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# **CF Natural Resources Fund**

## **Prospectus**

Prepared in accordance with the Collective Investment Schemes Sourcebook  
Dated and valid as at 14 November 2007

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**Authorised Corporate Director**

Capita Financial Managers Limited

Registered Office:

Beaufort House

15 St Botolph Street

London

EC3A 7HH

(Authorised and regulated by the Financial Services Authority)

Operating Address:

2 The Boulevard

City West One Office Park

Gelderd Road

Leeds LS12 6NT

**Registered and Head Office of the Investment Adviser**

Oceanic Asset Management Pty. Ltd.

Level 6, 40 St George's Terrace

Perth

Western Australia 6000

(Authorised and regulated by the Australian Securities and Investments Commission)

**Registered and Head Office of the Company**

The Registry

34 Beckenham Road

Beckenham

Kent

BR3 4TU

**Depositary**

HSBC Bank plc

8 Canada Square

London

E14 5HQ

**Solicitors**

Burges Salmon LLP

Narrow Quay House

Narrow Quay

Bristol BS1 4AH

**Auditors**

Ernst & Young LLP

Broadwalk House

Southernhay West

Exeter

EX1 1LF

**Administrators and Registrars**

Capita Financial Administrators Limited

Registered Office:

Beaufort House

15 St. Botolph Street

London

EC3A 7HH

(Authorised and regulated by the Financial Services Authority)

Operating Address:

2, The Boulevard

City West One Office Park

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## 1 INTERPRETATION

In this Prospectus the words and expressions set out in the first column below shall have the meanings set opposite them unless the context requires otherwise. Words and expressions contained in this Prospectus but not defined herein shall have the same meanings as in the Act or Regulations (as defined below) unless the contrary is stated. The definitions are as follows:

"ACD"	the Authorised Corporate Director holding office from time to time pursuant to the OEIC Regulations;
"Act"	the Financial Services and Markets Act 2000;
"Administrator"	such person appointed by the ACD to be the administrator of the Company;
"Business Day"	Monday to Friday excluding UK or Australian public and bank holidays or any day on which the London Stock Exchange or the Australian Stock Exchange is not open for the normal full duration of its trading hours;
"Collective Investment Schemes Sourcebook" or "COLL"	the Collective Investment Schemes Sourcebook issued by the FSA pursuant to the Act, as amended from time to time
"Company"	CF Natural Resources Fund;
"Dealing Day"	every Business Day
"Depositary"	the person appointed from time to time by the Company or otherwise pursuant to the Regulations to which all of the scheme property of the Company is entrusted for safe keeping pursuant to the Regulations;
"Directors"	the directors of the Company for the time being (including the ACD) or, as the case may be, the directors of the Company for the time being assembled as a board including any committee of such board;
"FSA"	Financial Services Authority, 25 The North Colonnade, Canary Wharf, London, E14 5HS;
"Funds"	the sub-funds from time to time of the Company and "Fund" shall mean one of the sub-funds;
"Investment Advisor"	Oceanic Asset Management Pty (Limited)
"OEIC Regulations"	Open-Ended Investment Companies Regulations 2001;
"Registrar"	such person appointed by the ACD to be the registrar of the Company;
"Regulations"	the OEIC Regulations and the Collective Investment Schemes Sourcebook;
"UCITS Directive"	a Council Directive of 20 December 1985 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (as amended).

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## **THIS PROSPECTUS IS IMPORTANT**

**IF YOU ARE IN ANY DOUBT AS TO THE MEANING OF ANY INFORMATION CONTAINED IN THIS PROSPECTUS, YOU SHOULD CONSULT THE ACD OR YOUR INDEPENDENT FINANCIAL ADVISER.**

**This Prospectus is intended for distribution in the United Kingdom. Its distribution may be restricted in other countries.** It does not constitute an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is unlawful or in which the person making such offer or solicitation is not qualified so to do, or to anyone to whom it is unlawful to make such an offer or solicitation. **Intending investors should inform themselves about and observe the legal requirements within their own countries for the acquisition of shares of the Company and any taxation or exchange control legislation affecting them personally, including the obtaining of any necessary governmental or other consents and the observation of any other formalities.**

## **2 CONSTITUTION**

The Company is an investment company with variable capital incorporated under the OEIC Regulations. It is a UCITS scheme as defined in COLL and also an umbrella company for the purposes of the OEIC Regulations. The Company is incorporated in England and Wales with registered number IC000390. The head office of the Company is at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. This is also the address for the service on the Company of notices or other documents required or authorised to be served on it.

The Company currently has two Funds:

- the CF Australian Natural Resources Fund; and
- the CF Global Resources Fund.

Further funds may be established in the future in accordance with the Company's instrument of incorporation, COLL and the OEIC Regulations.

The property attributable to the Funds is managed as if the Funds belonged to the "UCITS Scheme" category as specified in COLL. Subject to the terms set out in this Prospectus, holders of shares in a Fund are entitled to receive the net income derived from the Fund and to redeem their shares at a price linked to the value of the property of the Fund. Shareholders do not have any proprietary interest in the underlying assets of any Fund. The shareholders of the Company will not be liable for the debts of the Company.

The base currency for the Company is pounds sterling. The maximum size of the Company's capital is £100,000,000,000 and the minimum size is £1.

The Company was authorised by an order made by FSA with effect from 7 July 2005. The operation of the Company is governed by the Regulations, the Company's Instrument of Incorporation and this Prospectus.

## **3 INVESTMENT OBJECTIVES AND POLICIES**

The investment objective and policy of the Funds is set out below.

### **CF Australian Natural Resources Fund**

The investment objective of the Fund is to achieve capital appreciation by active investment in a diverse portfolio of securities which, it is intended, shall principally consist of smaller to

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medium sized Australian quoted companies involved in the mining/extraction and/or processing of natural resources and associated operations.

### **Benchmark**

The Fund will use the AS48 - S&P/ASX 300 Resources Index as a benchmark for its performance. This index is compiled by Standard & Poor, an organisation which provides independent financial information, credit ratings and risk analysis.

The AS48 - S&P/ASX 300 Resources Index is a key benchmark for investing in Australian quoted resource stock, providing broad commodity, geographic (by operation not residence) and company diversification. The constituents of the Index are drawn from the broader S&P/ASX300 Index with any stock containing an Energy or Metals and Mining Global Industry Classification Standard (GICS) falling within it, all remaining stocks falling into the appropriate Industrials Index. The Index is a capitalisation weighted index of the top 64 Australian quoted resources companies ranked by size on the Australian stock exchange.

The index is denominated in Australian Dollars and is calculated on a daily basis.

Based on the proposed investment universe of the Fund, the proposed philosophy of manoeuvring tactically within the universe and the requirement to be able to measure the investment adviser's performance directly against the asset class in which the Fund invests, the AS48 - S&P/ASX 300 Resources Index is considered to be an appropriate indicator of long-term performance measurement.

### **CF Global Resources Fund**

The investment objective of the Fund is to achieve capital appreciation by active investment in a diverse portfolio of global securities which, it is intended, shall be diversified by listing and marketing capitalisation, involved in the mining, extraction and/or processing of natural resources and associated operations and infrastructure.

### **Asset Classes**

The asset classes in which the Funds are permitted to invest are detailed in Section 26 under the heading "Investment and Borrowing Powers" as permitted for UCITS schemes under COLL and in accordance with the Company's investment powers. The Funds will not use derivatives or enter into forward transactions except for hedging purposes only as set out in Section 26 under the heading 'Risk Management'.

### **Further Funds**

Subject to the Company's Instrument of Incorporation and COLL, the ACD may establish additional Funds from time to time

## **4 RISK FACTORS**

Investors should bear in mind that all investment carries risk and in particular should be aware of the following:

- (a) Past performance is not a guide to the future. The value of shares and the income derived from them can go down as well as up and as a result the investor may not get back the amount originally invested. This can be as a result of market movements and also of variations in the exchange rates between currencies. The ACD's initial charge (as set out on Section 20 under the heading "**The Authorised Corporate Director's Charges**") is deducted

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from an investment at the outset and an equivalent rise in the value of the shares is required before the original investment can be recovered;

- (b) In certain circumstances, for hedging purposes to reduce or eliminate risk arising from fluctuation in interest or exchange rates and in the price of the investments, the Investment Adviser may enter into certain derivatives transactions, including, without limitation, forward transactions, currency hedges, futures and options. The value of these investments may fluctuate significantly. By holding these types of investments there is a risk of capital depreciation in relation to certain Fund assets. There is also the potential for capital appreciation of such assets. **The ACD does not anticipate that the use of derivatives will have any significant effect on the risk profile of the Funds.**
- (c) The levels of relief from taxation will depend upon individual circumstances. Please note current tax levels and reliefs may change and their value will depend on the investor's individual circumstances;
- (d) The Funds are not "ring-fenced" and in the event of the Company being unable to meet liabilities attributable to any particular Fund out of the assets attributable to such Fund, the excess liabilities may have to be met out of the assets attributable to the other Funds.
- (e) While the Funds will operate in pounds Sterling, the CF Australia Natural Resources Fund's assets, in particular, will be invested in securities denominated principally in Australian Dollars. Therefore, any income or capital received by the Fund will be denominated in that currency. Accordingly, changes in currency exchange rates, will affect the value of the Fund's portfolio and the unrealised appreciation or depreciation of investments. Furthermore, the Fund may incur costs in connection with conversions between these currencies. Currency exchange dealers' fees are profit based on the difference between the prices at which they are buying and selling various currencies. Thus, a dealer normally will offer to sell currency to the Fund at one rate, while offering a lesser rate of exchange should the Fund decide immediately to resell that currency to the dealer. The Fund will conduct its currency exchange transactions either on a spot (i.e. cash) basis at the spot rate prevailing in the currency exchange market, or through entering into forward or options contracts to purchase or sell Australian Dollars. It is anticipated that most of the Fund's currency exchange transactions will occur at the time securities are purchased and will be executed through the local broker or custodian acting for the Fund.
- (f) The Funds do not hold physical gold or other metals and may exhibit above average volatility, inherent in mining shares.
- (g) The Funds invest in companies that involve a high degree of risk so the value of an investment may fall suddenly and substantially.
- (h) The Investment Adviser will from time to time seek to take advantage of market opportunities which may result in a higher than normal level of investment transactions. This activity may lead to increased transaction costs being borne by the Fund.
- (i) The levels of income generated by the Funds are not guaranteed

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## Typical Investor

All Funds may be marketed to all classes of investor. However, a typical investor will understand and appreciate the risks associated with investing in shares of the Funds and will have received advice from an appropriately qualified financial adviser.

## 5 THE AUTHORISED CORPORATE DIRECTOR

The authorised corporate director ("**ACD**") of the Company is Capita Financial Managers Limited. The ACD is a private company limited by shares, incorporated in England and Wales on 21 November 1973 under the Companies Act 1985. The registered and head office of the ACD is at Beaufort House, 15 St Botolph Street, London EC3A 7HH. The amount of the ACD's issued share capital is £125,000 represented by 125,000 ordinary shares of 100 pence each fully paid. Capita Group Plc, a company incorporated in England and Wales and listed on the London Stock Exchange, is the ultimate holding company of the ACD.

The ACD is authorised and regulated by the FSA. The ACD also acts as Authorised Corporate Director and Manager to those schemes listed in Appendix 2.

The ACD may provide investment services to other clients and funds and to companies in which the Company may invest in accordance with the Regulations.

When managing investments of the Company, the ACD will not be obliged to make use of information which in doing so would be a breach of duty or confidence to any other person or which comes to the notice of an employee or agent of the ACD but properly does not come to the notice of an individual managing the assets of the Company.

