

Cazenove Investment Fund Management Limited

SCHEME PARTICULARS
relating to

The Absolute Return Trust For Charities

Registered Charity Number: 1094498

26 July 2010

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Important Information

This document constitutes Scheme Particulars relating to the Absolute Return Trust for Charities (the 'Trust'). The Trust is a Common Investment Fund established by a Scheme made by order of The Charity Commission for England and Wales ('The Charity Commission') dated 1 November 2002 pursuant to Section 24 of the Charities Act 1993 (the 'Scheme').

These Scheme Particulars have been made by Cazenove Investment Fund Management Limited (the 'Manager') pursuant to Clause 41 of the Scheme and a copy has been supplied to and approved by The Charity Commission. These Scheme Particulars are also issued by the Manager which is regulated by the Financial Services Authority in the United Kingdom and is a member of IMA.

References to any statute in these Scheme Particulars shall mean such statute as maybe amended, altered or repealed. Where the provisions of the Scheme and the Scheme Particulars are in conflict, the provisions of the Scheme shall prevail. These Scheme Particulars are being provided for information purposes only and do not constitute an offer by the Manager or any associated company to enter into any contract/agreement nor a solicitation to buy or sell any investment or to provide any services referred to herein. The Manager only promotes its own products and services.

No person is authorised to give any information or make any representations in connection with the Scheme or its units other than those contained in these Scheme Particulars and, if given or made, such information or representations must not be relied on as having been made by the Manager, the Investment Adviser, the Trustee, the Administrator, the Custodian or the Registrar. The delivery of these Scheme Particulars (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 Scheme have not changed since the date hereof.

Nothing in this document should be deemed to constitute the provision of financial, investment or other professional advice in any way. The Trust is an unregulated collective investment scheme which may invest in unregulated collective investment schemes and other vehicles which are operated in offshore centres that are unlikely to offer a level of investor protection equivalent to the UK. Such schemes may deal infrequently and may limit redemptions which in turn may limit liquidity in the Trust. Thus unit dealings may be restricted, suspended and/or delayed. Past performance should not be seen as an indication of future performance. Values may fall as well as rise and you may not get back the amount you invested. An estimate of the Trust's assets are hedged back to the base currency on a monthly basis, nonetheless, changes in rates of exchange may have an adverse effect on the value, price or income of investments. Charges are likely to be met out of capital which may result in capital erosion. Any distribution if paid will represent wholly or largely a return of capital. Investors should be aware that the Manager may close the Trust to new investors/additional investment. Charity Trustees are not to construe this document as investment, legal or tax advice. They should seek advice as appropriate, given their duties under the Trustee Act 2000.

There are risks associated with an investment in the Trust. Investment in the Trust may not be suitable for all charities. It is intended for charities who can accept the risks associated with such an investment which may include a substantial loss of their investment. There can be no assurance that the Trust will achieve its investment objective. Each prospective investor should review this document and carefully consider the risks before deciding to invest. The attention of prospective investors is drawn to 'Conflicts of Interest' and 'Risk Warnings' section of these Scheme Particulars.

Change of Redemption Notification Period

With effect from 1 December 2008 participating charities who wish to redeem units are required to complete and sign a redemption notice and return it to the Manager by no later than 4.30 p.m. on the Business Day falling no less than 90 days prior to the relevant Dealing Day ('the Redemption Notification Point'). The previous Redemption Notice Point was no less than 45 days prior to the relevant Dealing Day. The increase in the redemption notice period was made by the Manager because of changes in the redemption terms applied by the underlying portfolio of hedge funds.

Definitions

The following definitions apply throughout these Scheme Particulars unless the context otherwise requires.

‘accumulation units’	accumulation units in the Trust having the characteristics described in these Scheme Particulars;	‘Redemption Notification Point’	4.30 p.m. on the Business Day falling no less than 90 days prior to the relevant Dealing Day;
‘Administrator’	HSBC Securities Services (Ireland) Limited;	‘Registrar’	HSBC Securities Services (Ireland) Limited;
‘Administration Agreement’	the agreement entered into between the Administrator and the Manager;	‘Sterling’	pounds sterling, the lawful currency of the United Kingdom;
‘Application Form’	the application form for units;	‘Subscription Notification Point’	4.30 p.m. on the 5th Business Day prior to the relevant Dealing Day;
‘Business Day’	any day on which the London Stock Exchange is normally open for business, being a day other than a Saturday, Sunday, Christmas Day or a bank holiday;	‘The Charity Commission’	The Charity Commission for England and Wales
‘Custodian’	HSBC Institutional Trust Services (Ireland) Limited;	‘Transfer Agent’	HSBC Securities Services (Ireland) Limited,
‘Dealing Day’	The first Business Day in each calendar month and/or such other or further dates as the Manager may from time to time determine provided that there shall be at least one Dealing Day in each calendar quarter;	‘Trust’	Absolute Return Trust for Charities;
‘Distribution Allocation Date’	the 31 March in each year commencing 31 March 2004, or such other or further such dates as the Manager may from time to time determine;	‘Trustee’	HSBC Bank plc;
‘Distribution Units’	distribution units in the Trust having the characteristics described in these Scheme Particulars;	‘units’	distribution units and/or, as the context requires, accumulation units in the Trust, each representing a beneficial interest under the Trust;
‘FSA’	Financial Services Authority of the United Kingdom;	‘US Dollars’	the United States dollar, the lawful currency of the United States of America;
‘Investment Adviser’	Fauchier Partners LLP;	‘Valuation Point’	midnight on the last day of each calendar month and such other or further such times and/or dates as the Manager may determine.
‘Investment Advisory Agreement’	the agreement entered into between the Manager and the Investment Adviser;		
‘LIBOR’	London Interbank Offered Rate		
‘Manager’	Cazenove Investment Fund Management Limited;		

The Trust

Common Investment Fund

The Trust is a Common Investment Fund established by a Scheme made by order of The Charity Commission for England and Wales dated 1 November 2002 pursuant to Section 24 of the Charities Act 1993.

The Trust is not an authorised unit trust within the meaning of the Financial Services and Markets Act 2000 ('the Act').

The Manager

The Manager of the Trust is Cazenove Investment Fund Management Limited. Cazenove Investment Fund Management Limited is a private company limited by shares incorporated in England and Wales on 27 May 1987. The issued share capital of the Manager is £5 million made up of 5 million Ordinary £1 shares all of which are fully paid. The Manager is ultimately a wholly owned subsidiary of Cazenove Capital Management Limited, a company incorporated in England and Wales.

Secretary: **Registered Office:**

Helena Harvey 12 Moorgate
London EC2R 6DA

Telephone: 020 3479 1000

The Manager is authorised and regulated by the FSA and is authorised to carry on investment business in the United Kingdom. The Manager is also a member of the Investment Management Association. Cazenove Investment Fund Management Limited promotes only its own products and services.

Investment Adviser

The Manager has appointed the Investment Adviser, Fauchier Partners LLP, to provide it with investment advisory services in relation to its investment management of the Trust.

The Investment Adviser is a limited liability partnership. Its sole business is to provide advice on the construction and management of customised portfolios of hedge funds.

The registered office of the Investment Adviser is 72 Welbeck Street, London W1G 0AY. The Investment Adviser is authorised and regulated by the FSA in the conduct of its investment advisory business.

Administrator and Transfer Agent

The Manager is also responsible for the overall administration of certain matters relating to the Trust which are not provided by the Trustee.

The Manager has appointed the Administrator and Transfer Agent, HSBC Securities Services (Ireland) Limited, as its delegate to provide certain administration services in relation to the Trust and to process all unitholder transactions.

The Administrator and Transfer Agent is an indirect wholly owned subsidiary of HSBC Holdings plc, a public limited company incorporated in England and Wales. As at 30 June 2008, HSBC Holdings plc had consolidated gross assets of approximately US\$2,547 billion.

Trustee

The Trustee of the Trust is HSBC Bank plc, a public company limited by shares, incorporated in England and Wales on 1 July 1880.

Its ultimate holding company is HSBC Holdings plc which is incorporated in England and Wales.

Registered office: **Principal place of business:**

8 Canada Square 8 Canada Square
London London
E14 5HQ E14 5HQ

The Trustee has appointed HSBC Securities Services (Ireland) Limited as its delegate to provide Registrar services in relation to the units in the Trust.

The principal business activity of the Trustee is the provision of financial services. The Trustee is authorised and regulated by the FSA in the conduct of investment business.

Custodian

The Trustee has appointed HSBC Institutional Trust Services (Ireland) Limited as its delegate to provide safe custody and other related services to the Trust as Custodian.

The Custodian is an indirect wholly owned subsidiary of HSBC Holdings plc which is incorporated in England and Wales.

Registrar

The Trustee has appointed HSBC Securities Services (Ireland) Limited as its delegate to provide Registrar services in relation to the Units of the Trust.

Auditors

The Auditors to the Trust are PricewaterhouseCoopers LLP, Hay's Galleria, 1 Hay's Lane, London SE1 2RD.

