



18 December 2020

## **COIF Charities Ethical Investment Fund - Brexit impact**

Dear Investor,

On 31 January 2020, the UK formally withdrew from the European Union (“**EU**”) and entered a transition period which will end on 31 December 2020 (the “**Transition Period**”). It remains unlikely that the UK and the EU will reach a deal on their future relationship which includes reference to financial services for the period following the end of the Transition Period.

Assuming they reach no deal regarding financial services, certain amendments will be required to the scheme particulars and other fund documentation of COIF Charities Ethical Investment Fund. The key changes are as follows:

- 1 references to the “AIFMD” will be replaced with “AIFMD” as it applies in England and Wales from time to time including as retained, amended, extended, re-enacted or otherwise given effect on or after 11 pm on 31 January 2020.” The AIFMD is a European piece of legislation which will no longer directly apply to the operation of UK funds at the end of the Transition Period;
- 2 references to any other existing EU legislation will be subject to the same amendment as listed in paragraph 1 above; and
- 3 references to “an EEA State” will be updated to include the UK, i.e. “UK or an EEA State”.

We will aim to issue updated fund documents including these changes as soon as reasonably practicable following the end of the Transition Period. Please note that such amendments are purely technical and will have no impact on the way we manage COIF Charities Ethical Investment Fund.

Yours sincerely

**CCLA Fund Managers Limited**

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**CCLA**

**COIF Charities  
Ethical Investment Fund  
Scheme Particulars  
Investment Policy Statement**

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# Scheme Particulars

## COIF Charities Ethical Investment Fund

Effective from 25 September 2019

Issued by CCLA Fund Managers Limited

A copy of this document, which constitutes Scheme Particulars for the COIF Charities Ethical Investment Fund (the **Fund**) established and regulated by a Scheme dated 8 October 2009 and made under section 24 of the Charities Act 1993, now section 96 of the Charities Act 2011, as amended by resolutions of the charity trustees of the Fund dated 21 July 2014, 22 July 2014, 5 December 2015 and 15 May 2017 (the **Scheme**), and adopted by the Manager on 22 July 2014 has been filed with the Charity Commission. The Fund is registered with the Charity Commission under Charity Registration Number 1132054.

Should the provisions of the Scheme and the Scheme Particulars be in conflict, the provisions of the Scheme shall prevail.

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## Definitions

**Accumulation Units** means those Units where distributions are rolled up into the Unit price.

**Administrator** means HSBC Bank plc or such successor entity appointed Administrator by the Manager from time to time.

**Advisory Committee** refers to the Group, predominantly formed of clients and appointed by CCLA, who provide advice on the implementation of the Fund's ethical investment policy.

**AIFM** refers to the alternative investment fund manager and has the same meaning as listed in the glossary to the FCA Regulations.

**AIFMD Legislation** refers to the Alternative Investment Fund Managers Directive 2011/61/EU, the Alternative Investment Fund Managers Regulations 2013, and the Commission Delegated Regulation (EU) 231/2013.

**Annual Management Charge** means the periodic charge applied to the Fund by the Manager.

**Annual Report** means the annual report of the Fund prepared by the Board.

**Board** means the persons appointed pursuant to the Scheme and as further described in these Scheme Particulars.

**Business Day** means any day when the London Stock Exchange is normally open for business, being a day other than a Saturday, Sunday, public or bank holiday in England.

**Charity** means either a charity in England and Wales within the meaning of section 1(1) of the Charities Act 2011 and also an "appropriate body" in Scotland and Northern Ireland within the meaning of section 97(3) of the Charities Act 2011.

**Charity Commission** means the Charity Commission for England and Wales.

**Charitable purpose** bears the meaning as set out in section 2 of the Charities Act 2011.

**Common Deposit Fund** means a common deposit fund established under section 100 of the Charities Act 2011.

**Common Investment Fund** means a pooled investment fund which is governed by the Charities Act 2011 and authorised by the Charity Commission.

**Data Protection Legislation** means Regulation (EU) 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, or any successor legislations thereto, and any associated codes, regulation or guidance (as may be amended or replaced from time to time) and any related regulations and guidance and all other laws concerning the processing of data relating to living persons.

