

# CAZENOVE INVESTMENT FUND MANAGEMENT LIMITED



## SCHEME PARTICULARS

relating to

The Income Trust For Charities  
The Growth Trust for Charities  
The Equity Income Trust for Charities

Registered Charity Number:

ITC:1065732  
GTC:1065734  
EITC:1094572

29 November 2010



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# Duties & responsibilities of the investment powers of charity trustees

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This page sets out some duties and responsibilities in respect of the investment powers of charity trustees. These are included as a reminder to trustees of their legal obligations when investing the assets of charities. However, please bear in mind that the decision to invest in any of the Trusts is the decision of the trustees of a Participating Charity and neither the Trustee or the Manager are giving, or purporting to give, advice or guidance to charity trustees in respect of the exercise of their investment powers.

The Charity Commission for England and Wales has issued a number of publications describing the duties and responsibilities of trustees when investing charity funds. These publications are available on request from the Charity Commission or may be obtained from their website at [www.charity-commission.gov.uk](http://www.charity-commission.gov.uk). We strongly recommend that you obtain and read them.


The general duties and responsibilities of charity trustees are:

1. Charity trustees must from time to time review the investments of the charity and consider whether, having regard to the investment criteria imposed by charity law (set out in paragraph 2 below), the investments are appropriate or should be varied.
2. The investment criteria are:
  - the suitability to the charity of investments of the same kind as any particular investment proposed to be made or retained and of that particular investment as an investment of that kind; and
  - the need for diversification of investments of the charity, in so far as is appropriate to the circumstances of the charity.
3. Before exercising the power of investment of the charity, the charity trustees must obtain and consider proper advice about the way in which, having regard to the investment criteria, the power should be exercised.
4. "Proper advice" is the advice of a person who is reasonably believed by the charity trustees to be qualified to give it by his or her ability in, and practical experience of, financial and other matters relating to the proposed investment.

# The Income Trust for Charities

# The Growth Trust for Charities

# The Equity Income Trust for Charities



A copy of this document, which constitutes Scheme Particulars relating to the above named trusts ('the Trusts') prepared in accordance with:

1. clause 44 of the Scheme of The Charity Commission for England and Wales of 21 November 2006 relating to the Income Trust for Charities has been supplied to and approved (where required) by The Charity Commission on 21 November 2006 and adopted by the Manager on 21 November 2006;
2. clause 42 of the Scheme of The Charity Commission for England and Wales of 23 May 2000 relating to The Growth Trust for Charities has been supplied to and approved (where required) by The Charity Commission on 21 November 2006 and adopted by the Manager on 21 November 2006; and
3. clause 43 of the Scheme of The Charity Commission for England and Wales of 12 November 2002 relating to The Equity Income Trust for Charities has been supplied to and approved (where required) by The Charity Commission on 21 November 2006 and adopted by the Manager on 21 November 2006;

(together referred to as 'the Schemes') made under section 24 of the Charities Act 1993.

The Scheme Particulars are now issued by the Manager.

Where the provisions of the Schemes and the Scheme Particulars are in conflict, the provisions of the Schemes shall prevail.

References to any statute in these Scheme Particulars shall mean such statute as maybe amended, altered or repealed.

# The Trusts, Management & Administration

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## The Trusts

Each Trust is regulated as a Common Investment Fund by a Scheme made by The Charity Commission for England and Wales (The Charity Commission) pursuant to section 24 of the Charities Act 1993. Common investment funds are pooled investment funds which are governed by The Charities Act 1993. The Trusts, as a common investment fund, are themselves a charity and benefit from the tax reliefs and exemptions available to charities.

None of the Trusts is an authorised unit trust or an ICVC within the meaning of the Financial Services and Markets Act 2000 (the Act). However, it is the intention of the Manager and the Trustee to apply to the Trusts, where appropriate, the provisions of the Financial Services Authority's (FSA) Collective Investment Schemes Sourcebook (the COLL Sourcebook). Therefore, these Scheme Particulars make reference to the COLL Sourcebook in certain circumstances.

Investors may request a copy of the relevant Scheme from the Manager which is available free of charge.

## The Manager

Cazenove Investment Fund Management Limited is a private company limited by shares incorporated in England and Wales on 27th May, 1987. The Manager is ultimately a wholly owned subsidiary of Cazenove Capital Management Limited, a company incorporated in England and Wales.

### Secretary:

Helena Harvey

### Registered Office:

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. 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 Administrator

The Manager is also responsible for the overall administration of certain matters relating to the Trusts.

The Manager has appointed the Administrator, J.P.Morgan Europe Limited, as its delegate to provide certain administrative services in relation to the Trusts. These services include the keeping of accounting and other books and records relating to the Trusts.

## The Trustee

The Trustee of the Trusts is J.P. Morgan Trustee and Depositary Company Limited, a private company limited by shares, incorporated in England and Wales on 7 May 1986.

Its ultimate holding company is JPMorgan Chase & Co which is incorporated in Delaware, USA.

### Registered office:

125 London Wall,  
London,  
EC2Y 5AJ

### Principal place of business:

Chaseside,  
Bournemouth,  
BH7 7DA.

