

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

HARGREAVES LANSDOWN FUND MANAGERS LIMITED

---

PROSPECTUS

Dated and valid as at  
14 June 2018

---

HL MULTI-MANAGER BALANCED MANAGED TRUST  
HL MULTI-MANAGER SPECIAL SITUATIONS TRUST  
HL MULTI-MANAGER INCOME & GROWTH TRUST  
HL MULTI-MANAGER EQUITY & BOND TRUST  
HL MULTI-MANAGER STRATEGIC BOND TRUST

## PROSPECTUS

This document is the Prospectus for the Funds which has been prepared in accordance with the Rules (each as defined in Section 1 below), and is dated and valid as at 14 June 2018. Copies of this document have been sent to the FCA and the Trustee.

Hargreaves Lansdown Fund Managers Limited, the authorised fund manager of the Funds, is the entity responsible for the information contained in this Prospectus. To the best of its knowledge and belief (having taken reasonable care to ensure that such is the case) the information contained herein does not contain any untrue or misleading statement or omit any matters required by the Rules to be included in it. Hargreaves Lansdown Fund Managers Limited accepts responsibility accordingly.

No person has been authorised by the Manager to give any information or to make any representations in connection with the offering of Units other than those contained in this Prospectus and, if given or made, such information or representations must not be relied on as having been made by the Manager. The delivery of this Prospectus or the issue of Units shall not, under any circumstances, create any implication that the affairs of the Funds have not changed since the date of this Prospectus. This Prospectus is based on information, law and practice at the date hereof. The Manager cannot be bound by an out of date Prospectus when a new version has been issued, and investors should check with the Manager that this is the most recently published Prospectus.

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

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

The Manager and the Fund have not been and will not be registered in the United States of America under any applicable legislation. Units may not be offered, sold or delivered in the United States of America or to investors who are US Persons.

Units are not listed on any investment exchange.

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

## SECTION 1: DEFINITIONS

"Administrator and Registrar"	Northern Trust Global Services PLC or such other entity (or entities) to whom the Manager has delegated its administration and/or registrar function from time to time.
"AIFMD"	Alternative Investment Fund Managers Directive (Directive 2011/61/EU) as implemented by the Commission Delegated Regulation (EU) No. 231/2013 and transposed in the UK by UK SI 2013/1773 "Financial Services and Markets; The Alternative Investment Funds Regulations 2013".
"Auditor"	Ernst & Young LLP, or such other entity as is appointed as auditor to the Fund from time to time.
"Business Day"	Monday to Friday excluding public and bank holidays in England or any day on which UK clearing banks are not open for business in London.
"COLL Sourcebook"	The Collective Investment Scheme Sourcebook which forms part of the FCA's Handbook of Rules and Guidance, as amended from time to time. References to rules and guidance in the COLL Sourcebook are prefaced by "COLL".
"Custodian"	The Northern Trust Company, London Branch or such other entity (or entities) to whom the Trustee has delegated its custody function from time to time.
"Dealing Day"	Monday to Friday where these days are Business Days.
"efficient portfolio management"	An investment technique where derivatives are used for one or more of the following purposes: reduction of risk, reduction of cost or the generation of additional income with a level of risk which is consistent with the risk profile of the Fund and the risk diversification rules set out in the COLL Sourcebook, as further described in Schedule 1.
"FCA"	The Financial Conduct Authority or any relevant successor regulatory body from time to time.
"Funds"	The authorised unit trusts managed by the Manager as set out in Section 3 of this Prospectus, and "Fund" means any one of the Funds.
"FUND Sourcebook"	The Investment Fund Sourcebook which forms part of the FCA's Handbook of Rules and Guidance, as amended from time to time. References to rules and guidance in the Fund Sourcebook are prefaced by "FUND".
"HL Group"	The Hargreaves Lansdown group of companies, the ultimate holding company of which is Hargreaves Lansdown plc.

"HMRC"	HM Revenue & Customs.
"Manager"	Hargreaves Lansdown Fund Managers Limited, the authorised fund manager of the Funds.
"Non-UCITS Retail Scheme" or "NURS"	A scheme complying with the requirements of the COLL Sourcebook for a non-UCITS retail scheme.
"PRA"	The Prudential Regulation Authority or any relevant successor regulatory body from time to time.
"Register"	The register of Unitholders of a Fund.
"Rules"	The applicable rules set out in the COLL Sourcebook and the FUND Sourcebook.
"Trust Deed"	In respect of each Fund, the deed entered into by the Manager and the Trustee constituting that Fund, as amended or supplemented from time to time.
"Trustee"	Northern Trust Global Services PLC, the trustee and depositary of the Funds.
"UCITS"	An undertaking for collective investment in transferable securities as defined in Directive 2009/65/EC, as amended.
"Unit"	A Unit in a Fund (or a fraction thereof), and "Units" shall be construed accordingly.
"Unitholder"	A holder of Units.
"United States of America"	The United States of America (including the States and the District of Columbia), its territories, its possessions and any other areas subject to its jurisdiction.
"US Persons"	Means as defined in Section 8.
"VAT"	UK value added tax.

## SECTION 2: MANAGEMENT AND ADMINISTRATION

### The Manager of the Funds

Hargreaves Lansdown Fund Managers Limited is the authorised fund manager of the Funds and also of the other authorised schemes listed in Schedule 5 to this Prospectus. The Manager is a private limited company incorporated in England and Wales on 15 April 1992 (registered number 2707155). The registered and head office of the Manager is One College Square South, Anchor Road, Bristol BS1 5HL. The Manager is a wholly-owned subsidiary of Hargreaves Lansdown PLC and forms part of the HL Group. The Manager is authorised and regulated by the FCA. The Manager is the alternative investment fund manager of the Funds, which are each regarded as an "alternative investment fund" or "AIF" for the purposes of the AIFMD.

The Manager has an authorised share capital of 100,000 shares of £1 each of which 80,000 shares of £1 each are in issue and fully paid.

The Directors of the Manager are: Christopher Frederick Hill, Philip Michael Johnson, Lee Nathan Gardhouse, Robert James Byett, and Chris James Worle. Each of these individuals is employed within the HL Group, the services of which include a direct to consumer platform service, portfolio management, personal financial planning and stockbroking.

The Trust Deed and Rules contain provisions governing the responsibilities of the Manager in relation to the management and administration of each Fund, including (but not limited to) portfolio management and risk management of the Fund, maintaining the Fund's books and records, valuing the Fund's assets and liabilities, calculating the net asset value of the Fund and each Unit, and the issue, redemption and distribution of Units. The Manager covers its professional liability risks in respect of these activities by holding additional capital ("own funds"), as calculated in accordance with the Rules.

The Manager may delegate the performance of (but not responsibility for) certain of its functions to third parties. Further details of the functions currently delegated by the Manager are set out below.

### The Trustee and Depositary

The trustee of the Funds is Northern Trust Global Services PLC. The Trustee is a public limited company incorporated in England and Wales on 11 June 2003 with registered number 4795756. The Trustee's registered office is at 50 Bank Street, Canary Wharf, London E14 5NT. The Trustee's ultimate holding company is Northern Trust Corporation, a company which is incorporated in the State of Illinois, United States of America. The principal activity of the Trustee is trustee and depositary services. The Trustee is authorised by the PRA and regulated by the FCA and the PRA.

The Trustee has been appointed as the depositary of each Fund's assets in accordance with the Rules. The rights and duties of the Trustee (in its capacity as depositary) are governed by the depositary agreement entered into by the Manager and the Trustee (the "**Depositary Agreement**") and the Rules. The Trustee is responsible for the safekeeping of all the scheme property of the Funds, which includes: (i) holding in custody all financial instruments that can be registered in an account opened in the Trustee's books and all financial instruments that can be physically delivered to the Trustee; and (ii) for other assets, verifying the ownership of such assets and maintaining records accordingly. The Trustee also has a duty to take reasonable care to ensure

that each Fund is managed in accordance with the Fund's Trust Deed and the provisions of the Rules relating to the pricing of, and dealing in, Units and relating to the income and the investment and borrowing powers of the Fund. The Trustee is also responsible for monitoring the cash flows of each Fund and must ensure that certain processes carried out by the Manager are performed in accordance with the Rules, this Prospectus and the relevant Trust Deed.

The Depositary Agreement provides for the Trustee to appoint third party delegates (including its own affiliates, subsidiaries or country branches) to provide custody services and asset verification services in respect of the assets of the Funds, in accordance with the applicable provisions laid down in the Rules and the AIFMD. As at the date of this Prospectus, the Trustee has delegated the custody function to The Northern Trust Company, London Branch. The Custodian is a company established under the laws of the State of Illinois in the United States of America with limited liability, whose principal place of business in England and Wales is at 50 Bank Street, Canary Wharf, London E14 5NT. The Custodian is authorised by the PRA and regulated by the FCA and the PRA.

The Custodian may appoint sub-custodians to provide custody services in respect of a Fund's assets provided that any such sub-delegation complies with the Rules and the terms of the Custodian's appointment by the Depositary.

The Trustee is liable to each Fund for the loss of financial instruments which are held in custody as part of the Trustee's safekeeping duties. The liability of the Trustee will not be affected by the fact that it has entrusted its safekeeping duties to a third party save where this liability has been lawfully discharged to a delegate (any such discharge will be notified to Unitholders) or where the loss of a financial instrument arises as a result of an external event beyond the reasonable control of the Trustee as provided for under AIFMD. The Trustee will not be indemnified out of the assets of a Fund for the loss of financial instruments where it is so responsible. As per written agreement the Trustee is not entitled to re-use any of the fund assets or to authorise the Custodian (or any sub-custodian to do so), unless otherwise agreed by the Manager.

#### Administration Services

The Manager has appointed Northern Trust Global Services PLC to provide certain fund administration services, including fund valuation and accounting, Unit price calculation and transfer agency services. The Manager has also appointed Northern Trust Global Services PLC to maintain each Fund's Register.

Northern Trust Global Services PLC has functionally and hierarchically separated the performance of its trustee functions (as outlined above) from the administration tasks delegated to it by the Manager.

#### The Auditor

The Auditor of the Funds is Ernst & Young LLP, of 1 More London Place, London SE1 2AF. The Auditor is required to audit and express its opinion of the financial statements of each Fund in accordance with applicable laws and auditing standards.

## SECTION 3: CONSTITUTION AND STATUS OF THE FUND

### The Funds

Name	FCA product reference number	Authorisation Date	Trust Deed (as amended)
HL Multi-Manager Balanced Managed Trust	193783	5 December 2000	30 November 2000
HL Multi-Manager Special Situations Trust	194798	15 March 2001	13 March 2001
HL Multi-Manager Income & Growth Trust	200107	21 August 2002	23 August 2002
HL Multi-Manager Equity & Bond Trust	448366	28 April 2006	28 April 2006
HL Multi-Manager Strategic Bond Trust	488903	20 January 2009	20 January 2009

### Structure and regulatory classification

Each Fund is an authorised unit trust scheme and is categorised as a Non-UCITS Retail Scheme and an "alternative investment fund" for the purposes of the Rules. The base currency of each Fund is pounds sterling.

Key investor information documents in respect of the Funds, including historic performance data, are available from the Manager.

### Nature of the Units

For each Fund, Unitholders hold Units which reflect the value of the assets held by the Fund. The right represented by Units in the Fund is that of a beneficial interest under a trust. A Unitholder is not liable to make any further payment to the Fund after they have paid the purchase price of the Unit. Unitholders will not be liable for the debts, if any, of the Fund. Each undivided Unit ranks *pari passu* with the other undivided Units in the Fund.

The Trust Deed for each Fund permits the issue of a number of different classes and types of Units, including both income Units and accumulation Units. An income Unit represents one undivided Unit in the Fund in respect of which income earned by that Unit (if any) is to be distributed to the Unitholder. An accumulation Unit is an undivided Unit in respect of which the income earned by that Unit (if any) is accumulated and reflected in its value.

Each class of Unit issued by a Fund may vary by factors such as whether it pays out or accumulates income, or attracts different fees, charges and expenses. As a result, money may be deducted from the classes in unequal proportions. In these circumstances the proportionate interests of the Fund's Unit classes will be adjusted in accordance with the relevant Trust Deed.

**A summary of the Unit classes currently issued by each Fund, the relevant investment requirements and applicable charges for each class of Unit is set out in Schedule 4.**

The Trustee (at the instruction of the Manager) may from time to time create additional Unit classes in a Fund, provided this does not result in any material prejudice to existing Unitholders of

that Fund, and subject to the relevant Trust Deed. In these circumstances, a new Prospectus shall be issued, setting out the details of such new Unit class(es).

**Further information on the Funds' Unit dealing and pricing arrangements is set out in Sections 6 and 7.**

The Manager seeks at all times to ensure that Unitholders are treated fairly and has an obligation to act honestly, fairly, professionally, independently and in the interest of the Funds and their respective Unitholders. For each Fund, there is no preferential treatment afforded to any one individual or group of Unitholders above another in terms of buying and selling Units and holding Units within the Fund, although the Manager may use its discretion in such matters, in which case Unitholders will be given a description of the preferential treatment and what it involves.

The Manager has internal controls in place to prevent conflicts of interest and to prevent a material risk of damage to the interests of Unitholders. Further information about potential conflicts of interest is set out in Section 10.

### The Registers

For each Fund, title to Units is evidenced in that Fund's Register of Unitholders, and the Register shall be conclusive as to the persons respectively entitled to the Units entered in the Register as a matter of law. No certificates will be issued to Unitholders. No notice of any trust, express, implied or constructive, shall be entered on the Register in respect of any Unit and the Manager and Trustee shall not be bound by any such notice.

The Register for each Fund is maintained by the Administrator and Registrar, and may be inspected by a Unitholder at the following address during normal business hours on a Business Day: 50 Bank Street, Canary Wharf, London E14 5NT.

### Unitholder's relationship with a Fund and its service providers

All Unitholders in a Fund are entitled to the benefit of, are bound by, and are deemed to have notice of, the relevant Trust Deed, copies of which are available on request from the Manager. The provisions of the Trust Deed are binding on the Manager, the Trustee and each Unitholder.

The subscription documents for a Fund (being this Prospectus, the relevant Trust Deed and any application form submitted by or on behalf of a Unitholder) are governed by English law, and the Courts of England & Wales shall have jurisdiction in relation to claims made under or in respect of such subscription documents against parties domiciled in England or such jurisdiction otherwise determined in accordance with European Council Regulation (EC) No 44/2001.

Regulation (EC) 593/2008 ("**Rome I**") must be applied in all member states of the European Union (other than Denmark). Accordingly, where a matter comes before the courts of a relevant member state, the choice of a governing law in any given agreement is subject to the provisions of Rome I. Under Rome I, the member state's courts may apply any rule of that member state's own law which is mandatory irrespective of the governing law and may refuse to apply a rule of governing law if it is manifestly incompatible with the public policy of that member state. Further, where all other elements relevant to the situation at the time of the choice are located in a country other than the country whose law has been chosen, the choice of the parties shall not prejudice the application of provisions of the law of that other country which cannot be derogated from by agreement. Unitholders should note that there are a number of legal instruments providing for the



recognition and enforcement of foreign judgments in England. Depending on the nature and jurisdiction of the original judgment, Council Regulation (EC) No 44/2001 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, Regulation (EC) No 805/2004 of the European Parliament and of the Council of 21 April 2004 creating a European Enforcement Order for uncontested claims, the Convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters done at Lugano on 30 October 2007, the Administration of Justice Act 1920 and the Foreign Judgments (Reciprocal Enforcement) Act 1933 may apply. There are no legal instruments providing for the recognition and enforcement of judgments obtained in jurisdictions outside those covered by the instruments listed above, although such judgments might be enforceable at common law.