**Dealing Day** means the day on which the Manager issues and/or redeems units in the Fund as set out in these Scheme Particulars.

**Depository Services Agreement** means the agreement entered into by the Trustee, the Board and the Manager in relation to the depository services the Trustee provides to the Fund (as

amended, supplemented or replaced from time to time).

**Distribution Account** means an account in respect of the Fund as provided in the Scheme for the purpose of holding amounts of income to be distributed to unitholders.

**Eligible Securities and Investment Markets** mean the investment markets on which the Fund may invest.

**Equalisation** means an adjustment to the price of the Units to reflect the fact that investors buying Units part way through the Fund's accounting period are not entitled to all the income earned in respect of those Units over that period.

**FCA** means the Financial Conduct Authority of 12 Endeavour Square, London, E20 1JN or such regulatory authority which may replace or succeed it from time to time.

**FCA Regulations** means the Handbook of Rules and Guidance issued by the FCA, as amended or replaced from time to time.

**Fund** means the COIF Charities Ethical Investment Fund.

**Group** has the same meaning as listed in the glossary to the FCA Regulations.

**Income Reserve Account** means an account in respect of the Fund for the purpose of evening out the amount of income distributed.

**Income Units** means those units in the Fund which pay distributions to holders.

**Investment Committee** means the body responsible for the oversight of the Investment Manager's investment processes and activities.

**Investment Management Agreement** means the agreement dated 22 July 2014 between the Manager and the Investment Manager delegating the portfolio management of the Scheme Property to the Investment Manager (as amended, supplemented or replaced from time to time).

**Investment Manager** means CCLA Investment Management Limited.

**Manager** means CCLA Fund Managers Limited or such successor body corporate appointed Manager pursuant to the Scheme.

**MiFID II** means Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and includes where applicable reference to any implementing or supporting Regulations, Directives, or other legislative measures.

**Money Laundering Regulations** means The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 as may be amended, updated or replaced from time to time.

**PRA** means the Prudential Regulation Authority of Threadneedle Street, London EC2R 8AH or such regulatory authority which may replace or succeed it from time to time.

**Register** means the register of Unitholders maintained by the Administrator on behalf of the Trustee.

**Registrar** means a corporate body appointed by the Trustee as Registrar from time to time for the purpose of maintaining the register of Unitholders.

**Regulatory Rules** means the AIFMD Legislation, FCA Regulations and MiFID II as may be applicable.

**Scheme** means the Scheme sealed by the Charity Commission on 8 October 2009 as amended by resolutions of the charity trustees of the Fund dated 21 July 2014, 22 July 2014, 5 December 2015 and 15 May 2017.

**Scheme Particulars** means these rules and particulars of the Fund made under the Scheme, as amended or replaced from time to time.

**Scheme Property** means the investments, assets and property of the Fund.

**Trustee** means HSBC Bank plc, or any successor body appointed Trustee pursuant to the Scheme.

**Unitholder** means an investor in the Fund.

**Units** means units in the Fund which may be Income Units or Accumulation Units or, where the context indicates, an investment which represents the right or interest (however described) of the participants in a collective investment scheme.

References to any statutory provision or Regulatory Rule in these Scheme Particulars shall include any statutory provision or Regulatory Rule which amends or replaces it and any sub-ordinate legislation made under it.

## The Fund

The Fund is a Common Investment Fund established and regulated by the Scheme dated 8 October 2009 and made under section 24 of the Charities Act 1993, now section 96 of the Charities Act 2011 and amended by resolutions of the Trustee of the Fund dated 21 July 2014, 22 July 2014, 5 December 2015 and 15 May 2017 (as amended or replaced from time to time). The Fund is managed by the Manager as an unregulated collective investment scheme and as an alternative investment fund in accordance with the FCA Regulations and the AIFMD Legislation.

## Investment Objective

The Fund aims to provide a long-term total return comprising growth in capital and income.

## Investment Policy

The Fund is an actively managed, diversified portfolio of assets designed to help protect both present and future beneficiaries from the effects of inflation. It will have an emphasis on equities but will also include property, bonds and other asset classes.