Investment Objective and Policy of the Trust

Investment Objective

The investment objective of the Trust is to generate absolute total returns of one-month LIBOR plus 4 per cent. per annum, net of fees, over rolling five-year periods.

Investment Policy

The Trust aims to achieve its investment objective principally through investment in a portfolio of hedge funds. In selecting hedge funds the Manager will seek to adopt a multi-manager approach.

In seeking to achieve the investment objective of the Trust, the current policy of the Manager is to invest in funds which are considered to have demonstrated or offer the opportunity for consistent positive returns, low volatility and a low correlation to bond and equity markets. These underlying funds may pursue various investment strategies including but not limited to equity based strategies, macro strategies, restructuring strategies, merger arbitrage strategies, capital structure strategies, credit arbitrage strategies and multiple strategies and other strategies pursued from time to time by the managers of such funds.

The hedge funds in which investment is permitted include open, semi-open and closed ended funds many if not all of which may be unregulated. Whilst there is no restriction placed on the jurisdictions in which such hedge funds are established or resident, they are typically located in offshore locations including, without limitation, Bermuda, the Cayman Islands, the British Virgin Islands, Luxembourg and the Republic of Ireland. These vehicles may take a variety of legal forms including without limitation companies, unit trusts, limited partnerships and partnerships. The investments made by the Trust in such entities may be represented by shares, units, partnership and other interests or participations in the underlying Fund and/or related feeder structures many if not all of which will be unlisted.

The Trust will under normal circumstances seek to hold no fewer than 10 hedge funds. The Trust will seek to avoid individual portfolio holdings which represent less than 0.5% of the property of the Trust. The Trust will also under normal circumstances seek to invest no more than 35 per cent. of the property of the Trust in hedge funds following the same investment strategy and no more than 12 per cent. of the property of the Trust in hedge funds managed by a single investment management group. However, the ability

of the Trust to achieve these policy parameters and the investment restrictions to which it is subject (see 'Investment and Borrowing Powers and Limits: Investment Restrictions' below) will be dependent upon various factors. These factors include the amount of monies available for investment to the Manager, the cash balances of the Trust pending investment, the liquidity requirements of the Trust in order to meet redemptions, distributions and expenses, the frequency of dealing in the underlying funds in which investment is made from time to time and the number of funds with the required investment strategies open to investment from time to time.

Investment and Borrowing Powers and Limits

Investment Powers

The Trust has full investment powers required in order to pursue its investment objective and investment policy.

Investment Restrictions

The Trust will not normally:-

- (i) invest more than 10 per cent. of the property of the Trust in any one hedge fund;
- (ii) invest in warrants;
- (iii) invest in securities representing more than 5 per cent. in value of the assets of any one underlying hedge fund.

The investment restrictions apply at the time when an investment is made. Accordingly, all restrictions may be exceeded as a result of appreciations or depreciations in value, changes of exchange rates, or by reason of the receipt of rights, bonuses or benefits in the nature of capital or any other circumstances affecting the value of the holdings of the Trust in underlying assets.

The Manager does not adopt an ethical policy in relation to the nature of the underlying investments of the Trust or the investments in which underlying funds may from time to time invest or trade.

Liquid Assets

The property of the Trust may consist of cash, near cash, money market investments, money market funds and non government and government debt securities, including Treasury bills ('liquid investments'), where this may reasonably be regarded as necessary in order to enable redemption of units, payment of distributions, efficient management of the Trust in accordance with its objectives or otherwise to enable the Manager to discharge its functions under the Scheme. This may result in the Manager realising underlying investments in the Trust and increasing the level of investment in liquid assets in response to such operational requirements. In addition, the level of liquid assets held in the Trust may be increased by the level of subscriptions received by the Trust pending their investment in underlying hedge funds and where the Manager deems it appropriate to increase liquidity for defensive or other market related reasons.

Efficient Portfolio Management

The Manager may enter into derivative transactions and forwards for the purposes of efficient portfolio management. The aim of any derivative or forward used for such reasons is not to materially alter the risk profile of the Trust, rather they are used to assist the Manager in meeting the investment objectives of the Trust as set out in these Scheme Particulars.

Efficient portfolio management involves techniques and instruments which relate to transferable securities and approved money-market instruments and which fulfil the following criteria:

- (a) they are economically appropriate in that they are realised in a cost effective way;
- (b) they are entered into for one or more of the following specific aims:
 - (i) reduction of risk;
 - (ii) reduction of cost; and/or
 - (iii) generation of additional capital or income for the scheme with a risk level which is consistent with the risk profile of the scheme and the risk diversification rules laid down in the FSA Rules.

The aim of reducing risks or costs will allow the Manager to enter into exposures on permissible assets or currencies using derivatives or forwards as an alternative to selling or purchasing underlying assets or currencies. These exposures may continue for as long as the Manager considers that the use of derivatives continues to meet the original aim.

The aim of generating additional capital or income allows the Manager to write options on existing assets where it considers the transaction will result in the Trust deriving a benefit, even if the benefit obtained results in surrendering the chance of greater benefit in the future.

The aim of generating additional capital allows the Manager to take advantage of any pricing imperfections in relation to the acquisition and disposal (or disposal and acquisition) of rights relating to assets the same as, or equivalent to which the Trust holds or may hold.

Investment and Borrowing Powers and Limits (cont.)

The Manager will seek to enter into forward currency transactions to ameliorate, insofar as practicable, the effect of currency fluctuations between Sterling (the currency in which the Trust is valued and subscriptions and redemptions in units are settled) and the underlying currencies in which investments in underlying investment funds are valued and subscriptions and realisations of such investments may be made. There can be no assurance that such hedging transactions will be effective or beneficial. Any such currency hedge placed by the Trust will be for an amount based on the estimated value of the property of the Trust and may thus represent an over or under hedge of the actual value of the Trust's property.

Borrowing

The Manager may borrow money temporarily for the use of the Trust on terms that the borrowing is to be repaid out of the property of the Trust. Borrowing may be incurred inter alia for the following purposes:-

- (i) for meeting payments to be made out of the Trust;
- (ii) in the course of the investment or reinvestment of any property comprised or to be comprised in the Trust;
- (iii) for the purpose of the management or improvement of any property comprised in the Trust;
- (iv) for the purpose of discharging any liability properly payable out of the Trust.

Such borrowing may not exceed 10 per cent. of the value of the property of the Trust unless permitted by The Charity Commission.

These requirements and limitations as to borrowing do not, however, apply to 'back to back' borrowing for currency hedging undertaken for the purposes of efficient portfolio management.

Participation in the Trust

Units in the Trust

Subscription may currently be made for accumulation units and distribution units in the Trust. The respective characteristics of accumulation and distribution units are described under 'Accumulation and Distribution of Income and Capital' below.

The nature of the right represented by units is that of a beneficial interest under the Trust.

Eligibility to Participate

Subject to section 24(7) of the Charities Act 1993, any charity shall be qualified to participate in the Trust. The Trust is open to all charities that are permitted to invest in a common investment fund under relevant legislation as amended from time to time. Only eligible charities established in England, Wales, Scotland and Northern Ireland may invest in the Trust.

Any charity applying to participate may be required by the Trustee to give a declaration of eligibility to participate and an indemnity against liabilities arising out of its ineligibility.

Money Laundering Prevention

The Manager has both statutory and regulatory obligations to maintain procedures to combat money laundering and terrorist financing. This means that persons buying or selling units may be required to provide proof of identity. For each of the trustees of the participating charity who sign the application form, the Manager will request documentation which evidences proof of identity and proof of address. The Manager may request additional documentation as required. Where the application form is completed on behalf of a participating charity by its duly authorised agent, nominee company or attorney the Manager may require the agent to provide documentation which evidences its right to act in connection with the application for units in ARTC.

Until satisfactory proof of identity is provided, the Manager reserves the right to refuse to issue units, pay proceeds of a redemption of units or pay income on units to the investor.

Pricing of Units and Valuation of Trust

Dealing Prices

Application may be made to subscribe and redeem units on each Dealing Day (see 'Dealing' below) at prices calculated with reference to the next valuation of the property of the Trust conducted for the purposes of determining the prices at which units are subscribed and redeemed on that Dealing Day (a forward basis).

Publication of Prices

The last available price for each type of unit in issue will be published in the Financial Times on each Business Day. The unit prices are also published on Cazenove Capital Management Limited's website, www.cazenovecapital.com. Unitholders can obtain up-to-date prices by telephoning 020 3479 0109.

Valuation

Units in the Trust may be subscribed or redeemed at a single price. The price of a unit is calculated by reference to the net asset value of the property of the Trust attributable to units of the relevant type. For the purposes of determining the net asset value of the Trust and the prices at which units may be subscribed or redeemed, the Manager will carry out a valuation of the property of the Trust as at a valuation point of midnight on the last day of each calendar month.

The Manager may carry out an additional and special valuations of the property of the Trust at any time if it considers it desirable to do so.

The Manager may change the valuation point and/or related Dealing Day subject to there being at least one Dealing Day per calendar quarter without prior notice.