Each Fund is reliant on the performance of service providers, whose details are set out above. No Unitholder will have any direct contractual claim against any such service provider. This is without prejudice to any right a Unitholder may have to bring a claim against an FCA authorised service provider pursuant to Section 138D of the Financial Services and Markets Act 2000 or any tortious rights of action.

If a Unitholder has a complaint in respect of a Fund, such complaints may be made to the Manager at the following address: Fund Administration Manager, One College Square South, Anchor Road, Bristol BS1 5HL. If a Unitholder is not satisfied with the way the Manager handles a complaint, Unitholders who are "eligible complainants" may refer such complaints to the Financial Ombudsman Service: (i) by post at Exchange Tower, London E14 9SR; by telephone on 0800 023 4567 or 0300 123 9 123; or (iii) by email at: [complaint.info@financialombudsman.org.uk](mailto:complaint.info@financialombudsman.org.uk). Further information is available at: [www.financialombudsman.org.uk](http://www.financialombudsman.org.uk).

The Manager is a member of the Financial Service Compensation Scheme. Unitholders may therefore be entitled to compensation from the Scheme if the Manager cannot meet its obligations. This depends on the eligibility of the relevant investor and the circumstances of the claim. There are limits on the amount of compensation available (as at the date of this Prospectus, most types of investment business are covered up to 100% of the first £50,000). Further information about the Financial Services Compensation Scheme is available on request, or by contacting the FSCS at: 10<sup>th</sup> Floor Beaufort House, 15 St. Botolph Street, London EC3A 7QA, by visiting [www.fscs.org.uk](http://www.fscs.org.uk), or by telephone: 08006781100.

## SECTION 4: INVESTMENT OBJECTIVES AND POLICIES

### General

The investment objective and investment policy for each Fund is set out in Schedule 4 to this Prospectus.

### Investment and borrowing powers and restrictions

All of the Funds are Non-UCITS Retail Schemes and are therefore subject to certain investment restrictions, as prescribed by the Rules. Each Fund is also subject to any restrictions set out in the relevant Trust Deed and this Prospectus. A summary of each Fund's investment and borrowing powers is set out in Schedule 1 of this Prospectus.

### ISA eligibility

It is intended that Units in a Fund are eligible investments for a Stocks & Shares Individual Savings Account (ISA).

### Typical Investor

A typical investor in the Funds will be a retail investor who understands and appreciates the risks associated with investing in Units, and may or may not have received advice from a qualified professional adviser. The Fund may also accept applications from institutional investors.

### Changes to the investment objective and/or the investment policy

In the event the Manager proposes to amend the investment objective and/or investment policy of a Fund:

- it will obtain the Trustee's and the FCA's consent, in accordance with the Rules;
- depending on the materiality of the proposed changes, it will treat the change as a "fundamental change", a "significant change" or a "notifiable change" (see Section 10), and will either obtain Unitholders' consent or notify Unitholders, as is required in the circumstances under the applicable Rules.

## SECTION 5: CHARGES AND EXPENSES

### The Manager's Charges and Expenses

#### **Preliminary charge**

The Manager is entitled, under the Trust Deed for each Fund, to a preliminary charge which is included in the issue price of the Units. The preliminary charge may be waived at the Manager's discretion. The Manager's current preliminary charges are set out in Schedule 4.

#### **Annual management charge**

For each Fund, the Manager is also entitled under the Trust Deed to receive an annual management charge out of the scheme property of the Fund. The annual management charge is calculated and accrued daily. The daily accrual is based on the mid-market valuation of the Fund in respect of each Unit class at the valuation point of the previous day. The fee is paid monthly in arrears out of the scheme property of each Fund. The current rate of the annual management charge for each Unit class is set out in Schedule 4.

#### **Redemption charge**

The Manager is entitled, under the Trust Deed for each Fund, to apply a charge on the redemption of Units in the Fund but at present does not intend to introduce such a charge.

#### **Fund accounting charges**

The Administrator and Registrar is remunerated for the provision of fund accounting services by a charge that is calculated and accrued daily based on the net asset value of each Fund. The charge is paid monthly in arrears out of the scheme property of the Fund. The per annum fund accounting charge is:

0.02% of the net asset value of the Fund up to £100 million\*;  
0.015% of the net asset value of the Fund between £100 million and £200 million;  
0.013% of the net asset value of the Fund between £200 million and £300 million;  
0.0075% of the net asset value of the Fund between £300 million and £400 million;  
0.005% of the net asset value of the Fund between £400 million and £600 million;  
0.004% of the net asset value of the Fund between £600 million and £1000 million; and  
0.002% of the net asset value of the Fund over £1000 million.

\*subject to a minimum charge, per Fund, of £35,000 per annum.

#### **Increases to the Manager's charges and expenses**

The Manager is not permitted to: (i) introduce a redemption charge; or (ii) increase the rates of its preliminary, annual management, administration or advisory fees and charges, unless 60 days' prior written notice of such change is given to all Unitholders in the relevant Fund(s) and this Prospectus is revised to reflect the proposed change.

### Trustee's Charges and Expenses

#### **Periodic charge**

The Trustee's fee is a periodic charge based on the net asset value of each Fund, charged per Fund at the following rates:

- 0.01% on the first £100 million of the scheme property of a Fund; and
- 0.0075% on balances greater than £100 million,

per annum (plus VAT). The Trustee's periodic charge is accrued and calculated on a daily basis based on the mid-market valuation of the scheme property of each Fund in respect of each Unit

class at the valuation point of the previous day. The fee is paid monthly in arrears out of the scheme property of the Funds.

### **Custody and transaction charges**

The Trustee is also entitled to payment of custody and transaction charges in relation to the transaction handling and safekeeping of the Funds' scheme property as follows:

	<b>Range</b>
Transaction charges	£25 per transaction
Custody charges	£100 per holding, per annum

These charges vary from country to country depending on the markets and types of transaction involved. The transaction charges accrue at the time the transactions are carried out and are payable no later than the last Business Day of the month where the charge is incurred or as otherwise agreed between the Manager and the Trustee. Custody charges accrue on a daily basis and are paid monthly in arrears. The minimum custody and transactions charges in aggregate per annum, and in total across all schemes managed by the Manager, is £40,000.

### **Expenses**

Where relevant, the Trustee may make a charge for its services in relation to distributions from a Fund. The Trustee may purchase or sell or deal in the purchase or sale of scheme property, provided always that the services concerned and any such dealing are in accordance with the provisions of the Rules.

The Trustee is also entitled to reimbursement out of the scheme property of the Fund in respect of all liabilities, costs and expenses (together with VAT thereon) incurred in the proper performance of its duties (or exercising powers conferred upon it) under the Trust Deed, the Rules or by general law.

### **Increase to Trustee's charges and expenses**

The Trustee is permitted to increase its remuneration subject to the Manager's agreement. If the change materially increases the payments out of the Fund, Unitholders will be given 60 days prior written notice.

### Registration fees and charges

Charges in relation to the establishment and maintenance of the Register for each Fund are charged directly to the Fund and are paid monthly in arrears out of the Fund's scheme property. The current charge is £12 per Unitholder per annum. There is also an administration fee of £3,000 per Unit class.

Any increase in the Administrator and Registrar's fees may only take effect if 60 days' prior written notice has been given to all Unitholders and this Prospectus has been revised to reflect the change and date of commencement.

### Other costs and expenses

The following costs and expenses (being the amounts actually incurred at such time) together with any applicable VAT thereon may be payable by each Fund from its assets at the discretion of the Manager:

- (a) broker's commission, fiscal charges and other disbursements which are:
  - (i) necessary to be incurred in effecting transactions for the Fund; and
  - (ii) normally shown in contract notes, confirmation notes and difference accounts as appropriate;
- (b) interest on borrowings permitted under the Rules and charges incurred in effecting or terminating such borrowing or in negotiating or varying the terms of such borrowings;
- (c) taxation and duties payable in respect of the property of the Fund, the Trust Deed or the issue of Units;
- (d) any costs incurred in modifying the Trust Deed (including costs incurred in respect of meetings of holders convened for purposes which include the purpose of modifying the Trust Deed), where the modification is:
  - (i) necessary to implement, or necessary as a direct consequence of, any change in the law (including changes in the Rules); or
  - (ii) expedient having regard to any change in the law made by or under any fiscal enactment and which the Manager and the Trustee agree is in the interest of holders; or
  - (iii) to remove from the Trust Deed obsolete provisions;
- (e) any costs incurred in respect of meetings of Unitholders convened by the Trustee or on a requisition by Unitholders not including the Manager or an associate of the Manager;
- (f) certain liabilities (as set out in the COLL Sourcebook) on unitisation, amalgamation or reconstruction of the Fund;
- (g) the audit fee properly payable to the Auditor and any proper expenses of the Auditor;
- (h) any fee and any proper expenses of any professional advisers retained for or on behalf of the Fund or by the Manager in relation to the Fund;
- (i) payments, costs or any other administrative expenses in relation to the preparation or dissemination of the Fund's Prospectus and the preparation of the key investor information document or equivalent documentation (in the case of the key investor information document or equivalent documentation, only the cost of preparation may be charged);
- (j) the periodic fees of the FCA under the Financial Services and Markets Act 2000 or the corresponding periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which Units in the Fund are or may be marketed;

- (k) any costs of printing and distributing annual, half yearly and quarterly reports and any other reports or information provided to unitholders;
- (l) any costs of listing the price of units in the Fund in publications and information services selected by the Manager;
- (m) any payment permitted by the Rules in connection with liabilities on a transfer of assets;
- (n) any costs of establishing and obtaining authorisation of the Fund;
- (o) any costs incurred producing and despatching any payment from the Fund;
- (p) any costs incurred in taking out and maintaining an insurance policy in relation to the Fund;
- (q) any costs or fees which arise in connection with pursuing or defending litigation on behalf of the Fund;
- (r) any amount payable by the Fund under any indemnity provisions provided for in the Trust Deed constituting the Fund or any agreement to which the Fund is party (subject to all applicable laws, regulations and the Rules);
- (s) any costs incurred in connection with the establishment and maintenance of the register and any plan sub-register.

VAT on any fees, charges or expenses will be chargeable out of the property of the Fund where applicable.

The Funds also pay the dealing charges of the Administrator & Registrar and any electronic straight-through-processing transaction network providers.

#### Charges to capital

Where the objective of a Fund is to treat the generation of income as a higher priority than capital growth, or the generation of income and capital growth have equal priority, all or part of the Manager's fees (and any other charges) may be charged against the Fund's capital instead of its income. This may result in capital erosion or constrain capital growth.

Currently, the following Funds deduct some or all charges (including the Manager's Annual Management Charge and the Trustee's Periodic Charges) from capital: HL Multi-Manager Income & Growth Trust; and HL Multi-Manager Equity & Bond Trust.

This treatment should increase the amount of income available for distribution to Unitholders, but may constrain capital growth.

#### Exemption from liability to account for profits

The Manager is not liable to Unitholders for any profits or benefits it makes or receives that are derived from or in connection with: (i) dealings in Units; (ii) any transactions in Fund property; and (iii) the supply of services to the Fund.

## SECTION 6: DEALING

### Purchase and Redemption of Units in the Funds

The Manager will accept orders for the purchase and sale of Units between the hours of 9.00 a.m. and 5.00pm of each Dealing Day, subject to the rules on pricing (see Section 7). Units will be bought/sold at the price calculated by reference to the relevant valuation point following receipt of the request, as further explained below and in Section 7. Instructions to purchase or redeem Units may either be in writing at: Northern Trust Global Services PLC, P.O. Box 3733, Royal Wootton Bassett, Swindon SN4 4BG, through a 'straight through process' (STP) provider, or at the Manager's discretion over the telephone on 0333 300 0360 (all telephone calls may be recorded).

A contract note confirming each purchase of Units will be issued no later than the end of the Business Day following the relevant valuation point. Certificates will not be issued. The valuation point, by reference to which the price of each Unit is determined, is 11.00 am on each Dealing Day. All requests for purchases of Units must be received by the Manager before the valuation point on a Dealing Day, otherwise they will be held over until the next valuation point. The Manager has the right to reject any application for Units that has not been completed to its satisfaction.

Investors will only have cancellation rights if an investment is made in a Fund as a result of having taken investment advice from an authorised financial adviser. If an investor exercises a right to cancel, the full amount initially invested may not be received if the price for the Units has fallen since the investment was made.

The settlement period for both subscriptions and redemptions of Units is four Business Days from the relevant valuation point (T+4). The Manager reserves the right to cancel any application for Units where payment is not received in full by the expiry of four business days.

Units will be redeemed at no less than the price of the Unit as determined at the relevant valuation point following the time instructions are received by the Manager, as calculated in accordance with the Rules. However, Units may also be redeemed through an authorised intermediary who may charge commission. Instructions for the redemption of Units may be given in writing or, at the Manager's discretion may be accepted if given by telephone (as outlined above). Payment of redemption proceeds will be made by the expiry of four Business Days of the Manager receiving properly completed documentation. A contract note will be issued to confirm the transaction by the end of the next Business Day following the relevant valuation point. Once a request to redeem Units has been given, it cannot subsequently be withdrawn.

Large deals (deals of more than £15,000 by any person as principal, either as a single transaction or a series of transactions totalling over £15,000 in value in one dealing period of the Fund) may be carried out at a higher sale price or a lower redemption price than those published, provided they do not exceed the maximum and minimum price parameters set out in the Rules.

The minimum investment and minimum holding thresholds for each Fund are set out in Schedule 4 (except where the Manager shall in its absolute discretion, permit to the contrary). Investors that invest via platforms or other nominee companies may be permitted to invest smaller minimum investments, including through a regular savings plan. Instructions for the sale of part only of a holding will be accepted provided that the value of the Units remaining will be at least the applicable holding value (except where the Manager shall in its absolute discretion, permit to the contrary).

## Client Money

Money received by the Manager which is pending the purchase or redemption of Units will be held in accordance with the FCA's rules on "client money", in a designated pooled client money bank account maintained by the Manager with a third party bank, currently Lloyds Banking Group. No interest is payable to investors on money held in the client money bank account.

Where the Manager holds client money for an investor which remains unclaimed for a period of six years, the Manager will make reasonable efforts to contact the investor in order to repay that client money. If the Manager is not able to contact such investor, the Manager may pay such unclaimed client money to a registered charity in accordance with the FCA's rules on client money, and the cash will no longer be treated as client money. If the amount due to an investor is greater than £25 (or £100 for an investor that is categorised as a professional client), such investor will subsequently be entitled to a sum equal to such amount, subject to the Manager's verification requirements.

If any bank holding client money fails and the relevant money is not returned, affected investors may be eligible to claim compensation under the Financial Services Compensation Scheme ("FSCS"). The current compensation limit is £85,000 per eligible complainant, per bank, and the limit covers all money held with the bank, whether by the investor directly or through the Manager. Full details of the arrangements under the FSCS are available on its website: [www.fscs.org.uk](http://www.fscs.org.uk).

If a bank holding client money fails, investors should note that their client money held by the Manager will be pooled with that held for other investors in the Funds. This means that investors will have a claim against the common pool of money, rather than a claim against a specific sum in a specific account. As a result, any shortfall in the client money bank accounts will be shared on a pro rata basis between all investors on whose behalf the Manager holds client money in the relevant account.