The directors of the ACD are:

- J. Eadie
- L. Everitt
- K.J. Midl
- J. Millan
- C. Hayes

The ACD provides its services to the Company under the terms of a service agreement (the "**ACD Agreement**"). The ACD Agreement will terminate with immediate effect if the ACD ceases to hold office as such. The ACD's appointment may be terminated by the Company in a general meeting at any time. Otherwise, save by reason of certain events of default as specified in the ACD Agreement, the Company may terminate the ACD's appointment on 12 month's notice. No such notice shall take effect until the appointment of a successor ACD. The ACD Agreement contains certain limitations upon the liability of the ACD where loss or damage has been caused to the Company, save where loss arises by reason of negligence, default, breach of duty or trust by the ACD. The ACD Agreement contains an indemnity from the Company to the ACD in respect of losses, claims and similar liabilities incurred by the ACD as such, save where such losses, claims and similar liabilities arise from the negligence, default, breach of duty or breach of trust of the ACD.

The ACD has, pursuant to the ACD Agreement, delegated its administration and registrar functions to Capita Financial Administrators Limited. The ACD's investment management function has been delegated to Oceanic Asset Management Pty Limited.

## 6 THE INVESTMENT ADVISER

Oceanic Asset Management Pty Limited ("Oceanic") is the investment adviser to the ACD in relation to the Fund. Oceanic is authorised and regulated by the Australian Investments and

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Securities Commission. Oceanic's principal activity is the provision of investment advisory services.

Pursuant to an agreement between Oceanic and the ACD, Oceanic provides general discretionary investment management services in respect of the Funds. Oceanic has the authority to make decisions on behalf of the ACD in relation to the Funds' investments subject always to the provisions of the Instrument of Incorporation of the Company, this Prospectus, the Regulations and the investment objectives and policies of the Funds. Subject to instances where the agreement may be terminated with immediate effect in the interests of shareholders, the agreement between the ACD and Oceanic may be terminated by either party giving the other no less than 3 months' written notice.

## **7 THE DEPOSITARY**

The Company's depositary is HSBC Bank plc. The Depositary is incorporated in England and Wales as a public limited company. Its registered office and head office is at HSBC Bank plc, 8 Canada Square, London E14 5HQ. The ultimate holding company of the Depositary is HSBC Holdings plc which is incorporated in England and Wales.

The principal business activity of the Depositary is banking. The Depositary is authorised and regulated by the Financial Services Authority.

The Depositary provides its services under the terms of an agreement between the Company and the Depositary (the "**Depositary Agreement**") which may be terminated by six months' notice by either the Company or the Depositary. The Depositary may not retire voluntarily except on the appointment of a new Depositary. Subject to COLL, the Depositary has full power under the Depositary Agreement to delegate (and authorise its delegates to sub-delegate) all or any part of its duties as Depositary. The Depositary is entitled to the fees, charges and expenses as set out in more detail below in the section headed "**The Fees, Charges and Expenses of the Depositary**".

## **8 NO LIABILITY TO ACCOUNT**

Neither the ACD, Depositary, Administrator, Registrar, investment adviser or any other person involved with the establishment and/or operation of the Company are liable to account to each other or to the shareholders or former shareholders of the Company for any profits or benefits they may make or receive which are made, derived from or in connection with:

- (a) dealings in the shares of the Company;
- (b) any transaction in the underlying property of the Company; or
- (c) the supply of services to the Company.

## **9 SHARES IN THE COMPANY**

Under the Company's Instrument of Incorporation, the Company is permitted to issue one or more classes of Share(s) in respect of each Fund. The shares currently issued by the Funds are described below:

### **CF Australian Natural Resources Fund**

<b>Class of Share</b>	<b>Type of Share</b>	<b>Minimum Investment</b>
UK Sterling	Income	£50,000
Australian Dollar	Income	AUS\$100,000

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The CF Australian Natural Resources Fund is permitted to issue UK Sterling Shares and Australian Dollar Shares as both income and accumulation shares. Currently only income shares are available however.

### **CF Global Resources Fund**

<b>Class of Share</b>	<b>Type of Share</b>	<b>Minimum Investment</b>
UK Sterling	Income and Accumulation	£1,000
Euro	Income and Accumulation	€1400

Each income share is deemed to represent one undivided unit of entitlement in the property of a Fund.

Any income (net of tax) arising in respect of an income share attributable to a particular Fund shall be determined and distributed as summarised on Section 19 under the heading "**Distribution**".

The rights attaching to the shares of all classes may be expressed in two denominations and, in each of these classes, the proportion of a larger denomination share represented by a smaller denomination share shall be one thousandth of the larger denomination.

## **10 REGISTER**

A register of shareholders is maintained at the office of the Registrars, Capita Financial Administration Limited, at 2 The Boulevard, City West One Office Park, Gelderd Road, Leeds LS12 6NT where it can be inspected by shareholders during normal office hours.

No certificates will be issued in respect of a holding of shares and should any shareholder require evidence of title to shares the ACD will, upon such proof of identity and the payment of such fee (if any) as the ACD may reasonably require, supply the shareholder with a certified copy of the relevant entry in the register relating to the shareholder's holding of shares.

Shareholders should notify the Registrar in writing of any change to their name or address.

No bearer shares are issued.

## **11 VALUATIONS**

Each share linked to a Fund represents a proportional share of the overall property attributable to such Fund. Therefore, the value of a share attributable to a Fund is calculated, in broad outline, by calculating the net value of the property attributable to the Fund, and dividing that value (or that part of that value attributed to shares of the class in question) by the number of shares (of the class in question) in issue.

Valuations are normally carried out on each dealing day (being each day which is a Business Day). The valuation point for the Fund is 10.00am on each dealing day.

The ACD may carry out additional valuations if it considers it desirable to do so. Valuations will not be made during a period of suspension of dealings (see "**Suspension of Dealings**" below). The ACD is required to notify the Depositary if it carries out an additional valuation.

The property attributable to a Fund is, for all purposes, valued on the following basis (which is set out in full in the Company's Instrument of Incorporation):

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- Transferable securities will be valued at their quoted price (if a single buying and selling price is quoted) or if separate buying and selling prices are quoted, at the average of the two prices, or if, in the opinion of the ACD, the price is unreliable or no recent traded price is available or if no price exists, at a value which, in the opinion of the ACD, is fair and reasonable.
  - Any other property will be valued at what the ACD considers a fair and reasonable mid-market price.
  - Cash and amounts held in current and deposit accounts and other time-related deposits are valued at their nominal value.
  - In valuing assets, any fiscal charges, commissions, professional fees or other charges paid or payable on the acquisition or disposal of the asset are excluded.
  - Deductions are made for anticipated tax liabilities and for an estimated amount of other liabilities payable out of the property of the Fund and for outstanding borrowings together with accrued but unpaid interest.
  - Amounts are added in respect of estimated, recoverable tax and any other amounts due to be paid into the Fund, including interest accrued or deemed to accrue.

For the above purposes, instructions given to issue or cancel shares are assumed to have been carried out (and any cash paid or received) and uncompleted arrangements for the unconditional sale or purchase of property are (with certain exceptions) assumed to have been completed and all consequential action taken.

Each Fund has credited to it the proceeds of all shares attributed to it, together with the assets in which such proceeds are invested or reinvested and all income, earnings, profits, or assets deriving from such investments. All liabilities and expenses attributable to a Fund are charged to it. The Company is required to allocate (and the ACD may from time to time reallocate) any assets, costs, charges or expenses which are not attributable to a particular Fund against all the Funds in a manner which is fair to the shareholders of the Company generally.

Where the ACD has reasonable grounds to believe that:

- (a) no reasonable price exists for a security at a valuation point; or
- (b) the most recent price available does not reflect the ACD's best estimate of the value of a security at a valuation point;

it will value an investment at a price which, in its opinion, reflects a fair and reasonable price for that investment (the fair value price).

The circumstance which may give rise to a fair value price being used includes where there has been no recent trade in the security concerned or where there has been the occurrence of a significant event since the most recent closure of the market where the price of the security is taken.

## **12 PRICES OF SHARES**

Shares in the Company are "single priced". This means that subject to the dilution levy referred to below and the initial charge (explained on page 15), the price of a share for both buying and selling purposes will be the same and determined by reference to a particular valuation point. The price of a share is calculated at or about the valuation point each dealing day (to at least four significant figures) by:

- 
- taking the value of the property attributable to the relevant Fund and therefore all shares (of the relevant class) in issue (on the basis of the units of entitlement in the property of the Fund attributable to that class at the most recent valuation of the Fund); and
  - dividing the result by the number of shares of the relevant class in issue immediately before the valuation concerned.

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

The prices of the shares issued by the Funds will be published daily on the website [www.Oceanicasset.com.au](http://www.Oceanicasset.com.au). Also, prices will be published daily in the Financial Times and on the website [www.fundlistings.com](http://www.fundlistings.com).

The ACD is not responsible for any error in publication or non-publication.

## **13 DILUTION LEVY**

Where the Company buys or sells underlying investments in response to a request for the issue or redemption of shares, it will generally incur a cost, made up of dealing costs and any spread between the buying and selling prices of the investments concerned, which will not be reflected in the amount paid by or to the shareholder. This effect is referred to as "dilution". It is not possible to predict accurately whether dilution will occur at any point in time.

With a view to reducing this cost (which, if material, disadvantages continuing shareholders and could adversely affect the future growth of a particular Fund) the ACD is entitled to require payment of a "dilution levy" to be added to the issue price or deducted from the redemption price of shares as appropriate. This levy is paid directly into the relevant Fund and it is intended to reduce the effect of dilution on the future growth of the Fund.

### CF Australian Natural Resources Fund

The ACD will normally charge a dilution levy of 1.0% of the price of the share attributable to the Fund. The total of sales and repurchases are netted off against each other at the valuation point and where any balance is in excess of £50,000 (or AUS\$100,000 in relation to the Australian Dollar share class) then **all** deals are subject to a dilution levy.

### CF Global Resources Fund

The ACD will normally charge a dilution levy of 0.5% of the price of the shares attributable to the Fund on all deals equal or greater than 1% of the net asset value of the Fund.

On occasions where the dilution levy is not applied, there may be an adverse impact on the future growth of the relevant Fund.

It is not possible to predict accurately whether dilution would occur at any point in time.

## **14 STAMP DUTY RESERVE TAX**

Stamp duty reserve tax ("**SDRT**") is payable on the redemption of a share. Redemptions of shares (redemptions for this purpose includes non-exempt transfers of legal or beneficial ownership of shares) may be liable to SDRT of up to 0.5% of the market value of the shares redeemed. The SDRT payable in relation to redemptions in a particular Fund is calculated weekly based on the total value of shares redeemed during that week. The maximum rate of 0.5% payable will be reduced by the proportion of the assets attributable to the relevant Fund which are not liable to SDRT and by the ratio of shares issued divided by shares redeemed. This liability to SDRT may be met in one of the following three ways:

- The ACD may pay the SDRT;

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- The ACD may charge the SDRT to the relevant Fund and include it within the calculation of the share price;
  - The ACD may charge an SDRT provision when transactions in shares take place. An SDRT provision is a charge of such amount or at such rate as is determined by the Administrator for which the ACD or ICVC may become liable pursuant to Schedule 19 of the Finance Act 1999 (or any statutory modification or re-enactment of such act) in respect of a redemption of shares within the meaning of that schedule.