The principal business activity of the Trustee is acting as depositary and trustee of collective investment schemes. The Trustee is authorised and regulated by the FSA.

## Custodian

The Trustee has appointed JP Morgan Chase Bank N.A. to provide safe custody and other related services to the Trusts as Custodian.

## Registrar

The Trustee has appointed J.P. Morgan Europe Limited to establish and maintain registers of holders (each a Register) (which will include the name of each participating charity and the number of units held) for the Trusts. The Register for each Trust is available for inspection free of charge at its office at Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ during normal business hours on any business day.

## Auditors

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

# Investment Objectives of the Trusts



## **The Income Trust for Charities**

The Income Trust for Charities aims to provide a high and secure level of income through predominantly investing in United Kingdom Government and other fixed interest securities, or derivatives thereof. The Trust may invest up to 20 per cent. of its net asset value on a currency hedged basis in bonds denominated in currencies other than sterling. The target for the Trust is a total return ahead of the FTSE Government All Stocks Index over rolling five-year periods.

## **The Growth Trust for Charities**

The Growth Trust for Charities aims to protect and enhance the capital value of its units by investing primarily in UK companies identified by the Manager as having above average growth prospects. In seeking to achieve this objective, the Trust will target a total return ahead of the FTSE All Share Index over rolling five-year periods.

## **The Equity Income Trust for Charities**

The Equity Income Trust for Charities aims to provide a portfolio yield in excess of the FTSE All Share Index, targeting a premium of 30 per cent., through investing predominately in UK equities. The income provision will be the primary objective. The Trust's secondary target is to provide capital growth in order that its total return exceeds that of the FTSE All Share Index over rolling five-year periods.

Subject to cash reasonably held for redemptions and expenses, it is the intention of the Trusts to remain fully invested except where market conditions necessitate the use of a defensive investment strategy involving the holding of cash or near cash.

# Participating in the Trusts

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## Units in the Trusts

Subscription may only be made for income units in the Trusts. Each income unit represents one undivided share in the property of the relevant Trust. The nature of the right represented by units in the Trust is that of a beneficial interest under a trust.

## Eligibility to participate

Subject to section 24(7) of the Charities Act 1993, any charity shall be qualified to participate in the Trusts. The Trusts are 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 Trusts.

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

Under the Proceeds of Crime Act 2002, the Money Laundering Regulations 2003 and money laundering rules made by the FSA, the Manager is required to maintain procedures to combat money laundering. This means that in certain circumstances, persons buying or selling Units may be required to provide proof of identity. Until satisfactory proof of identity is provided, the Manager reserves the right to refuse to issue units, pay the proceeds of a redemption of units or pay income on units to the investors.

## Conflicts of interest

The Manager may execute transactions in investments for each Trust in circumstances where it may have a material interest or conflict of duty. Such interest or conflict may arise, for example, because it or a connected company:

- (a) make a market or otherwise deal as principal for our own account in the investment and may consequently have a long or short position;
- (b) match an order for a Trust with an order from another client (who may be a person connected with them) acting as agent for both parties;
- (c) subject to the provisions of the Scheme of each Trust, deal in units or shares in a unit trust or other collective investment scheme which is managed or operated by it or by a connected company; or

- (d) provide corporate finance or other services to the issuer of the investments. Such services may include having acted as sponsor, underwriter or adviser to the issuer in an offering, take-over or similar transaction.

It is the Manager's written policy that any such interest is disregarded when acting for the Trusts.

Subject to compliance with the applicable rules of the FSA and of the London Stock Exchange, the Manager shall bear any loss or be entitled to retain any profit or gain arising on any transactions where they have a material, or other, interest.

Nothing shall prevent the Trustee from acting as trustee or depositary for any other person, company or collective investment scheme on such terms as it may agree therewith, notwithstanding that it may have a potential or actual conflict of interest or duty.

The Trustee will not be liable to account to the Trusts, The Charity Commission or the Manager for, or to disclose to the Trusts, The Charity Commission or the Manager any profit or charges or other remuneration the Trustee makes or receives from or by reason of acting as trustee or depositary and shall not be deemed to be affected with notice of, or to be under any duty to disclose to the Trusts, The Charity Commission or the Manager, any fact or thing which may come to its knowledge or that of any of its employees or agents in the course of so doing or in any manner other than in the course of carrying out its obligations as trustee to the Trusts.

The Trustee may arrange for any transaction, function or any other duty that it may have to be effected with or through itself or any associate of the Trustee. The Trustee may make that decision (subject to the restrictions set out in each Trust's Scheme, Scheme Particulars and the general law) at its absolute discretion and without prior disclosure to the Trusts, The Charity Commission or the Manager.

If the Trustee arranges for any transaction, function or any other duty that it may have referred to herein or under the general law to be effected with, or through itself or an associate of the Trustee, neither the Trustee nor any such associate will be liable to account to the Trusts, The Charity Commission or the Manager for, or to disclose to the Trusts, The Charity Commission or the Manager any profit or charges or other remuneration the Trustee or any such associate makes or receives from or by reason of the transaction or any connected transaction.