The Fund has a wide range of ethical restrictions and is advised by an ethical advisory group that assists in the development of the Fund's client-driven ethical investment policy.

## Benchmark

A long term gross total return of 5% per annum net of inflation as measured by the increase in the Consumer Prices Index.

## Target Investors

The Fund is suitable for all of a charity's long-term funds where the charity is looking for a good level of distributions and long-term protection from inflation. The Fund is targeted at investors with an understanding or previous experience of investing in similar types of fund, with appropriate levels of risk tolerance and ability to bear loss. Please note that the Manager is not required to assess the suitability of the Fund against each investor.

Our investors may be either retail or professional clients (both per se and elective).

## Ethical & Responsible Investment

The Fund employs Ethical Investment Policies as determined by the Board and informed by client consultation. These Policies will be reviewed by the Board at least annually. The Board does not believe that the Policies will have a lasting or substantial adverse impact on the performance of the Fund.

The Fund is promoted as an ethical fund and the ethical investment policy that it implements is set every three years following extensive client consultation. The current policy period is 2018-2021. During this period the Fund will avoid investment in companies that we have been advised by our third party data provider, MSCI, (unless otherwise noted) through the data points selected by the manager, as:

- Producing landmines, cluster bombs, chemical/biological weapons, and/or nuclear weapons.
- Having significant involvement (>10% of turnover) in alcohol, gambling, pornography, tobacco, high interest rate lending (as defined by the Church of England Policy), non-military weapons, or strategic military sales.
- Testing cosmetics on animals (applies to companies in the 'Personal Products' GICs Sub Industry. Due to regulatory requirements in some countries exceptions will be made for companies that are identified as promoting alternatives to animal testing and adopt a rigorous, responsible, animal testing policy).
- Having fallen behind the transition to a low carbon economy. This is currently defined as:
  - Any company that derives more than 5% of their revenue from the extraction of energy coal or tar sands.
  - Companies, whose principal business is the generation of electricity, that have not demonstrated the ability to align their business with the Paris Climate Change Agreement (as determined by CCLA).
  - Extractives or utilities sector companies where productive engagement is not believed to be possible (at the discretion of the manager).
- Deriving more than 10% of their revenue from the extraction of oil and gas (this is defined as revenue derived from oil and gas extraction & production and oil and gas refining) (this restriction will take effect by 1 December 2019).
- Who do not meet the FTSE4Good Index Screen for baby milk substitutes or MSCI's standard screen for single-use abortifacients. (These restrictions are implemented to reflect the unitholders' wish to co-operate with each other to meet the specific



requirements of some client groups).

- Who have a FTSE ESG Rating of less than 2, on any theme, and have failed a subsequent CCLA 'comply or explain' assessment.

The Fund will not purchase sovereign debt from countries agreed by CCLA and the Advisory Committee as being amongst the world's most oppressive.

In addition, remaining companies who after persistent engagement, fail CCLA's 'controversy process' on issues including:

- ILO Core Labour Standards
- UN Guiding Principles on Business and Human Rights
- Biodiversity and Toxic Waste
- Climate Change Disclosure

are excluded.

The Fund has set an aspirational target to dedicate 5% of capital to investments that provide positive social or environmental objectives and meet standard risk/return criteria.

The Fund is also managed in accordance with CCLA's responsible investment process and takes a positive approach to stewardship as defined in the UK Stewardship Code for Institutional Investors.

The Manager's response to this code and its voting and engagement records are available at [www.ccla.co.uk](http://www.ccla.co.uk). The Manager is also a signatory to the United Nations backed Principles for Responsible investment.

## Changes to Investment Objectives and Policy

The Board may only alter the Fund's investment objective and, subject to approval by the Board, the Manager may only alter the investment policy in accordance with these provisions.

Where it is proposed that the investment objective or policy of the Fund be altered and the Board or the Manager (as appropriate) reasonably considers that such an alteration would be considered a "fundamental change" within the meaning in the FCA Regulations such an alteration may only be made following prior approval from the Unitholders by way of an extraordinary resolution (having the same meaning as when used in the FCA Regulations and following the same notice procedures for meetings of Unitholders as used in the FCA Regulations).