In respect of the Funds, SDRT will be met by the ACD which will, in turn, charge such sum to the relevant Fund which will therefore be included in the calculation of the share price. The maximum charge that will be made is 0.5% of the cancellation price or redemption price of a share. The rate of 0.5% may be reduced if the ACD redeems more shares than it issues or if the Fund has holdings in stocks that are exempt from SDRT.

Once such charge is made to the property of a Fund, the value of the property of the Fund will be reduced. However, the effect of this is unlikely to be significant. The ACD does not currently intend to charge an SDRT provision when transactions in shares take place. Should this intention change in the future, the ACD will notify shareholders as appropriate.

## **15 ISSUE, REDEMPTION AND EXCHANGE OF SHARES**

Requests for the purchase, redemption and exchange of shares are normally dealt with by the issue or cancellation of such shares by the Company. However, in certain circumstances, the ACD may deal with such requests by selling shares to and/or repurchasing them from the applicant as appropriate. In other words, the ACD is entitled to hold shares for its own account and to satisfy requests for the sale of shares from its own holding (this is generally referred to as the ACD dealing from its "**box**"). The ACD is required to procure the issue or cancellation of shares by the Company where necessary to meet any obligations to sell or redeem shares. Shares will be issued, redeemed, sold or repurchased at the price calculated by reference to the valuation point following receipt of the request (on a forward basis).

The ACD may not sell a share at a higher price, or redeem a share at a lower price from its "**box**" (in both cases before application of any initial charge or dilution levy, or deduction of SDRT as applicable) than the price notified to the Depositary in respect of the valuation point concerned.

The ACD is under no obligation to account to the Company or to shareholders or any of them for any profit it makes on the issue of shares or on the reissue or cancellation of shares which it has redeemed from its "**box**" and will not do so.

### **Issue**

#### ***Applications***

Applications for shares linked to any Fund may be made by any person. Dealings are at forward prices i.e. at prices calculated by reference to the next valuation following receipt of the application. Shares to satisfy an application received before the valuation point of the appropriate Fund (see "Valuations" for details of the valuation points) on a dealing day will be issued at a price based on that day's valuation and shares to satisfy an application received after the valuation point, or on a day which is not a dealing day, will be issued at a price based on the valuation made on the next dealing day.

Applications may be made by completing an application form and this should be sent with your cheque (GBP), electronic transfer or Bankers Draft to the ACD at 2 The Boulevard, City West One Office Park, Gelderd Road, Leeds LS12 6NT. Application forms are available from the ACD. Applications are irrevocable. Subject to its obligations under COLL, the ACD reserves

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the right to reject any application in whole or in part. In that event application monies or any balance will be returned to the applicant by post at the applicant's risk.

Subscriptions for the Australian Dollar share class must be made in Australian Dollars. Subscriptions for the Euro Share Classes must be made in Euros.

The Company is subject to the UK Anti Money Laundering Legislation and the ACD may in its absolute discretion require verification of identity from any person applying for shares (the "**Applicant**") including, without limitation, any Applicant who:

- (a) tenders payment by way of cheque (GBP), electronic transfer or banker's draft on an account in the name of a person or persons other than the Applicant; or
- (b) appears to the ACD to be acting on behalf of some other person.

In the former case verification of the identity of the Applicant may be required. In the latter case, verification of the identity of any person on whose behalf the Applicant appears to be acting may be required.

Applications will not be acknowledged but a contract note will be sent on or before the business day next following the relevant Dealing Day. Certificates will not be issued. Where the total price payable for all shares for which the application is made would include a fraction of one penny it will be rounded up or down to the nearest penny (or the nearest cent in relation to the Australian Dollar share class).

Payment in respect of applications must be received with the application form. If an Applicant defaults in making any payment in money or transfer of property due to the ACD in respect of the sale or issue of shares, the Applicant shall indemnify the ACD and/or the Company (as the case may be) in respect of any loss or cost incurred by either of them as a result of such default and the Company is entitled to make any necessary amendment to the register and the ACD will become entitled to the shares in place of the Applicant (subject, in case of an issue of shares, to the ACD's payment of the purchase price to the Company). The ACD may in its discretion delay arranging for the issue of the shares until payment has been received.

#### ***In Specie Application***

The ACD may, by special arrangement and at its discretion, agree to arrange for the issue of shares in exchange for assets other than cash but only if the Depositary is satisfied that acquisition of the assets in exchange for the shares to be issued is not likely to result in any material prejudice to the interests of shareholders or potential shareholders of the Fund concerned.

#### ***Minimum Purchase***

In respect of shares currently issued by the Funds, the minimum value of shares which any one person may purchase initially is as follows:

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### CF Australian Natural Resources Fund

Share Class	Minimum Purchase	Initial	Minimum Subsequent Purchase
UK Sterling (Income)	£50,000		£10,000
Australian Dollar (Income)	AUS\$100,000		AUS\$20,000

### CF Global Resources Fund

Share Class	Minimum Purchase	Initial	Minimum Subsequent Purchase
UK Sterling (Income and Accumulation)	£1,000		Not applicable provided the minimum holding of £1,000 is maintained.
Euro (Income and Accumulation)	€1400		Not applicable provided the minimum holding of €1400 is maintained.

However, the ACD may, by special arrangement and at its discretion, agree on an individual basis a lower amount in relation to the minimum transaction sizes.

#### ***Redemption***

Shares in the Funds may be redeemed on any dealing day. Dealings are on a forward price basis as explained in the paragraph headed "**Issue**" above. Shares to be redeemed pursuant to a redemption request received before the valuation point of the appropriate Fund on a dealing day will be redeemed at a price based on that day's valuation and shares to be redeemed pursuant to a redemption request received after that time, or on a day which is not a dealing day, will be redeemed at a price based on the valuation made on the next dealing day. Redemption instructions may be given by delivery to the ACD of written instructions for redemption (by letter at 2 The Boulevard, City West One Office Park, Gelderd Road, Leeds LS12 6NT or fax on 0113 224 6001) or by telephoning the ACD on 08459 220044 between 9.00 am and 5.00 pm on any Business Day (British time). Redemption instructions given by telephone must be confirmed in writing to the ACD prior to redemption proceeds being remitted. Redemption instructions are irrevocable.

A redemption contract note will be sent on or before the next business day following the relevant dealing day. Where the total consideration in UK Sterling shares for the transaction would include a fraction of one penny it will be rounded up or down to the nearest penny. Redemptions of Australian Dollar shares will be paid in Australian Dollars rounded up or down to the nearest cent. Redemptions of Euro shares will be paid in Euros rounded up or down to the nearest cent.

There may also be deducted, if the consideration is to be remitted abroad, the cost of remitting the proceeds (if any). If a redeeming shareholder wishes to be paid other than by cheque, the ACD will endeavour to arrange this but at the cost of the shareholder. The redemption proceeds will be paid not later than the close of business on the fourth Business Day after the later of the following times:

- (a) the valuation point immediately following the receipt by the ACD of the request to redeem the shares; or

- (b) the time when the ACD has received all duly executed instruments and authorisations which effect (or enable the ACD to effect) transfer of title to the shares.

But neither the Company nor the ACD is required to make payment in respect of a redemption of shares where the money due on the earlier issue of those shares has not yet been received or where the ACD considers it necessary to carry out or complete identification procedures in relation to the holder or another person pursuant to a statutory, regulatory or European Community obligation (such as the UK Anti Money Laundering Legislation).

### ***Deferred Redemption***

In times of high levels of redemption, the ACD may permit deferral of redemptions to the next valuation point where the total value of the redemptions requested together represent over 10% of the relevant Fund's net asset value. In these circumstances, redemption requests up to the 10% level will be met on a pro rata basis and all requests above that level will be deferred until the next valuation point. Such deferred redemptions shall be met in priority to that day's redemption requests.

### ***In Specie Redemption***

Where a shareholder requests redemption of a number of shares, the ACD at its discretion may, by serving a notice of election on the shareholder not later than the close of business on the second business day following the day of receipt of the request, elect that the shareholder shall not be paid the redemption price of his shares but instead there shall be a transfer to that holder of property of the relevant Fund having the appropriate value. Where such a notice is so served on a shareholder, the shareholder may serve a further notice on the ACD not later than the close of business on the fourth Business Day following the day of receipt by the shareholder of the first mentioned notice requiring the ACD, instead of arranging for a transfer of property, to arrange for a sale of that property and the payment to the shareholder of the net proceeds of that sale. The selection of scheme property to be transferred (or sold) is made by the ACD in consultation with the Depositary, with a view to achieving no more advantage or disadvantage to the shareholder requesting redemption of his shares than to continuing shareholders. The Company may retain out of the property to be transferred (or the proceeds of sale) property or cash of value or amount equivalent to any SDRT to be paid in relation to the cancellation of the shares.

### ***Minimum Redemption and Holding***

The minimum redemption and holding requirements in respect of the Funds are as follows:

#### CF Australian Natural Resources Fund

<b>Shares</b>	<b>Minimum Redemption</b>	<b>Minimum Holding</b>
UK Sterling (Income)	£1,000	£1,000
Australian Dollar (Income)	AUS\$2,000	AUS\$2,000

#### CF Global Resources Fund

<b>Shares</b>	<b>Minimum Redemption</b>	<b>Minimum Holding</b>
UK Sterling (Income and Accumulation)	£1,000	£1,000

Euro	€400	€400
(Income and Accumulation)		

The value of shares for this purpose is calculated by reference to the current price, net of any initial charge and before any application of a dilution levy. However the ACD may, by special arrangement and at its discretion, agree on an individual basis a lower amount in relation to the minimum redemption size.

## 16 SWITCHING BETWEEN CLASSES / BETWEEN FUNDS

Where two or more share classes are in issue, subject to the qualifications mentioned below, shareholders are entitled to exchange shares in a Fund for the appropriate number of shares of another class whether linked to the same or a different Fund. Shareholders are therefore entitled to exchange shares in one Fund for shares in a different Fund. The appropriate number of shares is determined by the following formula:

$$N = \frac{O \times (ER \times RP)}{SP}$$

N is the number of new shares to be issued, rounded down to the nearest whole number of shares;

O is the number of shares of the old class and/or sub-fund to be exchanged,

RP is the price at which one share of the old class can be redeemed at the applicable valuation point

ER is the exchange rate determined by the ACD in its absolute discretion; and

SP is the price at which one share of the new class can be purchased (net of any initial charge), in both cases at the application valuation point (see below).

The ACD may adjust the number of new shares to be sold to reflect the effect of the dilution levy (if applicable) and any SDRT or other charges payable on the redemption or sale (as applicable) of the shares concerned.

The right to exchange is subject to the following:

- the ACD and the Depositary are not obliged to give effect to a request for exchange of shares if the value of the shares to be exchanged is less than the minimum permitted transaction (see above) or if it would result in the shareholder holding shares of any class of less than the minimum holding for that class of share (see above);
- the ACD may decline to permit an exchange into a Fund or share class in respect of which there are no shares in issue, or in any case in which they would be entitled under COLL to refuse to give effect to a request by the shareholder for the redemption of shares of the old class or the issue of shares of the new class.

Exchanges between classes of shares linked to different Funds may be subject to a charge (See "Switching Charge" below).

In no circumstances will a shareholder who exchanges shares in one class of shares for shares in any other class be given a right by law to withdraw from or cancel the transaction.

It should be noted that an exchange of shares in a Fund for shares in any other Fund is treated as a redemption and sale and will, for persons subject to UK taxation, be regarded as a realisation for the purposes of capital gains taxation.