## In specie application

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

## Suspension of Dealings

The Manager may with the prior agreement of the Trustee, or must without delay if the Trustee so requires, temporarily suspend the issue, cancellation, sale and redemption of Units ("dealing") where due to exceptional circumstances it is in the interests of all the Unitholders in the relevant Fund. The Manager and the Trustee must ensure that the suspension is only allowed to continue for as long as is justified having regards to the interests of the Unitholders and that dealing resumes as soon as possible after the circumstances triggering the suspension have ceased. Upon suspension, the Manager or the Trustee must immediately inform the FCA, giving reasons for the suspension.

The Manager will inform Unitholders of the suspension as soon as practicable after the suspension commences, explaining the reasons for the suspension. The Manager will also publish sufficient details on its website to keep Unitholders appropriately informed about the suspension including (if known) its likely duration. The Manager and the Trustee will formally review the suspension at least



every 28 days, keeping the FCA informed. During such period of suspension, the Manager may agree to deal in Units at a price calculated by reference to the first valuation point after resumption of dealing in Units. The Manager will resume dealing in Units after giving the FCA notice in accordance with the COLL Sourcebook.

The Manager may suspend dealing with respect to a particular Unit class, without being applied to all other Unit classes in a Fund, if it is in the interests of all the Unitholders in that Fund.

#### Deferred Redemption

In times of high levels of redemption, the Manager may, with the prior agreement of the Trustee, or shall if the Trustee so requires, permit deferral of redemptions at a valuation point 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, following the provisions of the Rules in COLL 6.2.21R, redemption requests up to the 10% level will be met 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.

#### Conversion between classes of Unit in a Fund

A Unitholder may convert all or some of their Units in one class in a Fund ("**original Units**") for Units of another class within that Fund ("**new Units**"), subject to the minimum investment thresholds and eligibility criteria for that class (as set out in Schedule 4). The number of new Units issued in respect of the conversion will be determined by the respective prices of Units at the valuation point applicable at the time the original Units are cancelled and the new Units are created.

If the conversion would result in the Unitholder holding less than the minimum holding requirements in the class concerned, the Manager may convert the whole of the Unitholder's original Units to the new Units or decline to effect any conversion of the original Units. No conversion will be made during any period when the right to Unitholders to deal in their Units has been suspended. The general provisions on procedures relating to the purchase and redemption of units in a Fund will apply equally to a conversion (see above under the heading "Purchase and Redemption of Units in the Funds").

The Manager does not apply a charge on the conversion of Units in one class in a Fund to Units of another class in the same Fund. Conversions between different Unit classes in the same Fund should not give rise to a disposal for UK capital gains tax purposes. However, Unitholders should seek their own professional tax advice in this regard.

#### Mandatory redemption and cancellation of Units

The Manager may from time to time take such action, and impose such restrictions, as it thinks necessary for the purpose of ensuring that no Units are acquired or held by any person in circumstances ("relevant circumstances"): (i) which constitute a breach of the law or governmental regulation (or any interpretation of the law or regulation by a competent authority) of any country or territory; or (ii) which would (or could if other Units were acquired or held in like circumstances) result in the relevant Fund 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 regulations of any country or territory). In this connection, the Manager may reject, at its discretion, any subscription for, sale, conversion or transfer of Units.

If it comes to the Manager's attention that any affected Units have been acquired or are being held, whether beneficially or otherwise, in any of the relevant circumstances referred to above or if the Manager reasonably believes this to be the case, the Manager may give notice to the holder of the affected Units requiring that Unitholder to transfer the Units to a person qualified or entitled to own the Units in question or to give a request in writing for the redemption or cancellation of such Units. If any person to whom such notice is served does not, within thirty days after the date of such notice, transfer the affected Units to a person qualified or entitled to hold the same, or establish the satisfaction of the Manager (whose judgement shall be final and binding) that the holder and any person on whose behalf he holds the affected Units, he shall be deemed upon the expiration of that thirty day period to have given a request in writing for the redemption or cancellation of the affected Units.

#### Compliance with applicable laws, including anti-money laundering legislation

The Manager is subject to applicable laws and regulations relating to the prevention of crime, anti-money laundering and tax laws. This means that the Manager is obliged to verify the identity of Unitholders when dealing in Units, which the Manager will do so via electronic checks with credit reference agencies and of the electoral roll. If the Manager is unable to verify a Unitholder's identity electronically, it may ask for further documentary evidence to be provided. The Manager reserves the right to delay applications for Units or withhold redemption settlement proceeds until this evidence is provided.

By applying for Units, Unitholder's are giving the Manager permission to ask for (and store) this information and to conduct such electronic checks, for the purpose of verifying the Unitholder's identity.

#### Market Timing

The Manager does not permit the Funds to be used for the purposes of market timing, being a trading strategy used with the intention of taking advantages of short term changes in prices. The Manager undertakes monitoring activities to ensure that market timing is not taking place in relation to any of the Funds.

## SECTION 7: VALUATIONS AND PRICING

### Valuation of Fund property

The price of each Unit is determined by reference to the net asset value of the Fund to which it relates, by dividing that value (or that part of the value attributed to Units of the class in question) by the number of Units (of that class) in issue. Valuations for a Fund are normally carried out at the valuation point on each Dealing Day, being 11.00am. The Manager may (with the agreement of the Trustee) declare additional valuation points. At a valuation point, the Manager will calculate the Unit prices, using the most recent prices of the underlying assets that it can reasonably obtain. The valuation of each Fund's scheme property and the pricing of Units is governed by the Rules, the AIFMD and the relevant Trust Deed. Information regarding the calculation of each Fund's net asset value is set out in Schedule 3 to this Prospectus.

Subject to the Rules, the Manager may use a fair value pricing policy in respect of a Fund's assets. Fair value pricing will only apply where the Manager has reasonable grounds to believe that no reliable price exists for one or more underlying securities at a valuation point or the most recent price available does not reflect the Manager's best estimate of the value of the asset at the valuation point. In these circumstances, the Manager may value an investment at a price which, in its opinion, reflects a fair and reasonable price for that investment. Circumstances which may give rise to a fair value price being used include: (i) instances where there is no recent trade in the security concerned; or (ii) the occurrence of a significant event since the most recent closure of the market where the price of the asset is taken.

Valuations will not be made during a period of suspension of dealings (see 'Suspension of Dealings' in Section 6). In the event that, for any reason, the Manager is unable to calculate the Unit price of any Fund at the normal valuation point, the prices will be based on the next available valuation thereafter.

### Unit prices

Each Fund has been established as a dual-priced authorised unit trust. Each valuation will be made on a creation and on a cancellation basis. The valuation on a creation basis will be used to establish the price at which units can be created; that on a cancellation basis to establish the price at which units can be cancelled. The Manager will within 24 hours of the valuation point notify the Trustee of the creation and cancellation prices. These are the prices at which the Manager has to pay the Trustee for the creation of the units or which the Manager will receive from the Trustee upon the cancellation of units. The Manager deals as principal in units and accordingly the buying and selling prices that it publishes daily are the prices that are relevant to holders or potential holders. These prices must not be greater than the applicable creation price plus the preliminary charge on that day, nor less than the cancellation price. The Manager will notify the Trustee of the maximum buying price and maximum selling price at which they will deal. The Manager deals at forward prices, that is to say, at the price ruling at the next valuation point.

For the purpose of calculating the limits on each Fund's investment powers, the property of the Fund will, broadly, be valued on a cancellation basis. For the purpose of calculating the Manager's charge, the value of the Fund's property is determined by striking an arithmetic average of the cancellation basis of the valuation and the creation basis of the valuation at the relevant valuation point.

## Publication of Prices

Prices of Units are made available at [www.hl.co.uk](http://www.hl.co.uk). The prices shown will be the prices calculated at the previous valuation point and therefore may not be the prices obtained when the Units are purchased or sold.

## SECTION 8: TAXATION OF THE FUND

### General

The taxation of each Fund and Unitholders is subject to the law and practice of the UK and of the jurisdictions in which Unitholders are resident or subject to tax. This section summarises the tax position of the Funds and UK resident investors, however, it does not constitute legal or tax advice.

This summary is based on the law and tax practice in force as at the date of this Prospectus and is subject to change without notice. The following summary is not a guarantee to any investor of the tax position of investing in the Funds. Investors and potential investors should consult their own professional advisers on the tax implications of making an investment in, holding or disposing of Units in the Fund.

### Each Fund

#### (a) Income

The Fund is generally exempt from tax on dividends from UK and non-UK companies. Dividends and similar income distributions from UK authorised investment trusts are exempt from corporation tax to the extent that the underlying income derives from dividends. The Fund will be subject to corporation tax at a rate equal to the lower rate of income tax, currently 20%, on most other types of income, after deduction of allowable management expenses. Where the Fund has suffered foreign tax on taxable income received, this may be deducted from any UK tax due on that income (subject to any treaty arrangements).

#### (b) Chargeable Gains

The Fund is exempt from UK tax on capital gains realised on the disposal of investments, including interest paying securities and derivatives, held within them. The Fund may be subject to UK tax on gains realised on the disposal of investments in overseas collective investment schemes which do not have distributing/ reporting fund status. Gains arising on any such disposal are deemed Offshore income gains.

### The Unitholder

#### (a) Income

The amounts shown in the Fund's distribution accounts as available for distribution may be designated by the Fund as either dividends or yearly interest dependent on the nature of the income arising to the Fund.

For all Funds excluding the HL Multi-Manager Strategic Bond Trust, it is expected that each Fund will show all such amounts as available for distribution as dividends, which are not foreign income dividends in which case the following paragraph will apply.

Where a Fund makes dividend distributions, subject to the corporate streaming rules for UK corporate Unitholders, such distributions will be treated in the same way as dividends from a UK resident company which is liable to UK Income Tax at the rate applicable for the individual Unitholders. In April 2016, a new Dividend Allowance was introduced for all taxpayers who earn dividend income. Under this new arrangement, for the 2018-19 tax year, the first £2,000 of the

total dividend income earned by the taxpayer is tax-free regardless of what non-dividend income they have. The Dividend Allowance will not reduce the total income of the taxpayer for tax purposes and dividends within the allowance will still count towards the taxpayer's basic or higher rate bands.

For the HL Multi-Manager Strategic Bond Trust, it is the Manager's intention to manage the assets attributable to the Funds such that distributions are regarded as yearly interest distributions. It is therefore expected that the Fund will show all amounts as available for distribution as yearly interest. The Fund can only make distributions as yearly interest where more than 60% of its investments by market value are "qualifying investments" during the whole of the relevant distribution period. "Qualifying investments" broadly means interest-bearing securities, money placed at interest and investments in authorised unit trusts or OEICs which themselves have more than 60% of their investments in qualifying investments.

Where a Fund makes yearly interest distributions, such distributions should be treated in the same way as interest from a UK resident company. A new tax-free Personal Savings Allowance (PSA) was introduced in April 2016. This will apply a 0% rate for up to £1,000 of savings income, such as interest, paid to an individual (or £500 for individuals with any higher rate income). The PSA will not be available to individuals with any additional rate income.

For unitholders holding accumulation Units, the UK tax treatment will be the same as if they held income Units, albeit that they do not receive the income represented by the distribution at the time of that distribution and that income is instead re-invested. Such Unitholders will be treated for UK tax purposes as if they had received the re-invested income.

Unitholders who are resident in countries other than the UK for tax purposes should seek local tax advice.

#### (b) Capital Gains

A Unit is treated in the same way as a share in a company, so that chargeable gains on a disposal of a Unit may be charged to capital gains tax based on the individual's marginal rate of income tax.

Conversions between different Unit classes in the same Fund should not give rise to a disposal for UK capital gains tax purposes. Unitholders should seek their own professional tax advice in this regard.

#### (c) Equalisation

The first income allocation received by an investor after buying Units may include an amount of income equalisation. This is effectively a repayment of the income equalisation paid by the investor as part of the purchase price. It is a return of capital and is not taxable as income. It should be deducted from the acquisition cost of the Units for capital gains tax purposes.

#### Automatic Exchange of Information

The UK is party to a number of international agreements designed to provide tax administrations with details of financial accounts and assets, owned by individuals and entities that are resident for tax purposes in their jurisdiction, but which are held by financial institutions in the other territory.

The UK Government has introduced legislation that imposes obligations on UK financial institutions such as the Manager to review and collect details of accounts held by persons that are tax resident elsewhere and report this to HMRC for onward transmission under the exchange of information articles in the treaties and conventions mentioned below:

- The United States Foreign Account Tax Compliance Act (FATCA)
- The Crown Dependencies and Gibraltar Regulations (CDOT)
- The Common Reporting Standard developed by the OECD (CRS)
- The EU Directive on Administrative Cooperation in Tax Matters (DAC)

Consequently, the Fund may be required to collect and/or report information about the Unitholders or the Manager may elect to do so if it determines this is in the interests of Unitholders generally. This may include information to verify the identity of Unitholders or their tax status. The Manager may pass this information to HMRC.

#### The United States Foreign Account Tax Compliance Act ("FATCA")

The Units of the Fund have not been and will not be registered under the Securities Act 1933 of the United States (as amended) ("**the 1933 Act**"), the United States Investment Company Act of 1940 or the securities laws of any of the states of the United States. The Units of the Fund may not be offered, sold or delivered directly or indirectly in the United States or to the account or benefit of any U.S. Person (as defined below).

"**U.S. Person**" means any resident of the United States of America, its territories and possessions including the State and District of Columbia and all areas subject to its jurisdiction (including the Commonwealth of Puerto Rico), any corporation, trust, partnership or other entity created or organised in or under the laws of the United States of America, any state thereof or any estate or trust the income of which is subject to United States federal income tax, regardless of source. The expression also includes any person falling within the definition of the term "U.S. Person" under Regulation S promulgated under the 1933 Act.

If the Fund becomes liable under FATCA or any legislation or regulation to account for tax in any jurisdiction in the event that a Unitholder or beneficial owner of a Unit were to or do receive a distribution, payment, redemption, in respect of their Units or to dispose (or be deemed to have disposed of their Units in any way (a "**chargeable event**"), the Manager on behalf of the Fund and its delegate shall be entitled to deduct from the payment arising on a chargeable event an amount equal to the appropriate tax, and/or where applicable, to redeem or cancel such number of Units held by the Unitholder or such beneficial owner as are required to meet the amount of tax. Neither the Fund, the Manager, the Trustee nor their respective delegates will be obliged to make any additional payments to the Unitholders, in respect of such withholding or deduction.

#### The Crown Dependencies and Gibraltar Regulations ("CDOT")

The Crown Dependencies of Guernsey, the Isle of Man and Jersey and the UK Overseas Territories of Anguilla, Bermuda, the British Virgin Islands, the Cayman Islands, Gibraltar, Montserrat and the Turks & Caicos Islands have all entered into agreements with the UK to automatically exchange information on financial accounts.

Of these, the agreements with the three Crown Dependencies and with Gibraltar are reciprocal thus imposing obligations on UK financial institutions to identify, maintain and report information to HMRC on financial accounts held by individuals and entities resident for tax purposes in those

territories. The regulations that require this are The International Tax Compliance (Crown Dependencies and Gibraltar) Regulations 2014 (SI 2014/520) as amended by The International Tax Compliance (Crown Dependencies and Gibraltar) (Amendment) Regulations 2015 (SI 2015/873).

The agreements with the remaining six Overseas Territories are non-reciprocal meaning that while HMRC will receive information from these territories there is no requirement for reporting in the opposite direction.