Calculation of Net Asset Value

The net asset value of the property of the Trust shall be the value of its assets less the value of its liabilities. The valuation will be conducted by the Manager in accordance with the following principles:-

1. All the property of the Trust (including receivables) will be included in the valuation, subject to the following provisions.
2. Property which is not cash (or other assets dealt with in paragraph 3 below) shall be valued as follows and the prices used shall (subject as follows) be the most recent prices which it is practicable to obtain.

- (a) units or shares in a collective investment scheme:
 - i. if a single price for buying and selling units or shares or interests is quoted, at that price; or
 - ii. if separate buying and selling prices are quoted, at the average of the two prices (provided the buying price has been reduced by any initial charge included therein and the selling price has been increased by any exit or redemption charge attributable thereto); or
 - iii. if, in the opinion of the Manager, the price obtained is unreliable or if no recent traded price is available or if no price exists, at a value which in the opinion of the Manager is fair and reasonable;
 - (b) exchange-traded derivative contracts:
 - (i) if a single price for buying and selling the exchange-traded derivative contract is quoted, at that price; or
 - (ii) if separate buying and selling prices are quoted, at the average of the two prices;
 - (c) over-the-counter derivative contracts shall be valued in accordance with the method of valuation as shall have been agreed between the Manager and the Trustee
 - (d) any other investment:
 - i. if a single price for buying and selling the security is quoted, at that price; or
 - ii. if separate buying and selling prices are quoted, at the average of those two prices; or
 - iii. if, in the opinion of the Manager, the price obtained is unreliable or no recent traded price is available or if the most recent price available does not reflect the Manager's best estimate of the value, at a value which in the opinion of the Manager is fair and reasonable; and
 - e) property other than that described in (a), (b), (c) and (d) above: at a value which, in the opinion of the Manager, represents a fair and reasonable mid-market price.
3. Cash and amounts held in current, deposit and margin accounts and in other time-related deposits shall be valued at their nominal values.
 4. In determining the value of the Trust's property, all instructions given to issue or cancel units shall be assumed (unless the contrary is shown) to have been carried out and any cash payment made or received and all consequential action required by the regulations shall be assumed (unless the contrary has been shown) to have been taken.

Pricing of Units and Valuation of Trust (cont.)

5. Subject to paragraphs 6 and 7 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 will not materially affect the final net asset amount.
6. Futures or contracts for differences which are not yet due to be performed and unexpired and unexercised written or purchased options shall not be included under paragraph 5.
7. All agreements are to be included under paragraph 5 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.
8. Deduct an estimated amount for the anticipated tax liabilities at that point in time will be deducted including (as applicable and without limitation) capital gains tax, income tax, corporation tax and value added tax.
9. Deduct an estimated amount for any liabilities payable out of the property of the Trust and any tax thereon treating periodic items as accruing from day to day.
10. Deduct the principal amount of any outstanding borrowings (whenever repayable) and any accrued but unpaid interest on borrowings.
11. Add an estimated amount for accrued claims for tax of whatever nature which may be recoverable will be added.
12. Add any other credits or amounts due to be paid into the property of the Trust.
13. Add a sum representing any interest or any income accrued due or deemed to have accrued but not received and anticipated to be received. .
14. Currencies or values in currencies other than the base currency shall be converted at the relevant valuation point at a rate of exchange that is not likely to result in any material prejudice to the interests of unitholders or potential unitholders.

Special Valuation Provisions

Situations involving uncertainties as to the valuation of property of the Trust could have an adverse effect on the valuation of the property of the Trust. In particular, the property of the Trust is likely to be invested in hedge funds which are not or are not regularly traded on an exchange and the accuracy of the valuation of the property of the Trust may be affected by the frequency of the valuations of securities or other interests provided by those funds. Fund managers who manage investment funds in which the Trust invests may provide prices on a weekly, bi-weekly, monthly or quarterly basis.

Although the Manager will generally use the last available official price in respect of each investment in order to value the property of the Trust, it is authorised to use more recent valuations where this is considered appropriate by the Manager. Such valuations may be based on an estimate of the price of any unit, share or interest in an underlying investment fund or other collective investment undertaking in which the Trust invests, obtained from or calculated on the basis of more recent information received from the underlying fund or undertaking or any of its service providers or agents. Such an estimated price may also be calculated on the basis of the opinion of the Manager as to what is fair and reasonable.

In the event that a price or valuation estimate in relation to an underlying investment subsequently proves to be incorrect or varies from a final published price, no adjustment to the valuation of the Trust will be made unless the Manager deems it appropriate in the circumstances.

Suspension of Valuation and Dealing in Units

The issue and redemption of units and/or the valuation of the property of the Trust may be delayed or suspended by the Manager, with the prior agreement of the Trustee, at any time if the Manager is of the opinion that there is a good and sufficient reason to do so having regard to the interests of participants or potential participants. Such a suspension or delay may result from, inter alia, underlying funds in which investment has been made suspending or delaying redemptions, where the Manager chooses not to borrow to meet redemption requests and/or conduct in specie redemptions.

Dealing

Application for Units

Application may be made to subscribe and redeem units of each type on each Dealing Day. The Dealing Day for the Trust is the first business day of each calendar month. The first Dealing Day following the closing of the Initial Offer Period was 2 January 2003. Subscription and redemption applications are subject to the relevant notice period (see below).

Minimum Value of Subscriptions, Redemptions and Residual Holdings

Each participating charity must hold units to an initial value of not less than £50,000. Thereafter, the minimum value of units which may be the subject of one purchase transaction is £10,000. The minimum value of units which may be the subject of one redemption transaction is £10,000. If the redemption transaction would reduce the value of the participating charities holding to less than the minimum initial investment value, the participating charity consents to the Manager redeeming its entire holding.

These limits may be altered by notice to unitholders or waived generally or in respect of specific transactions at the Manager's discretion.

Subscribing for Units

All applications to subscribe for units in the Trust must be made in writing. Participating charities who wish to subscribe for units should complete the Manager's application form which should be sent to ARTC Trade Processing, HSBC Securities Services (Ireland) Limited, 1 Grand Canal Square, Grand Canal Harbour, Dublin 2, Ireland. The application form must be received by the Administrator together with cleared funds no later than 4.30 p.m. on the 5th Business Day prior to the relevant Dealing Day ('The Subscription Notification Point'). The Manager, in certain exceptional circumstances, may agree to vary these conditions. The Manager will only accept applications for subscriptions in monetary amounts. Applications to buy unit amounts will not be accepted.

Units in the Trust may be subscribed at a single price. The price of a unit is calculated by reference to the net asset value of the Trust attributable to units of the relevant type. For the purposes of determining the net asset value of the Trust and the prices at which units may be subscribed or redeemed, the Manager will carry out a valuation of the property of the Trust as at a valuation point of midnight on

the last day of the calendar month preceding the relevant Dealing Day as at which the subscription is to be effected (see 'Prices of Units and Valuation of Trust: Valuation' above). In addition there may be a dilution levy as described in the section 'Dilution Levy'.

The Manager does not currently levy an initial charge in respect of the issue of units.

Payment for subscriptions in ARTC must be made by electronic transfer through the banking system. Details of the bank account to which subscription payments should be made can be found in the application form. Subscription cheques will not be accepted.

Subscription monies will be held on Cazenove Investment Fund Management Limited client money account until the relevant Dealing Day. Interest will not be paid on cleared funds received.

Following acceptance of the application, units will be issued at the next available dealing price. The price at which units are created will normally be available to the Manager by the 20th Business Day of the month following the Dealing Day. Once the price per unit subscribed in the Trust is available the Manager will issue a contract note.

The Manager reserves the right to reject any application for units in whole or in part in which case the application money or any balance will be returned by post at the risk of the applicant without interest.

Purchases may only be for monetary amounts. In-specie transfers are not accepted.

Default by a participating charity in payment of any monies under the participating charity's application will entitle the Trustee to cancel any rights of the participating charity in the units.

Unit amounts will be issued to 2 decimal places only with any rounding retained in the Trust.

The Manager may close the scheme to new subscriptions from time to time if this is considered appropriate by the Manager.

Redeeming Units

All applications to redeem units in the Trust must be made in writing. Participating charities who wish to redeem units should complete and sign a redemption notice and return it to the Manager by no later than 4.30 p.m. on the Business

Dealing (cont.)

Day falling no less than 90 days prior to the relevant Dealing Day ('the Redemption Notification Point'). Redemption notices should be sent to ARTC Trade Processing, HSBC Securities Services (Ireland) Limited, 1 Grand Canal Square, Grand Canal Harbour, Dublin 2, Ireland. The Manager will only accept redemptions in unit amounts and they must be equivalent to a minimum of £10,000 based on the last known dealing price for units of the relevant type. Instructions to redeem monetary amounts will not be accepted.