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## ***Application***

A shareholder wishing to exchange shares should apply in the same way as for a redemption (see above). An exchange to be made pursuant to a request received before the valuation point of the Funds concerned on a day which is a Dealing Day for both Funds (or, if the valuation points on that day differ, before the first to occur) will be effected at prices based on that day's valuation; where a request is received after that time, or on a day which is not a Dealing Day for both Funds, the exchange will be effected at a price based on the valuation made on the next such Dealing Day.

A contract note giving details of the exchange will be sent on or before the business day next following the relevant dealing day.

## **17 SUSPENSION OF DEALINGS**

The ACD may with the prior agreement of the Depositary, and will if the Depositary so requires, at any time for a period not exceeding 28 days suspend the issue, cancellation, sale, redemption and exchange of any class of shares in any Fund ("**dealing**") if it, or the Depositary in the case of any requirement by the Depositary, is of the opinion that due to exceptional circumstances there is a good and sufficient reason to do so having regard to the interests of shareholders or potential shareholders of that class of shares. The ACD may, however, during the period in which dealing is suspended, agree to deal at prices calculated by reference to the first valuation point after resumption of dealing. The recalculation of the share price will commence at or about the valuation point on the first dealing day following such period of suspension.

## **18 MANDATORY REDEMPTION OF SHARES**

If the ACD reasonably believes that any shares are owned directly or beneficially in circumstances which:

- (a) constitute a breach of the law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory; or
- (b) may (or may if other shares are acquired or held in like circumstances) result in the Company incurring any liability to taxation or suffering any other adverse consequence (including a requirement to register under any securities or investment or similar laws or governmental regulation of any country or territory)

it may give notice to the holder of such shares requiring him or her to transfer them to a person who is qualified or entitled to own them, or to request the redemption of the shares by the Company. If the holder does not either transfer the shares to a qualified person or establish to the ACD's satisfaction that he or she and any person on whose behalf he or she holds the shares are qualified and entitled to hold and own them, he or she will be deemed on the expiry of a thirty-day period to have requested their redemption.

## **19 DISTRIBUTION**

The annual accounting period for the Company and each of the Funds ends on 31 January (the "**accounting reference date**"). The half-yearly accounting period ends on 31 July (the "**interim accounting reference date**").

Allocations and distributions of income will be made on or before 31 May each year and 30 September.

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Distribution statements and tax certificates will be sent to shareholders. A crossed cheque or warrant from a GBP bank account for the amount of the net distribution will, where applicable, be sent to the registered address and made payable to the order of the shareholder (or, in the case of joint holders, made payable and sent to the registered address of the first named holder on the register) or payments may be made by bank automated credit system at the ACD's discretion, which may incur a cost to the shareholder.

All distributions unclaimed for a period of six years after having become due for payment shall be forfeited and shall revert to the Company. The payment of any unclaimed distribution, interest or other sum payable by the Company on or in respect of a share into a separate account shall not constitute the Company a trustee thereof.

### ***Determination of Distributable Income***

As at the end of each annual accounting period, the ACD must arrange for the depository to transfer the income payable for distribution attributable to the relevant Fund to the distribution account.

In this context, income payable for distribution generally means all sums considered by the ACD, in each case after consultation with the Company's auditors, to be in the nature of income received or receivable for the account of and in respect of the property attributable to the relevant Fund, but excluding any amount (if any) for the time being standing to the credit of the distribution account.

The ACD need not comply with the above provisions if the average of the allocations of income to the shareholders of the relevant Fund would be less than £10 or such other amount agreed between the ACD and the Depository. In that case, such amounts may be carried forward to the next accounting period and will be regarded as received at the start of that period. Otherwise, such sums may be credited to capital as determined by the ACD.

On or before each annual income distribution date, the ACD must calculate the amount available for income distribution for the immediately preceding accounting period and must inform the Depository of such amount.

The amount available for income distribution is calculated by taking the aggregate of the income property received or receivable for the account of the relevant Fund in respect of the relevant period, deducting the charges and expenses of the Company paid or payable out of the income property in respect of that period and adding the ACD's best estimate of any relief from tax on those charges and expenses. Further adjustments may be made as the ACD considers appropriate (after consultation with the auditors) in relation to taxation and the proportion of the prices received or paid for shares that relate to income (taking account of any provisions in the Instrument of Incorporation constituting the scheme relating to income equalisation), potential income which is unlikely to be received until 12 months after the relevant allocation date, income which should not be accounted for on an accrual basis because of lack of information about how it accrues, any transfer between the income and the capital account (regarding payments from capital or income) and making any other adjustments which the ACD considers appropriate (after consultation with the auditors).

In relation to income shares, on or before each relevant income distribution date, the ACD will instruct the depository to enable it to distribute the income allocated to income shares among the holders of such shares and the ACD in proportion to the number of such shares held, or treated as held, by them respectively at the end of the relevant period.

## **20 THE AUTHORISED CORPORATE DIRECTOR'S CHARGES**

### ***Initial Charge***

The ACD may impose a charge payable by the shareholder on the issue of shares (the "**initial charge**"). This charge is calculated by reference to the issue price of the shares purchased. The current initial charges applicable to shares of the Funds are set out in the table below.

<b>Fund</b>	<b>Share Class</b>	<b>Initial Charge*</b>
CF Australian Natural Resources Fund	UK Sterling shares	4%
	Australian Dollar shares	4%
CF Global Resources Fund	UK Sterling shares	5%
	Euro shares	5%

\* (or such lower amount agreed by the ACD).

If at any time the current initial charge applicable to shares of any of the Funds is increased, the ACD is required to give not less than 60 days' prior notice in writing to all shareholders before such increase may take effect. The ACD is also required to revise the Prospectus to reflect the new current rate and the date of its commencement.

### ***Switching Charge***

The ACD has agreed that no charge will be made on an exchange of shares in the Company.

### ***ACD Fees***

The Company may reimburse certain expenses incurred by the ACD. These expenses include payment for the provision of registration services and fees for the provision of other administrative services including accounting and tax compliance services.

- The current rate of registration service charge is £9.50 per account holder per annum and £17.50 per shareholder transaction.
- The current charge for tax compliance services is £750 per annum.
- The current rate of accounting service charge for the Funds is equal to the greater of a basic cost of £30,000 per annum or 0.20% of net asset value per annum as calculated monthly and paid in arrears.

Any increase up to the maximum requires prior notice to shareholders of not less than 60 days before the increase and revision of the Prospectus to reflect the new current rate and the date of its commencement.

These expenses are subject to value added tax.

### ***Periodic Charge***

The current rate of the annual management charge for the Funds is as follows:

<b>Fund</b>	<b>Share Class</b>	<b>Periodic Charge</b>
CF Australian Natural Resources Fund	UK Sterling Shares	1.0%
	Australian Dollar Shares	1.0%

CF Global Resources Fund	UK Sterling Shares	1.5%
	Euro Shares	1.5%

The periodic charge is payable to the ACD who is responsible for paying the investment advisors of the Company. The investment advisory fee accrues daily and is payable monthly. This charge is calculated by reference to the value of the Funds on the last valuation day of the preceding month and is payable out of the property attributable to the Funds. It is paid within seven Business Days.

Any increase in the above rates requires not less than 60 days' prior notice in writing to the shareholders before such increase may take effect. Also, the ACD is required to revise the Prospectus to reflect the new current rate and the date of its commencement.

The first accrual will be in respect of the period from the day on which the first valuation of the relevant Fund is made to the month end and is based upon the first valuation point. The periodic charge will cease to be payable (in relation to a Fund) on the date of commencement of its termination, and (in relation to the Company as a whole) on the date of the commencement of its winding up or, if earlier, the date of the termination of the ACD's appointment as such. The amount(s) accruing due on the last relevant valuation date before the event concerned will be adjusted accordingly.

#### ***Performance Fees***

In addition to the periodic charge outlined above, the ACD is entitled to charge, by way of further remuneration of the Investment Adviser, a performance fee to be taken from the scheme property which is payable when the performance of the Funds, over a Performance Period, exceeds the Benchmark. The performance fee will be calculated and paid after consideration of all other payments.

The Funds will operate a performance fee that will be calculated and accrued daily and will be payable half yearly in arrears in respect of each Performance Period. The Performance Period will be successive 6 month periods commencing on 1 February and 1 August each year. The daily accrual will be based on the performance of the relevant Fund since the start of the current period.

#### *Definitions used in this section of the Prospectus:*

- (a) The index performance (the "**Benchmark**") for each Performance Period will be, in respect of the CF Australian Natural Resources Fund, the arithmetic difference between the level of the relevant performance index (the AS48 – S&P/ASX 300 Resources Index in respect of the CF Australian Natural Resources Fund) on the first Business Day and on the last Business Day of the Performance Period, expressed as a percentage (the "**Index Performance**").
- (b) The minimum performance requirement for each Performance Period will be in respect of the CF Global Resources Fund, 4% (the "**Hurdle Rate**").
- (c) The fund performance in respect of a Performance Period is the arithmetic difference between the net asset value per Share on the first Business Day of the relevant Performance Period and on the last Business Day of the relevant Performance Period, expressed as a percentage (the "**Fund Performance**").
- (d) The net percentage out performance in respect of the Performance Periods where Fund Performance is greater than Index Performance in the case of CF Australian Natural Resources Fund and where Fund Performance is greater than

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the Hurdle Rate in the case of CF Global Resources Fund is the arithmetic difference between Index Performance and Fund Performance, expressed as a percentage (the "**Net Percentage Out performance**").

*When is a performance fee payable?*

A performance fee is payable when the Fund Performance is greater than the Index Performance or Hurdle Rate as the case may be. No Performance Fee will be payable in any Performance Period when the Fund Performance is less than or equal to the Index Performance or the Hurdle Rate as the case may be.

In respect of the CF Australian Natural Resources Fund a performance fee is payable if the fund produces a negative return but outperforms the index.

*What is the value of the performance fee?*

The amount of Performance Fee payable in respect of each share is the net asset value (excluding any Performance Fee accrual) per Share on the last Business Day of the Performance Period x Net Percentage Out performance x 20% in the case of the CF Australian Natural Resources Fund and x 15% in the case of the CF Global Resources Fund and is payable on the weighted average number of Shares in issue during the Performance Period. The Performance Fee will accrue daily but will only become payable at the end of the Performance Period. As a result of the Performance Fee being a percentage of the Out performance, the fee is uncapped.

The Performance Fee will be paid as soon as practicable after each period end. However, during a Performance Period, the performance fee will be calculated and accrued daily and this will be reflected in the price of a share. In practice, this means that the growth (if any) of the Fund will be measured against the Benchmark, or the pro rata Hurdle Rate as the case may be, on a daily basis and, to the extent a performance fee may be payable at the end of a Performance Period, a performance fee will accrue in relation to the NAV price per share attributable to the relevant Fund. The accrual is adjusted each day to reflect the level of growth (if any) achieved and, if there is no growth in excess of the Benchmark or the pro rata Hurdle Rate as the case may be, then the performance accrual will be zero.