#### The Common Reporting Standard developed by the OECD ("CRS")

As at December 2015, 97 jurisdictions, including the UK, had committed to start exchanging information using the CRS framework, and the number of participating jurisdictions has continued to grow since then (for a list please see the link in the section below). The regulations that require UK financial institutions to identify, maintain and report information for exchange with these jurisdictions, The International Tax Compliance Regulations 2015, came into force on 15 April 2015.

#### The EU Directive on Administrative Cooperation in Tax Matters ("DAC")

Following publication of the CRS by the OECD the European Union immediately started work on incorporating it into an EU Directive to make automatic exchange of financial account information mandatory between EU Member States. The CRS contains a number of options that are open to jurisdictions to apply if they choose. The Member States came to agreement on which of those should be incorporated into the DAC and therefore applicable across the EU. The regulations that require UK financial institutions to identify, maintain and report information for exchange with EU Member States are The International Tax Compliance Regulations 2015.

The current list of Participating Jurisdictions for automatic exchange under both the CRS and the DAC can be found at: <http://www.oecd.org/tax/automatic-exchange/crs-implementation-and-assistance/crs-by-jurisdiction/#d.en.345489>



## SECTION 9: REPORTING, DISTRIBUTION AND ACCOUNTING DATES

### Accounting Periods and Income Allocations

The annual accounting period of each Fund shall end on 30 September each year. The interim accounting period shall end on 31 March each year.

The annual and interim income allocation dates for each Fund are set out in Schedule 4.

The Manager may operate a policy of smoothing income distributions over the annual accounting period such that all distributable income due to be allocated will have been allocated by the relevant annual distribution date (as set out in Schedule 4) subject to the provisions on the determination of distributable income referred to below.

### Determination and distribution of income

Each holder of income Units is entitled, on the relevant income allocation date, to the net income attributable to the holding. In the case of accumulation Units, income is not distributed but is allocated to the Unit such that it becomes part of the capital property of that Unit and reflected in its value.

The income available for distribution or accumulation in relation to the relevant Fund is determined in accordance with the Fund's Trust Deed and the Rules. Broadly, it comprises all sums deemed by the Manager, after consultation with the Auditor, to be in the nature of income received or receivable for the account of the Fund and attributable to that Fund in respect of the accounting period concerned, after deducting net charges and expenses paid or payable out of such income and after making such adjustments as the Manager considers appropriate, after consulting the Auditor in accordance with the Rules, in relation to taxation and other matters.

In the case of income Units, income distributions are made by BACs sent to the registered holder of the income Units (or, in the case of joint holders, to the first-named holder on the Register). Payments may, on request, be made by cheque. All distributions unclaimed for a period of six years having become due for payment shall be forfeited and shall revert to the relevant Fund.

### Equalisation

Upon the first distribution following the purchase of a Unit in a Fund, the relevant Unitholder will receive as part of that distribution a capital sum representing that part of the purchase price of the Unit which was attributable to income accrued up to the time of purchase and is, accordingly, properly classifiable as a capital expense of the Unitholder at the time of purchase. The amount so paid, known as "income equalisation", will be an amount arrived at by taking the aggregate of the Manager's best estimate of the amounts of income included in the price Units of that class issued or sold in the annual or interim accounting period in question and dividing that aggregate by the number of those Units and applying the resultant average to each of the Units in question.

### Reports and Accounts

The Annual Report and Interim Report for each Fund are available (free of charge) on request or from [www.hl.co.uk](http://www.hl.co.uk). The Annual Report of the Fund will be available on or before 31 January each year. The Interim Report of the Fund will be available on or before 31 May each year.

## SECTION 10: GENERAL INFORMATION

### Meetings and Voting Rights

A meeting of Unitholders in a Fund duly convened and held in accordance with the Rules shall be competent and by extraordinary resolution may approve any modification alteration or addition to the provisions of either the Trust Deed or the Prospectus which, the Manager and the Trustee have agreed to be a fundamental change in accordance with the Rules. This would include, without limitation, any proposal for a scheme of arrangement and certain changes to the Fund's investment objective and/or investment policy.

Unitholders will receive at least 14 days' notice of any meeting of Unitholders and are entitled to be counted in the quorum and vote at any such meeting, either in person or by proxy.

At a meeting of Unitholders the quorum for the transaction of business is two Unitholders, present in person or by proxy. On a show of hands every Unitholder who (being an individual) is present in person or (being a corporation) is present by one of its officers as its proxy shall have one vote. On a poll every Unitholder who is present in person or by proxy will have one vote for every income Unit (if any are in issue) they hold and the same number of votes (including fractions of a vote) for every accumulation Unit they hold as the number of undivided shares (including fractions) in the Fund represented by one accumulation Unit. In the case of joint holders the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other holders and for this purpose seniority is determined by the order in which the names stand in the Register. On a poll, votes may be given either personally or by proxy. If the Trustee is of the view that any extraordinary resolution is one in relation to which there is or might be a conflict of interest between the holders of accumulation Units and (if any are in issue) income Units, separate meetings of those Unitholders shall be held.

In the context of voting, "Unitholders" means the persons who are entered in the Register as at time chosen by the Manager and stated in the relevant notice.

Unitholders may request the convening of a general meeting by requisition pursuant to and in accordance with the Rules. Unitholders in general meeting may, amongst other things, pass a resolution to remove the Manager.

### Changes to a Fund

Subject to the Rules and (where required) the consent of the FCA and the Trustee, changes to a Fund may be made in accordance with the following methods of classification:

**Fundamental changes:** being a change or event which: (i) changes the purpose or nature of the scheme; (ii) may materially prejudice a Unitholder; (iii) alters the risk profile of the Fund; or (iv) introduces any new type of payment out of the scheme property of the Fund. The Manager will obtain the prior approval from Unitholders to any fundamental change by way of an extraordinary resolution of Unitholders at a meeting called in accordance with the provisions outlined above.

**Significant changes:** being a change of event which the Manager and the Trustee have determined is not a fundamental change, but is a change which: (i) affects a Unitholder's ability to exercise his rights in relation to his investment; (ii) would reasonably be expected to cause a Unitholder to reconsider his participation in the Fund; (iii) results in any increased payments out of the Fund scheme property to the Manager or any of its associates; or (iv) materially increases any other

types of payments out of the scheme property of the Fund. The Manager will give Unitholders at least 60 calendar days' prior notice of any such change.

**Notifiable changes:** being a change of event which the Manager and the Trustee have determined is not a fundamental change or a significant change, but is a change which is reasonably likely to affect, or has affected, the operation of the Fund. The Manager will provide Unitholders with such notice as is appropriate in the circumstances, for example by sending an immediate notification, including details of the change in its next annual report or publishing details of the change on the Manager's website.

#### Winding-up of a Fund

Each Fund may be wound up upon the happening of any of the events relevant to the Fund set out in the Rules which include, without limitation:

- (a) the order declaring the Fund to be an authorised unit trust scheme being revoked;
- (b) the passing of an extraordinary resolution winding up the fund (provided the FCA's prior consent to the resolution has been obtained by the Manager or Trustee);
- (c) in response to a request to the FCA by the Manager or the Trustee for the revocation of the authorisation order, the FCA has agreed, inter alia, that, on the conclusion of the winding up of the Fund, the FCA will agree to that request; and
- (d) pursuant to a scheme of arrangement which is to result in the Fund being left with no property.

The procedure for winding up a Fund is as follows:

- (a) upon the effective date of any approved scheme of arrangement pursuant to the Rules the Trustee will wind up the Fund in accordance with the approved scheme arrangement;
- (b) in any other case, the Trustee will as soon as practicable after the Fund falls to be wound up, realise the property of the Fund and, after paying out of it all liabilities properly so payable and retaining provision for the costs of the winding-up, cancel all Units in issue, distribute the proceeds to the holders and the Manager (upon production by them of evidence as to their entitlement) proportionately to their respective interests in the Fund.

Any unclaimed net proceeds or other cash held by the Trustee after the expiry of twelve months from the date on which the same became payable will be paid by the Trustee into court subject to the Trustee having a right to receive out of it any expenses incurred by him in making and relating to that payment into court.

Where the Trustee and one or more Unitholders agree, the Trustee does not have to realise the property of the Fund proportionate to the entitlement of that or those Unitholders. Instead, the Trustee may distribute that part in the form of property. Before distributing that property, the Trustee will make such adjustments or retain such provision as appears to the Trustee to be appropriate ensuring that, a proportionate share of the liabilities and costs is borne by that or those holders.

When the winding up is complete, the Trustee shall notify the FCA in writing. At the same time the Manager or Trustee shall request that the FCA revokes the order of authorisation under section 256 of the Financial Services and Markets Act 2000 (as appropriate).

#### Information made available to Unitholders

The Trust Deed for each Fund is kept together with the Annual Reports, the key investor information documents and this Prospectus at One College Square South, Anchor Road, Bristol BS1 5HL and these may be inspected on the premises during normal business hours on any Business Day.

Copies of the Prospectus and key investor information documents may be obtained from the Manager free of charge. Copies of the Trust Deed may be obtained from the Manager at a cost of £10 per document.

Pursuant to the AIFMD, the following information will be made available to Unitholders, as a minimum, as part of each Fund's annual report:

- the percentage of the Fund's assets which are subject to special arrangements arising from their illiquid nature;
- any new arrangements for managing the liquidity of the Fund; and
- the current risk profile of the Fund and the risk management systems employed by the Manager to manage those risks.

The following information will be made available to Unitholders in a Fund, without undue delay following the occurrence of the following changes:

- any changes to the maximum level of leverage which the Manager may employ in respect of the Fund;
- any change to the rights of re-use (if any) of collateral under the Fund's leveraging arrangements;
- any change to any guarantee (if any) granted under the Fund's leveraging arrangements;
- the total amount of leverage employed by the Fund.

Unitholders will also be notified if the Manager makes material changes to the liquidity management systems and procedures employed in respect of the Fund.

#### Notices to Unitholders

All notices or documents required to be served on Unitholders shall be served either by post to the address of such Unitholders as evidenced on the relevant Register or electronically. A notice is duly served if it is delivered to the address of the first named Unitholder as appearing in the Register or is delivered by electronic means in accordance with the Rules.

#### Conflicts of Interest

##### *General*

In carrying out their respective functions for each Fund, the Manager and the Trustee must each act honestly, fairly, professionally and independently, and solely in the interests of the Fund and its Unitholders.

The FCA's rules contain provisions on conflicts of interest governing any transaction concerning the Fund which is carried out by or with any "affected person", which includes the Manager, an associate of the Manager, the Trustee or an associate of the Trustee. These rules enable an affected person to (in summary): (i) deal in assets for its own account notwithstanding that the same or similar assets may be held on behalf of the Fund; (ii) to purchase assets from, or vest assets in the Trustee for the account of the Fund, or enter into other transactions with the Trustee for the account of the Fund, or to otherwise have an interest in such transactions; (iii) to enter into securities finance services for the Fund; or (iv) to otherwise provide services in respect of the Fund. Any such transactions for the Fund are subject to the rules on best execution, independent valuation and "arm's length" requirements. An affected person carrying out such transactions is not liable to account to the Trustee, the Manager, any other affected person or to Unitholders or any of them for any benefits or profits made or derived.

### *The Manager*

In the course of carrying out its duties in respect of the Fund, conflicts of interest may arise between the Manager, its delegates, its other clients and/or the Fund that could be detrimental to Unitholders if not managed appropriately. For example, the Manager may provide similar services to other clients which could conflict with the services it provides to the Fund. The Manager is required to comply with certain FCA rules on the prevention, identification and management of conflicts of interest. The Manager has a conflicts of interest policy which sets out the Manager's procedures for the identification, management and (if necessary) disclosure of potential material conflicts of interest, together with a summary of its oversight process. Further details of the Manager's conflicts of interest policy are available to Unitholders on request.

The Manager will direct transactions on behalf of the Fund to brokers, and will pay directly out of their own resources for "research", as defined by the FCA's rules, that the Manager receives in connection with the investment management of the Fund's assets. The Manager has in place a "best execution" policy which requires the Manager to act in the Fund's best interests when taking investment decisions and placing dealing instructions with brokers on behalf of the Fund. For these purposes, all sufficient steps must be taken to obtain the best possible results for the Funds, taking into account factors including price, costs, speed, likelihood of execution and settlement, size and nature of the order. Information about the Manager's best execution policy is available to Unitholders on request.

### *Trustee*

It is possible that the Trustee, its delegates and their respective affiliates may in the course of its or their business be involved in other financial and professional activities which may on occasion have potential conflicts of interest with the Manager or the Fund or other funds for which the Trustee acts as the depositary, trustee or custodian. Such activities may include:

- providing nominee, administration, registrar and transfer agency, research, securities lending, investment management, financial advice and/or other advisory services;
- engaging in banking and financial trading transactions, including foreign exchange, derivative, lending, broking, market making,

to the Fund and/or the Manager. In connection with the above activities, the Trustee, its delegates and their respective affiliates:

- are entitled to receive and retain any compensation and profits, in any form, and are not bound to disclose to the Fund and/or the Manager the nature or amount of any such compensation or profits;

- may buy, sell, hold, issue, deal with and transfer assets and instruments, both acting in its own right or on behalf of other clients;
- may trade in the same transactions, or opposite direction to the transactions, undertaken for the Fund, including based upon information that is not available to the Manager;
- will provide the same or similar services to other clients, including competitors to the Manager and/or the Fund;
- may be granted creditors rights in respect of the Manager and/or the Fund, which it may exercise.

Potential conflicts of interest may arise in respect of the Trustee's use of the Custodian and any sub-custodians, for example:

- sub-custodians have only indirect relationships with the Fund and look to the Custodian / Trustee as the relevant counterparty, which may create an incentive for the Custodian / Trustee to act in its own interests to the potential detriment of the Fund;
- sub-custodian selection may be influenced by factors such as cost (including lower fee rates, rebates or similar incentives) and the overall commercial relationship between the Custodian/Trustee and the sub-custodian, in which the Custodian/Trustee may act on the economic value of the broader relationship, in addition to other objective evaluation criteria;
- sub-custodians will act for other clients and in their own proprietary interest, which may conflict with the Fund's interests.

In carrying out its duties for the Fund (including in respect of its appointment and monitoring of delegates) the Trustee will have regard to its obligations under the Trust Deed, the Depositary Agreement and the Rules and, in particular, will use reasonable endeavours to ensure that the performance of its duties will not be impaired by any such involvement it may have and that any conflicts which may arise will be resolved fairly and in the best interests of Unitholders collectively so far as practicable, having regard to its obligations to other clients. The Trustee has functionally and hierarchically separated the performance of its depositary function from its other potentially conflicting activities. It also has in place detailed policies and procedures to ensure that potential conflicts of interests are identified, managed and monitored. In respect of its use of the Custodian (and any other sub-custodians), the Trustee: (i) has imposed contractual restrictions to address some of the potential conflicts of interests; and (ii) maintains oversight of sub-custodians to ensure a high level of service by such delegates.

#### Data Protection

In respect of the personal data that you provide to the Manager (or to the Administrator and Registrar acting for and on behalf of the Manager) in connection with your investment, or proposed investment, in Units, the Manager is regarded as a "data controller" under UK data protection laws and is therefore subject to certain legal obligations on how your personal data is used, stored, processed and transferred. You may obtain further information about how the Manager may obtain, use, store and transfer your personal data by reviewing the HL Group's privacy policy at [www.hl.co.uk/privacy-policy](http://www.hl.co.uk/privacy-policy).

If you invest in Units via a platform or other intermediary service provider, that platform / service provider (and not the Manager) may be the data controller of your personal data. In these circumstances, you should review your platform / service provider's data protection policies to determine how they may use your personal data.