Units in the Trust may be redeemed at a single price. The price of a unit is calculated by reference to the net asset value of the Trust attributable to units of the relevant type. For the purposes of determining the net asset value of the Trust and the prices at which units may be redeemed, the Manager will carry out a valuation of the property of the Trust as at a valuation point of midnight on the last day of the calendar month preceding the relevant Dealing Day as at which the redemption is to be made (see 'Prices of Units and Valuation of Trust: Valuation' above). In addition there may be a dilution levy as described under 'Dilution Levy' below.

Following acceptance of the application, units will be redeemed at the next available dealing price. The price at which units are redeemed will normally be available to the Manager by the 20th Business Day of the month following the Dealing Day. Once the price per unit redeemed in the Trust is available the Manager will issue a contract note. Redemption proceeds will be paid by electronic transfer through the banking system and will normally be paid within 30 days of the unit dealing price for the relevant Dealing Day being determined. Redemption proceeds will not be paid by cheque.

The Manager does not levy a redemption charge in respect of the redemption of units.

Instructions for redemption are irrevocable, even if the redemption is delayed or pro-rated (see 'Pro rata redemptions' below) by the Manager, unless otherwise determined by the Manager.

Under certain circumstances the Trust may experience a tightening of liquidity and / or difficulty in dealing in the underlying assets and property of the Trust. Given the nature of the underlying investments in the Trust all investors should read carefully the section of these Scheme Particulars entitled 'Risk Warnings'.

The Manager reserves the right at any time to:

- Pro rata redemptions. Under such circumstances the Manager will total the redemptions received on or before the Redemption Notification Point. The Manager will instruct the redemption of an amount of units for which sufficient liquidity is available to make settlement. This

amount will then be divided pro-rata amongst the charities for whom redemption applications have been received. Outstanding requests in respect of units not redeemed will be carried forward to each subsequent Dealing Day until all the units in respect of which the original redemption request was made have been redeemed. Requests for redemption which have been carried forward from an earlier Dealing Day shall be complied with in priority to later requests. The Manager may apply pro rating on the above basis to subsequent redemption Dealing Days.

- Suspend dealing in the Trust (see 'Suspension of Redemption and Issue of Units' above).
- Delay the settlement of Redemption proceeds. Redemption proceeds are normally paid within approximately 30 days of the unit dealing price for the relevant Dealing Day being determined. However, in certain circumstances the Manager may not be able to pay or complete the payment of the redemption proceeds to the redeeming charity until sufficient liquidity is available to the Trust. No interest is paid on redemption proceeds payable to unitholders.
- Extend the Redemption Notification Point. The Manager reserves the right to increase the prior notice period for redemption requests (and alter the Redemption Notification Point accordingly) to more than 90 days prior to the relevant Dealing Day if market conditions dictate that such a move is in the best interests of all current unitholders.
- In Specie Redemptions. If the Manager considers the redemption request substantial in relation to the total size of the Trust, it may arrange for the Trust to redeem the units and transfer an appropriate amount of the property of the Trust to the unitholder instead of paying the redemption price of the units in cash, or, if required by the unitholder, pay the net proceeds of the ultimate sale of the relevant property to the unitholder. A request involving units representing 5 per cent. or more in value of the Trust will normally be considered substantial, although the Manager may in its discretion agree an in specie redemption with a unitholder whose units represent less than 5 per cent. in value of the Trust.

Before the proceeds of redemption of the units are paid, the Manager will give written notice to the unitholder that property of the Trust (or the proceeds of sale of that property) will be transferred to that unitholder.

The Manager will select the property to be transferred (or sold) in consultation with the Trustee. The Trust will retain from that property (or proceeds) the value (or amount) of any

Dealing (cont.)

costs or expenses incurred in giving effect to the sale.

The Manager will at all times endeavour to keep any redeeming charity informed if the amount of their redemption is scaled back or if redemptions are suspended or the paying of settlement proceeds is delayed, subject to applicable law.

Investors should refer to the specific risk warnings in respect of redemptions under the section entitled 'Risk Warnings'.

Dilution Levy

The basis on which the Trust's investments are valued for the purposes of calculating issue and redemption prices of units is set out under 'Prices of Units and Valuation of Trust: Valuation' above. The actual cost of purchasing or selling the Trust's underlying investments may be higher or lower than the values of investments used in calculating the net asset value of the Trust on the basis of which subscription and redemption prices are determined. This may have an adverse effect on the interests of unitholders in the Trust. In order to seek to ameliorate this effect, called 'dilution', the Manager has the power to charge on behalf of the Trust a 'dilution levy' on the subscription and/or redemption of units. If charged, the dilution levy will be paid into the Trust and will become part of the property of the Trust, thus protecting the value of remaining unitholder interests.

The dilution levy will be calculated by reference to the actual or anticipated costs of dealing in the underlying property of the Trust, including dealing spreads, commissions, redemption fees, expenses, taxes and other liabilities.

The charging of a dilution levy will effectively reduce the redemption price or increase the purchase price of units.

The need to charge a dilution levy will depend on the volume of subscriptions and redemptions. The Manager may charge a discretionary dilution levy on the subscription and redemption of units if, in its opinion, the existing unitholders (for subscriptions) or remaining unitholders (for redemptions) might otherwise be adversely affected. In particular, the dilution levy may be charged where:-

- (i) the Trust is suffering a material net outflow of investment relative to its size;
- (ii) the Trust is experiencing large material levels of net subscriptions relative to its size;
- (iii) on large redemption or subscription requests;
- (iv) in any other case where the Manager is of the opinion that the interests of unitholders requires the imposition of a dilution levy.

The Manager will only charge a dilution levy in a manner that is, so far as practicable in the circumstances, fair to all

unitholders and potential unitholders. The dilution levy may be charged on a particular dealing day on both issues and redemptions of units. The Manager reserves the right to charge a dilution levy not exceeding 2.5 percent of the value of the transaction. As set out above, a unitholder may incur a dilution levy both on subscribing for and redeeming shares.

Accumulation and Distribution of Income and Capital

Accumulation Units

The income and capital of the Trust attributable to holders of accumulation units will be accumulated within the Trust for the benefit of holders of accumulation units.

Distribution Units

The income and capital of the Trust attributable to holders of distribution units will also be accumulated within the Trust for the benefit of the holders of distribution units. However, the Manager will consider with reference to the Distribution Allocation Date in each year making a distribution to holders of record of distribution units on the Distribution Allocation Date of an amount up to one third of any positive total return per distribution unit of the Trust for the accounting period ending on the 31st December of the preceding year then attributable to distribution units (adjusted on account of any net subscriptions and/or net redemptions in the intervening period up to the Distribution Allocation Date).

The Distribution Allocation Date in each year is 31 March or such other or further dates as determined by the Manager in its absolute discretion.

A distribution will only be made to the extent that there are, in the opinion of the Manager, sufficient cash reserves available as at the Distribution Allocation Date to make a distribution. In determining the amount of cash available for distribution the Manager will give precedence to settling redemptions effected prior to the Distribution Allocation Date. The distribution, if determined to be made, will have precedence over redemptions effected subsequent to the Distribution Allocation Date.

In the event that a distribution is determined to be made, an amount equal to the distribution will be transferred out of the income and/or capital property of the Trust to a distribution account and paid by electronic transfer through the banking system to qualifying holders of distribution units as soon as practicable. The valuation conducted in respect of the Trust on the Distribution Allocation Date (or any subsequent date) will be adjusted to reflect the transfer to the distribution account and the proportion of the Trust attributable to holders of distribution units relative to holders of accumulation units will be reduced accordingly.

The Manager will also be authorised to make such adjustments and capitalisations of balances on the income account of the Trust attributable to holders of distribution and accumulation units as it deems necessary to reflect any distributions and accumulations made in respect of such units.

Remuneration of the Trustee, the Manager, the Investment Adviser and Expenses

The Trustee

The Trustee will be remunerated out of the property of the Trust for its services generally by a periodic charge. The rate of the Trustee's periodic charge is to be agreed with the Manager from time to time. This charge shall accrue and be paid on the same basis as the Manager's periodic charge. Each accrual interval shall end and the next begin on the first or only Valuation Point on the last day in each period (or if there is no such Valuation Point, at the beginning of that day).

The rate currently agreed in respect of the Trust is .0.02 per cent. per annum in respect of the value of the property of the Trust (plus VAT in all cases), payable monthly and deducted from the property of the Trust. Any increase from the current level agreed by the Manager is subject to: (i) the Trustee giving notice in writing of that increase and the date of its commencement to all participating charities, (ii) subject to the Commissioners' prior written approval, revision of the Scheme Particulars to reflect the now current periodic charge and the date of its commencement and (iii) the elapse of 90 days since the revised Scheme Particulars became available. The Trustee's periodic charge may not be increased beyond a maximum rate of 1.5 per cent. per annum.