# Remuneration of the Trustee, the Manager & Other Expenses

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## **The Manager**

The Manager's periodic management charge shall be at a rate of 0.4 per cent. in respect of the net asset value of The Income Trust for Charities, 0.5 per cent. in respect of the net asset value of The Growth Trust for Charities and 0.5 per cent. in respect of the net asset value of The Equity Income Trust for Charities (plus in each case value added tax if any) per annum. The periodic management charge shall accrue daily and will be determined by reference to the previous business day's mid-market value of each Trust and shall be deducted and paid at the end of each month out of the property of each Trust.

Any increase of the actual or maximum periodic management charge from the current level is subject to: (i) the Manager giving 90 days' notice in writing of that increase and the date of its commencement to all participating charities; (ii) subject to The Charity Commission's prior written approval of the revision of the Scheme Particulars to reflect the increased periodic management charge and the date of its commencement; and (iii) the elapse of 90 days since the revised Scheme Particulars became available.

The Manager's periodic management charge may not be increased beyond a maximum rate of 1.0 per cent. per annum of the net asset value of each Trust (plus VAT).

## **The Trustee**

The Trustee will be remunerated out of the property of each 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. The rate currently agreed in respect of each Trust is 0.0275 per cent. per annum on the first £40 million of the net asset value of each Trust, 0.0175 per cent. per annum from £40 million to £80 million of the net asset value of each Trust and 0.0075 per cent. per annum over £80 million of the net asset value of each Trust (plus VAT in all cases), payable monthly and deducted from the capital property of each Trust.

Any increase of the actual or maximum periodic charge from the current level agreed by the Manager is subject to: (i) the Trustee giving 90 days' notice in writing of

that increase and the date of its commencement to all participating charities, (ii) subject to The Charity Commission's prior written approval of the revision of the Scheme Particulars to reflect the increased 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 0.20 per cent. per annum of the net asset value of each Trust (plus VAT).

Both the Trustee's and the Manager's fee will be charged against the capital property of each Trust. This will enhance income returns, but may adversely affect future capital growth.

## **The Registrar**

In respect of its performance of the function of the Registrar and Transfer Agent, J.P. Morgan Europe Limited will be paid a periodic charge of 0.0025 per cent.

The fee will be payable by each Trust and will be paid for the provision of the following services:

- (i) maintenance of the Register of unitholders;
- (ii) preparation of data used for the financial statements;
- (iii) all costs arising from the provision of facilities for dealing in units; and
- (iv) any expenses incurred by in connection with the maintenance of its accounting and other books and records.

The Registrar and Transfer Agent charge shall accrue daily and will be determined by reference to the NAV of the Trust on each dealing day and shall be deducted and paid at the end of each month.

## **Custody**

The charges in respect of investment transactions and custody services vary, inter alia, according to the countries in which dealing takes place, and the custody services rendered. The rate of these charges will be agreed with the Manager from time to time.

# Remuneration of the Trustee, the Manager & Other Expenses (continued)

The Trustee is entitled to receive reimbursement of the Custodians fees as an expense of the Trusts. JPMorgan Chase Bank's remuneration for acting as Custodian is calculated at an ad valorem rate based on the monthly value of the Trusts assets determined by the territory or country in which the assets of the Scheme are held. Currently, the lowest rate is 0.0025 per cent. and the highest rate is 0.40 per cent. In addition, the Custodian makes a transaction charge for each instructed transaction determined by the territory or country in which the transaction is effected. Currently, these transaction charges range from £5-£200 per transaction.

Other additional custody fees to include the cost of amongst other things derivative transactions, USD wires, cheques and transfer processing. The full tariff is available on request from the Manager.

## 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 each Trust (including VAT where appropriate):-

- 1) 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, such commission, fiscal charges and other disbursements not to exceed the market rate or amount available to and incurred on behalf of the Trust.
  - (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 or any other daily newspaper;\*
  - (h) the costs of producing, printing and distributing annual and half-yearly reports, fact sheets and any other reports or information provided for Participating Charities;\*
  - (i) any reasonable costs or expenses incurred by the Manager and/or the Trustee in discharging their respective functions;\* and
- 2) charges in respect of registration, investment transactions and custody services.
  - 3) from 1 November 2009 the fees and expenses payable to JP Morgan Europe Limited in respect of:
    - (a) the preparation of financial statements for the Trust;
    - (b) 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; and
    - (e) any expenses incurred in connection with the maintenance of the Trust's accounting and other books and records.

\* Such reasonable costs or expenses may be deducted from the Trusts as and when they occur. Together with any tax in the nature of value added tax or otherwise payable in respect of such fees and expenses.

In relation to The Equity Income Trust for Charities, the expenses referred to in paragraphs 1) (d), (e), (g), (h) and (i) are not expected to exceed £60,000 in aggregate in any annual accounting period. Similarly, the expenses referred to in paragraphs 1), (b) (c) and (f) namely £60,000, £100,000 and £30,000 respectively should not be exceeded in any annual accounting period.

# Pricing of Units & Valuation

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## Dealing

For each of the Trusts, except in the case of Large Deals (defined as a transaction or series of transactions in one dealing period for a value of £15,000 or more), the Manager will deal with all participants on prices calculated with reference to the next valuation of the property of that Trust following receipt of the order (a forward basis).