Where it is proposed that the investment objective or policy of the Fund be altered and the Board or the Manager (as appropriate) reasonably considers that such an alteration would be considered a "significant change" within the meaning in the FCA Regulations such an alteration may only be made following the provision of 60 days' prior written notice to the Unitholders.

By way of guidance, the Board and/or the Manager (as appropriate) may consider the

change to be "significant" rather than "fundamental" where:

- the proposed alterations do not alter the risk profile of the Fund;
- there is no change to the nature or purpose of the Fund; and
- the Unitholders are not materially prejudiced by the proposed change.

In certain limited circumstances the Board and/or the Manager (as appropriate) may decide that very minor changes to the investment policy and/or objective of the Fund (for example, those aimed at clarification of the investment objective and/or policy) would be considered a "notifiable change" within the meaning in the FCA Regulations. Such alterations may be made by providing Unitholders with access to an updated copy of these Scheme Particulars. All current schemes are available on [www.ccla.co.uk](http://www.ccla.co.uk) or by request please contact our Client Services department on 0800 022 3505.

## Investment and Borrowing Powers

Subject to the restrictions set out here and in the Scheme the Manager may invest the Scheme Property at its discretion in any kind of investment which it could make if it were absolutely entitled to the Scheme Property. The Manager must have regard to the need for diversification and suitability of investments and is subject to the restrictions in Appendix 2.

The Fund may, subject to certain restrictions and as a protective measure, undertake forward currency transactions and may invest in subscription warrants in respect of securities which could be subject to stabilisation activity.

The Fund may borrow up to 10% of the net asset value of the Fund temporarily for the purpose of meeting any payment properly to be made out of the Fund.

The Manager may also borrow up to 25% of the net asset value of the Fund in connection with the acquisition or management of any land. These borrowings can only be exceeded with the prior written consent of the Board. For further information on the Fund's borrowings please see the "Leverage" section below. Cash awaiting investment may be deposited with a bank or in a Common Deposit Fund.

## Investment in in-house collective investment schemes

The Fund may invest in other collective investment schemes, Common Investment Funds and Common Deposit Funds which may be operated or managed by the Manager or an associate of the Manager.

## Breach of Investment Limits

A breach of any of these limits does not prevent the exercise of rights conferred by investments held by the Fund if the consent of the Trustee is obtained but, in the event of a breach, the Manager must then take such steps as are necessary to restore compliance with the investment limits. The power to invest in direct property is among the wide investment powers of the Fund.

## Leverage (as defined by the AIFMD Legislation)

This section explains in what circumstances and how the Manager may use leverage as defined by the AIFMD Legislation (Leverage) in respect of the Fund and maximum level of Leverage permitted.

Leverage means any method by which the Fund increases its exposure whether through borrowing cash or securities or leverage embedded in derivative positions or any other means. The sources of Leverage which can be used when managing the Fund include:

- cash borrowing; and
- financial derivative instruments.

Leverage may be used to facilitate the purchase of Fund Property but the Investment Manager does not intend to use its borrowing powers to meet redemption requests. The Investment Manager will also use Forward Foreign Exchange (FFX) contracts to hedge the currency exposure in the Fund.

The Manager is required to calculate and monitor the level of leverage of the Fund. Leverage is expressed as a ratio between the exposure of the Fund and its Net Asset Value (Exposure/NAV). The exposure of the Fund shall be calculated in accordance with the commitment method (Commitment Method) and the gross method (Gross Method).

Under the Gross Method, the exposure of Fund is calculated as follows:

- a) include the sum of all assets purchased, plus the absolute value of all liabilities;
- b) exclude the value of cash and cash equivalents which are highly liquid investments held in the base currency of the Sub-Fund, that are:
  - I. readily convertible to a known amount of cash;
  - II. are subject to an insignificant risk of change in value; and
  - III. provide a return no greater than the rate of a three month high quality government bond;
- c) derivative instruments are converted into the equivalent position in their underlying assets;
- d) exclude cash borrowings that remain in cash or cash equivalents and where the amounts payable are known;
- e) include exposure resulting from the reinvestment of cash borrowings, expressed as the higher of the market value of the investment realised or the total amount of the cash borrowed; and
- f) include positions within repurchase or reverse repurchase agreements and securities lending or borrowing or other similar arrangements.