*What effect will the performance fee have on the NAV of a Fund?*

To illustrate the effect that the performance fee may have on the NAV of a Fund or the shares attributable to such Fund, consider the following:

#### **CF Australian Natural Resources Fund**

- |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>• On 1 February, the price per share attributable to the Fund is 100.00 pence.</li><li>• On 31 July (six months later), the NAV price per share is 105.00 pence. Therefore (before any performance fee accrual) the price has risen during that six-month period by 5%. If at the end of the six month period the Benchmark has increased by 2.5% then the net percentage out performance for the six month period is 2.5%.</li><li>• The performance fee is then calculated based on an amount of 20% of the out performance (2.5%) by reference to the NAV price per share at the close of the Performance Period. This would be 20% of 2.5% of 105.00 pence = 0.525 pence per share. The new price per share (incorporating the performance fee accrual) is 105.00 pence minus 0.525 pence, which to two decimal places equals 104.48 pence.</li></ul> |
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The effect at zero NAV growth is illustrated in green and at 2.5% in yellow in the table below (the example above appears in blue):

6 month performance	6 month benchmark	Perf fee rate 20%	Perf fee in p per share	Opening NAV p per share	Closing NAV p per share
0.0%	2.5%	0	0.000	100.00	100.00
2.5%	2.5%	0.000%	0.000	100.00	102.50
5.0%	2.5%	0.525%	0.525	100.00	104.48
10.0%	2.5%	1.650%	1.650	100.00	108.35
15.0%	2.5%	2.875%	2.875	100.00	112.13

Note 1 – Performance for the Performance Period adjusted to ignore any accrual in respect of performance fees.

Note 2 – Assumes a starting price of 100 pence.

Note 3 – Performance fee is calculated on the basis of the closing net asset value of the Fund.

### CF Global Resources Fund

- On 1 February, the price per share attributable to the Fund is 100.00 pence.
- On 31 July (six months later), the NAV price per share is 105.00 pence. Therefore (before any performance fee accrual) the price has risen during that six-month period by 5%. This is in excess of the Hurdle Rate (4%) and the net percentage out performance for the six month period is 1%.
- The performance fee is then calculated based on an amount of 15% of the out performance (1%) by reference to the NAV price per share at the close of the Performance Period. This would be 15% of 1% of 105.00 pence = 0.1575 pence per share. The new price per share (incorporating the performance fee accrual) is 105.00 pence minus 0.1575 pence, which to two decimal places equals 104.84 pence.

The effect at zero NAV growth is illustrated in green and at 2.5% in yellow in the table below (the example above appears in blue):

<u>6 month performance</u>	<u>6 month benchmark</u>	<u>Perf fee rate 15%</u>	<u>Perf fee in p per share</u>	<u>Opening NAV p per share</u>	<u>Closing NAV p per share</u>
0.0%	4%	0	0.000	100.00	100.00
2.5%	4%	0.000%	0.000	100.00	102.50
5.0%	4%	0.1575%	0.1575	100.00	104.84
10.0%	4%	0.990%	0.99	100.00	109.01
15.0%	4%	1.898%	1.898	100.00	113.10

Note 1 – Performance for the Performance Period adjusted to ignore any accrual in respect of performance fees.

Note 2 – Assumes a starting price of 100 pence.

Note 3 – Performance fees is calculated on the basis of the closing net asset value of the Fund.

### Performance fees - General

While the ACD will have accrued for a performance fee throughout the period based on the daily value of the Funds and the Benchmark or the Hurdle Rate as the case may be, the ACD would not be paid this unless the Closing NAV price per share on 31 January or 31 July (being the last day of the relevant Performance Periods) exceeds the relevant Target Price (which in the above examples would be 102.50 pence in respect of the CF Australian Natural Resources Fund and 104.00 pence in respect of the CF Global Resources Fund). Only at that point does a

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performance fee become payable and it would be paid by the Fund as soon as practicable after the Performance Period.

If a performance fee is payable, the total amount to be taken from the relevant Fund would be 20% in respect of the CF Australian Natural Resources Fund and 15% in respect of the CF Global Resources Fund of the amount by which the Closing NAV price per share of the relevant Performance Period exceeded the Benchmark, or the Hurdle Rate as the case may be, multiplied by the weighted average number of shares of the Fund in issue during the relevant period. The weighted average number of shares of a fund is calculated by taking the total number of shares in issue in the Fund on each day of a Performance Period and dividing that by the number of days within that Performance Period.

If, on the other hand, the growth shown in the above example were extinguished by a reduction in the Fund value during the final day of the Performance Period, then the accrual for the performance fee would be removed – to the benefit of the Fund.

Any change to the performance fee rate or basis on which it is calculated will require prior notice to all shareholders of the relevant Fund of not less than 60 days before the new rate or basis may commence. The Prospectus will also be revised at such time.

### ***Charges To Capital***

#### **CF Australian Natural Resources Fund**

All expenses and charges will be charged to the income account of the Fund. However, as the investment objective for the Fund is capital appreciation, it is anticipated that little income will be produced. Therefore, the performance fee, transaction costs charged by the Depositary and SDRT will be charged 100% to capital and accordingly the imposition of such charges may constrain the capital growth of the Fund.

#### **CF Global Resources Fund**

All expenses and charges will be charged to the income account of the Fund. However, as the investment objective for the Fund is capital appreciation, it is anticipated that little income will be produced. Therefore, the performance fee, transaction costs charged by the Depositary and SDRT will be charged 100% to capital and accordingly the imposition of such charges may constrain the capital growth of the Fund.

## **21 THE FEES, CHARGES AND EXPENSES OF THE DEPOSITARY**

The Depositary receives for its own account a periodic fee which will be accrued daily and payable monthly in respect of each calendar month and is payable as soon as practicable after the month end (and in any event within seven business days of the month end). The fee is calculated by reference to the value of the Funds on the last valuation day of the preceding month and is payable out of the property attributable to the Fund. The rate of the periodic fee is agreed between the ACD and the Depositary from time to time and the current agreed periodic fee is 0.02 per cent of the value of the Funds per annum subject to a minimum annual fee of £10,000. The first accrual in relation to any new Fund will take place in respect of the period beginning on the day on which the first valuation of that Fund is made and ending on the last day of the month in which that day falls and will be calculated based upon the first valuation point. Any increase will only be permitted after 60 days' notice has been given to all shareholders and the Prospectus has been revised to reflect the new current rate and date of its commencement.

The total remuneration payable to the Depositary out of the property attributable to the Funds for its services also includes transaction charges and custody charges. Transaction charges range between £0 and £45 per transaction up to a maximum of £150 and accrue at the time the

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transactions are effected and are payable as soon as is reasonably practicable, and in any event not later than the last business day of the month when such charges arose or as otherwise agreed between the Depositary and the ACD. Custody charges range between 0 and 0.02 per cent and accrue and are payable as agreed from time to time by the ACD and the Depositary. Any increase will only be permitted after 60 days' notice has been given to all shareholders and the Prospectus has been revised to reflect the new current rate and date of its commencement.

In addition to the fees and charges payable to the Depositary referred to above, the Depositary is entitled to be reimbursed out of the property attributable to the Funds for expenses incurred in the proper performance of its duties (or the exercise of powers conferred upon it by the OEIC Regulations or COLL) referable to (but not limited to): (i) custody of assets (including overseas custody services); (ii) the acquisition holding and disposal of property; (iii) the collection of dividends, interest and any other income; (iv) the maintenance of distribution accounts; (v) the conversion of foreign currency; (vi) registration of assets in the name of the Depositary or its nominees or agents; (vii) borrowings, stocklending or other permitted transactions; (viii) communications with any parties (including, facsimile and SWIFT); (ix) taxation matters; (x) insurance matters; and (xi) dealings in derivatives.

The Depositary will also be reimbursed by the Company out of the property attributable to each Fund, expenses properly incurred in the performance of, or arranging the performance of, functions conferred on it by the Depositary Agreement, the Regulations or by the general law.

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

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

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

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

Expenses not directly attributable to a particular Fund will be allocated between the Funds. In each such case such expenses and disbursements may also be payable if incurred by any person (including the ACD or an associate or nominee of the Depositary or of the ACD) who has had the relevant duty delegated to it pursuant to COLL by the Depositary.

## **22 OTHER PAYMENTS OF THE COMPANY**

The following expenses (being the actual amounts incurred) may also be payable by the Company out of its assets at the discretion of the ACD:

- broker's commissions, fiscal charges and other disbursements which are necessarily incurred in effecting transactions for the Funds and normally shown on contract notes, confirmation notes and difference accounts as appropriate;
- interest on and other charges relating to permitted borrowings;
- taxation and other duties payable by the Company;

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- any costs incurred in amending the Instrument of Incorporation including the removal of obsolete provisions;
  - any costs incurred in respect of any other meeting of shareholders convened on a requisition by holders not including the ACD or an associate of the ACD;
  - any fees in relation to a unitisation, amalgamation or reconstruction where the property of a body corporate (such as an investment company) or of another collective investment scheme is transferred to the Company in consideration of the issue of shares in the Company to shareholders in that body corporate or to participation in that other scheme, any liability arising after the transfer which, had it arisen before the transfer, could properly have been paid out of that other property provided that the ACD is of the opinion that proper provision was made for meeting such liabilities as were known or could reasonably have been anticipated at the time of the transfer;
  - any audit fee and any proper expenses of the auditor;
  - any fee and any proper expenses of any professional advisers retained by the Company or by the ACD in relation to the Company or any Fund;
  - payments or costs in relation to the preparation and dissemination of the Prospectus and the preparation of the Simplified Prospectus including, by way of clarification, any costs incurred as a result of periodic updates of the Prospectus or Simplified Prospectus (either in respect of the Company or the Fund)s;
  - any costs of printing and distributing annual, half yearly and quarterly reports and any other reports information provided for shareholders;
  - any costs of listing the prices of the Funds in publication and information services selected by the ACD including the Financial Times;
  - the fees of the FSA payable under the Regulations in connection with the Company and any corresponding periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which shares in the Company may be marketed;
  - any costs of authorising new Funds of the Company after its initial establishment;
  - any fees and expenses in respect of establishing and maintaining the register of shareholders and any sub-register of shareholders as detailed in "Expenses" section of this Prospectus;
  - any costs incurred in producing and despatching any payment made by the Company;
  - any costs incurred in taking out and maintaining an insurance policy in relation to the Company;
  - the periodic fees of the FSA together with any corresponding periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which shares in the Company are or may be marketed;
  - any expense incurred in relation to company secretarial duties including the cost of maintenance of minute books and other documentation required to be maintained by the Company;
  - any costs associated with the admission of shares to listings on any stock exchange and with the maintenance of that listing (including, for the avoidance of doubt, the fees levied by the exchange in question as a condition of the admission to listing of the

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shares and the periodic renewal of that listing), any offer of shares, including the preparation and printing of any prospectus and the creation, conversion and cancellation of shares associated with such prospectus;

- any expense incurred with respect to the publication and circulation of details of the net asset value of the Funds;
- any amount payable to the Company under any indemnity provisions provided for in the Instrument of Incorporation or any agreement to which the Company is party;

VAT on any fees, charges or expenses will be added to such fees, charges or expenses and will be payable by the Company.

## **23 TAXATION**

### ***General***

The taxation of both the Company and its shareholders is subject to the fiscal law and practice of the UK and of the jurisdictions in which shareholders are resident or otherwise subject to tax. The following summary of the anticipated tax treatment in the UK does not constitute legal or tax advice. Prospective investors should consult their own professional advisers on the tax implications of making an investment in the Company, holding or disposing of shares and the receipts of distributions. The following summary is based on the taxation law and practice in force at the date of this prospectus, but prospective investors should be aware that the relevant fiscal rules or their interpretation are subject to change.

### ***The Company***

The UK tax regime applicable to the Company is primarily set out in section 468A Income and Corporation Taxes Act 1988 and in the Authorised Funds (Tax) Regulations 2006 (SI 2006/964) (the "Tax Regulations").

The Company will be liable to corporation tax on its taxable income, less its expenses of management. Under section 468A of the Income and Corporation Taxes Act 1988, corporation tax will be payable for a financial year at the lower rate of income tax for the tax year beginning in that financial year (currently 20%), sums appropriated in accordance with the terms of this Prospectus (as amended from time to time) for the remuneration of the ACD will be treated as management expenses.