In the case of Large Deals, the Manager is permitted to deal on a forward basis outside the bid and offer dealing spread notified to the Trustee, provided the price remains within the spread between the cancellation price and the price above which the maximum issue price cannot be fixed.

## The price of units

The prices of units in the Trusts are calculated in accordance with and on the assumptions set out in the COLL Sourcebook. These rules establish at each valuation point, a maximum price at which units can be sold and a minimum price at which units can be redeemed.

Units are dealt in at bid and offer prices within these parameters with the Manager acting as agent for the Trustee.

## Publication of prices

The most recent issue and redemption prices of the Trusts are published daily in the Financial Times. The unit prices for each Trust are also published on Cazenove Capital Management Limited's website, [www.cazenovecapital.com](http://www.cazenovecapital.com). Unitholders can obtain up-to-date prices by telephoning 020 3479 0000.

## Valuation

Units in the Trusts are dual-priced in pounds sterling and pence.

For the purposes of determining the prices at which units may be purchased or redeemed, the Manager will carry out a valuation of the property of each Trust as at 12 noon on each Business Day (a day on which the London Stock Exchange is open for business).

The property of the Trusts will be valued in accordance with the COLL Sourcebook. Such valuation will be in two parts, one on a creation basis which will form the basis for the price at which units are issued and the other, on a cancellation basis which will form the basis for the price at which units are redeemed. The cancellation price last notified to the Trustee is available on request.

Each valuation will include the value of the income property of the Trusts which has not been declared as a dividend. In determining the amount of the Trusts' income property, all income received by the Trusts or to which they are entitled (including tax credits where applicable) will be included, as will all expenses of the Trusts which have been paid or accrued.

The valuation on the cancellation basis is also used for the purposes of determining the investment limits to which each Trust is subject. For the purpose of calculating the Manager's periodic charge and the Trustee's fees, the value of the property of each Trust will be determined by striking an arithmetic average of the creation and cancellation valuations.

## Alternative or additional valuations

The Manager reserves the right to value the property of the Trusts at an alternative time on any day on which the London Stock Exchange reduces the length of its mandatory quote period, subject to the prior approval from the Trustee.

The Manager may carry out an additional valuation or additional valuations of the property of the Trusts at any time during a dealing day, if it considers it desirable to do so and may carry out special valuations where necessary for the purposes of effecting a scheme of reconstruction or amalgamation.

# Subscriptions & Redemptions

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## Minimum value of holdings

Each participating charity must hold units to an initial value of not less than £10,000 in any Trust. Thereafter, the minimum value of units in each Trust which may be the subject of one purchase transaction is £1,000, while the minimum value of units which may be the subject of one redemption transaction is £1,000 or, if the redemption transaction would reduce the value of the participating charities holding in a Trust to less than the minimum investment value, the participating charity consents to the Manager redeeming its entire holding. These limits may be waived at the Manager's discretion.

## Buying units

Investors may request to purchase units in the Trusts by application in writing or by telephone daily between 9.00 a.m. and 4.30 p.m. on each Business Day.

- (a) Application in Writing: Investors should complete an application form available from the Manager and send it to the Manager with a cheque payable to CAZENOVE INVESTMENT FUND MANAGEMENT LIMITED. On acceptance of the application, units will be issued at the relevant issue price, and a contract note confirming the issue price and the number of units issued together with, in appropriate cases, a notice of the applicant's right to cancel the application will normally be despatched by close of business on the next business day following the day on which the transaction is effected.
- (b) Application by Telephone: Existing unitholders may purchase additional units by telephone either through a professional adviser or direct to the Manager's Dealing Department on 020 3479 0000. On acceptance of telephone instructions, units will be issued at the relevant issue price and a contract note will be despatched by close of business on the next business day following the day on which the transaction is effected. Payment is due on receipt of the contract note and cheques, made payable to CAZENOVE INVESTMENT FUND MANAGEMENT LIMITED, together with the Name Ticket giving full registration details, should be returned to the Manager immediately.

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.

Default by a participating charity in payment of any moneys under the participating charity's application will entitle the Trustee to cancel any rights of the participating charity in the units. In the case of default, the Manager will hold the participating charity liable, or jointly and severally liable with any agent of the participating charity, for any loss sustained by the Manager as a consequence of a fall in the price of units.

## Selling units

Participating charities may request to sell their units in the Trusts in writing or by telephone daily between 9.00 a.m. and 4.30 p.m. on each Business Day in the following manner:-

- (a) Notice in Writing: To redeem units, investors should complete and sign a redemption notice and return it to the Manager. The units will be repurchased at the relevant bid price. Proceeds of redemption (less, if the proceeds are to be remitted abroad, the cost of such remittance) will be paid by the close of business on the fourth business day following the later of (i) receipt of the redemption notice duly signed by the holder, and (ii) the day on which the transaction was effected.
- (b) Notice by Telephone: Units may be sold by telephone either through a professional adviser or direct to the Manager's Dealing Department on 020 3479 0000. On acceptance of telephone instructions, units will be repurchased at the relevant bid price and a contract note will be despatched. Investors should then complete and sign the redemption notice and return it to the Manager. Proceeds of redemption (less, if the proceeds are to be remitted abroad, the cost of such remittance) will be paid by the close of business on the fourth Business Day following the later of (i) receipt of the redemption notice duly signed by the holder, and (ii) the day on which the transaction was effected.