The Manager

The Manager's periodic management charge shall be at a rate of 1.5 per cent. per annum in respect of the value of the property of the Trust (plus value added tax if any). The periodic management charge shall accrue in respect of monthly 'accrual intervals' and will be determined by reference to the net asset value of the Trust at the start of the accrual interval. The management charge accrues and shall be deducted in arrears at the end of each month out of the property of the Trust. Any increase from the current level is subject to: (i) the Manager giving notice in writing of that increase and the date of its commencement to all participating charities, (ii) subject to the Commissioners' prior written approval, revision of the scheme particulars to reflect the now current periodic charge and the date of its commencement and (iii) the elapse of 90 days since the revised scheme particulars become available. The Manager's periodic management charge may not be increased beyond a maximum rate of 2.5 per cent. per annum.

Where fees and charges are based on the net asset value, investors should be aware that the method of calculation is detailed in the section below entitled 'Pricing of Units and Valuation of Trust: Calculation of Net Asset Value'.

Investment Adviser

The Investment Adviser is remunerated by the Investment Manager.

The Registrar and Transfer Agent

In respect of its performance of its functions as Registrar (set out below under "Register of Holders") and as the Transfer Agent, HSBC Securities Services (Ireland) Limited shall be entitled to a fee payable by the Trust at the rate of 0.05 per cent. per annum in respect of the value of the property of the Trust (plus any VAT), payable monthly and deducted from the property of the Trust.

Other Expenses

In addition to fund management charges and the remuneration of the Trustee and any applicable value added tax thereon, the following expenses shall be payable out of the property of the Trust:-

- i) any reasonable costs or expenses incurred by it in the operation, administration or winding up of the Trust including, but not restricted to:
 - (a) brokers' commission, fiscal charges and other disbursements which are:-
 - (i) necessarily incurred in effecting transactions for the Trust; and
 - (ii) normally shown in contract notes, confirmation notes and difference accounts as appropriate.
 - (b) interest on borrowings permitted under the Trust and charges incurred in effecting or terminating or in negotiating or varying the terms of such borrowings;
 - (c) taxation and duties payable in respect of the property or the Scheme of the Trust or the issue of units in the Trust;
 - (d) the audit fees and any proper expenses of the auditors (plus value added tax);*
 - (e) any costs incurred in amending the Scheme Particulars and/or the Scheme;*
 - (f) the fees and any proper expenses of any professional advisers (including legal and accounting advisers) retained by the Manager or by the Trustee in relation to the Trust;
 - (g) the costs of publication of unit prices in the Financial Times;*

Remuneration of the Trustee, the Manager, the Investment Adviser and Expenses (cont.)

(h) the costs of producing, printing and distributing annual, half-yearly reports, fact sheets and any other reports or information provided for Participating Charities;* and

(i) any reasonable costs or expenses incurred by the Manager and/or the Trustee in discharging their respective functions;*

ii) charges in respect of investment transactions and custody services.

The charges in respect of investment transactions vary, inter alia, according to the countries in which dealing takes place, and the services rendered. The rate of these charges will be agreed with the Manager from time to time. The Trustee has appointed HSBC Institutional Trust Services (Ireland) Limited as the Custodian of the property of the Trust and is entitled to receive reimbursement of the Custodians fees as an expense of the Trust. HSBC Institutional Trust Services (Ireland) Limited's remuneration for acting as Custodian is calculated at 0.07 per cent. per annum on the first £400 million of assets under custody, 0.06 per cent. per annum on assets under custody between £400 million and £600 million and 0.05 per cent. on assets under custody above £600 million, payable monthly and deducted from the property of the Trust based on the monthly value of the Trusts assets. In addition, the Custodian makes a transaction charge for each instructed transaction of £175 per transaction.

Other additional custody fees may include the cost, inter alia, of derivative transactions, US dollar wires, cheques and transfer processing. The full tariff is available on request from the Manager.

Such reasonable costs or expenses may be deducted from the Trust as and when they occur.

iii) the fees and expenses in respect of:

(a) the preparation of financial statements for the Trust;

(b) valuing the Trust's assets and the calculation of the Trust's net asset value;

(c) preparation of tax returns;

(d) reconciliation of cash and trade positions between the Custodian and the Manager;

(e) any expenses incurred in connection with the maintenance of the Trust's accounting and other books and records; and

(f) administration services.

The Manager has appointed HSBC Securities Services (Ireland) Limited to provide fund accounting, valuation and various administration services as set out in iii) (a) to (f) above to the Trust. HSBC Securities Services (Ireland) Limited's remuneration for the provision of these services is calculated at 0.075 per cent. per annum on the first £400 million of assets under administration, 0.06 per cent. per annum on assets under administration between £400 million and £600 million and 0.05 per cent. on assets under administration above £600 million, payable monthly and deducted from the property of the Trust. HSBC Security Services (Ireland) Limited may charge an additional fee for the preparation of the Trust's annual financial statements.

* The expenses referred to in paragraphs i) (d), (e), (g), (h) and (i) are not expected to exceed £60,000 in any annual accounting period.

Charges on the Underlying Assets of the Trust

The Trust invests in a portfolio of hedge funds which themselves may levy issue and redemption charges, management, administration, performance, incentive fees and operating expenses. The Trust will bear a proportion of these charges and expenses (both directly and indirectly). Hedge funds of the type in which the Trust intends to invest invariably charge in addition to a management fee (typically of between one and two per cent. of the relevant net asset value per annum), an incentive fee based on percentage profits. The incentive fee may, in some cases, be as high as 25 per cent. of profits (or possibly higher in certain circumstances). Often profits will be assessed on a 'high water mark' basis so that no new incentive fee is payable until any prior losses have been recouped, but this may not always be the case.

Register of Holders

Register

Units in the Trust are in registered form. Certificates will not be issued to participating charities. The register shall be conclusive evidence as to the persons respectively entitled to the units entered in the register.

No notice of any trust, express, implied or constructive shall be entered on the Register in respect of any unit and the Manager and the Trustee shall not be bound by any such notice.

Registrar

The Trustee has appointed HSBC Securities Services (Ireland) Limited as Registrar to establish and maintain the register of unitholders (a 'Register') (which will include the name of each participating charity and the number of units held) for the Trust. The register is available for inspection free of charge at its office at HSBC's Head Office, 8 Canada Square, London E14 5HQ in normal business hours on any Business Day.

Custody

The Custodian will maintain all securities and assets other than cash in a segregated client account and those assets will be separately identified and will be unavailable to the creditors of the Custodian in the event of its insolvency. Assets deposited as margin with a broker need not be segregated and may be available to the creditors of the broker.

The Custodian may appoint sub-custodians, agents or delegates ("Correspondents") to hold the assets of the Trust. The Custodian will act with reasonable skill, care and diligence in the selection of suitable Correspondents and shall be responsible to the Trust for the duration of any agreement with a Correspondent and for satisfying itself as to the ongoing suitability of any such Correspondents to provide custodial services to the Trust. The Custodian will maintain an appropriate level of supervision over any Correspondent and will make appropriate enquiries periodically to confirm that the obligation of any Correspondent continue to be competently discharged. Without prejudice to the obligations of the Trustee under the Scheme, the Custodian will not be liable for any loss directly or indirectly arising as a result of the acts or omissions of its Correspondents or for any losses arising as a result of the liquidation, bankruptcy or insolvency of its Correspondents in any market provided that the Custodian has not been negligent in the selection and monitoring of such Correspondents. The Custodian is not responsible for the safekeeping of assets deposited as margin with brokers.

Additional Information

Accounting Dates

The annual and interim accounting periods for the Trust shall end on 31 December and 30 June respectively in each year. The first accounting period of the Trust ended on 31 December 2003.

Reports

Subject to the provisions of the Scheme, reports and accounts will be forwarded to participating charities or their nominee custodian twice a year. The annual reports and the half yearly reports will be issued on or near the dates below:-

Annual report date: 30th April

Half year report date: 31st October

Meetings of Participants

The Trustee may convene a meeting of participating charities to consider resolutions for:

- i) confirmation of any amendment, modification, alteration, addition or replacement to the Scheme or the scheme particulars which, in the Trustee's opinion, would materially prejudice participating charities; and
- ii) any other matter which the Trustee believes would be best decided by the unit holders in a general meeting.

Any general meeting may be called on not less than 14 days' notice in writing to all participating charities on the Register at a date not exceeding 7 days before the date of the notice, such notice to specify the date and place of the meeting and the resolutions proposed. The accidental omission to give notice to or the non-receipt of notice by any person entitled thereto shall not invalidate the proceedings at any General Meeting.

The Trustee shall nominate a person who shall preside as Chairman.

The quorum shall be two or more holders present in person or by proxy. No business (other than the appointment of a Chairman) shall be transacted at any meeting unless the requisite quorum is present at the commencement of business. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting shall be adjourned to another day and time which must not be less than 15 days thereafter. Notice of the adjourned meeting shall be given in the same manner as for the original meeting. At any adjourned meeting, the unitholders or the only unitholder present in person or by proxy shall constitute a quorum.

Additional Information (cont.)

The Manager, Trustee and any professional advisers to the Trust and/or to the Trustee shall be entitled to attend and be heard at any such meeting.

Any resolution will be carried if the votes cast in favour represent 50 per cent or more (or such higher percentage as the Trustee may determine) of the total votes cast.