Like other UK companies, the Company will not be subject to corporation tax on dividends from United Kingdom resident companies. Dividends from other OEICs and authorised unit trusts will be received subject to the corporate streaming rules. The portion of such dividends deemed to represent unfranked income will constitute taxable income of the Company. Where foreign tax has been deducted from income from overseas sources, that tax may in some instances be offset against corporation tax payable by the Company under double taxation relief arrangements.

As an OEIC, the Company will benefit from the exemption from corporation tax on chargeable gains in respect of disposals of its investments. The Company will also not be subject to corporation tax on any profits or gains (or be entitled to corporation tax relief for any losses) which it derives from its creditor loan relationships or its derivative contracts, to the extent that those profits, gains or losses are treated as capital in nature. Capital profits, gains or losses for this purpose are those profits, gains or losses arising from an OEIC's creditor loan relationships or derivative contracts which fall to be dealt with under either the heading "net gains/losses on investments during the period" or the heading "other gains/losses" in the OEIC's statement of total return for the accounting period in question.

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Dependent upon the nature of the income arising within individual Funds, the total amount shown in the distribution accounts of the Company is available for distribution to shareholders in one of two ways :-

- (a) it may be shown as available for distribution as a dividend; or
- (b) it may be shown as available for distribution as yearly interest.

Each Fund is regarded as a separate OEIC for tax purposes, and the Company as a whole is not so regarded. The Tax Regulations also provide that where an OEIC has different share classes there shall be no discrimination between participants in respect of different classes of shares, and accordingly it is not possible to make different types of distributions to different classes of shares within a Fund.

### ***Shareholders***

The following is a general statement of current UK tax law and HM Revenue & Customs' published practice. Such law and practice may alter without prior warning. It does not describe the taxation treatment of shareholders which are subject to specific tax regimes or of persons resident in jurisdictions other than the United Kingdom. Shareholders are advised to consult their professional advisers as to their tax position in all circumstances.

### ***Individuals***

An individual shareholder resident in the United Kingdom for tax purposes is liable to income tax on distributions made by the Company.

Dividends paid to individual shareholders resident in the United Kingdom for tax purposes will be treated in the same way as dividends received from a UK resident company and will have attached to them a tax credit equal to 10% of the grossed up dividend. The ability to reclaim a tax credit in relation to dividends has, generally, been withdrawn. The aggregate of the net dividend and the tax credit will be included in the shareholder's total income for tax purposes. Individuals liable to income tax at either the starting rate or the basic rate will have no further tax liability. Higher rate tax payers will have a tax liability equal to 25% of the net dividend.

On a disposal of shares in the Company individual shareholders may, depending upon their personal circumstances, have a liability to capital gains tax. Any net gain giving rise to a liability to capital gains tax will be charged to tax at the individual shareholder's top marginal rate of tax.

If the investments of any of the Funds were, throughout any distribution period, to consist of more than 60% by market value in "qualifying investments" (see the definition under the heading "Corporate" below), that Fund may distribute its income as yearly interest which would be paid under deduction of income tax at the lower rate, currently 20% (unless the shareholder has made a valid declaration that he is not ordinarily resident in the UK).

In such a situation, UK resident individuals and certain other shareholders liable to UK income tax will be taxable on the sum of their gross interest distributions received during the relevant tax year, but they will be entitled to use the income tax withheld as a credit against their UK income tax liability. Such withholding will satisfy the liability of lower and basic rate tax payers to tax on the income. Higher rate tax payers will have additional tax to pay. If the total income of the shareholder is less than his or her personal allowance, the tax withheld can be the subject of a repayment claim.

**It is not the ACD's intention to manage the assets attributable to the Funds such that distributions are regarded as interest and tax is withheld.**

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An exchange of shares in one Fund for shares in any other Fund will be treated as a disposal and acquisition for capital gains tax purposes. The disposal will be subject to capital gains tax as a disposal in its own right. An exception to this rule applies when two Funds merge with a result that one Fund ceases to exist. Usually, in these circumstances shares in the new Fund will be treated as having been acquired at the same time and for the same amount as the shares in the old Fund.

### *Corporate*

Corporate shareholders resident in the United Kingdom for tax purposes will be subject to the corporate streaming rules in relation to any dividends received from the Company. Such dividends are "streamed" into unfranked and franked income depending on the relative proportions of franked and unfranked income comprised in the gross income of the Fund. Any deemed unfranked income will be liable to corporation tax in the hands of any shareholders within the charge to corporation tax (this includes shareholders who are, themselves, either an OEIC or authorised unit trust).

In order to prevent avoidance of the tax regime relating to corporate debt (contained in the Finance Act 1996) by companies investing in an OEIC which in turn invests in debt, if the OEIC at any point in an accounting period fails to satisfy the non-qualifying investments test described below, the holding is treated as if it were a holding of rights under a creditor relationship of the Company in respect of which fair value accounting must be used. Fluctuations in the value of the investments held by the Company in such circumstances will therefore be taxed or relieved on an annual basis. The non-qualifying investments test requires that not more than 60 per cent of the market value of the investments of the OEIC are held in "qualifying investments". "Qualifying investments" for these purposes consist mainly of:

- (i) any money placed at interest;
- (ii) any security –
  - (A) including loan stock or similar security whether of the UK Government or any other government or of any public or local authority in the UK or elsewhere or of any company, and whether secured or unsecured, but
  - (B) excluding shares in the company;
- (iii) any shares in a Building Society; and
- (iv) an entitlement to a share in the investments subject to the trusts of another authorised unit trust or OEIC unless the investments of the authorised unit trust or the OEIC fulfil the 60% qualifying investments requirement stated above.

Any chargeable gains arising to United Kingdom resident corporate shareholders on a disposal of their shares in the Company will be subject to corporation tax.

An exchange of shares in one Fund for shares in another Fund will be treated as a disposal of the shares in the first Fund and a separate acquisition of shares in the second Fund. Any gain arising on a disposal of shares in a Fund will be subject to corporation tax. The exception described above under the heading "individuals" above where two Funds merge also applies to corporate shareholders.

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## *PEPs and ISAs*

Shares attributable to the Funds will be eligible for inclusion within a stocks and shares component of a PEP and ISA.

## **24 REPORTS AND ACCOUNTS**

The annual accounting period of the Company ends on 31 January.

The annual report of the Company (the "**long report**") will be published on or before the end of May and the half-yearly long report on or before the end of September each year. Copies of these long reports may be inspected at, and copies obtained free of charge from the ACD at its operating address. These reports may also be inspected at the Depositary's office during normal office hours.

The ACD will issue short reports in relation to the Funds both half yearly and annually. These will be distributed to shareholders before the end of May and September each year.

## **25 ANNUAL GENERAL MEETING & VOTING**

The OEIC regulations allow for the Company to dispense with the requirement to hold Annual General Meetings (AGM). The ACD has therefore decided the Company will no longer hold AGMs. Resolutions will be voted upon at Extraordinary General Meetings (EGM).

Entitlement to receive notice of a particular meeting or adjourned meeting and to vote at such a meeting is determined by reference to those persons who are holders of shares in the Company on the date seven days before the notice is sent ("**the cut-off date**"), but excluding any persons who are known not to be holders at the date of the meeting or other relevant date.

At a meeting of shareholders, on a show of hands every holder who (being an individual) is present in person or by proxy or, if a corporation, is present by a properly authorised representative, has one vote. On a poll votes may be given either personally or by proxy and the voting rights attached to a share are such proportion of the total voting rights attached to all shares in issue as the price of the share bears to the aggregate price of shares in issue on the cut-off date. A holder entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way. A vote will 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 Depositary or by two shareholders present or by proxy.

An instrument appointing a proxy may be in any usual or common form or in any other form approved by the ACD. It should be in writing under the hand of the appointor or his attorney or, if the appointor is a corporation, either under the common seal, executed as a Deed or under the hand of a duly authorised officer or attorney. A person appointed to act as a proxy need not be a holder.

The quorum at a meeting of holders is two shareholders present in person or by proxy or (in the case of a corporation) by a duly authorised representative. If a quorum is not present within half an hour of the time appointed the meeting will (if requisitioned by shareholders) be dissolved and in any other case will be adjourned. If at such adjourned meeting a quorum is not present within 15 minutes from the appointed time, one person entitled to count in a quorum will be a quorum.

A corporation, being a holder, may by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of holders and the person so authorised is entitled to exercise the same powers on behalf of the corporation which he represents as the corporation could exercise if it were an individual holder.

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In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority is determined by the order in which the names stand in the register of holders.

The ACD is entitled to attend any meeting but, except in relation to third party shares, is not entitled to vote or be counted in the quorum and any shares it holds are treated as not being in issue for the purpose of such meeting. An associate of the ACD is entitled to attend any meeting and may be counted in the quorum, but may not vote except in relation to third party shares. For this purpose third party shares are shares held on behalf of or jointly with a person who, if himself the registered shareholder, would be entitled to vote, and from whom the ACD or the associate (as relevant) has received voting instructions.

### ***Powers of a Shareholders' Meeting***

The ACD must, by way of an extraordinary resolution (i.e. a resolution notified and proposed as such and passed by a majority of not less than three-quarters of the votes validly cast), obtain prior approval from the shareholders (or, where applicable, class of shareholders) for any proposed change to the Company or any of its Funds which, in accordance with COLL, is a fundamental change. Such a fundamental change is likely to include:

- certain changes to the investment objective and policy of the Funds;
- the removal of the ACD;
- any proposal for a scheme or arrangement.

Other provisions of the Company's Instrument of Incorporation and the Prospectus may be changed by the ACD without the sanction of a shareholders' meeting in accordance with the COLL.

## **26 INVESTMENT AND BORROWING POWERS**

The Company may exercise, in respect of each Fund, the full authority and powers permitted by COLL applicable to a UCITS scheme. However, this is subject to the applicable investment limits and restrictions set out in COLL, the Company's Instrument of Incorporation, this Prospectus and the relevant Fund's investment objective and policy.

Save for any investment acquired for the purposes of hedging (referred to in more detail below), the property of the Funds may not include any investment to which a liability (whether actual or contingent) is attached unless the maximum amount of such liability is ascertained at the time when such investment is acquired for the account of that Fund.

### ***Transferable securities***

Up to 100% of the scheme property attributable to a Fund may consist of transferable securities (as defined in COLL) which are admitted to or dealt in on an eligible market (as set out in Appendix 1). Not more than 10% in value of the scheme property attributable to a Fund may consist of transferable securities which are not admitted to or dealt in an eligible market.

Not more than 5% in value of the scheme property attributable to a Fund may consist of transferable securities or money market instrument (referred to below) issued by any single body. This limit may be raised to 10% in respect of up to 40% in value of the scheme property attributable to a Fund, this includes certificates representing securities.

Not more than 20% in value of the scheme property attributable to a Fund is to consist of transferable securities and money market instruments issued by the same group.

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Not more than 5% in value of the scheme property attributable to a Fund may consist of warrants. Warrants may only be held if it is reasonably foreseeable that the exercise of the rights conferred by the warrants will not contravene COLL. Securities on which any sum is unpaid may be held provided that it is reasonably foreseeable that the amount of any existing and potential call for any sum unpaid could be paid by the relevant Fund at any time when the payment is required without contravening COLL.

### *Collective investment schemes*

The Funds may invest up to 10% of the value of its scheme property in collective investment schemes.