# Subscriptions & Redemptions (continued)

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Where the number of units to be redeemed by a participating charity exceeds 5 per cent. (or such lesser amount as may be agreed between the Manager and the Trustee) of the units of a Trust in issue, the Manager may, with the approval of the Trustee, give notice that the redemption is to take place by a transfer to that participant of property of that Trust, instead of the proceeds of redemption. The Manager must give the required notice by close of business on the second day following receipt of the request to redeem. The property to be transferred to the redeeming participating charity shall be:

- (a) such part of each asset of that Trust as is proportionate to the participants share; or
- (b) such selection from the assets of that Trust as the Trustee shall, after consultation with the Manager, decide is reasonable.

Collective investment schemes should generally be regarded as long-term investments. Instructions for redemption are irrevocable. Significant delays in payment of the proceeds of redemption can occur in cases where a participating charity has not returned any relevant renunciation documentation or has not advised the Manager in advance of a change of address.

## **Suspension of redemption and issue of units**

Redemption of units of each Trust may be suspended by the Manager, with the prior agreement of the Trustee or if the Trustee so requires, at any time for a period not exceeding 28 days if the Manager or the Trustee, as appropriate, is of the opinion that there is a good and sufficient reason to do so, having regard to the interests of participants of that Trust. Upon suspension of redemption of units, the Manager will cease issuing units.

Recalculation of the creation and cancellation prices will commence on the valuation day immediately following the end of the suspension, at the normal time (see Valuation section above).

## **Register of holders**

Units in the Trusts 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.

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.

# Allocation & Distribution to Participating Charities

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## Allocation

Each Trust will distribute income quarterly in respect of the periods ending 31 January, 30 April, 31 July and 31 October. The amount of income available for distribution will be determined as follows:

to the income received or receivable in respect of the relevant period

add

any equalisation received on units created

add/ deduct

any amount transferred from/ to the Distribution Equalisation Reserve.

deduct

any expenses borne by the Trust in accordance with these Scheme Particulars

deduct

any equalisation paid on units cancelled

The Manager, acting as delegate for and in consultation with the Trustee, shall determine the amount to be distributed and shall instruct the Trustee who shall transfer such sum to a distribution account on or before the relevant income allocation date. The income allocation date will be approximately 6 weeks after the end of the relevant distribution period, as set out below. Not less than 50 per cent. of the net income attributable to any accounting period shall be distributed. Any undistributed amount shall be transferred to a Distribution Equalisation Reserve.

## Income allocation dates

The interim and annual allocation dates for the Trusts are as follows:-

### Interim income allocation dates

15 June

15 September

15 March

### Final income allocation date

15 December

## Equalisation

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

# Investment & Borrowing Powers

## Investment limits

Within the investment limits set out below, an active asset allocation policy is adopted between equities, cash and fixed interest securities so as to enhance and protect the value of the property of the Trusts.

Each Trust may invest in securities which are or could be subject to stabilisation. Stabilisation is the process by which the price of a security is temporarily supported during an issue to ensure that the introduction of the new securities to the market occurs in an orderly fashion.

Subject to the provisions of each Trust's Scheme, a Trust may invest in securities in which an issue or offer for sale was underwritten, managed or arranged by an associate of the Manager during the preceding 12 months.

## Transferable Securities – General

Investment will be made in transferable securities (meaning investments falling within paragraphs 11, 12, 13 and 16 of Part II of Schedule 2 of the Act) issued by the Government of, or a company incorporated within, a Member State of the European Economic Area (EEA) save that up to 20 per cent. in value of the property of each Trust may consist of units in collective investment schemes which comply with the conditions necessary for them to enjoy the rights conferred by the UCITS Directive (that is, EC Council Directive 85/611/EEC as amended by Council Directive 88/220/EEC of 22 March 1988 and as further amended by Council Directive 2001/108/EEC of 21 January 2002) as amended from time to time. Any securities which are not issued by a government and which are not collective investment schemes must be listed on an exchange operating within an EEA Member State, save that for The Equity Income Trust for Charities and The Income Trust for Charities up to 20 per cent. in value of the property of each of these Trusts may be invested in securities traded on regulated markets operating outside the EEA.

## Transferable Securities – The Income Trust for Charities

(1) Subject to sub-clause (2) below, The Income Trust for Charities shall not invest in transferable securities which are not approved securities, or in units in a collective investment scheme (hereinafter referred to as "the second scheme") unless the second scheme meets each of the requirements in (a) to (d) below:

- (a) the second scheme:
    - (i) complies with the conditions necessary for it to enjoy the rights conferred by the UCITS Directive; or
    - (ii) is a non-UCITS retail scheme; or
    - (iii) is a recognised scheme; or
    - (iv) is constituted outside the United Kingdom and the investment and borrowing powers of which are the same or more restrictive than those of a non-UCITS retail scheme; or
    - (v) is a common investment fund;
  - (b) the second scheme operates on the principle of the prudent spread of risk;
  - (c) the second scheme is prohibited from having more than 15 per cent. in net asset value of the property of that scheme consisting of units in collective investment schemes; and
  - (d) the participants in the second scheme shall be entitled to have their units redeemed in accordance with that scheme at a price:
    - (i) related to the net asset value of the property to which the units relate; and
    - (ii) determined in accordance with that scheme.
- (2) The Manager may invest not more than a total of 20 per cent. of the net asset value of the property of The Income Trust For Charities as at the date of the investment:
- (a) in units in the second scheme not falling within sub-clause (1)(a) but falling within sub-clauses (1)(b) to (1)(d) above, and
  - (b) in any transferable securities which are not approved securities.
- (3) The Manager shall not invest more than 35 per cent. of the net asset value of the property of The Income Trust for Charities as at the date of the investment in any one collective investment scheme.