At any meeting of participating charities of a Trust, any resolution put to the vote should be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by the Chairman, by the Trustee or by one or more participating charities present in person or by proxy and holding or representing 1/20th in value of the units of the Trust in issue on the date 7 days before notice of the meeting was given. On a show of hands every participating charity who is present by its representative properly authorised in that regard shall have one vote. On a poll every participating charity who is present in person or by proxy shall have one vote for every complete undivided share in the property of the Trust and a further part of one vote proportionate to any fraction of such an undivided share of which he is the participating charity. On a poll votes may be given either personally or by proxy.

A body corporate being a unitholder may authorise such person as it thinks fit to act as its representative at any meeting of participating charities and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation as the corporation could exercise if it were an individual participating charity.

In the case of joint participating charities the vote of the first mentioned in the register whether in person or by proxy shall be accepted to the exclusion of the other joint participating charities.

An instrument of proxy may be in the usual common form or in any other form which the Trustee shall approve executed under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a body corporate, either under the common seal or under the hand of an officer or attorney so authorised. A person appointed to act as a proxy need not be a participating charity.

The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority shall be deposited at the registered office of the Manager not less than 48 hours before the time appointed for the holding of the meeting or the adjourned meeting (or in the case of a

poll before the time appointed for the taking of a poll) and in default the instrument or proxy shall not be treated as valid.

A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous revocation of the instrument or the transfer of units in respect of which the proxy was given provided no written notification was received at the registered office of the Manager before the commencement of the meeting or adjourned meeting at which the proxy is to be used.

Minutes of all resolutions and proceedings at every meeting shall be made and shall be conclusive evidence of the matters conducted within the meeting. A written resolution which has been approved in writing by all holders entitled to receive notice of and attend and vote at a General Meeting shall be as valid and effective as if duly carried at a General Meeting.

Amendment of Scheme Particulars

The Manager will keep the Scheme Particulars under review with a view to ensuring that they are in compliance with the law and relevant regulations and will, from time to time and with the prior written approval of The Charity Commission, make or propose such changes as are necessary or desirable in the interests of participating charities.

Termination of the Trust

The Trust may be wound up if the Trustee executes a written declaration to that effect, forthwith sends a copy of the declaration to the Commissioners and the Manager, and publishes it in such manner (if any) as The Charity Commission may direct and informs Participating Charities in writing that the Trust is to be wound up.

The Trustee will as soon as practicable after the Trust falls to be wound up realise the property of that Trust.

After paying out of the Trust, or retaining adequate provision out of the Trust for, all liabilities properly payable out of the Trust and the cost of the winding up, the Trustee shall distribute the net proceeds to the participating charities (upon production by them of evidence as to their entitlement) proportionately to their respective interests in the Trust.

Any unclaimed net proceeds or other cash held by the Trustee after the expiration of twelve months from the date on which such proceeds became payable will be paid by the Trustee into court subject to the Trustee having the right to retain from the proceeds any expenses incurred by him in making the payment into court.

Additional Information (cont.)

Complaints

If you have any complaints, you should write in the first instance to the Head of Compliance at the Manager's address below. A copy of the Manager's Complaint Handling Procedures is available on request from the Manager. If you are an eligible complainant, and you remain dissatisfied with the way the Manager has dealt with your complaint then you may also complain directly to the Financial Ombudsman Service:

Financial Ombudsman Service

South Quay Plaza
183 Marsh Wall
London E14 9SR
Tel: 0845 080 1800

Website: www.financial-ombudsman.org.uk

Report and Accounts

Copies of the most recent annual and half-yearly reports of the Trust (when available) may be inspected and copies may be obtained during ordinary business hours on any weekday (Saturdays and public holidays excepted) at the registered and head offices of the Manager. A copy of the Scheme is available on request from the Manager.

The Scheme

Any questions as to the construction of the Scheme or as to the regularity or the validity of anything done or proposed to be done under the Scheme, may be determined by The Charity Commission upon sufficient application to them by the Trustee or the Manager.

Conflict of Interests

The Manager, the Investment Adviser, the Trustee, the Administrator, the Custodian, the Registrar, any of their respective directors, officers, employees, agents and affiliates and the Directors and any person or company with whom they are affiliated or by whom they are employed (each an 'Interested Party') may be involved in other financial, investment or other professional activities which may give rise to conflicts of interest with the Trust. In particular, Interested Parties may provide services similar to those provided to the Trust to other entities and shall not be liable to account for any profit earned from any such services. All such parties shall at all times have due regard to their duties owed to the Trust and where a conflict arises, they will endeavour to ensure that it is resolved fairly. For example, an Interested Party may acquire on behalf of its clients' investments in which the Trust may invest. However, where the Manager and/or the Investment Adviser could allocate an investment between two or more funds or accounts which it manages or advises (including the Trust's) or make a disposal of investments held by two or more such funds or accounts, it will act fairly as between the relevant funds or accounts in making such allocation or disposal, having regard to, inter alia, factors such as cash availability and portfolio balance.

The Trust may acquire securities from or dispose of securities to any Interested Party or any investment fund or account advised or managed by any such person. An Interested Party may provide professional services to the Trust and buy, hold and deal in any investments for their own account notwithstanding that similar investments may be held by the Trust. An Interested Party may contract or enter into any financial or other transaction with any participant in the Trust or with any entity any of whose securities are held by or for the account of the Trust, or be interested in any such contract or transaction. An Interested Party shall be entitled to retain and shall not be in any way liable to account for any profit made or share of brokerage or commission or remuneration or other amount or benefit received thereby or in connection therewith. Furthermore, any Interested Party may receive commissions to which it or he is contractually entitled in relation to any sale or purchase of any investments of the Trust effected by it or him for the account of the Trust, provided that in each case the terms are no less beneficial to the Trust than a transaction involving a disinterested party and any commission shall be in line with market practice.

In the event of a conflict of interest arising, each Interested Party shall endeavour to ensure that it is resolved fairly.

Risk Warnings

Charity Trustees are not to construe this document as investment, legal or tax advice. They should seek advice as appropriate, given their duties under the Trustee Act 2000. The Scheme is an unregulated collective investment scheme available only to qualifying charity investors in England, Wales, Scotland and Northern Ireland.

There are risks associated with an investment in the Trust. Investment in the Trust may not be suitable for all charities. It is intended for charities who can accept the risks associated with such an investment which may include a substantial loss of their investment. There can be no assurance that the Trust will achieve its investment objective. Each prospective investor should review this document and carefully consider the risks before deciding to invest. The attention of investors is drawn to 'Conflicts of Interest' and the risks referred to below.

As with any investment the Trust is subject to the certain features and risks associated with investment in financial markets. In addition, there are additional features and risks associated with investment in the Trust. These features and risks relate to (1) the Trust and its units and the manner in which it is required to operate and (2) the underlying hedge funds in which investment is made, their investment strategies, manner of operation and regulation and other factors to which they are subject. Each prospective investor in the Trust should carefully consider these risks before investing in the Trust.

- **Past Performance.** There can be no assurance that the Trust will achieve its investment objective. Neither the past investment performance of the Manager nor the Investment Adviser can be construed as an indication of the future results of an investment in the Trust.
- **Business Dependent Upon Key Individuals.** The success of the Trust is significantly dependent upon the expertise of the principals of the Investment Adviser and any future unavailability of their services could have an adverse impact on the Trust's performance.
- **Currency Hedging.** The Trust may invest in underlying hedge funds which are valued in currencies other than Sterling, the currency in which the Trust is valued and subscriptions and redemptions of units effected. In addition, the underlying hedge funds in which investment is made may themselves invest in currencies other than Sterling and the currencies in which they themselves are valued. To the extent these investments are unhedged,

or not adequately hedged, the value of an investment in the Trust may be effected favourably as well as unfavourably by fluctuations in currency exchange rates. The Manager will seek to enter into forward currency transactions to ameliorate, insofar as practicable, the effect of currency fluctuations between Sterling (the currency in which the Trust is valued and subscriptions and redemptions in units are settled) and the underlying currencies in which investments in underlying investment funds are valued and subscriptions and realisations of such investments may be made. There can be no assurance that such hedging transactions will be effective or beneficial. Any such currency hedge placed by the Trust will be for an amount based on the estimated value of the property of the Trust and may thus represent an over or under hedge of the actual value of the Trust's property.

- **Not Readily Realisable Investments.** The Trust may invest in underlying hedge funds whose securities are not readily realisable, which means that there is no recognised market for them. It may therefore be difficult to deal in such investments or to obtain reliable information about their value or the extent of the risks to which they are exposed. Hedge funds may impose limitations and restrictions on redemptions and transferability of interests, charges for early redemptions and minimum holding periods for investments. In addition, once a redemption is made there may be delays in the Trust receiving redemption payments. All these factors will impact on the ability of the Trust to provide liquidity to meet redemption payments and may lead to the Trust imposing restrictions on redemptions as more particularly referred to under 'Redemptions' below.
- **Restrictions Imposed by Underlying Funds.** Hedge funds may with or without notice impose conditions on investors which restrict dealing and or the settlement of transactions placed in the Trust. These will include changes to the frequency of dealing, a closure of the fund to new investments, a limit on the level of redemptions, a closure of the fund to redemptions, the suspension of dealing and extended settlement periods. All of these scenarios will affect the dealing and settlement of unit subscriptions and redemptions within the Trust itself.
- **Redemptions.** Under certain circumstances the Trust may experience a tightening of liquidity and/or difficulty in dealing in underlying investments in hedge funds.