The HL Group privacy policy and cookie policy will apply to you for so long as you hold Units. You can view the HL Group's privacy policy at [www.hl.co.uk/privacy-policy](http://www.hl.co.uk/privacy-policy) and the HL Group's cookie policy at [www.hl.co.uk/cookie-policy](http://www.hl.co.uk/cookie-policy).

If you use the HL Group's website ([www.hl.co.uk](http://www.hl.co.uk)), you accept the relevant terms of use. These terms can be found at [www.hl.co.uk/disclaimer](http://www.hl.co.uk/disclaimer)

## SECTION 11: RISK FACTORS

### General

You should be aware of the risks involved in investing in the Fund. These risk warnings must not be taken to be comprehensive, as new risks may arise in the future which could not have been anticipated in advance. If you have any doubts over the suitability of an investment please contact a financial adviser for advice.

- The price of Units (and the income from them) can go down as well as up, and are not guaranteed. You may not receive back the amount you invest in a Fund.
- An investment in a Fund is not intended to be a complete investment programme. Units should be regarded by you as a medium-to-long term investment.
- Past performance is not a guide to future performance. Each Fund's investment objective is an intended result but there is no guarantee that such a result will be achieved. There are no express or implied assurances as to the likelihood of achieving the Fund's investment objectives, as this will depend (in part) on evolving market conditions and the available investment opportunities over time.
- A Fund's net asset value can be influenced by factors such as stock market fluctuations, political and economic events, corporate earnings reports and catastrophic events. This means that in any particular period, the Fund may suffer losses and should not be regarded as a short term investment.
- In extreme liquidity conditions, redemptions in the underlying assets, and/or a Fund itself, may need to be deferred or suspended.
- Economic factors such as changes in interest rates, inflation, deflation and supply and demand can affect the price of all investments, and so affect the value of your investment in a Fund. As with any investment, inflation will reduce the real value (i.e. purchasing power) of the capital over time.
- All Funds are potentially exposed to adverse movements in equity, bond, commodity, currency and other market prices, indices or rates (market risk) or changes in the anticipated or calculated volatility of these movements (volatility risk). This could result in a Fund losing value.
- The tax summary set out in Section 8 is believed to be accurate as at the date of this Prospectus. It is subject to change in the future. Investors should consider their own tax position which will depend on their personal circumstances and may therefore not be covered by the general tax summary set out above.
- Certain Funds may deduct charges from capital rather than income. Whilst this policy may allow more income to be distributed to Unitholders, it may also have the effect of reducing capital and potential capital growth, as well as potentially increasing capital losses (see Section 4 above under "Charges to Capital" for more information).



- The Funds conduct transactions with various counterparties and there is a risk that a counterparty will not deliver an investment (for purchases by the Fund) or cash (for sales by the Fund) after the Fund has fulfilled its responsibilities.

#### Investment in other collective investment schemes

Each Fund may invest up to 100% in other collective investment schemes ("**second schemes**"), including in second schemes managed by the Manager or its associates, and may from time to time be principally invested in such second schemes. Unitholders may therefore incur a duplication of fees, including performance fees, custody fees and other administration costs.

A Fund is (to the extent it is invested in second schemes) valued using the latest available price for each underlying second scheme. These prices may not fully reflect changing market conditions. A Fund can apply a 'fair value price' to all or part of its portfolio to mitigate this risk.

Each second scheme can invest in a wide range of asset classes, including unregulated collective investment schemes, private equity and property (for example). The Manager will have no control over the investment choices of such second schemes. A second scheme may also use derivatives to meet its investment objective. For these schemes, there is no guarantee that the performance of the derivatives will result in a positive effect for those schemes and their investors (including the Funds). The use of derivatives may increase the second scheme's volatility, which may result in higher losses for investors.

#### Equities

Each Fund may be exposed to equities. Prices of equities fluctuate daily and can be influenced by many factors such as political and economic news, corporate earnings reports, demographic trends and catastrophic events. The value of equities will go up and down, and the value of a Fund investing in second schemes which invest in equities could therefore incur significant losses.

#### Debt Securities

Each Fund may be exposed to debt securities. Debt securities, such as bonds and other types of floating rate or fixed interest security, are subject to a number of potential risks, including (but not limited to) the following:

- Debt securities are subject to both actual and perceived measures of creditworthiness. The "downgrading" of a rated debt security, adverse publicity and investor perception, or stressed market conditions, could decrease the value and liquidity of the security, making it difficult to dispose of. Where a security held by a second scheme is subsequently downgraded, it may continue to be held in order to avoid a distressed sale. To the extent that a second scheme does hold such downgraded bonds, there will be an increased risk of default on repayment, which in turn translates into a risk that the capital value of the Fund will be affected.
- A second scheme may invest in "high yield" debt securities which carry a greater liquidity risk. This could mean that when the underlying second schemes comes to sell these securities, they have to accept a lower price, which would reduce the value of your investment.

- A debt security is subject to its issuer's ability to service its debt obligations. In the event of the insolvency of an issuer, a second scheme may experience losses and incur costs due to the suspension or cessation of interest payments on the relevant security. This would reduce the income received and/or the capital value of the security, which in turn would reduce the value of your investment in the Fund.
- Non-investment grade debt securities may be highly leveraged and carry a greater risk of default. In addition, non-investment grade securities tend to be more volatile than higher rated fixed income securities, so that adverse economic events may have a greater impact on the prices of non-investment grade debt securities than on higher rated fixed income securities.
- Sovereign debt (being a debt security issued or guaranteed by a government or its agencies) involves the potential risk that the issuer may not be able or willing to repay the principal and/or interest when due, due to the financial stability of the relevant country or any other constraints to which a governmental entity may be subject. Holders of sovereign debt, including a second scheme, may be requested to participate in the rescheduling of such debt and to extend further loans to governmental entities in accordance with the terms of the instrument. Sovereign debt holders may also be affected by additional constraints relating to sovereign issuers which may include: (i) the restructuring of such debt (including the reduction of outstanding principal and interest and or rescheduling of repayment terms) without the consent of the impacted investors (e.g. pursuant to legislative actions unilaterally taken by the sovereign issuer and/or decisions made by a qualified majority of the lenders); and (ii) the limited legal recourses available against the sovereign issuer in case of failure of or delay in repayment (for example there may be no bankruptcy proceedings available by which sovereign debt on which a government entity has defaulted may be recovered).
- Where a Fund has power to invest more than 35% in value of the Fund in government and public securities issued by any one issuer, this represents an increased risk should the issuer default in meeting its obligations.

#### Duration / Interest Rate Risk

This is the risk of losses to a Fund due to changes in interest rates. Those investments (both direct and indirect via second schemes) in floating and fixed-interest securities are directly exposed to interest rate risk depending on their duration, while other assets such as equities may be indirectly affected.

In particular, if a Fund has exposure to a higher concentration of fixed interest or index-linked securities, fluctuations in interest rates are likely to affect the capital value of investments. If long-term interest rates rise, the capital value of your Units is likely to fall and vice versa. In addition, the Fund's cash balances are interest-bearing financial assets, on which interest is calculated at a variable rate by reference to Sterling bank deposit rates. Each Fund is intended to provide return through investments, and returns are not actively sought from cash. However, each Fund will passively receive interest on un-invested cash which will be affected by a change in interest rates.

### Unlisted securities

Each Fund may (through second schemes) have exposure to unlisted securities. Such securities are generally not publicly traded, may be unregistered for securities law purposes and may only be able to be resold in privately negotiated transactions with a limited number of purchasers. The difficulties and delays associated with such transactions could result in a second scheme's inability to realise a favourable price upon disposal of such securities, and at times might make disposition of such securities impossible.

### Smaller Companies

A Fund may have exposure to smaller companies, which are more volatile and sometimes more difficult to trade or price than larger companies. While investment in smaller companies' shares may offer the potential for increased returns, investors should understand that investment in such assets is likely to involve greater risk of loss than investment in larger companies.

A Fund may invest in second scheme that invests in initial public offerings, which frequently are smaller companies. Such securities have no trading history, and information about these companies may only be available for limited periods. The prices of securities involved in initial public offerings may be subject to greater price volatility than more established securities.

### Overseas Markets

A Fund may invest in overseas holdings and so will be exposed to currency movements. Changes in economic conditions, interest rates, and so on in the overseas market selected could affect the value of your investment in a Fund.

### Emerging Markets

A Fund may have exposure to emerging and less developed markets, which potentially poses risks different from, and/or greater than, risks of investing in the securities of developed countries. These risks include (but are not limited to): smaller market-capitalisation of securities markets, which may suffer periods of relative illiquidity; significant price volatility; restrictions on foreign investment; and possible repatriation of investment income and capital. In addition, foreign investors may be required to register the proceeds of sales, and future economic or political crises could lead to price controls, forced mergers, expropriation or confiscatory taxation, seizure, nationalisation or the creation of government monopolies.

The emerging market securities in which a Fund (or a second scheme) may invest are may trade in limited volume and may encounter settlement systems that are less well organised than those of developed markets. Supervisory authorities may also be unable to apply standards that are comparable with those in developed markets. There may therefore be risks that settlement may be delayed and that cash or securities belonging to the relevant Fund may be in jeopardy because of failures of or defects in the systems or because of defects in the administrative operations of counterparties. Such counterparties may lack the substance or financial resources of similar counterparties in a developed market. There may also be a danger that competing claims may arise in respect of securities held by or to be transferred to the Fund.

Investments in certain markets may be subject to certain heightened risks with regard to the ownership and custody of securities. In these countries, shareholdings are evidenced by entries in

the books of a company or its registrar (which is neither an agent nor responsible to the custodian). No certificates representing shareholdings in companies will be held by the custodian or any of its local correspondents or in an effective central depository system. As a result of this system and the lack of effective state regulation and enforcement, a Fund could lose its registration and ownership of the securities through fraud, negligence or error. Debt securities also have an increased custodial risk associated with them as such securities may, in accordance with market practice in the emerging or less developed countries, be held in custody with institutions in those countries which may not have adequate insurance coverage to cover loss due to theft, destruction or default.

Additional risks of emerging market securities may include: greater social, economic and political uncertainty and instability; more substantial governmental involvement in the economy; less governmental supervision and regulation; unavailability of currency hedging techniques; companies that are newly organised and small; differences in auditing and financial reporting standards, which may result in unavailability of material information about issuers; and less developed legal systems. In addition taxation of interest and capital gains received by non-residents varies among emerging and less developed markets and, in some cases may be comparatively high. There may also be less well-defined tax laws and procedures and such laws may permit retroactive taxation so that the fund could in the future become subject to local tax liabilities that had not been anticipated in conducting investment activities or valuing assets. Inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economies and securities markets of certain emerging and less developed countries.

#### Credit Risk

This is the risk that the counterparty to a financial instrument fails to discharge its obligations to the relevant Fund (or second scheme). Credit risk is monitored through the Manager's exposure monitoring work. On a monthly basis, the Manager receives the portfolio breakdowns within each Fund. This allows full monitoring of the Fund's exposures (including on a look-through basis of any second schemes), providing visibility on various risk factors, including credit risk.

#### Borrowing / Leverage risk

The Fund may be leveraged through use of its overdraft facility and/or its use of derivatives for efficient portfolio management, as described below. While leverage presents opportunities for increasing capital return, it also have the effect of potentially increasing Fund losses. Any event which adversely affects the underlying investments of the Fund could be magnified to the extent that capital is leveraged. The cumulative effect of the use of leverage in a market that moves adversely to the underlying investments could result in a loss to capital which could be greater than if capital were not leveraged.

#### Liquidity Risk

Liquidity risk exists where the sale of assets or the exit of trading positions is impaired by factors such as decreasing trading volume, price volatility, industry and government regulations and overall position size and complexity. It may be difficult for the Manager to liquidate the Fund's positions rapidly, particularly if: (i) other market participants are also seeking to disinvest; (ii) trading halts, is suspended or is otherwise limited in some way. Investments in, or exposure to, smaller companies, smaller or more specialist stock markets or particular sectors of the economy can be

less liquid than other kinds of investments. The less liquid an investment is, the more its value can fluctuate and the harder it is to value.

In accordance with AIFMD and the Rules, the Manager maintains a liquidity management policy to monitor the liquidity risk to the Fund. This includes the use of stress testing under both normal and exceptional circumstances, to allow the Manager to measure the liquidity of the Fund's portfolio against thresholds set by reference to the Fund's redemption policy. The Manager seeks to ensure that the Fund will remain within the liquidity limits set for the Fund so that, in normal circumstances, redemption requests will be processed as set out in Section 6. In exceptional circumstances, the Manager may use other arrangements in response to redemption requests, including use of its deferral and suspension powers as set out in Section 6.

#### Cash Flow Risk

This is the risk that a Fund will have insufficient cash to cover all transactions (related to liquidity risk). Cash flow risk is monitored and mitigated by understanding various transactions – such as trades that are currently being placed or due to be placed, subscriptions to and redemptions from, income that is due to, and expenses that are due – from the Fund, thereby recognising all cash flows.

The Manager reflects these transactions the following business morning within 'live' portfolios, even though those transactions may not yet have settled, so that its portfolio management function has the clearest possible picture of the cash movements within each Fund. Cash flow risk is further mitigated through the maintenance of an overdraft facility with the Custodian.

#### Valuation Risk

This is the risk that the valuation of investments may not be accurate, therefore adversely affecting the Unit price. This risk will increase with the complexity of the transactions entered into. Also, financial instruments that are illiquid and/or not publically traded may not have readily available prices and may therefore be difficult to value. Determinations as to their fair value may not represent the actual amount that will be realised on the eventual disposal of such assets.

Although the Manager retains overall responsibility for the valuation, it has delegated fund accounting (including valuation of the Funds) to the Administrator and Registrar, a specialist fund accounting service provider. However, investors should be aware that there is a possible conflict of interest in the involvement of the Manager and the Administrator and Registrar in the valuation process, in that their fees are affected by the net asset value of the Funds (i.e. the higher the valuation of the Funds, the higher the fees payable to the Manager and the Administrator and Registrar).

To monitor and mitigate valuation risk, there are several stages of review, conducted by separate functions, to ensure a proper, accurate and impartial valuation that is performed in accordance with the Trust Deed, the Rules and with all due skill, care and diligence.

#### Legal Risk

Legal, tax and regulatory changes could occur during the term of the Fund, potentially affecting the Fund's ability to pursue its investment objective.

### Custody risk

The cash and assets of each Fund are held in safekeeping by the Trustee, as outlined in Section 2. The assets of a Fund will normally be identified in the Trustee's books as belonging to that Fund and segregated from other assets of the Trustee, which mitigates but does not exclude the risk of non-restitution in the case of the Trustee's insolvency. However, no such segregation applies to cash which increases the risk of non-restitution in the case of the Trustee's insolvency.

The Trustee does not hold all the assets of each Fund itself but uses a network of custodians and sub-custodians. Such custodians and sub-custodians are not all part of the same group of companies as the Trustee. Unitholders may therefore be exposed to the risk of insolvency of the sub-custodians in the same manner as they are to the risk of insolvency of the Trustee. A Fund may invest in assets which invest in markets where custodial and/or settlement systems are not fully developed. The Trustee may have no liability where the assets of the Funds are traded in such markets.

### Manager Risk

The performance of a Fund will depend significantly upon the ability of the Manager to select profitable investments and, to the extent a Fund is invested in second schemes, the ability of investment managers of such schemes to do likewise.