# Investment & Borrowing Powers

## (continued)

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- (4) The Manager shall not invest more than 10 per cent. of the net asset value of the property of The Income Trust for Charities as at the date of the investment in transferable securities issued by any single body, other than government and public securities.

The Income Trust for Charities may invest in units in a collective investment scheme or in a common deposit fund, provided that:-

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

The Income Trust for Charities may invest in shares in a collective investment scheme which is an OEIC, provided that:-

- (a) the amount of any preliminary or redemption charge paid to the Authorised Corporate Director on the acquisition or redemption of shares in the OEIC by the Trust is paid to the Trust; and
- (b) the amount of any other remuneration in respect of the shares acquired by the Trust paid to the Manager or Authorised Corporate Director is paid to the Trust.

### General limitations

The following are limitations on the investments which may be included in the property of the Trusts:-

- (a) Except for Government and public securities, and in respect of The Growth Trust for Charities and The Equity Income Trust for Charities, except as provided in 'b' below, not more than 5 per cent in value of the property of either of the Trusts may be invested in securities issued by the same issuer; although this may be increased to 10 per cent., provided that the total value of the securities exceeding 5 per cent. of the property of the Trust does not exceed 40 per cent. in value of the property of the Trust.

- (b) Where the weighting of a security equals or exceeds 5 per cent. of the FTSE All Share Index, the maximum amount of The Growth Trust for Charities and of The Equity Income Trust for Charities which may be invested in that security shall be its weighting in that index plus 5 per cent..

- (c) Not more than 10 per cent. of the shares carrying the right to vote in all circumstances at general meetings; not more than 10 per cent. of the shares with partial or occasional voting rights; and not more than 10 per cent. of any other shares of a body corporate may be acquired by the Trusts.

- (d) The Trusts will not invest in securities of companies in the FTSE All Share Index that manufacture cigarettes and tobacco products as determined by the Manager using the Ethical Investment Research Service (EIRIS) screening service. The restriction does not extend to companies that sell tobacco products.

The exclusion of these stocks is not expected to have a significant negative impact on returns to the Trusts in the long term. This policy will be reviewed regularly by the Manager.

- (e) The Income Trust for Charities intends to use UK Gilt futures and options and credit default swaps (CDS) for investment purposes. Futures exposures are limited to 30 per cent. of the net asset value of the Trust.
- (f) The Income Trust for Charities may have up to 50 per cent. of its net asset value in corporate bonds, including credit default swaps.
- (g) The Income Trust for Charities may invest no more than 20 per cent. of the net asset value of the Trust in non-investment grade instruments. The Manager will not invest in any issue which is rated below B3/B- by Moodys or the equivalent rating by another rating agency. The Income Trust for Charities will be restricted to the following investment limits in non-investment grade bonds:
- a maximum of 5 per cent. of its net asset value in B rated bonds with no more than 1 per cent. in any one name;

# Investment & Borrowing Powers

## (continued)

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- a maximum of 15 per cent. of its net asset value in BB rated bonds with no more than 2 per cent. in any one name.

The Manager does not anticipate that this policy will lead to significantly greater risk in the portfolio.

### Nil and Partly Paid Securities

The property of each Trust may include nil and partly paid securities only if it is reasonably foreseeable that the amount of any existing and potential call for any sum unpaid could be paid by the Trust, at the time when payment is required, without contravening the investment limits, above.

### Underwriting and Placing

Underwriting and placing contracts in respect of transferable securities may be entered into with the agreement of the Trustee, but the investment limitations in the COLL Sourcebook shall not be exceeded as a result of such contracts.

### Derivatives and forward use: 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 each Trust, rather they are used to assist the Manager in meeting the investment objectives of the Trusts 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;
  - (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 rules of the FSA.

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.

Eligible derivatives markets are (a) regulated markets, (b) markets established in European Union member states or any states within the EEA which are regulated, operate regularly and are open to the public, and (c) those which the Manager, after consultation with the Trustee, has decided are appropriate for the purpose of investment of, or dealing in, the property of the Trust with regard to the relevant criteria set out in the Regulations and the guidance issued by the FSA as amended from time to time.

### Using derivatives for specific investment

The Income Trust for Charities may invest in derivative and forward transactions for the purpose of investment as well as for EPM. In using derivatives and forward transactions for investment purposes, the following must be adhered to:

- (i) a transaction in a derivative or a forward transaction must not be effected for The Income Trust for Charities unless:
  - (a) the transaction is of a kind specified in paragraph (ii) and (iii) below; and
  - (b) the transaction is covered, as required under the heading "Derivative exposure" below.