Under the Commitment Method, the exposure of a Fund is calculated in the same way as under the Gross Method; however, the exposure of derivative or security positions employed in hedging and netting arrangements are not included in this calculation, provided certain conditions are met.

Further information regarding these different Leverage calculation methods can be found in the AIFMD Legislation and the Investment Risk Policy, which is available upon request from the Manager.

The total amount of Leverage employed by the Fund will be disclosed in the Fund's Annual Report.

The maximum level of Leverage permitted in respect of the Fund is the same regardless of which calculation method is used as the only derivative instruments used in the fund are FFX transactions;

Gross Method: 1.54.

Commitment Method: 1.54.

As these calculations of regulatory leverage do not take into account whether a particular financial derivative instrument increases or decreases investment risk, they will not necessarily be representative of the actual level of investment risk within the Fund.

It is not intended that the Trustee or any sub-custodian shall be entitled to re-use for its own benefit any of the Fund's assets it has been entrusted with.

## Eligible Securities and Investment Markets

The Manager may trade on Eligible Securities and Investment Markets on recognised and designated investment exchanges as approved by the Investment Committee from time to time.

## The Board - Duties and Responsibilities

The Fund is subject to oversight by the Board, which has been assigned certain duties details of which are set out in the Scheme. It meets regularly to receive reports and monitor the progress of the Fund.

The duties of the Board include (but are not limited to):

- making an Annual Report regarding the discharge of its responsibilities;
- a duty to inform the Charity Commission promptly and in writing if the Board is not satisfied as to the compliance of the Trustee or the Manager with the Scheme or these Scheme Particulars; and
- a duty to inform the FCA promptly and in writing if the Board is not satisfied as to the compliance of the Trustee or the Manager with the applicable provisions of the AIFMD Legislation.

The Board is made up of individuals who together have wide experience of finance, investments, charities and the law. A non-executive director of the Investment Manager (or an associate) is entitled to be a member of the Board. No Board member is required to be authorised by the FCA because no Board member offers investment advice or conducts investment business in relation to the Fund.

In safeguarding the interests of Unitholders the Board has a number of responsibilities which include setting and subsequently advising on the investment objective and investment policy of the Fund, monitoring performance, the appointment and discharge of the Manager and the Trustee, appointing the Auditor to the Fund, and agreeing the fees

charged by the Trustee, the Manager and the Auditor. Prior to the Trustee making any written declaration that the Fund is to be wound up, the Trustee must serve on the Board a notice of the Trustee's intention to wind up the Fund and consider the Board's representations (if any).

To the extent of those duties and powers specified in the Scheme, the Board members are charity trustees within the meaning of the Charities Act 2011.

The Board members are entitled to be paid out of the Scheme Property any reasonable costs and expenses incurred by them in carrying out their duties as a member of the Board. Such reasonable costs and expenses may be drawn from the Fund. The Manager currently pays the reasonable costs and expenses of the Board members and intends to continue to do so for the foreseeable future.

## The Trustee

HSBC Bank plc is the Trustee of the Fund. HSBC Bank plc is a public limited company incorporated in England and Wales with company registration number 00014259 with its registered and head office at 8 Canada Square, London E14 5HQ. It is a wholly owned subsidiary of HSBC Holdings plc.

The Trustee acts as a trustee of the Fund for the purposes of and pursuant to the Scheme. The Trustee also acts as the depositary of the Fund for the purposes of and in compliance with the AIFMD Legislation and any other applicable national implementing measures in the United Kingdom including, without limitation, the FCA Regulations.

The Trustee is authorised by the Prudential Regulation Authority and regulated by the Prudential Regulation Authority and the Financial Conduct Authority in the conduct of its investment business in the United Kingdom including the provision of trustee and depositary services.

