regard to the interests of Unitholders.
28. **Underwriting**
- 28.1 Underwriting and sub underwriting contracts and placings may also, subject to certain conditions set out in the COLL Sourcebook, be entered into for the account of the Trust.
29. **Borrowing powers**
- 29.1 The Trustee may, on the instructions of the Manager and subject to the COLL Sourcebook, borrow money from an Eligible Institution or an Approved Bank for the use of the Trust on terms that the borrowing is to be repayable out of the Scheme Property.
- 29.2 Borrowing must be on a temporary basis, must not be persistent, and in any event must not exceed three months without the prior consent of the Trustee, which may be given only on such conditions as appear appropriate to the Trustee to ensure that the borrowing does not cease to be on a temporary basis.
- 29.3 The Manager must ensure that borrowing does not, on any business day, exceed 10% of the value of the Trust.
- 29.4 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).
30. **Restrictions on lending of money**
- 30.1 None of the money in the Scheme Property may be lent and, for the purposes of this paragraph, money is lent by the Trust if it is paid to a person ("the payee") on the basis that it should be repaid, whether or not by the payee.

- 30.2 Acquiring a debenture is not lending for the purposes of paragraph 30.1, nor is the placing of money on deposit or in a current account.

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 19 (Stock lending) are not to be regarded as lending for the purposes of paragraph 31.1.
- 31.3 Where transactions in derivatives or forward transactions are used for the account of the Trust in accordance with COLL 5, nothing in this paragraph prevents the Manager or the Trustee at the request of the Manager: from lending, depositing, pledging or charging its Scheme Property for margin requirements; or transferring Scheme Property under the terms of an agreement in relation to margin requirements, provided that the Manager reasonably considers that both the agreement and the margin arrangements made under it (including in relation to the level of margin) provide appropriate protection to Unitholders.
- 31.4 The Scheme Property must not be mortgaged.

32. **General power to accept or underwrite placings**

- 32.1 Any power in COLL 5 to invest in transferable securities may be used for the purpose of entering into transactions to which this section applies, subject to compliance with any restriction in the Trust Deed. This section applies, to any agreement or understanding: which is an underwriting or sub-underwriting agreement, or which contemplates that securities will or may be issued or subscribed for or acquired for the account of the Trust.
- 32.2 This ability does not apply to an option, or a purchase of a transferable security which confers a right to subscribe for or acquire a transferable security, or to convert one transferable security into another.
- 32.3 The exposure of the Trust to agreements and understandings as set out above, on any business day be covered and be such that, if all possible obligations arising under them had immediately to be met in full, there would be no breach of any limit in the COLL Sourcebook.

33. **Guarantees and indemnities**

- 33.1 The Trustee for the account of the Trust must not provide any guarantee or indemnity in respect of the obligation of any person.

- 33.2 None of the Scheme Property may 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 in respect of the Trust:
- 33.3.1 any indemnity or guarantee given for margin requirements where the derivatives or forward transactions are being used in accordance with COLL 5; and
  - 33.3.2 an indemnity given to a person winding up a body corporate or other scheme in circumstances where those assets are becoming part of the Scheme Property by way of a unitisation.

## APPENDIX V

### FURTHER INFORMATION

**The Manager acts as Authorised Corporate Director in relation to the following OEIC's:**

Marlborough No2 OEIC:  
Marlborough Far East Growth Fund  
Marlborough UK Large Cap Growth Fund  
Marlborough Multi-Cap Income Fund

Marlborough ETF OEIC:  
Marlborough ETF Commodity Fund  
Marlborough ETF Global Growth Fund

Marlborough UK Primary Opportunities Fund

Marlborough Ethical Fund

MFM Maze OEIC:  
MFM Haldex Managed Fund

MFM SGWM OEIC:  
MFM SGWM Managed Fund

MFM CFS Balanced Opportunities Fund

MFM CPI OEIC:  
MFM CPI Defensive Managed Fund  
MFM CPI Global Opportunities Fund

Junior Gold

MFM Techinvest Technology Fund

MFM Techinvest Special Situations Fund

MFM Glendevon King OEIC:  
MFM Glendevon King Global Bond Fund

MFM Slater OEIC:  
MFM Slater Income Fund

MFM Slater No 2 OEIC:  
MFM Artorius Fund

MFM SGC OEIC:

**The Manager is Authorised and regulated by the FSA. The Manager acts as Authorised Fund Manager in relation to the following authorised unit trusts:**

Marlborough Extra Income Fund  
Marlborough Balanced Fund  
Marlborough Bond Income Fund  
Marlborough Cautious Fund  
Marlborough Global Fund  
Marlborough Global Bond Fund  
Marlborough Special Situations Fund  
Marlborough UK Equity Income Fund  
Marlborough UK Micro-Cap Growth Fund  
Marlborough High Yield Fixed Interest Fund  
Marlborough UK Leading Companies Fund  
Marlborough Cash Trust  
Marlborough Emerging Markets Trust  
Marlborough UK Income and Growth Trust  
Marlborough North American Trust  
Marlborough European Trust  
MFM Bowland Fund  
MFM Hathaway Fund  
MFM Slater Growth Fund  
MFM Slater Recovery Fund  
Junior Oils Trust

**The directors of Marlborough Fund Managers Limited are:**

**Andrew Staley**

In addition to his role as director of the Manager, Mr Staley also acts as managing director of Marlborough Investment Management Limited and is a director of MFM Unit Trust Managers Ltd, Marlborough Tiger Fund Limited, Marlborough North American Fund Limited, Marlborough Multi-Asset Balanced Growth Fund Limited, Marlborough Multi-Asset Cautious Fund Limited and UFC Fund Management PLC.

**Nicholas FJ Cooling**

In addition to his role as director of the Manager, Mr Cooling also acts as the investment director of Marlborough Investment Management Limited and is a director of MFM Unit Trust Managers Limited, Marlborough International Investment Management Limited and UFC Fund Management PLC.

**John R Heap**

Also a director of Marlborough International Investment Management Limited and MFM Unit Trust Managers Ltd.

**Bernard J Leyland**

In addition to his role as Finance Director of the Manager, Mr Leyland is also a director of MFM Unit Trust Managers Ltd and UFC Fund Management PLC.

**Keith Ounsworth**

**Geoffrey R Hitchin**

**Allan Hamer**

**William R Green**



## APPENDIX VI

### PAST PERFORMANCE AND INVESTOR PROFILE

#### Historic performance table:

This performance information is net of tax and charges (subscription and redemption fees) but does not include the effect of any preliminary charge that may be paid on the purchase of an investment.

Past performance is no indication of future performance.

Please note that all performance information is at 31 December 2011. For more up-to-date performance information, please contact the Manager.

#### Annual performance:

	2007	2008	2009	2010	2011
Junior Oils Trust	24.51%	-48.91%	85.31%	43.73%	-42.24%

Percentage annual performance, accumulation units (total return), based on Morningstar data.

#### Cumulative performance:

	2007 - 2011
Junior Oils Trust	-2.14%

Percentage performance, cumulative performance, accumulation units, (total return), based on Morningstar data.

**NOTE: Past performance should not be taken as a guide to the future. Please see Appendix I for the Trust's objective and below for an explanation of investor profile.**

#### Investor profile:

The Trust is marketable to all eligible investors provided they can meet the minimum age and subscription levels. The Trust may be suitable for investors who see collective investment schemes as a convenient way of participating in investment markets. It may be suitable for investors wishing to seek to achieve defined investment objectives. Such investors must have experience with, or understand, products where the capital is at risk. Investors must be able to accept some risk to their capital, thus the Trust may be suitable for investors who are looking to set aside the capital for at least 5 years. If you are uncertain whether this product is suitable for you, please contact a professional adviser.

The Junior Oils Trust may be suitable for those investors wanting to achieve long-term capital growth from a global portfolio of small to medium capitalisation companies specialising in oil exploration and production.

## **APPENDIX VII**

### **DIRECTORY**

**Manager and Registrar:**

Marlborough Fund Managers Limited  
Marlborough House  
59 Chorley New Road  
Bolton  
BL1 4QP

**Trustee:**

HSBC Bank Plc  
8 Canada Square  
London  
E14 5HQ

**Investment Manager:**

Sector Investment Managers Ltd  
67 Grosvenor Street  
London  
W1K 3JN

**Auditors:**

Barlow Andrews  
78 Chorley New Road  
Bolton BL1 4BY