# Investment & Borrowing Powers

## (continued)

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Furthermore, the exposure of The Income Trust for Charities to the assets underlying the derivative must not exceed the investment limits set out in these Scheme Particulars, unless the derivative in question is an index based derivative and the relevant index falls within paragraph (iii) below.

- (ii) any transaction by The Income Trust for Charities in a derivative must:
  - (a) be in a derivative which is traded or dealt on an eligible derivatives market; or
  - (b) comply with the requirements relating to OTC transactions in derivatives set out below.
- (iii) Furthermore, any transaction in a derivative by The Income Trust for Charities:
  - (a) must have the underlying assets consisting of any or all of the following to which The Income Trust for Charities is dedicated:
    - (1) transferable securities;
    - (2) financial indices;
    - (3) interest rates;
    - (4) foreign exchange rates; and
    - (5) currencies.
  - (b) (unless it falls within the heading “Derivative Exposure” below) must be effected on or under the rules of an eligible derivatives market.
  - (c) must not cause The Income Trust for Charities to diverge from the investment objectives as stated in the Scheme Particulars.
  - (d) must not be entered into by The Income Trust for Charities if the intended effect is to create the potential for an uncovered sale of one or more transferable securities, money market instruments, units in collective investment schemes, or derivatives.

Any forward transaction by The Income Trust for Charities may only be with an approved counterparty.

A derivative or forward transaction (which is permitted under these Scheme Particulars) which will or could lead to the delivery of property for the account of The Income

Trust for Charities may be entered into, only if that property can be held for the account of the Trust and the Manager, having taken reasonable care, determines that delivery of the property will not occur or will not lead to a breach of the Trust’s investment parameters.

The Income Trust for Charities may not dispose of property or rights unless the obligation to make the disposal and any other similar obligation could immediately be honoured by delivery of property or the assignment (or, in Scotland, assignation) of rights; and the property and rights are owned by the Trust at the time of the agreement. However, this restriction does not apply to a deposit.

### Over-the-counter derivative transactions

Before an over-the-counter derivative (OTC) transaction is entered into, the Trustee must be satisfied that the counterparty has agreed with the Manager:

- (a) to provide a reliable and verifiable valuation in respect of that transaction at least daily and at any other time at the request of the Manager; and
- (b) that it will, at the request of the Manager, enter into a further transaction to close out the transaction at any time, at a fair value arrived at under a pricing model or other reliable basis; and
- (c) the Manager must have determined that, throughout the life of the derivative (if the transaction is entered into), it will be able to value the investment concerned with reasonable accuracy on the basis of a pricing model which has been agreed between the Manager and the Trustee or some other reliable basis reflecting an up-to-date market value which has been agreed between the Manager and the Trustee.

The Manager will use a risk management process enabling it to monitor and measure as frequently as appropriate the risk of the Trust’s derivatives and forwards position and their contribution to the overall risk profile of the Trust.

### Derivative exposure

A transaction in a derivative or a forward transaction may only be entered into by The Income Trust for Charities if the maximum exposure, in terms of the principal or notional principal created by the transaction to which the Trust is or may be committed by another person, is covered globally as defined under this heading.

# Investment & Borrowing Powers

## (continued)

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Exposure is covered globally if adequate cover from within The Income Trust for Charities (including cash not yet received but due within one month) is available to meet its total exposure, taking into account the value of the underlying assets, any reasonably foreseeable market movement, counterparty risk and the time available to liquidate any positions.

The total exposure relating to derivatives held for The Income Trust for Charities may not exceed the net asset value of the Trust.

### Schemes' restrictions

In addition to the above restrictions, the Schemes impose a number of restrictions on the management of each Trust's assets:

Borrowings are permitted subject to a limit of 10 per cent. of the net asset value of the property of a Trust, provided that they are temporary and are not for the purpose of making investment.

In the event that any Trust invests in or disposes of units in another collective investment scheme (as permitted by the Schemes) managed or operated by the Manager or an associate of the Manager, the Manager shall be under a duty to ensure that the total cost to the Trust is no greater than the current creation price. Investment in such collective investment schemes is limited to 20 per cent. of the value of each Trust.

In the event that The Income Trust for Charities invests its property in any other investment in which the Manager or an associate of the Manager has an interest (whether by virtue of operating or managing the investment or otherwise), the Manager shall be under a duty to obtain the permission of The Charity Commission.

The property of a Trust may consist of cash and near cash where this may reasonably be regarded as necessary in order to enable redemption of units, efficient management of the Trust in accordance with its objectives or otherwise to enable the manager to discharge its functions under the relevant Scheme. Within the context of the Manager's policy of active asset allocation, the liquidity of a Trust may vary in response to market conditions. Where the Manager considers that a defensive investment strategy is

appropriate, cash and near cash may comprise up to 20 per cent. by value of the property of each Trust. This range may be exceeded in exceptional circumstances.