## Terms of appointment

The Trustee is appointed pursuant to the Scheme to act as a trustee of the Fund and is also separately appointed under a Depositary Services Agreement in place between the Trustee, the Manager and the Board which contains provisions dealing with the specific duties of the Trustee as depositary pursuant to the AIFMD Legislation.

The main duties of the Trustee are as set out in the Scheme. In its capacity as depositary, it has certain duties under the AIFMD Legislation which are to provide safekeeping of all financial instruments that can be physically delivered to the Depositary, oversight, cashflow monitoring and asset verification services and maintaining appropriate records in respect of the Scheme Property and other agreed services in accordance with the provisions of the applicable Regulatory Rules and the Scheme. The Depositary shall also ensure that all payments made by or on behalf of applicants upon the subscription to units of the Fund have been received.

The Depositary's duties also include the following:

- I. Ensuring that issues, creations, redemptions and cancellations of units of the Fund are carried out in accordance with the applicable law and the Scheme.

- II. Ensuring that the value of units of the Fund is calculated in accordance with the applicable laws and the Scheme.
- III. Carrying out the instructions of the Manager, unless they conflict with the applicable law or the Scheme.
- IV. Ensuring that transactions involving the Fund's assets and any consideration due is remitted to the Fund within the usual time limits.
- V. Ensuring the Fund's income is applied in accordance with applicable law and the Scheme.

In accordance with the FCA Regulations and the AIFMD Legislation, the Trustee may, pursuant to the Depositary Services Agreement and with the agreement of the Manager, delegate the provision of custody services in relation to the Fund. Safekeeping functions may be delegated to one or more sub-custodians on the terms set out in the Depositary Services Agreement and the Trustee will act with reasonable skill, care and diligence in the discharge of its duties. The liability of the Trustee as depositary under the Depositary Services Agreement shall not be affected by the fact that it has entrusted to a third party some or all of the assets in its safekeeping.

The fees to which the Trustee is entitled are set out in these Scheme Particulars.

Under the Depositary Services Agreement, the Trustee's appointment may be terminated on 90 days written notice, and in addition, under the Scheme the Board may terminate the Trustee's appointment by serving written notice on it, provided that the Depositary Services Agreement shall not terminate until a replacement depositary is appointed.

### Liability of the Depositary under the Depositary Services Agreement

Subject to the paragraph below, pursuant to the Depositary Services Agreement, the Depositary will be liable for loss of assets in custody (i.e. those assets, being financial instruments under the AIFMD Legislation, which are required to be held in custody pursuant to the AIFMD Legislation) or in the custody of any sub-custodian (should such sub-custodian be appointed) unless that loss has arisen as a result of an external event beyond its control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary, or where the asset which is lost was held by a sub-custodian appointed in accordance with the Depositary Services Agreement and the transfer of liability from the Trustee to the sub-custodian has been expressly agreed.

The Manager will disclose to potential Unitholders before they invest in the Fund any arrangement made by the Trustee to contractually discharge itself of liability in accordance with the AIFMD Legislation. Currently, it is not envisaged that the Trustee will seek to contractually discharge itself of liability under any circumstances, and so it is not expected that this requirement under the AIFMD Legislation will be applicable to the Fund. In the event that there are any changes to the Trustee's liability under the AIFMD Legislation, the Manager will inform Unitholders of such changes without delay.

However, the Trustee shall not be liable for any indirect, special or consequential losses.

## Trustee Conflicts of Interest

Potential conflicts of interest may arise from time to time from the provision by the Trustee and/or its affiliates of other services to the Fund, the Manager, the Investment Manager and/or other parties. Where a conflict or potential conflict of interest arises, the Trustee will have regard to its obligations to the Fund and/or the Manager and will treat fairly the Fund, the Manager and the other funds for which it acts, so far as is practicable. Such potential conflicts of interest are identified, managed and monitored in various other ways including, the hierarchical and functional separation of HSBC's depositary functions from its other potentially conflicting roles and by the Trustee adhering to its "Conflicts of Interest Policy" (a copy of which can be obtained on request from the Head of Compliance for the Trustee).