### Derivative Risk

Derivative transactions may be used for the purposes of efficient portfolio management, including hedging. In particular, the Manager's use of derivatives is currently limited to using forward currency positions in order to mitigate currency risk. The overseas holdings within the underlying second schemes can be affected by currency movements as well as investment performance. Much of the time this is tolerated, but the Manager does have the authority to hedge up to 100% of unwanted currency exposure. In the instances that the second schemes use currency hedging positions, they intend for the returns of the second scheme in question to solely reflect the investment performance rather than currency movements.

It is the Manager's view that derivative risk is negligible in the context of the Fund's strategy and approach. It is inherently mitigated as transactions which are regarded as speculative will not be permitted. Contracts are initiated at 90% of the exposure to avoid speculation, and reviewed should exposure fall to 80% or increase to 95%.

**The Manager does not anticipate that its use of derivatives will increase the volatility of a Fund or have any detrimental effect on the overall risk profile of that Fund.** If there is a fall in the value of an underlying fund investment due solely to a currency movement then the value of a forward currency position (if it is in place) will rise proportionately. If there is a rise in the value of an underlying fund investment due solely to a currency movement then the value of a forward currency position (if it is in place) will fall.

The Fund is subject to a limit on over-the-counter derivatives – the exposure to any one counterparty in an over-the-counter derivative transaction must not exceed 10% in value of the scheme property. It is also subject to limits on leverage. The Manager uses a risk management process which enables it to monitor and measure on a daily basis the risk of the Fund's derivatives and forwards positions and their impact on the overall risk profile and leverage of the Fund.

## Counterparty Risk

This is the risk that a counterparty involved in certain transactions that the Fund enters into will not deliver the investment (for purchases by the Fund) or cash (for sales by the Fund) after the Fund has fulfilled its responsibilities. In respect of underlying second schemes, coveralls are in place between the Custodian and the fund groups, with the Custodian indemnifying the fund group for any trades that are placed using the Custodian's dealing software. In a small number of cases, the Manager may place a trade directly with the fund group. The custodian still has the coverall with the fund group, but for such trades the Custodian additionally has a back-to-back agreement with the Manager which indemnifies the Custodian as they have no visibility until post-execution.

In respect of derivatives, FX forward transactions are currently only placed with the Custodian via its FX Passport system. In respect of cash, this is held on instant access, either with the Custodian or the Trustee (both part of the same global financial group).

## Schedule 1

### Investment and Borrowing Powers

The Funds may exercise the full authority and powers permitted by the Rules applicable to Non-UCITS Retail Schemes. However, this is subject to the investment objective and policy of each Fund, the applicable investment limits and restrictions as set out in the relevant Trust Deed and as stated in this Prospectus.

In accordance with the relevant Fund's investment policy, the Fund shall primarily invest in units and shares of other collective investment schemes. The capital property attributable to the Fund is required to consist of such investments although investment in other asset classes is permitted as set out in the Rules as such rules apply to Non-UCITS Retail Schemes and as summarised below. Therefore, the capital property may at any time consist of all units or shares of collective investment schemes or a mixture of such assets as well as investments of other asset classes as set out below.

The Manager shall ensure that, taking into account the investment objective and investment policy of each Fund, the scheme property of the Fund will be invested with the aim of providing a prudent spread of risk.

The Manager uses a risk management process, as reviewed by the Trustee, enabling it to monitor and measure as frequently as appropriate the risk of the relevant Fund's portfolio and contribution of the underlying investments to the overall risk profile of that Fund. The details of the risk management process have been notified by the Manager to the FCA, and includes the following information:

- the types of investments to be used within the Fund together with their underlying risks and any relevant quantitative limits;
- the methods for estimating risks in the portfolio to ensure these are adequately captured; and
- the risks relating to the Fund's other investments.

The Manager must notify the FCA in advance of any material alteration to its risk management policy.

#### *General*

Subject to the investment objective and policy of the relevant Fund, the scheme property of the Fund may consist of one or more of the following assets or investments:

- transferable securities
- money market instruments
- units / shares in permitted collective investment schemes
- permitted derivatives and forward transactions
- permitted deposits



- cash and near cash.

It is not intended that a Fund will have a direct interest in any: (i) immovable or tangible moveable property; or (ii) gold.

The following investment restrictions under the relevant Trust Deed and the Rules currently apply to each Fund.

### *Collective investment schemes*

Up to 100% of the property of each Fund may consist of units and/or shares in other collective investment schemes. Not more than 35% in value of the property of the Fund may consist of units or shares in any one collective investment scheme.

The Fund must not invest in units or shares of a collective investment scheme (the "**second scheme**") unless the second scheme satisfies all of the requirements referred to in (a) to (d) below:

- (a) the second scheme:
  - (i) satisfies the conditions necessary for it to enjoy the rights conferred by the UCITS Directive; or
  - (ii) is a Non-UCITS Retail Scheme; or
  - (iii) is a recognised scheme for the purposes of the Financial Services and Markets Act 2000 (as amended); or
  - (iv) is constituted outside the United Kingdom and the investment and borrowing powers of which are the same or more restrictive than those of a Non-UCITS Retail Scheme; or
  - (v) is a second scheme which does not fall within any of the above categories and in respect of which no more than 20% in value of the property of the scheme (including any transferable securities which are not approved securities) is invested.
- (b) the second scheme must operate on the principle of the prudent spread of risk;
- (c) the second scheme must have terms which prohibit more than 15% in value of the scheme property consisting of units and/or shares in other collective investment schemes;
- (d) the participants in the second scheme must be entitled to have their units redeemed in accordance with the scheme at a price:
  - (i) to the net value of the property to which the units relate; and
  - (ii) which are determined in accordance with the scheme.

Where the second scheme is an umbrella scheme, the above provisions apply to each sub-fund of the umbrella scheme as if it were a second scheme.

The Fund may invest in shares or units of second 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 Manager or an associate of the Manager. However, if the Fund invests in

units or shares in second schemes managed or operated by the Manager or by an associate of the Manager, the Manager must pay into the property of the Fund 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 Manager pays more for the units issued to it than the then prevailing issue 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 the units; and
- (b) on a disposal – any amount charged by the issuer on the redemption of such units.

### *Transferable Securities*

The scheme property may consist of transferable securities (as defined in the Rules) which are admitted to or dealt in on an eligible market (as set out in Schedule 2). Not more than 20% in value of the scheme property may consist of transferable securities which are not admitted to or dealt in an eligible market (aggregated with the value of scheme property which can be invested in unregulated collective investment schemes) and/or money market instruments which do not fall within the criteria set out under the section entitled "Money Market Instruments" below.

Not more than 10% in value of the scheme property may consist of transferable securities or money market instrument (referred to below) issued by any single body (however this rule does not apply in respect of government and public securities, as is explained below).

Not more than 5% in value of the scheme property 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 the Rules. 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 Fund at any time when the payment is required without contravening the Rules.

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

### *Money Market Instruments*

The scheme property 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 Central 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 FCA 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.

## *Derivatives*

The scheme property may consist of derivatives or forward transactions for the purposes of 'efficient portfolio management' (including "hedging"). This is set out in more detail in the next sub-section.

Derivatives transactions must either be in an approved derivative (being a derivative which is dealt in on an eligible derivatives market as set out in Schedule 2) or an over the counter derivative with an approved counterparty as defined in the glossary to the FCA Handbook.

A counterparty to a transaction in derivatives is approved only if the counterparty is an eligible institution or an approved bank, or whose home state authorisation, permits it to enter into such transactions as principal off exchange.

Any over the counter transactions in derivatives must also be on approved terms, i.e. the Manager:

- (a) carries out a reliable and verifiable valuation in respect of that transaction at least daily; and
- (b) can enter into a further transaction to close out that transaction at any time, at a fair value, arrived at under the pricing model or other reliable basis agreed.

Any forward transaction must be made with an eligible institution or an approved bank in accordance with the Rules.

The underlying assets of a transaction in a derivative may only consist of any one or more of the following:

- (a) transferable security;
- (b) money market instruments;
- (c) deposits;
- (d) derivatives;
- (e) collective investment schemes;
- (f) financial indices;
- (g) interest rates;
- (h) foreign exchange rates; and
- (i) currencies.

Where the Fund invests in derivatives, the exposure to the underlying assets must not exceed the limits set out in the COLL Sourcebook in relation to spread, except for index based derivatives. A transaction in a derivative must not be entered into if the intended effect is to create the potential for an uncovered sale of one or more transferable securities, money market instruments, units or shares in collective investment schemes or derivatives.

Where a Fund invests in an index based derivative, provided the relevant index falls within COLL 5.6.23 R, the underlying constituents of the index do not have to be taken into account for the purposes of COLL 5.6.7 R and COLL 5.6.8 R.

Where a transferable security or money market instrument embeds a derivative, this must be taken into account for the purposes of complying with the Rules.

The Manager will ensure that any transaction in derivatives and forward transactions is covered in accordance with the COLL Sourcebook. This includes ensuring that at all times, the Fund has enough assets to sufficiently cover its derivative positions. In determining the adequacy of the cover for such positions, the Manager will take into account the value of the underlying assets, counterparty risk, the time taken to liquidate any derivative position, and any reasonably foreseeable market movement.

The Manager uses a risk management process which enables it to monitor and measure on a daily basis the risk of the Fund's derivatives and forwards positions and their impact on the overall risk profile and leverage of the Fund. The global exposure relating to derivative instruments will be calculated using the commitment approach. The commitment approach (in summary) aggregates the market (or notional) values of derivative instruments, after netting and hedging, to determine the degree of global exposure of a Fund to derivative instruments. The global exposure of a Fund under the commitment approach must not exceed the net asset value of that Fund.

#### *Meaning of 'Efficient Portfolio Management (including "hedging")'*

The Fund may enter into derivative and forward transactions for efficient portfolio management (including hedging) purposes provided the following requirements are satisfied:

- the transaction is economically appropriate,
- the exposure on the transaction is fully covered, and,
- the transaction is entered into for either of the following specific aims:
  - (i) the reduction of risk; or
  - (ii) the reduction of costs; or
  - (iii) generation of additional capital or income for the scheme with a risk level which is consistent with the risk profile of the scheme and risk diversification rules laid down in the Rules.

A transaction which is regarded as speculative will not be permitted. A list of the current eligible derivatives markets is set out in Schedule 2. Further derivatives markets may be added to the list following consultation with the Trustee in accordance with the Rules.

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

The Manager 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 Fund.

### *Cash and near cash*

The scheme property may consist of cash or near cash to enable:

- (a) the pursuit of the Fund's investment objectives; or
- (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 Manager does not anticipate the Fund consisting of more than 20% 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 issue of units or realisation of investments.

Cash forming part of the property of the Fund may be placed in any current or deposit account with the Trustee, the Manager 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 as would be those of any comparable arrangements effected on normal commercial terms negotiated at arm's length between two independent parties.

### *Deposits*

The scheme property may consist of deposits (as defined in the Rules) 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.

### *Spread – general*

In applying any of the restrictions referred to above:

- Not more than 10% in value of the Fund property is to consist of transferable securities or money market instruments issued by any single body (subject to the Rules in COLL 5.6.23R). 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 10% in value of the scheme property.
- Not more than 20% in value of the scheme property is to consist of deposits with a single body.

The rules relating to the spread of investments will not apply during any period in which it is not reasonably practical to comply, provided that at all times the scheme property of the Fund aims to provide a prudent spread of risk.

The above restrictions do not apply to in respect of government and public securities.

### *Spread - Government and public securities*

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

### *Borrowing*

Subject to the Trust Deed and the Rules (such as relate to Non-UCITS Retail Schemes), the Fund may borrow money for the purposes of achieving its objectives on terms that such borrowings are to be repaid out of the scheme property. The Manager 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 the Rules). The borrowing of the Fund must not, on any Business Day, exceed 10% of the value of the scheme property of the Fund.

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).

Borrowings may be made from the Trustee, the Manager, 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 as would be those of any comparable arrangements effected on normal commercial terms negotiated at arm's length between two independent parties.

The scheme property of the Fund must not be lent, except for the purposes of stock lending (as described below). Further the Fund may not grant credit facilities nor act as a guarantor on behalf of third parties, provided that for the purpose of this restriction: (i) the acquisition of transferable securities, approved money market instruments or other permitted financial instruments; and (ii) the permitted lending of portfolio securities, shall be deemed not to constitute the making of a loan.

### *Stock lending*

Stock lending and repo contracts may be entered into by the Trustee on behalf of the Fund when it reasonably appears to the Manager to be appropriate to do so with a view to generating additional income for the Fund with an acceptable degree of risk.

The Trustee, at the request of the Manager, may enter into a stock lending arrangement or repo contract of the kind described in section 263B of the Taxation of Chargeable Gains Act 1992 (without extension by Section 263(C) but only if:

- (a) all the terms of the agreement under which securities are to be reacquired by the Trustee for the account of the Fund are in a form which is acceptable to the Trustee and are in accordance with good market practice;
- (b) the counterparty meets the criteria set out in COLL 5.4.4 R; and

- (c) collateral is obtained to secure the obligation of the counterparty under the terms referred to in (a) above. Collateral must be acceptable to the Trustee, adequate and sufficiently immediate (in each case, in accordance with the Rules).

Although the Funds may enter repurchase transactions and stock lending transactions, the Funds do not currently use such techniques. Should any Fund use such techniques and instruments in the future, the Manager will comply with the applicable regulations and in particular Regulation (EU) 2015/2365 of 25 November 2015 on transparency of securities financing transactions and of reuse (the "SFTR"). In these circumstances, the Prospectus will be updated prior to the use of any such techniques and instruments in order to contain all of the information required by the SFTR.

*General power to accept or underwrite placings*

Any power in the Rules to invest in transferable securities may be used for the purpose of entering into any agreement or understanding which is an underwriting or sub-underwriting agreement, or which contemplates that securities will or may be issued or subscribed for or acquired for the account of a Fund.

This authority does not apply to an option, or a purchase of a transferable security which confers a right to subscribe for or to acquire a transferable security, or to convert one transferable security into another.

The exposure of the Fund to agreements and understandings set out above, on any Business Day, must be covered and be such that, if all possible obligations arising under the arrangements had to be immediately met in full, there would be no breach of any of the investment limits set out in this Schedule.

## Schedule 2

### Eligible Markets

Set out below are the securities markets through which a Fund may invest or deal in approved securities (subject to the investment objective and policy):

- (a) a "regulated market" as defined in the Rules;
- (b) a securities market established in any EEA State (which as at the date of this Prospectus includes the UK, Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, and Sweden) which is regulated, operates regularly and is open to the public; or
- (c) the principal or only market established under the rules of any of the following investment exchanges:

Country	Market
Australia	The Australian Stock Exchange Limited
Canada	The Toronto Stock Exchange
Hong Kong	The Hong Kong Stock Exchange
Japan	The Tokyo Stock Exchange
New Zealand	The New Zealand 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 Fund.