Risk Warnings (cont.)

Factors which may result in a tightening of liquidity will include the matters referred to under 'Not Readily Realisable Investments' and 'Restrictions Imposed by Underlying Funds' above, expenses payable by the Trust on an ongoing basis which will be met before redemptions and other priority payment obligations including, without limitation, priorities relating to any distribution determined to be made on an Distribution Allocation Date to holders of distribution units outlined under 'Accumulation and Distribution of Income and Capital'. The Manager reserves the right at any time to pro rata redemptions, suspend dealing in the Trust, delay settlement of redemption proceeds, extend the Redemption Notification Point and provide for in specie redemptions.

- **Dilution Levy.** The Manager may impose a dilution levy on subscriptions and redemptions by reference to the actual or anticipated costs of dealing in the underlying property of the Trust, including without limitation dealing spreads, commissions, redemption fees, expenses, taxes and other liabilities.

The need to charge a dilution levy will depend on the volume of subscriptions and redemptions.

The Manager may charge a discretionary dilution levy on the subscription and redemption of units if, in its opinion, the existing unitholders (for subscriptions) or remaining unitholders (for redemptions) might otherwise be adversely affected. In particular, the dilution levy may be charged where:-

- (i) the Trust (is suffering a material net outflow of investment relative to its size);
- (ii) the Trust is experiencing large material levels of net subscriptions relative to its size;
- (iii) on large redemption or subscription requests;
- (iv) in any other case where the Manager is of the opinion that the interests of unitholders requires the imposition of a dilution levy.

The Manager will only charge a dilution levy in a manner that is, so far as practicable in the circumstances, fair to all unitholders and potential unitholders. The dilution levy may be charged on a particular dealing day on both issues and redemptions of units. The Manager reserves the right to charge a dilution levy not exceeding 2.5 percent of the value of the transaction. A unitholder may incur a dilution levy both on subscribing for and redeeming shares.

- **Distribution of Income and Capital.** The income and capital of the Trust attributable to holders of distribution and accumulation units will be accumulated within the Trust for the benefit of holders. However, the Manager will consider with reference to the Distribution Allocation Date in each year making a distribution to holders of record of distribution units on the Distribution Allocation Date of an amount up to one third of any positive total return per distribution unit of the Trust for the accounting period ending on the 31 December of the preceding year then attributable to distribution units (adjusted on account of any net subscriptions and/or net redemptions in the intervening period up to the Distribution Allocation Date). The Distribution Allocation Date in each year is 31 March or such other or further dates as determined by the Manager in its absolute discretion.

No assurance is given that the Manager will make distributions to holders of distribution units. Distributions will only be made to the extent that there are, in the opinion of the Manager, sufficient cash reserves available as at a Distribution Allocation Date. In determining the amount of cash available for distribution the Manager will give precedence to redemptions effected prior to the Distribution Allocation Date. The distribution, if determined to be made, will have precedence over redemptions effected subsequent to the Distribution Allocation Date.

Holders of distribution units should be aware that distributions in respect of the distribution units will result in a reduction in the prospective performance of the distribution units relative to the accumulation units. In addition, the Manager will consider making distributions with regard to the total return per unit in any accounting period without reference to any high water mark relating to particular unitholders or units. Accordingly, depending on the performance history of the Trust the payment of distributions may result in an erosion of capital.

- **Transparency.** The Manager and the Investment Adviser to the Manager endeavour to monitor the investment made by the underlying investments in the Trust. However, given the nature of hedge funds this information is not always fully transparent.
- **Lack of Ethical Investment Policy.** The Manager does not adopt an ethical investment policy in the management of the Trust, for example the underlying funds may invest in tobacco stocks.

Risk Warnings (cont.)

- **Level of Charges on Underlying Assets.** The Trust may invest in offshore funds, which may be subject to issue and redemption charges, to management, administration and incentive or performance fees, in addition to that payable to and by the Trust.
- **Taxation.** The tax position of the Trust is outlined under 'Trust and Unitholder Tax Considerations' below. The statements made are based on the law and practice in force at the date of this document. As is the case with any investment there can be no guarantee that the tax position or proposed tax position prevailing at the time that an investment in the Trust is made will endure indefinitely.
- **Special Valuation Provisions.** Situations involving uncertainties as to the valuation of property of the Trust could have an adverse effect on the valuation of the property of the Trust. In particular, the property of the Trust is likely to be invested in hedge funds which are not or are not regularly traded on an exchange and the accuracy of the valuation of the property of the Trust may be affected by the frequency of the valuations of securities or other interests provided by those funds. Fund managers who manage hedge funds in which the Trust invests may provide prices on a weekly, bi-weekly, monthly or quarterly basis.

Although the Manager will generally use the last available official price in respect of each investment in order value the property of the Trust, it is authorised to use more recent valuations where this is considered appropriate by the Manager. Such valuations may be based on an estimate of the more recent price of any unit, share or interest in an underlying investment fund or other collective investment undertaking in which the Company invests obtained from or calculated on the basis of more recent information received from the underlying fund or undertaking or any of its service providers or agents or such price which is in the opinion of the Manager fair and reasonable.

In the event that a price or valuation estimate in relation to an underlying investment subsequently proves to be incorrect or varies from a final published price, no adjustment to the valuation of the Trust will be made unless the Manager deems it appropriate in the circumstances.

- **Risks related to Underlying Hedge Funds.** In addition to the above factors, the Trust may be exposed to risks arising from the underlying investment strategies

employed by the hedge funds in which it invests. Hedge funds are by their nature wide ranging in their investment styles. Investments may encompass traditional assets (equities, bonds and cash) as well as the use of derivative instruments (futures and options) and currencies. The risks to which such funds are subject may include the following:-

Commodity Interests and Options - The prices of commodities contracts and all derivative instruments, including futures and options, in which underlying hedge funds held by the Trust may invest are highly volatile.

In addition, the Trust is subject to the risk of the failure of any of the exchanges on which such hedge funds trade, of their clearing houses and, in certain cases, of the counterparties with whom the trades are carried out.

The underlying hedge funds in which the Trust invests may purchase and sell ('write') options on securities, currencies and commodities on a variety of commodities exchanges, securities exchanges and over-the-counter markets. The seller ('writer') of a put option which is uncovered (i.e. the writer has a short position in the underlying security, currency or commodity) assumes the risk of an increase in the market price of the underlying security, currency or commodity above the sales price (in establishing the short position) of the underlying security, currency or commodity plus the premium received, and gives up the opportunity for gain on the underlying security, currency or commodity below the exercise price of the option. If the seller of the put option owns a put option covering an equivalent number of shares with an exercise price equal to or greater than the exercise price of the put written, the position is 'fully hedged' if the option owned expires at the same time or later than the option written. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security, currency or commodity below the exercise price of the option. The buyer of a put option assumes the risk of losing his entire investment in the put option. If the buyer of the put holds the underlying security, currency or commodity, the loss on the put will be offset in whole or in part by any gain on the underlying security, currency or commodity.

The writer of a call option which is covered (e.g. the writer holds the underlying security, currency or commodity) assumes the risk of decline in the market price of the underlying security, currency or commodity below the value of the underlying security, currency or commodity less the premium received, and gives up the opportunity for gain on the underlying security, currency or commodity above the

Risk Warnings (cont.)

exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security, currency or commodity above the exercise price of the option. The buyer of the call option assumes the risk of losing his entire investment in the call option. If the buyer of the call sells short the underlying security, currency or commodity, the loss on the call will be offset, in whole or in part, by any gain on the short sale of the underlying security, currency or commodity. In entering into a closing purchase transaction, the investment fund in which the Trust invests may be subject to the risk of loss to the extent that the premium paid for entering into a closing purchase transaction exceeds the premium received when the option was written.

To the extent that the Trust invests in underlying hedge funds which engage in futures and options contract trading and the broker with whom such investment funds maintain accounts fails to segregate the fund's assets, the hedge fund (and hence the Trust) will be subject to a risk of loss in the event of the bankruptcy of the broker. In certain circumstances, where there is segregation, the hedge fund concerned might be able to recover, even in respect of property specifically traceable to it, only a pro rata share of all property available for distribution to a bankrupt broker's customers.

Forward Trading - Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardised; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and 'cash' trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. Disruptions can occur in any market traded by hedge funds in which the Trust may invest due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward (and futures) trading to the possible detriment of the investors in the relevant hedge fund (and hence the Trust). In respect of such trading, the relevant hedge fund is subject to the risk of counterparty failure or the inability or refusal by a counterparty to perform with respect to such contracts. Market illiquidity or disruption could result in major losses to the investment fund (and hence the Trust).