## Remuneration and Expenses of the Trustee

The Scheme provides for the remuneration of the Trustee out of the Scheme Property by way of a periodic charge (plus VAT, if applicable and if any), and the reimbursement of expenses (including VAT, if applicable and if any) properly incurred by the Trustee. The rate of the Trustee's periodic charge is to be agreed in writing with the Board from time to time.

The expenses will include charges of the Trustee's nominees and agents. The duties of the Trustee for which reimbursement may be made, involve and include (without limitation):

- a) delivery of stock to the Trustee;
- b) custody of assets;
- c) collection of income;
- d) submission of tax returns;
- e) handling of tax claims;
- f) preparation of the Trustee's Annual Report; and
- g) such other duties as the Trustee is required or empowered by law to perform.

The maximum periodic charge that may be made by the Trustee, subject to the prior written approval of the Charity Commission, is 0.03% per annum, (plus VAT if applicable and if any), of the value of the property of the Fund.

The actual periodic charge agreed with the Board is calculated on a sliding scale:

- 0.0075% per annum on assets up to £100m
- 0.0056% per annum on assets from £100m to £500m
- 0.0038% per annum on assets over £500m

The periodic charge (plus VAT if applicable and if any), accrues daily to the assets of the Fund and is payable monthly in arrears.

Any increase in the actual or maximum amount of the periodic charge made by the Trustee shall be subject to:

- a) notice of at least 90 days being given to Unitholders;
- b) the prior written agreement of the Board; and
- c) the prior written approval of the Charity Commission.

In addition to the annual charge the Trustee is entitled to be paid custody charges as follows;  
Transaction - £3 to £67.50 per transaction

Safekeeping - 0.003% to 0.1875%

## The Manager

CCLA Fund Managers Limited is the appointed AIFM of the Fund. The Manager is a limited liability company incorporated in England and Wales, whose address and details are shown in Appendix 1 of this document.

The Manager is authorised and regulated by the Financial Conduct Authority in the conduct of investment business in the United Kingdom and is entered on the FCA's register under number 611707. The Manager has permission from the FCA to act as a full scope AIFM.

## Terms of appointment

The Manager is appointed as Manager of the Fund pursuant to the Scheme.

The ultimate holding company of the Manager is CCLA Investment Management Limited, a company incorporated in England and Wales.

Subject to the FCA Regulations and the AIFMD Legislation the Manager may delegate (and authorise its delegate to sub-delegate) its duties as Manager.

The Manager has delegated the provision of certain services including investment management, administration and the preparation of various reports for Unitholders to the Investment Manager and Administrator as detailed below.

The Manager's appointment may be terminated by the Board acquiring approval by the Trustee and serving written notice on the Manager.

The Manager is entitled to its pro rata fees and expenses (as provided for in the Scheme and detailed in these Scheme Particulars) to the date of termination of its appointment as Manager of the Fund and any additional expenses necessarily incurred in settling or realising any outstanding obligations.

## Duties of the Manager

The Manager is responsible for all the investment management and administration services in relation to the Fund set out under paragraph 17 of the Scheme. These include:

- the day to day management of the Fund including power to buy and sell investments and to operate bank accounts and to borrow;
- the preparation of any valuations or other calculations to be made under these Scheme Particulars;
- the receipt of contributions and the satisfaction of withdrawals;
- the decision as to whether any particular asset is to be accepted as a contribution;
- the keeping of such accounts as the Trustee or the Board may require; and
- any matters incidental to the above matters.



The Manager is also responsible for the risk management of the Fund.

No warranty is given by the Manager as to the performance or profitability of the Fund (or any part of it) or that the investment objectives of the Fund will be successfully accomplished.

## Remuneration and Expenses of the Manager

The Annual Management Charge, which accrues daily, has been agreed by the Board and approved by the Charity Commission. Currently the charge is 0.60% of the net asset value of the Fund. The month end valuation forms the basis of the charge for the following month and the charge (plus VAT if applicable) is paid on or around the last Business Day of each month.

The Annual Management Charge will be paid 100% from capital. The policy of taking the Annual Management Charge from capital could lead to capital erosion. However, it should not change the overall return on the Fund, taking capital and income together.