### Risk factors

- Nothing in this document should be deemed to constitute the provision of financial, investment or other professional advice in any way.
- The Trusts are unregulated collective investment schemes available only to qualifying charity investors in England, Wales, Scotland and Northern Ireland.
- Past performance is not a guide to future performance. Participation should generally be viewed as a long-term investment. Values may fall as well as rise and you may not get back the amount you invested. Income from investments may fluctuate.
- Changes in rates of exchange may have an adverse effect on the value, price or income of investments.
- The levels and bases of, and reliefs from, taxation may change.
- Income payments may constitute a return of capital in whole or in part. Income may be achieved by foregoing future capital growth. Trust charges may be applied in whole or part to capital, which may result in capital erosion.
- You should be aware of the additional risks associated with investment in emerging and developing markets.
- You should obtain professional advice on taxation where appropriate before proceeding with any investment.
- The Income Trust for Charities may invest in fixed and variable rate securities. Any renegotiation of the payable interest rate of the securities may result in either income decreasing or the Trust being able to secure similar returns on investment following the disposal of securities.

# Investment & Borrowing Powers

## (continued)

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- The Income Trust for Charities may invest up to 20 per cent. of its net assets in debt securities that are rated below investment grade (also known as high yield bonds, non-investment grade bonds or junk bonds). Non-investment grade bonds are issued by organisations that do not qualify for “investment-grade” ratings by one of the leading credit rating agencies—Moody’s Investors Service, Standard & Poor’s Ratings Services and Fitch Ratings. Credit rating agencies evaluate issuers and assign ratings based on their opinions of the issuer’s ability to pay interest and principal as scheduled. Those issuers with a greater risk of default (i.e. not paying interest or principal in a timely manner) are rated below investment grade. These issuers must pay a higher interest rate to attract investors to buy their bonds and to compensate them for the risks associated with investing in organisations of lower credit quality.
- The value of non-investment grade bonds will fall in the event of the default or reduced credit rating of the issuer. Generally, the higher the rate of interest, the higher the perceived credit risk of the issuer. Non-investment grade bonds are potentially more risky (higher credit risk) than investment grade bonds as the companies issuing such bonds are more likely to be unable to pay the interest rate on the bond or to honour the repayment of principal on maturity.
- Liquidity refers to the investor’s ability to sell a bond quickly and at an efficient price, as reflected in the bid-ask spread. A difference may exist between the prices buyers are bidding and the prices sellers are asking on large, actively traded bond issues. The gap is often small, producing greater liquidity. As the spread rises on less actively traded bonds, so does liquidity risk. Non-investment grade bonds can sometimes be less liquid than investment-grade bonds, depending on the issuer and the market conditions at any given time. A holder of a non-investment grade bond may have difficulty locating a buyer at certain times.
- Non-investment grade bonds may be more vulnerable than investment grade bonds to downturns in the economy. Virtually all types of high-yield bonds are vulnerable to this economic risk. In recessions, high-yield bonds typically lose more principal value than investment-grade bonds. If investors grow anxious about holding low-quality bonds, they may trade them for the highest-quality debt.
- The Income Trust for Charities may use derivative instruments and forward transactions for hedging and for investment purposes. The use of derivative and forward transactions for investment purposes involves special risks which may raise the risk profile and increase the volatility of the Trust when taking additional market or securities exposure.

# Additional Information

## Accounting dates

The annual and interim accounting periods for the Trusts shall end on 31 October and 30 April respectively.

## Reports

Subject to the provisions of the Schemes, reports and accounts will be forwarded to participating charities twice a year. Copies of the most recent annual and half-yearly reports of the Trusts may also be inspected and copies may be obtained during ordinary business hours on any weekday (Saturdays and public holidays excepted) at the head office of the Manager.

The annual reports and the half yearly reports will be issued with the distribution on or near the dates below:-

Annual report date	Half year report date
15 December	15 June

The report and accounts will include a comparison of the performance of each Trust against an appropriate index. The indices at present are:

<b>The Income Trust for Charities</b>	<b>FTSE Government All Stocks Index</b>
<b>The Growth Trust for Charities</b>	<b>FTSE All Share Index</b>
<b>The Equity Income Trust for Charities</b>	<b>FTSE All Share Index</b>

## 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 Schemes 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 of participating charities 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.

The Manager, the Trustee and any professional advisers to the Trusts 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.

# Additional Information

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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 (if required), make or propose such changes as are necessary or desirable in the interests of participating charities.

### **Termination of the Trusts**

Each Trust may be wound up if the Trustee executes a written declaration to that effect, forthwith sends a copy of the declaration to The Charity Commission 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 a 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.

### **Complaints**

If you have any complaints, you should write in the first instance to the Head of Compliance at the Manager's address above. 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](http://www.financial-ombudsman.org.uk)

# Additional Information

## (continued)

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### **The Scheme**

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

### **Other common investment funds**

The manager is also the manager of two other existing common investment funds:

- The Absolute Return Trust For Charities
- The Multi-Strategy Property Trust For Charities

Cazenove Investment Fund Management Limited

12 Moorgate

London EC2R 6DA

Telephone +44 (0)20 3479 1000

[www.cazenovecapital.com](http://www.cazenovecapital.com)

Registered Office 12 Moorgate London EC2R 6DA

Registered in England No 2134680

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