Short Sales - A short sale involves the sale of a security that the underlying hedge fund does not own in the expectation of purchasing the same security (or a security exchangeable therefore) at a later date at a lower price. To make delivery to the buyer, the underlying hedge fund must borrow the security and later purchase the security to return to the lender. A short sale involves a risk of a theoretically unlimited increase in the market price of the security and therefore a theoretically unlimited loss on the security sold short.

Leverage, Interest Rates and Margin - The underlying hedge funds in which the Trust invests may be empowered to borrow funds from brokerage firms and banks in order to increase the amount of capital available for investment. Consequently, the level of interest rates at which such borrowing can be made will affect the operating results of the underlying hedge fund (and indirectly the Trust). In addition, the relevant hedge fund may in effect borrow funds through entry into repurchase agreements and may 'leverage' its investment return with options, commodity futures contracts, swaps, forwards and other derivative instruments.

The use of borrowings results in certain additional risks. For example, should the securities pledged to brokers to secure the relevant hedge fund's margin accounts decline in value, the fund could be subject to a 'margin call' and need to deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden drop in the value of the relevant fund's assets, the fund might not be able to liquidate assets quickly enough to pay off its margin debt. In addition, leveraged investment increases the loss to investors of any depreciation in value of investments (while potentially increasing any gains). In the futures markets, margin deposits are typically low. Low margin deposits mean that a relatively small price movement in a futures contract may result in immediate and substantial losses. For example, if at the time of purchase 10 per cent. of the price of a futures contract is deposited as margin, a 10 per cent. decrease in the price of the futures contract would, if the contract is then closed out, result in a total loss of the margin deposit before any deduction for the brokerage commission.

Securities and Other Investments May Be Illiquid - Certain investment positions held by the underlying hedge funds in which the Trust invests may be illiquid. Such hedge funds may invest in securities of financially troubled companies, illiquid over-the-counter securities and non-publicly traded securities. Futures positions may be illiquid because, for

Risk Warnings (cont.)

example, some exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as 'daily price fluctuation limits' or 'daily limits'. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Similar occurrences could prevent the relevant fund from promptly liquidating unfavourable positions and subject the fund to substantial losses. In addition, the relevant hedge fund may not be able to execute futures contract trades at favourable prices if little trading in the contracts involved is taking place. It is also possible that an exchange may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only.

Trading in Indices, Financial Instruments and Currencies

- The underlying hedge funds in which the Trust invests may place an emphasis on trading indices, financial instruments and currencies. The effect of governmental intervention may be particularly significant at certain times in currency and financial instrument futures and options markets. Such intervention (as well as other factors) may cause all of these markets to move rapidly in the same direction because of, among other things, interest rate fluctuations.

Emerging Markets - The underlying hedge funds in which the Trust may invest may themselves invest in emerging markets. Investment in emerging markets involves risk factors and special considerations which may not be typically associated with investing in more developed markets. Political or economic change and instability may be more likely to occur and have a greater effect on the economies and markets of emerging countries. Adverse government policies, taxation, restrictions on foreign investment and on currency convertibility and repatriation, currency fluctuations and other developments in the laws and regulations of emerging countries in which investment may be made, including expropriation, nationalisation or other confiscation, could result in loss to the relevant hedge fund and, indirectly, the Trust.

By comparison with more developed securities markets, most emerging countries' securities markets are comparatively small, less liquid and more volatile. In addition settlement, clearing, safe custody and registration procedures may be underdeveloped, enhancing the risks of error, fraud or default. Furthermore, the legal infrastructure and accounting,

auditing and reporting standards in emerging markets may not provide the same degree of investor information or protection as would generally apply in more developed markets.

The foregoing list of risk factors is not complete. Prospective Investors should consult with their own advisers before deciding to subscribe for units in the Trust.

Trust and Unitholder Tax Considerations

United Kingdom

The following is intended to be a general summary of the expected UK tax treatment of participation by eligible charities and is based on UK law and practice in force at the date of this document. As is the case with any investment, there can be no guarantee that the tax position or proposed tax position prevailing at the time an investment in the Trust is made will endure indefinitely.

General:

The units in the Trust are offered solely to bodies of persons that qualify as charities in order that the Trust maintains its status as a Common Investment Fund ('CIF'). Provided this status is maintained, the Trust will be eligible for the same exemptions from tax as a charity.

A charity's tax exemptions in relation to income and gains derived from its investments are dependent upon those investments being accepted as qualifying investments for the purposes of Schedule 20 Income and Corporation Taxes Act 1988. Investments in unlisted companies, such as hedge funds, qualify provided Her Majesty's Revenue and Customs ('HMRC') are satisfied that the investments are made for the benefit of the charity and not for the avoidance of tax. While HMRC does not provide advance clearance in respect of whether any particular investment or class of investments is permitted, it has advised that it is not aware of any intrinsic reason why the Trust's proposed investments in hedge funds should not be qualifying investments eligible for the usual exemptions from tax on income and gains.

There is, however, no guarantee that exemptions available to the taxation of income and gains in the hands of the Trust will not be wholly or partly restricted at any time. To the extent the assets of the Trust are invested in investments which are not qualifying investments for charities, such investment is deemed 'non-qualifying expenditure' having the consequences set out below as regards the taxation of income and gains. Further, in the unlikely event that the HMRC deems the Trust to be involved in tax avoidance, the exemptions referred to below may be withdrawn in whole or in part.

Charities: income

Charities (which for this purpose includes a CIF such as the Trust) are exempt from UK income tax in respect of income consisting of dividends or other distributions of companies not resident in the UK in so far as such income is applicable for charitable purposes only. In addition, gains arising on the disposal of interests in hedge funds deemed to be income gains under Chapter V of Part XVII of the Income and Corporation Taxes Act 1988 are exempt from tax where such gains are realised by a charity. The Trust will be deemed to realise income gains in circumstances where it disposes of interests in offshore hedge funds that have not been certified as distributing funds.

Where the Trust has relevant income and gains of £10,000 or more which exceed the amount of its 'qualifying expenditure' and it incurs non-qualifying expenditure, the exemption in relation to taxation of income is not available for so much of the excess as does not exceed the non-qualifying expenditure incurred in that period.

The tax position of charities investing in the Trust should not be directly affected by any non-qualifying expenditure of the Trust, as the investment by a charity in a CIF is automatically regarded as qualifying expenditure.

Charities: capital gains

Generally the taxation of capital gains will be of limited relevance to the Trust as it is proposed to invest largely in offshore hedge funds that are not certified as distributing funds as referred to above, and thus gains on disposals of investments held by the Trust will generally be treated as income for tax purposes and not as a capital gain.

Charities (which for this purpose includes a CIF such as the Trust) are exempt from the taxation of capital gains in relation to any gains in so far as the proceeds of the disposal are applicable and applied for charitable purposes. As mentioned above in the context of the taxation of income, where the Trust has relevant income or gains of £10,000 or more which exceeds the amount of its qualifying expenditure and it incurs non-qualifying expenditure, the exemption in relation to taxation of gains is not available for so much of the excess as does not exceed the non-qualifying expenditure incurred in that period.

The tax position of charities investing in the Trust should not be directly affected by any non-qualifying expenditure of the Trust as the investment by a charity in a CIF is automatically regarded as qualifying expenditure.

Trust and Unitholder Tax Considerations (cont,)

Attribution of capital gains to unitholders:

Notwithstanding the general exemption from taxation of capital gains applicable to charities, in certain circumstances a proportion of gains realised by overseas companies in which the Trust invests may be attributed to holders of units under section 13 of the Taxation of Chargeable Gains Act 1992 ('Section 13'). Any such attributed gains are ineligible for a charity's usual exemption from tax on the actual gains it realises.

Section 13 will only apply to a unitholder that has an entitlement to more than one-tenth of any gain arising on a disposal by a corporate fund in which the Trust directly or indirectly invests. Due to the investment restrictions applicable to the Trust, Section 13 is not expected to apply during the normal life of the Trust.

Section 13 applies to a participator for UK tax purposes if at any time when any gain accrues to a non-UK resident company which is controlled by a sufficiently small number of persons so as to render the company a body corporate that would, were it to have been resident in the UK for taxation purposes, be a 'close' company for these purposes. By way of example a holder of units could become a participator in a company for Section 13 purposes by virtue of the Trust investing in a non-UK resident corporate fund.

The provisions of Section 13 could, if applied, result in any such person who is a 'participator' in the company being treated for the purposes of UK taxation of chargeable gains as if a part of any chargeable gain accruing to the company had accrued to that person directly, that part being equal to the proportion of the gain that corresponds on a just and reasonable basis to that person's proportionate interest in the company as a 'participator'.

Stamps duty and stamp duty reserve tax ('SDRT')

No stamp duty or SDRT will be payable on the issue, transfer or surrender of units in the Trust due to its status as a CIF. It is not envisaged that the Trust will directly incur stamp duty or SDRT in respect of its investments.