### Eligible Derivatives Markets

Set out below are the derivatives markets through which the Fund may deal (subject to the Trust Deed, this Prospectus and the Rules as applicable to non-UCITS retail schemes):

<b>Country</b>	<b>Market</b>
Japan	Tokyo Stock Exchange
New Zealand	New Zealand Futures and Options Exchange
UK	London International Financial Futures and Options Exchange
The United States of America	Chicago Mercantile Exchange
Europe	European Options Exchange EURONEXT

### Schedule 3

#### Valuation of the property of each Fund

The property of the Fund is valued on the following basis (which is set out in full in the Trust Deed) and is in two parts (the issue basis and the cancellation basis):

- 1 All valuations are made in the base currency and are based on the most recent prices that can be reasonably obtained after the valuation point with a view to giving an accurate valuation at that point.
- 2 To convert to the Fund's base currency the value of the Fund's property which would otherwise be valued in another currency the Manager must either:
  - (a) select a rate of exchange which represents the average of the highest and lowest rates quoted at the relevant time for conversion of that currency into base currency on the market on which the Manager would normally deal if it wished to make such a conversion, or
- 3 invite the Trustee to agree that it is in the interests of the unitholders to select a different rate, and, if the Trustee so agrees, use that other rate.
  - (a) All scheme property as at the valuation point is included in the valuation, subject to any adjustments.
- 3.2 If the Trustee has been instructed to issue or cancel units it will be assumed (unless the contrary is shown) that:
  - (a) it has been done so;
  - (b) it has paid or been paid for them; and
  - (c) all consequential action required has been taken.
- 4 If the Trustee has issued or cancelled units but consequential action at 4(c) above is outstanding, assume that it has been taken.
- 5 Any agreement for the unconditional sale or purchase of property will be treated as having been completed and all necessary consequential actions having been taken. This is to include any agreement the existence of which is, or could reasonably be expected to be, known to the person valuing the property, assuming that all other persons in the Manager's employment take all reasonable steps to inform it immediately of the making of any agreement. However, this does not include any future or contract for differences which is not yet due to be performed or any unexpired option which has been written or purchased for the Fund and has not yet been exercised.
- 6 An estimated amount will be deducted for anticipated tax liabilities on the following:
  - (a) unrealised capital gains where the liabilities have accrued and are payable out of the scheme property of the Fund;
  - (b) realised capital gains in respect of previously completed and current accounting periods;

- (c) income where the liabilities have accrued;

and any other fiscal charge not set out here.

7 The following will also be deducted:

- (a) an estimated amount for any liabilities payable out of the property attributable to the fund and any tax on it (treating any periodic items as accruing from day to day);
- (b) the principal amount of any outstanding borrowings whenever payable;
- (c) any accrued but unpaid interest on borrowings;
- (d) the value of any option written (if the premium for writing the option has become part of the scheme property of the Fund); and
- (e) in the case of a margined contract, any amount reasonably anticipated to be paid by way of variation margin (the difference in price between the last settlement price, whether or not variation margin was then payable, and the price of the contract at the valuation point).

8 An estimated amount will be added for accrued claims for repayment of taxation levied:

- (a) on capital (including capital gains); or
- (b) on income.

9 The following will be added:

- (a) any other credit due to be paid into the scheme property;
- (b) in the case of a margined contract, any amount reasonably anticipated to be received by way of variation margin (that is the difference in price between the last settlement price, whether or not variation margin was then receivable, and the price of the contract at the valuation point);
- (c) any SDRT provision anticipated to be received.

## Issue Basis

The valuation of the Property of the Fund for that part of the valuation which is on an issue basis is as follows:

Property	To be valued at
Cash	Nominal value
(a) Amounts held in current and deposit accounts	Nominal value
(b) Property which is not within (a), (b) or (d):	
(i) If units in an authorised unit trust which is dual priced	Except where <b>Note 1</b> applies, the most recent maximum sale price less any expected discount (plus dealing costs) [ <b>Note 2</b> ].
(ii) If units or shares in either an investment company with variable capital or authorised unit trust which is single priced	The most recent price (plus dealing costs) [ <b>Notes 2 and 3</b> ]
(iii) If any other investment	Best available market dealing offer price on the most appropriate market in a standard size (plus dealing costs) [ <b>Note 2</b> ]
(iv) If other property, or no price exists under (i), (ii) or (iii)	Manager's reasonable estimate of a buyer's price (plus dealing costs) [ <b>Notes 2 and 4</b> ]
(c) Property which is a derivative under the terms of which there may be a liability to make, for the account of the Fund, further payments (other than charges and whether or not secured by margin) when the transaction in the derivative falls to be completed or upon its closing out.	
(i) If a written option under para 8d above	To be deducted at a net valuation of premium [ <b>Notes 5 and 8</b> ]
(ii) If an off-exchange future	Net value on closing out [ <b>Notes 6 and 8</b> ]
(iii) If any other such property	Net value of margin of closing out (whether as a positive or negative figure) [ <b>Notes 7 and 8</b> ]

## Notes

1. The issue price is taken, instead of the maximum sale price if the manager of the authorised unit trust whose scheme property is being valued is also the Manager, or an associate of the Manager, of the authorised unit trust whose units form part of that property.
2. "Dealing costs" means any fiscal charges, commission or other charges payable in the event of the authorised unit trust carrying out the transaction in question, assuming that the commission and charges (other than fiscal charges) which would be payable by the authorised unit trust are the least that could reasonably be expected to be paid in order to carry out the transaction. On the issue basis, dealing costs exclude any preliminary charge on sale of units in an authorised unit trust.
3. Dealing costs under Note 2. Include any dilution levy or SDRT provision which would be added in the event of a purchase by the Fund of the units in question but, if the manager of the authorised unit trust being valued, or an associate of the manager is also the manager of the authorised unit trust or the ACD of the ICVC whose units are held by the Fund, must not include the preliminary charge which would be payable in the event of a purchase by the Fund of those units.
4. The buyer's price is the consideration which would be paid by a buyer for an immediate transfer or assignment (or, in Scotland, assignation) to him at arm's length.
5. Estimate the premium on writing an option of the same series on the best terms then available on the most appropriate market on which such options are traded; but deduct dealing costs.
6. Estimate the amount of margin (whether receivable or payable by the authorised unit trust on closing out the contract. Deduct minimum dealing costs in the case of profit and add them in the case of loss.
7. Estimate the amount of margin (whether receivable or payable by the Fund on closing out the contract) on the best terms then available on the most appropriate market on which such contracts are traded. If that amount is receivable deduct minimum dealing costs. If however, that amount is payable then add minimum dealing costs to the margin and the value is that figure as a negative sum.
8. If the property is an over-the counter transaction in derivatives, use the relevant valuation referred to in the Regulations.

## Cancellation Basis

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

Property	To be valued at
Cash	Nominal value
(a) Amounts held in current and deposit accounts	Nominal value
(b) Property which is not within (a), (b) or (d):	
(i) If units in an authorised unit trust which is dual priced	Except where <b>Note 1</b> applies, the most recent minimum redemption price (less dealing costs) [ <b>Note 2</b> ].
(ii) If units or shares in either an investment company with variable capital or authorised unit trust which is single priced	The most recent price (less dealing costs) [ <b>Notes 2 and 3</b> ]
(iii) If any other investment	Best available market dealing bid price on the most appropriate market in a standard size (less dealing costs) [ <b>Note 2</b> ]
(iv) If other property, or no price exists under (i), (ii) or (iii)	Manager's reasonable estimate of a seller's price (less dealing costs) [ <b>Notes 2 and 4</b> ]
(c) Property of the type described in 8d	
(i) If a written option under para Issue Basis d above	To be deducted at a net valuation of premium [ <b>Notes 5 and 8</b> ]
(ii) If an off-exchange future	Net value on closing out [ <b>Note 8</b> ]
(iii) If any other such property	Net value of margin on closing out (whether as a positive or negative figure) [ <b>Notes 6 and 8</b> ]

## Notes

1. The cancellation price is taken, instead of the minimum redemption price if the property, if sold in one transaction, would amount to a large deal.
2. For "dealing costs" see Note 2 for the valuation on the issue basis. Dealing costs include any charge payable on redemption of units in an authorised unit trust (taking account of any expected discount), except where the manager of the Fund is also the manager or the associate of the manager of the authorised unit trust whose units form part of that property.
3. Dealing costs under Note 2. Include any dilution levy or SDRT provision which would be deducted in the event of a sale by the Fund of the units in question and, except when the manager of the Fund, or an associate of the manager is also the manager of the authorised unit trust or the ACD of the ICVC whose units are held by the Fund, must not include any charge payable on the redemption of those units (taking account of any expected discount).
4. The seller's price is the consideration which would be received by a seller for an immediate transfer or assignment (or, in Scotland, assignation) from him at arm's length, less dealing costs.
5. Estimate the premium on writing an option of the same series on the best terms then available on the most appropriate market on which such options are traded; and add dealing costs.
6. For off-exchange futures, see note 6 in the issue basis valuation provisions (above).
7. For net value of margin see note 7 in the issue basis valuation provisions (above).
8. For over the counter transactions in derivatives see note 8 in the issue basis valuation provisions (above).

## Schedule 4

### The Funds

#### HL MULTI-MANAGER BALANCED MANAGED TRUST

##### Investment objective

The investment objective of the Fund is to provide long term capital growth.

##### Investment policy

The Fund will invest principally in collective investment schemes, the underlying investments of which consist of equities and/or floating and fixed interest securities. The Fund will invest in accordance with the FCA Rules for Non-UCITS Retail Schemes. Subject to these Rules, the underlying funds in which the Fund will invest will generally be established in Europe (including the UK, Jersey and Guernsey).

In addition, the Fund may directly or indirectly invest in other assets including transferable securities, money market instruments and deposits to the extent permitted for Non-UCITS Retail Schemes under the FCA Rules. **The Fund may also use derivative instruments and forwards transactions for the limited purposes of efficient portfolio management, including hedging.**

It is intended that the assets of the Fund will be managed so that it is eligible for quotation within The Investment Association's Mixed Investment 40-85% Shares Sector. This means that the Fund should invest in a range of assets with the minimum equity exposure set at 40% and maximum equity exposure restricted to 85%. The assets should be at least 50% invested in established market currencies (US Dollar, Sterling, Euro) of which 25% must be Sterling-denominated investments. Further details may be found on The Investment Association's website [www.theinvestmentassociation.org](http://www.theinvestmentassociation.org).

##### Borrowing

The Fund has an overdraft facility which it may use for short term liquidity purposes as set out in Schedule 1. The Fund may use this borrowing power to the extent permitted for Non-UCITS Retail Schemes under the FCA Rules, which is up to 10% of its Net Asset Value. The Fund does not intend to use the overdraft facility for 'gearing' purposes.

##### Leverage

For the purposes of this Prospectus, "leverage" is any method by which the Fund's exposure is increased beyond its holding of assets and cash. The Fund may incur leverage (whether through borrowing of cash or through its use of derivatives for efficient portfolio management purposes) in the circumstances, and subject to the restrictions, set out in Schedule 1. There are no collateral, asset re-use or guarantee arrangements involved in the Manager's current approach to leverage.

Pursuant to the Rules, the Manager is required to set maximum leverage levels and seek to operate the Fund within these levels at all times. The AIFMD sets out two methodologies for calculating the overall exposure of a fund: the 'gross' method and the 'commitment' method.



These methodologies are summarised below but are set out in full in the AIFMD. The 'commitment' method is the sum of the absolute value of all positions and each derivative position (excluding forward currency positions) will be converted into the equivalent position in the underlying assets. The 'gross' method shall exclude the value of any cash and cash equivalents from the sum of the absolute value of all positions.

The maximum gross leverage in the Fund is 220%. The maximum commitment leverage is 110%. It is expected that the Manager will operate the Fund well within these limits. The Manager will report on its use of leverage within the Fund, and any change to use of leverage and leverage limits, in the Fund's Annual Report.

### Stock lending

The Manager is allowed to enter into stocklending arrangements as set out in Schedule 1. Property of the Fund used for stocklending purposes will be delivered to a third party and transferred back to the fund at a later date. There is no limit on the value of the fund's property which may be subject to stocklending arrangements.

A summary of the Fund's investment and borrowing powers is set out in Schedule 1 to this Prospectus.

### Unit Class Information

Unit Class	Initial Charge	Annual Management Charge	Minimum Initial Investment	Minimum Subsequent Investment	Minimum Holding
Class A Accumulation Unit	5%	0.75%	£2,500	£500	£500
Class M Accumulation Unit*	5%	0.75%	£2,500	£500	£500

\* Class M Units are currently only available to Unitholders who have entered into a separate intermediary agreement with Hargreaves Lansdown Asset Management Limited.

### Reports and Accounts

Annual accounting reference date	30 September
Interim accounting date	31 March
Income allocation dates	30 November, 31 May
Date of publication of annual reports and accounts	31 January

### Historical Performance Data

	% Growth March 2013 to March 2014	% Growth March 2014 to March 2015	% Growth March 2015 to March 2016	% Growth March 2016 to March 2017	% Growth March 2017 to March 2018
HL Multi Manager Balanced Managed Trust	7.2	11.2	-1.5	20.7	0.7

Source: Lipper, bid to bid, net income reinvested. **Past performance is not an indication of future performance.**

## HL MULTI-MANAGER SPECIAL SITUATIONS TRUST

### Investment objective

The investment objective of the Fund is to provide long term capital growth.

### Investment policy

The Fund will invest principally in collective investment schemes, the underlying investments of which consist of equities and/or floating and fixed interest securities. The Fund will invest in accordance with the FCA Rules for Non-UCITS Retail Schemes. Subject to these Rules, the underlying funds in which the Fund will invest will generally be established in Europe (including the UK, Jersey and Guernsey).

The Fund has an unconstrained equity focus and should invest at least 80% in equities both in the UK and overseas.

The Fund has the flexibility to hold a broad spectrum of equity funds, although the Fund will invest principally in the funds of boutique fund management groups, defined as fund management operations where the portfolio managers have a clear and substantial financial interest in the performance of their portfolios and/or the fund management group. More traditional fund management operations will be used in certain circumstances. The Fund may also have exposure to overseas and emerging markets.

In addition, the Fund may directly or indirectly invest in other assets including transferable securities, money market instruments and deposits to the extent permitted for Non-UCITS Retail Schemes under the FCA Rules. **The Fund may also use derivative instruments and forwards transactions for the limited purposes of efficient portfolio management, including hedging.**

### Borrowing

The Fund has an overdraft facility which it may use for short term liquidity purposes as set out in Schedule 1. The Fund may use this borrowing power to the extent permitted for Non-UCITS Retail Schemes under the FCA Rules, which is up to 10% of its Net Asset Value. The Fund does not intend to use the overdraft facility for 'gearing' purposes.

### Leverage

For the purposes of this Prospectus, "leverage" is any method by which the Fund's exposure is increased beyond its holding of assets and cash. The Fund may incur leverage (whether through borrowing of cash or through its use of derivatives for efficient portfolio management purposes) in the circumstances, and subject to the restrictions, set out in Schedule 1. There are no collateral, asset re-use or guarantee arrangements involved in the Manager's current approach to leverage.

Pursuant to the Rules, the Manager is required to set maximum leverage levels and seek to operate the Fund within these levels at all times. The AIFMD sets out two methodologies for calculating the overall exposure of a fund: the 'gross' method and the 'commitment' method. These methodologies are summarised below but are set out in full in the AIFMD.

The 'commitment' method is the sum of the absolute value of all positions and each derivative position (excluding forward currency positions) will be converted into the equivalent position in the underlying assets. The 'gross' method shall exclude the value of any cash and cash equivalents from the sum of the absolute value of all positions.

The maximum gross leverage in the Fund is 220%. The maximum commitment leverage is 110%. It is expected that the Manager will operate the Fund well within these limits. The Manager will report on its use of leverage within the Fund, and any change to use of leverage and leverage limits, in the Fund's Annual Report.

### Stock lending

The Manager is allowed to enter into stocklending arrangements as set out in Schedule 1. Property of the Fund used for stocklending purposes will be delivered to a third party and transferred back to the fund at a later date. There is no limit on the value of the fund's property which may be subject to stocklending arrangements.

A summary of the Fund's investment and borrowing powers is set out in Schedule 1 to this Prospectus.