The Funds must not invest in units or shares of a collective investment scheme (the "**second scheme**") unless the second scheme satisfies the conditions referred to below and provided that no more than 30% of the value of the scheme property attributed to each Fund is invested in second schemes within categories (b) to (d) below.

The second scheme must fall within one of the following categories:

- (i)
  - (a) A scheme which satisfies the conditions necessary for it to enjoy the rights conferred by the UCITS Directive; or
  - (b) A scheme which is recognised under the provisions of section 270 of the Financial Services and Markets Act 2000 (schemes authorised in designated countries or territories); or
  - (c) A scheme which is authorised as a non-UCITS retail scheme (as defined in COLL) and in respect of which the requirements of the article 19(1)(e) of the UCITS Directive are met; or
  - (d) A scheme which is authorised in another EEA State (and in respect of which the requirements of article 19(1)(e) of the UCITS Directive are met.
- (ii) The second scheme must comply, where relevant, with those COLL provisions regarding investment in other group schemes and associated schemes (referred to below).
- (iii) The second scheme must have terms which prohibit more than 10% in value of the scheme property consisting of units in collective investment schemes.

The Company may invest in shares or units of collective investment schemes which are managed or operated by (or, in the case of companies incorporated under the OEIC Regulations, have as their authorised corporate director) the ACD or an associate of the ACD. However, if the Company invests in units in another collective investment scheme managed or operated by the ACD or by an associate of the ACD, the ACD must pay into the property of the Company before the close of the business on the fourth Business Day after the agreement to invest or dispose of units:

- (a) on investment – if the ACD pays more for the units issued to it than the then prevailing creation price, the full amount of the difference or, if this is not known, the maximum permitted amount of any charge which may be made by the issuer on the issue of units; and
- (b) on a disposal – any amount charged by the issuer on the redemption of such units.

### *Cash and near cash*

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Up to 100% of the scheme property attributable to a Fund may consist of cash or near cash to enable:

- (a) the pursuit of the Fund's investment objectives;
- (b) the redemption of shares; or
- (c) the efficient management of the Fund in accordance with its objectives or any other purposes which may reasonably be regarded as ancillary to the objectives of the Fund.

The ACD does not anticipate any Fund consisting of more than 50% of cash or near cash at any one time. Liquidity may be at the upper end of, or even exceed this range under certain circumstances such as where large market movements and/or an exceptional number of redemptions are anticipated or the Fund is in receipt of large cash sums upon the creation of shares or realisation of investments.

Cash forming part of the property of a Fund may be placed in any current or deposit account with the Depositary, the ACD or any investment adviser or any associate of any of them provided it is an eligible institution or approved bank and the arrangements are at least as favourable to the Fund concerned as would be those of any comparable arrangements effected on normal commercial terms negotiated at arm's length between two independent parties.

#### ***Government and public securities***

Up to 100% of the scheme property attributable to a Fund may consist of government and public securities provided no more than 35% in value of the scheme property attributable to such Fund is invested in such securities issued by any one body. There is no limit on the amount which may be invested in such securities or in any one issue.

#### ***Money Market Instruments***

Up to 100% of the scheme property attributable to a Fund may consist of money market instruments which are normally dealt in on the money market, are liquid and whose value can be accurately determined at any time, provided such money market instrument is:

- (a) issued or guaranteed by a central, regional or local authority or central bank of an EEA state, the European Bank, the European Union or the European Investment Bank, a non-EEA state or, in the case of a federal state, by one of the members making up the federation, or by a public international body to which one or more EEA states belongs; or
- (b) an establishment subject to prudential supervision in accordance with criteria defined by Community Law or an establishment which is subject to and complies with prudential rules governed by the FSA to be at least as stringent as those laid down by Community Law; or
- (c) issued by a body, any securities of which are dealt in on an eligible market.

Not more than 10% of the scheme value attributable to any of the Funds may consist of money market instruments which do not fall within the above criteria.

#### ***Derivatives***

Whilst the Company may invest in derivatives for investment purposes, the Funds will invest in Derivatives for hedging purposes only. See Risk Management below for details.

#### ***Deposits***

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Up to 100% of the scheme property attributable to a Fund may consist of deposits (as defined in COLL) but only if it:

- is with an approved bank;
- is repayable on demand or has the right to be withdrawn; and
- matures in no more than 12 months.

***Immovable and movable property***

It is not intended that the Company should have any interest in any immovable property or tangible movable property.

***Spread – general***

In applying any of the restrictions referred to above, not more than 20% in the value of the scheme property is to consist of any combination of two or more of the following:

- (a) transferable securities or money market instruments issued by; or
- (b) deposits made with; or
- (c) exposures from over the counter derivatives transactions made with;  
a single body.

In applying any limit to transferable securities or money market instruments, any certificates representing certain securities are to be treated as equivalent to the underlying security.

The exposure to any one counterparty in an over the counter derivative transaction must not exceed 5% in value of the scheme property. This limit may be raised to 10% where the counterparty is an approved bank as defined in COLL.

Not more than 20% in value of the scheme property is to consist of deposits with a single body.

***Borrowing***

Subject to the Company's Instrument of Incorporation and COLL (as it relates to UCITS schemes), the Company may borrow money for the purposes of achieving the objectives of the Funds on terms that such borrowings are to be repaid out of the scheme property of the relevant Fund. The ACD does not anticipate significant use of this borrowing power. Such borrowing may only be made from an eligible institution or approved bank (as defined in COLL) and must be on a temporary basis only. No period of borrowing may exceed 90 days without the prior consent of the Depositary (which may give such consent only on conditions as appear to the Depositary appropriate to ensure that the borrowing does not cease to be on a temporary basis). The borrowing of a Fund must not, on any business day, exceed 10 per cent of the value of the property of the relevant Fund. As well as applying to borrowing in a conventional manner, the 10 per cent limit applies to any other arrangement designed to achieve a temporary injection of money into the property of the Fund in the expectation that such will be repaid. For example, by way of a combination of derivatives which produces an effect similar to borrowings.

The above provisions on borrowing do not apply to "back to back" borrowing for hedging purposes, being an arrangement under which an amount of currency is borrowed from an eligible institution and an amount in another currency at least equal to the amount of currency borrowed is kept on deposit with the lender (or his agent or nominee).

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Borrowings may be made from the Depositary, the ACD, the Directors or any Investment Adviser or any associate of any of them provided that such lender is an eligible institution or approved bank and the arrangements are at least as favourable to the Fund concerned as would be those of any comparable arrangements effected on normal commercial terms negotiated at arm's length between two independent parties.

### ***Risk Management***

The Company may enter into derivative, currency hedges and forward transactions for the purposes of hedging. The following requirements must be satisfied when entering into a transaction for hedging purposes, namely:

- the transaction must be economically appropriate,
- the exposure on the transaction must be fully covered, and,
- the transaction must be entered into for either of the following specific aims:
  - (i) the reduction of risk;
  - (ii) the reduction of costs; or
  - (iii) the generation of additional capital or income for a Fund with no, or with an acceptably low level of, risk.

A transaction which is regarded as speculative will not be permitted. A list of the current eligible derivatives markets for the Funds are set out in Appendix I. Further derivatives markets may be added to the list following consultation with the Depositary in accordance with COLL.

A derivatives or forward transaction which would or could lead to delivery of property to the Depositary may be entered into only if such property can be held by the Funds and the ACD has taken reasonable care to determine that delivery of the property pursuant to the transaction will not lead to a breach of the relevant provisions in COLL.

Where a transaction is entered into for hedging purposes and relates to the actual or potential acquisition of transferable securities, the ACD must intend that the relevant Fund should invest in such transferable securities within a reasonable time and the ACD must ensure that, unless the position has itself been closed out, that intention is realised within such time.

The ACD uses a risk management process which enables it to monitor and measure on a daily basis the risk of a Fund's derivatives and forwards position and their impact on the overall risk profile of that Fund. The ACD does not anticipate the intended use of derivatives and forwards transactions as set out above to have any detrimental effect on the overall risk profile of the Company or any of the Funds.

### ***Stock lending***

The Funds or the Depositary may enter into a repo contract, or a stock lending arrangement of the kind described in section 263B of the Taxation of Chargeable Gains Act 1992 but only if:

- (a) all the terms of the agreement under which securities are to be reacquired by the Depositary for the account of the Funds are in a form which is acceptable to the Depositary and are in accordance with good market practice;
- (b) the counterparty is an authorised person, a person authorised by a home state regulator or otherwise acceptable in accordance with COLL; and
- (c) collateral is obtained to secure the obligation of the counterparty under the terms referred to in (a) above, and is acceptable to the Depositary and must also

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be adequate and sufficiently immediate as set out in COLL. These requirements do not apply to a stock lending transaction made through Euroclear Bank SA/NV's Securities Lending and Borrowing Programme.

## **27 TRANSFER OF SHARES**

A shareholder is entitled (subject to as mentioned below) to transfer shares by an instrument of transfer in any usual or common form or in any other form approved by the ACD. The ACD is not obliged to accept a transfer if it would result in the holder, or the transferee, holding less than the minimum holding of shares of the class in question. The instrument of transfer, duly stamped if it is required to be stamped, must be lodged with the Registrar for registration. The transferor remains the holder until the name of the transferee has been entered in the register.

The Company or the Registrar may require the payment of such reasonable fee as the ACD and the company may agree for the registration of any grant of probate, letters of administration or any other documents relating to or affecting the title to any share.

## **28 WINDING UP OF THE COMPANY AND TERMINATION OF FUNDS**

The Company may be wound up under chapter 7.3 of COLL or as an unregistered company under Part V of the Insolvency Act 1986. Winding up of the Company or termination of a Fund under COLL is only permitted with the approval of the FSA and if a statement has been lodged with the FSA by the ACD confirming that the Company or the Fund will be able to meet all its liabilities within twelve months of the date of the statement (a "**solvency statement**").

Subject to the foregoing, the Company or the relevant Fund will be wound up or terminated (as appropriate) under COLL:

- if an extraordinary resolution of shareholders of either the Company or the Fund (as appropriate) to that effect is passed; or
- on the date stated in any agreement by the FSA in response to a request from the ACD for the winding up of the Company or a request for the termination of the Fund.

The ACD may request that a Fund be terminated in certain situations such as if, at any time after the first anniversary of the issue of the first shares linked to a Fund the net value of the assets of the Company attributable to such Fund is less than £1 million.

The winding up of the Company or termination of a Fund under COLL is carried out by the ACD which will, as soon as practicable, cause the property of the Company or that property attributable to the relevant Fund to be realised and the liabilities to be met out of the proceeds. Provided that there are sufficient liquid funds available after making provision for the expenses of winding up and the discharge of the liabilities of the Company or the Fund (as the case may be) the ACD may arrange for interim distribution(s) to be made to shareholders. When all liabilities have been met, the balance (net of a provision for any further expenses) will be distributed to shareholders. The distribution made in respect of the Fund will be made to the holders of shares linked to that Fund, in proportion to the units of entitlement in the property of that Fund which their shares represent.

Shareholders will be notified of any proposal to wind up the Company or terminate any of the Funds. On commencement of such winding up or termination the Company will cease to issue and cancel shares and transfers of such shares shall cease to be registered.

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

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## 29 OTHER INFORMATION

### *Delegation*

The ACD and the Depositary, subject to exceptions specified in the COLL, may retain (or arrange for the Company to retain) the services of other persons to assist them in the performance of their respective functions and, in relation to certain functions, the ACD or the Depositary (as applicable) will not be liable for the actions of the persons so appointed provided certain provisions of the COLL apply.