### Unit Class Information

Unit Class	Initial Charge	Annual Management Charge	Minimum Initial Investment	Minimum Subsequent Investment	Minimum Holding
Class A Accumulation Unit	5%	0.75%	£2,500	£500	£500
Class M Accumulation Unit*	5%	0.75%	£2,500	£500	£500

\* Class M Units are currently only available to Unitholders who have entered into a separate intermediary agreement with Hargreaves Lansdown Asset Management Limited.

### Reports and Accounts

Annual accounting reference date	30 September
Interim accounting date	31 March
Income allocation dates	30 November, 31 May
Date of publication of annual reports and accounts	31 January

### Historical Performance Data

	% Growth March 2013 to March 2014	% Growth March 2014 to March 2015	% Growth March 2015 to March 2016	% Growth March 2016 to March 2017	% Growth March 2017 to March 2018
HL Multi Manager Special Situations Trust	9.6	13.3	-0.4	25.6	4.0

Source: Lipper, bid to bid, net income reinvested. **Past performance is not an indication of future performance.**

## HL MULTI-MANAGER INCOME & GROWTH TRUST

### Investment objective

The investment objective of the Fund is to provide income and capital growth.

### Investment policy

The Fund will invest principally in collective investment schemes, the underlying investments of which consist of equities and/or fixed interest securities. The Fund will invest in accordance with the FCA Rules for Non-UCITS Retail Schemes. Subject to these Rules, the underlying funds in which the Fund will invest will generally be established in Europe (including the UK, Jersey and Guernsey).

The Fund has the flexibility to hold a broad spectrum of equity funds, and although the Fund will principally invest in UK equity income it may also have exposure to smaller companies and overseas markets.

In addition, the Fund may directly or indirectly invest in other assets including transferable securities, money market instruments and deposits to the extent permitted for Non-UCITS Retail Schemes under the FCA Rules. **The Fund may also use derivative instruments and forwards transactions for the limited purposes of efficient portfolio management, including hedging.**

The Manager intends to manage the Fund in line with The Investment Association's UK Equity Income Sector. This means that the Fund should invest at least 80% in UK equities, which intend to achieve a historic yield on the distributable income in excess of 110% (and not less than 90%) of the FTSE All Share yield at the fund's year end. Details may be found on The Investment Association's website [www.theinvestmentassociation.org](http://www.theinvestmentassociation.org).

### Borrowing

The Fund has an overdraft facility which it may use for short term liquidity purposes as set out in Schedule 1. The Fund may use this borrowing power to the extent permitted for Non-UCITS Retail Schemes under the FCA Rules, which is up to 10% of its Net Asset Value. The Fund does not intend to use the overdraft facility for 'gearing' purposes.

### Leverage

For the purposes of this Prospectus, "leverage" is any method by which the Fund's exposure is increased beyond its holding of assets and cash. The Fund may incur leverage (whether through borrowing of cash or through its use of derivatives for efficient portfolio management purposes) in the circumstances, and subject to the restrictions, set out in Schedule 1. There are no collateral, asset re-use or guarantee arrangements involved in the Manager's current approach to leverage.

Pursuant to the Rules, the Manager is required to set maximum leverage levels and seek to operate the Fund within these levels at all times. The AIFMD sets out two methodologies for calculating the overall exposure of a fund: the 'gross' method and the 'commitment' method. These methodologies are summarised below but are set out in full in the AIFMD.

The 'commitment' method is the sum of the absolute value of all positions and each derivative position (excluding forward currency positions) will be converted into the equivalent position in the underlying assets. The 'gross' method shall exclude the value of any cash and cash equivalents from the sum of the absolute value of all positions. The maximum gross leverage in the Fund is 132%. The maximum commitment leverage is 110%. It is expected that the Manager will operate the Fund well within these limits. The Manager will report on its use of leverage within the Fund, and any change to use of leverage and leverage limits, in the Fund's Annual Report.

### Stock lending

The Manager is allowed to enter into stocklending arrangements as set out in Schedule 1. Property of the Fund used for stocklending purposes will be delivered to a third party and transferred back to the fund at a later date. There is no limit on the value of the fund's property which may be subject to stocklending arrangements.

A summary of the Fund's investment and borrowing powers is set out in Schedule 1 to this Prospectus.

### Unit Class Information

Unit Class	Initial Charge	Annual Management Charge	Minimum Initial Investment	Minimum Subsequent Investment	Minimum Holding
Class A Accumulation Unit	5%	0.75%	£2,500	£500	£500
Class A Income Unit	5%	0.75%	£2,500	£500	£500
Class M Accumulation Unit*	5%	0.75%	£2,500	£500	£500
Class M Income Unit*	5%	0.75%	£2,500	£500	£500

\* Class M Units are currently only available to Unitholders who have entered into a separate intermediary agreement with Hargreaves Lansdown Asset Management Limited.

## Reports and Accounts

Annual accounting reference date	30 September
Interim accounting date	31 March
Income allocation dates	31 October (annual)  Interim income allocations may be made on or before the last Business Day of each calendar month.
Date of publication of annual reports and accounts	31 January

## Historical Performance Data

	% Growth March 2013 to March 2014	% Growth March 2014 to March 2015	% Growth March 2015 to March 2016	% Growth March 2016 to March 2017	% Growth March 2017 to March 2018
HLMM Income & Growth Trust	15.1	13.6	-2.1	15.1	-1.6

Source: Lipper, bid to bid, net income reinvested. **Past performance is not an indication of future performance.**



## HL MULTI-MANAGER EQUITY & BOND TRUST

### Investment objective

The investment objective of the Fund is to provide income and capital growth.

### Investment policy

The Fund will invest principally in collective investment schemes, the underlying investments of which consist of equities and/or floating and fixed interest securities. The Fund will invest in accordance with the FCA Rules for Non-UCITS Retail Schemes. Subject to these Rules, the underlying funds in which the Fund will invest will generally be established in Europe (including the UK, Jersey and Guernsey).

The Fund has the flexibility to hold a broad spectrum of equity and fixed interest funds. On the equity segment, the fund may have exposure to smaller companies and overseas markets. On the fixed interest segment, the Fund may have exposure to UK and overseas Government, Corporate or high yield bonds, and there are no overall constraints in terms of duration and credit ratings.

In addition, the Fund may directly or indirectly invest in other assets including transferable securities, money market instruments and deposits to the extent permitted for Non-UCITS Retail Schemes under the FCA Rules. **The Fund may also use derivative instruments and forwards transactions for the limited purposes of efficient portfolio management, including hedging.**

It is intended that the assets of the Fund will be managed so that it is eligible for quotation within The Investment Association's Mixed Investment 20-60% Shares Sector. This means that the Fund should invest in a range of assets with the minimum equity exposure set at 20%, the maximum equity exposure restricted to 60% and with at least 30% invested in fixed interest and cash. The assets should be at least 30% invested in Sterling denominated investments with at least 60% in established market currencies (US Dollar, Sterling and Euro). Further details may be found on The Investment Association's website.

### Borrowing

The Fund has an overdraft facility which it may use for short term liquidity purposes as set out in Schedule 1. The Fund may use this borrowing power to the extent permitted for Non-UCITS Retail Schemes under the FCA Rules, which is up to 10% of its Net Asset Value. The Fund does not intend to use the overdraft facility for 'gearing' purposes.

### Leverage

For the purposes of this Prospectus, "leverage" is any method by which the Fund's exposure is increased beyond its holding of assets and cash. The Fund may incur leverage (whether through borrowing of cash or through its use of derivatives for efficient portfolio management purposes) in the circumstances, and subject to the restrictions, set out in Schedule 1. There are no collateral, asset re-use or guarantee arrangements involved in the Manager's current approach to leverage.

Pursuant to the Rules, the Manager is required to set maximum leverage levels and seek to operate the Fund within these levels at all times. The AIFMD sets out two methodologies for

calculating the overall exposure of a fund: the 'gross' method and the 'commitment' method. These methodologies are summarised below but are set out in full in the AIFMD.

The 'commitment' method is the sum of the absolute value of all positions and each derivative position (excluding forward currency positions) will be converted into the equivalent position in the underlying assets. The 'gross' method shall exclude the value of any cash and cash equivalents from the sum of the absolute value of all positions.

The maximum gross leverage in the Fund is 220%. The maximum commitment leverage is 110%. It is expected that the Manager will operate the Fund well within these limits. The Manager will report on its use of leverage within the Fund, and any change to use of leverage and leverage limits, in the Fund's Annual Report.

### Stock lending

The Manager is allowed to enter into stocklending arrangements as set out in Schedule 1. Property of the Fund used for stocklending purposes will be delivered to a third party and transferred back to the fund at a later date. There is no limit on the value of the fund's property which may be subject to stocklending arrangements.

A summary of the Fund's investment and borrowing powers is set out in Schedule 1 to this Prospectus.

### Unit Class Information

Unit Class	Initial Charge	Annual Management Charge	Minimum Initial Investment	Minimum Subsequent Investment	Minimum Holding
Class A Accumulation Unit	5%	0.75%	£2,500	£500	£500
Class A Income Unit	5%	0.75%	£2,500	£500	£500
Class M Accumulation Unit*	5%	0.75%	£2,500	£500	£500
Class M Income Unit*	5%	0.75%	£2,500	£500	£500

\* Class M Units are currently only available to Unitholders who have entered into a separate intermediary agreement with Hargreaves Lansdown Asset Management Limited.

## Reports and Accounts

Annual accounting reference date	30 September
Interim accounting date	31 March
Income allocation dates	31 October (annual)  Interim income allocations may be made on or before the last Business Day of each calendar month.
Date of publication of annual reports and accounts	31 January

## Historical Performance Data

	% Growth March 2013 to March 2014	% Growth March 2014 to March 2015	% Growth March 2015 to March 2016	% Growth March 2016 to March 2017	% Growth March 2017 to March 2018
HL Multi- Manager Equity & Bond Trust	7.8	10.4	-1.0	13.2	-1.0

Source: Lipper, bid to bid, net income reinvested. **Past performance is not an indication of future performance.**

## HL MULTI-MANAGER STRATEGIC BOND TRUST

### Investment objective

The investment objective of the Fund is to maximise total returns principally in the form of income.

### Investment policy

The Fund will invest principally in collective investment schemes, the underlying investments of which consist of equities and/or floating and fixed interest securities. The Fund will invest in accordance with the FCA Rules for Non-UCITS Retail Schemes. Subject to these Rules, the underlying funds in which the fund will invest will generally be established in Europe (including the UK, Jersey and Guernsey).

The Fund has the flexibility to hold a broad spectrum of floating and fixed interest funds, including funds invested into UK corporate bonds, UK high yield bonds, non-UK sovereign bonds, non-UK corporate bonds, convertible bonds, preference shares, gilts and index-linked gilts along with individual gilts, individual index-linked gilts and cash. The Fund will use this flexibility to seek to achieve the investment objective stated above. There are no overall constraints on the Fund in terms of duration and credit ratings.

In addition, the Fund may directly or indirectly invest in other assets including transferable securities, money market instruments and deposits to the extent permitted for Non-UCITS Retail Schemes under the FCA Rules. **The Fund may also use derivative instruments and forwards transactions for the limited purposes of efficient portfolio management including hedging.**

The broad strategy means the Fund is included within The Investment Association's sterling strategic bond sector, for which at least 80% of the fund's assets must be sterling denominated (or hedged back to sterling) fixed interest securities. This excludes convertibles, preference shares and Permanent Interest Bearing Shares (PIBS). Further details may be found on The Investment Association's website. At any point in time the asset allocation of the Fund could meet the criteria of another of The Investment Association's fixed income sector, but the Fund will remain in the sterling strategic bond sector on these occasions since it is the Manager's stated intention to retain the right to invest across the sterling floating and fixed interest credit risk spectrum.

### Borrowing

The Fund has an overdraft facility which it may use for short term liquidity purposes as set out in Schedule 1. The Fund may use this borrowing power to the extent permitted for Non-UCITS Retail Schemes under the FCA Rules, which is up to 10% of its Net Asset Value. The Fund does not intend to use the overdraft facility for 'gearing' purposes.

### Leverage

For the purposes of this Prospectus, "leverage" is any method by which the Fund's exposure is increased beyond its holding of assets and cash. The Fund may incur leverage (whether through borrowing of cash or through its use of derivatives for efficient portfolio management purposes) in the circumstances, and subject to the restrictions, set out in Schedule 1. There are no collateral, asset re-use or guarantee arrangements involved in the Manager's current approach to leverage.

Pursuant to the Rules, the Manager is required to set maximum leverage levels and seek to operate the Fund within these levels at all times. The AIFMD sets out two methodologies for calculating the overall exposure of a fund: the 'gross' method and the 'commitment' method. These methodologies are summarised below but are set out in full in the AIFMD.

The 'commitment' method is the sum of the absolute value of all positions and each derivative position (excluding forward currency positions) will be converted into the equivalent position in the underlying assets. The 'gross' method shall exclude the value of any cash and cash equivalents from the sum of the absolute value of all positions. The maximum gross leverage in the Fund is 220%. The maximum commitment leverage is 110%. It is expected that the Manager will operate the Fund well within these limits. The Manager will report on its use of leverage within the Fund, and any change to use of leverage and leverage limits, in the Fund's Annual Report.

### Stock lending

The Manager is allowed to enter into stocklending arrangements as set out in Schedule 1. Property of the Fund used for stocklending purposes will be delivered to a third party and transferred back to the fund at a later date. There is no limit on the value of the fund's property which may be subject to stocklending arrangements.

A summary of the Fund's investment and borrowing powers is set out in Schedule 1 to this Prospectus.

### Unit Class Information

Unit Class	Initial Charge	Annual Management Charge	Minimum Initial Investment	Minimum Subsequent Investment	Minimum Holding
Class A Accumulation Unit	3%	0.75%	£2,500	£500	£500
Class A Income Unit	3%	0.75%	£2,500	£500	£500
Class M Accumulation Unit*	3%	0.75%	£2,500	£500	£500
Class M Income Unit*	3%	0.75%	£2,500	£500	£500

\* Class M Units are currently only available to Unitholders who have entered into a separate intermediary agreement with Hargreaves Lansdown Asset Management Limited.

## Reports and Accounts

Annual accounting reference date	30 September
Interim accounting date	31 March
Income allocation dates	31 October (annual)  Interim income allocations may be made on or before the last Business Day of each calendar month.
Date of publication of annual reports and accounts	31 January

## Historical Performance Data

	% Growth March 2013 to March 2014	% Growth March 2014 to March 2015	% Growth March 2015 to March 2016	% Growth March 2016 to March 2017	% Growth March 2017 to March 2018
HL Strategic Bond Trust	3.50	5.42	-1.32	7.60	1.80

Source: Lipper, bid to bid, net income reinvested. **Past performance is not an indication of future performance.**

## Schedule 5

### Other Schemes Managed by the Manager

In addition to the Funds, the Manager is also the authorised fund manager of the authorised collective investment schemes set out below. Prospectuses and Key Investor Information Documents are available for these schemes.

- HL Multi-Manager Umbrella Trust
- HL Select Umbrella Trust

Sub-funds managed under the HL Multi-Manager Umbrella Trust include:

- HL Multi-Manager UK Growth
- HL Multi-Manager European
- HL Multi-Manager Asia & Emerging Markets
- HL Multi-Manager Strategic Assets
- HL Multi-Manager High Income.

Sub-funds managed under the HL Select Umbrella Trust include:

- HL Select UK Growth Shares
- HL Select UK Income Shares.