### *Conflicts of Interest*

The Depositary or any associate of the Depositary, or of any Investment Adviser may (subject to COLL) hold money on deposit from, lend money to, or engage in stocklending transactions in relation to the Company, so long as the services concerned are provided on arm's length terms.

The Depositary, the ACD, or any Investment Adviser or any associate of any of them may sell or deal in the sale of property to the Company or purchase property from the Company provided the applicable provisions of the COLL apply and are observed.

Subject to compliance with COLL the ACD may be party to or interested in any contract, arrangement or transaction to which the Company is a party or in which it is interested. The ACD is entitled in its own discretion to determine the terms of its appointment as such, and consequently to amend the terms of the Service Agreement referred to under "The Authorised Corporate Director" above.

The Depositary, the ACD, or any Investment Adviser or any associate of any of them will not be liable to account to the Company or any other person, including the holders of shares or any of them, for any profit or benefit made or derived from or in connection with:

- (a) their acting as agent for the Company in the sale or purchase of property to or from the Funds; or
- (b) their part in any transaction or the supply of services permitted by the COLL; or
- (c) their dealing in property equivalent to any owned by (or dealt in for the account of) the Company.

### *Liability and Indemnity*

With the exception mentioned below:

- The ACD, the Depositary and the Auditors are each entitled under the Instrument of Incorporation of the Company to be indemnified against any loss, damage or liability incurred by them in or about the execution of their respective powers and duties in relation to the Company; and
- the ACD and the Depositary are, under the terms of their respective agreements with the Company, exempted from any liability for any loss or damage suffered by the Company.

The above provisions will not, however, apply in the case of:

- any liability which would otherwise attach to the ACD or the Auditors in respect of any negligence, default, breach of duty or breach of trust in relation to the Company;
- any liability on the part of the Depositary for any failure to exercise due care and diligence in the discharge of its functions.

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## 30 GENERAL

Any complaint should be referred to the ACD at its registered office. If a complaint cannot be resolved satisfactorily with the ACD it may be referred to the Financial Ombudsman Service, South Quay Plaza, 183 Marsh Wall, London E14 9SR. More details about the Financial Ombudsman Service are available from the ACD.

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

Shares in the Funds are not listed or dealt in on any investment exchange.

The Financial Services Compensation Scheme Limited has been established under the rules of the FSA as a "rescue fund" for certain clients of firms authorised and regulated by the FSA which have gone out of business. The ACD will supply you with further details of the scheme on written request to its operating address. Alternatively, you can visit the scheme's website at [www.fscs.org.uk](http://www.fscs.org.uk) or by writing to the Financial Services Compensation Scheme, 7<sup>th</sup> Floor, Lloyds Chambers, Portoken Street, London E1 8BN. The FSCS is not available to Intuitional investors.

### ***Cancellation Rights***

A notice of an applicant's right to cancel the agreement to purchase shares will be forwarded, where this is required by rules made under the Act.

When the investment is a lump sum investment (or the first payment, being larger than the second payment, in a regular payment savings plan) an applicant who is entitled to cancel and does so will not get a full refund of the money paid by him if the purchase price of the shares falls before the cancellation notice is received by the ACD, because an amount equal to such fall (the "**shortfall**") will be deducted from the refund he would otherwise receive. Where the purchase price has not yet been paid the applicant will be required to pay the amount of the shortfall to the ACD. The deduction does not apply where the service of the notice of the right to cancel precedes the entering into of the agreement. Cancellation rights must be exercised by posting a cancellation notice to the ACD on or before the 14th day after the date of receipt of the notice of the right to cancel.

### **Documents and information available**

Copies of the following documents are available for all purchasers of shares on request, free of charge from the ACD at 2 The Boulevard, City West One Office Park, Gelderd Road, Leeds LS12 6NT:

- Latest version of the Prospectus;
- Latest version of the Instrument of Incorporation which constitutes the Company and the Funds;
- Latest annual and half-yearly long reports applying to the Funds;
- Supplementary information relating to the quantitative limits which apply to the risk management of the Company and the Funds, the methods used for the purposes of such risk management and any recent developments which relate to the risk and yields of the main categories of investment which apply to the Company and the Funds; and
- The ACD Agreement.

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The above documents are also available for inspection on any Business Day during normal business hours at the offices of the ACD.

**This Prospectus**

This Prospectus describes the constitution and operation of the Company at the date of this Prospectus. In the event of any materially significant change in the matters stated herein or any materially significant new matter arising which ought to be stated herein this Prospectus will be revised. Investors should check with the ACD that this is the latest version and that there have been no revisions or updates.

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## Appendix 1

### Eligible Markets

Set out below are the securities markets through which the Company may invest or deal in approved securities on account of the Funds (subject to its investment objective and policy):

- (a) a "regulated market" as defined in COLL;
- (b) the principal or only market established under the rules of any of the following investment exchanges:

<b>Country</b>	<b>Market</b>
Australia	The Australian Stock Exchange Limited
Canada	The Toronto Stock Exchange
Hong Kong	The Hong Kong Stock Exchange
New Zealand	The New Zealand Stock Exchange
The United Kingdom	The London Stock Exchange
The United States of America	New York Stock Exchange The NASDAQ Stock Market

The alternative investment market (AIM) of the International Stock Exchange of the United Kingdom and the Republic of Ireland Limited is also an eligible securities market for the purposes of the Company and each of the Funds.

### Eligible derivatives markets

<b>Country</b>	<b>Market</b>
UK	London International Financial Futures and Options Exchange (LIFFE)
The United States of America	Chicago Board Options Exchange (CBOE)  CME Group  New York Futures Exchange  New York Mercantile Exchange (NYMEX)  New York Stock Exchange (NYSE)  NYSE Arca  Philadelphia Stock Exchange

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Europe	European Options Exchange EURONEX
Australia	ASX Limited
Canada	The Montreal Exchange Toronto Stock Exchange
Hong Kong	Hong Kong Exchanges (Stock Exchange of Hong Kong)
Ireland	Irish Stock Exchange
New Zealand	New Zealand Futures & Options Exchange
Singapore	Singapore Exchange (Singapore International Monetary Exchange)
South Africa	JSE Securities Exchange

## Appendix 2

### Other Schemes

<b>The ACD acts as Authorised Corporate Director of the following Open-ended Investment Companies:</b>	
Asperior Investment Funds	Celestial Investment Funds
Capita BPM Investment Fund	CF Absolute Return Portfolio Funds
CF 7IM Investment Funds	CF Analyst Umbrella Fund
CF American Higher Income Fund	CF Asset Value Investors Global Fund
CF Arch Cru Investment Funds	CF Balanced Growth Fund
CF Australian Natural Resources Open Ended Investment Company	CF Bespoke Investment Funds
CF Bentley Capital Investment Funds	CF Cheviot Investment Funds
CF Chelverton UK Equity Fund	CF Cornelian Investment Funds
CF Christows Investment Funds	CF Danske Fund
CF CSPM Open Ended Investment Company	CF Eclectica Funds
CF DSMCP Investment Funds	CF Epic Investment Funds
CF Egerton Sterling Investment Fund	CF GHC Multi Manager Investment Funds
CF GHC Investment Funds	CF Heartwood Investment Funds
CF GHC Multi Manager Investment Funds	CF iimia Open Ended Investment Company
CF iimia Accelerated Fund	CF IMS Investment Funds
CF IM Investment Funds	CF JOHIM Investment Funds
CF J.M. Finn Investment Funds	CF KB Enterprise Funds
CF KB Endeavour Funds	CF KB Glendean Fund
CF KB Explorer Funds	CF KB Prokit Fund
CF KB Invicta Fund	CF Lindsell Train UK Equity Fund
CF KB Tully	CF Luna Investment Funds
CF Lord Abbett Investment Funds	CF Midas Investment Funds
CF Macquarie Investment Funds	CF Morant Wright Japan Fund
CF Miton Investment Funds	CF Odey Investment Funds
CF Octopus Opportunities Fund	CF Parkfield Investment Funds ICVC
CF Organised Growth & Income Fund	CF Ruffer Investment Funds
CF Richmond Core Fund	CF OPM Investments
CF OPM Investment Funds	CF Techinvest Special Situations Fund
CF St Andrews Asset Managers Investment Fund	CF Turcan Connell Investment Funds
CF Techinvest Technology Fund	CF US Equity High Yield Fund
CF TY Investment Funds	CF Wise Investment Funds
CF Whitefoord Absolute Return Fund	Deer Investment Funds
Christows Investment Funds	Global Discretionary Investment Funds
FEM Investment Fund	Mackintosh Investment Funds ICVC
Kennox Investment Fund	Nereid Investment Funds
Melchior Investment Funds	Orchard Investment Funds
New Square Investment Funds	Purisima Investment Funds
Pendennis Fund ICVC	Sheldon Investment Funds
Real Life Fund	Sunart Fund
<b>smartinvest</b> growth portfolio	The Abbotsford Fund
The Arbor Fund	The Broden Fund
The Beechwood Fund	The Circus Fund
The Castleton Growth Fund	The Cranmer Investment Fund

The Davids Fund	The Floco Fund
The Folla Fund	The Grande Motte Fund
The Gulland Fund	The Helm Investment Fund
The Hendom Fund	The Jaguar Fund
The Marten Fund	The Mazener Fund
The Montana Fund	The Mulberry Fund
The Navajo Fund	The Norton Fund
The Oenoke Fund	The Penrhos Fund
The Prestney Fund	The Primrose Fund
The Successor Investment Funds	The Steelback Fund
The Teal Fund	The Tasman Fund
The Viaduct Fund	The Triple Six Investment Fund
Westferry Investment Funds	Trojan Investment Funds
Windrush Fund	
<b>The ACD acts as Manager of the following Authorised Unit Trusts:</b>	
CF Adam Worldwide Fund	CF BWH International Fund
CF Canlife Unit Trusts	CF Cheviot Managed Fund
CF Church House Active Value Fund	CF Church House High Income Fund
CF Church House UK Growth Fund	CF Cobra Trust
CF Dream Trust	CF Greenaway Fund
CF Greenmount Fund	CF Heartwood Balanced Growth Fund
CF Independence Trust	CF Institutional World Fund
CF James Brearley High Income Trust	CF Jaycap Trust
CF KB Albert Trust	CF KB Anfield Trust
CF KB Bircham Trust	CF KB Capital Portfolio Trust
CF KB Catalyst Trust	CF KB Dragon Trust
CF KB Feelgood Trust	CF KB Gorthleck Trust
CF KB Hawthorn Trust	CF KB Ilex Trust
CF KB Imperial Trust	CF KB Jetwave Trust
CF KB Lancastrian Trust	CF KB Paradise Trust
CF KB Ramogan Trust	CF Lacomp World Fund
CF Mitchell Trust	CF OLIM UK Equity Trust
CF Rowan Portfolio Trust	CF Stewart Ivory Investment Markets Fund
CF Thameside Managed Fund	CF Villture Fund
CF Walker Crips Corporate Bond Fund	CF Walker Crips Equity Income Fund
CF Walker Crips Global Growth Trust	CF Walker Crips Select Income Trust
CF Walker Crips UK Growth Fund	CF Walker Crips UK High Alpha Fund
CF Worldwide Fund	Junior Oils Trust
London Bridge Fund	Lorimer Trust
Sackville Growth Portfolio Trust	Sackville Balanced Portfolio Trust
The Beaver Trust	The Amadeus Trust
The Elfynn Trust	The Drygate Trust
The Heathway Fund	The Esk Fund
The Lancaster Trust	The Holly Fund
The Newgate Trust	The Mermaid Trust
The Sycamore Fund	The Oakridge Trust
The Willow Fund	