Where applicable, to avoid double charging, rebates of charges on holdings in the other funds managed or operated by the Manager or an associate are calculated and applied to the Fund.

Any increase in the actual or maximum amount of the Annual Management Charge shall be subject to:

- a) notice of at least 90 days being given to Unitholders;
- b) the prior written agreement of the Board; and
- c) the prior written approval of the Charity Commission.

A fee for ethical and stewardship services is also charged by the Manager and is paid from the capital of the Fund.

## Investment Manager

The Investment Manager is a limited liability company registered in England, company No. 2183088. The Investment Manager is authorised and regulated by the Financial Conduct Authority in the conduct of its investment business.

The Investment Manager has been appointed by the Manager pursuant to the Investment Management Agreement to provide portfolio management services and to provide administrative and registrar services for the Fund and company secretarial services to the Fund under the Investment Management Agreement. Under the terms of the Investment Management Agreement, the Investment Manager's appointment may be terminated on three months' written notice by the Investment Manager or by the Manager, or in certain limited circumstances immediately by the Manager. No warranty is given by the Investment Manager as to the performance or profitability of the Fund (or any part of it) or that the investment objectives of the Fund will be successfully accomplished.

The Manager is responsible for any fees payable to the Investment Manager and meets the fees of the Investment Manager from the Annual Management Charge the Manager receives for its services to the Fund.

Where research services are provided to the Investment Manager, any research fee is paid from the Investment Manager's own resources and not charged to the Fund.

## The Administrator

The Manager has appointed HSBC Bank plc, 8 Canada Square, Canary Wharf, London, E14 5HQ as the Administrator to undertake the Fund pricing and Fund accounting activities and to carry out certain administrative tasks including the preparation of statements and other reports together with marketing activities on behalf of the Fund. The Administrator has been appointed under an agreement with the Manager and the Manager meets the fees of the Administrator from the Annual Management Charge it receives for its services to the Fund.

## Registrar

The Trustee has appointed CCLA Investment Management Limited to act as the Registrar to the Fund. The agreement provides for the appointment to be terminated by either party giving one year's written notice to the other. Earlier termination can only occur in specific circumstances, including a material and irremediable breach by either party.

## Unitholders' rights against service providers

A number of third party service providers provide services to the Fund, including the Investment Manager, the Auditors and the Administrator, whose details are set out in these Scheme Particulars (the Service Providers). No Unitholder will have any direct contractual claim against any Service Provider with respect to such Service Provider's default. This is without prejudice to any right a Unitholder may have to bring a claim against an FCA authorised Service Provider, the Manager or the Trustee under Section 138D of the Financial Services and Markets Act 2000 (as a result of a breach of the FCA Regulations by such Service Provider, the Manager or the Trustee), or any tortious or contractual cause of action.

## Additional Payments from the Fund

Payments that may additionally be made out of the Scheme Property are as follows:

- a) brokers' commission (where such payment may be made in accordance with the Regulatory Rules), fiscal charges and other disbursements which are:
  - I. necessary to implement, or necessary as a direct consequence of, any changes in the law; or
  - II. normally shown in contract notes, confirmation notes, and margin accounts as appropriate;
- b) interest on borrowings permitted by the Fund and charges incurred in effecting or terminating such borrowing or in negotiating or varying the terms of such borrowing;
- c) taxation and duties payable in respect of the Scheme Property, the Scheme or the issue of units, if applicable;
- d) any costs incurred in modifying the Scheme where modification is:
  - I. necessary to implement, or necessary as a direct consequence of, any changes in the law; 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 interests of Unitholders; or

- III. to remove from the Scheme obsolete provisions;
- e) liabilities on an unitisation, amalgamation or reconstruction arising in certain circumstances;
- f) the audit fee properly payable to the Auditor and Value Added Tax which may be chargeable thereon and any proper expenses of the Auditor;
- g) the proper expenses of the Board;
- h) the fees of any relevant regulatory authority in which units are or may be marketed; and
- i) any costs incurred through purchasing and holding third party funds.

## Preliminary Charge

The Scheme provides for a preliminary charge to be included in the price at which units may be purchased, out of which the expenses and remuneration of the Manager may be paid. No preliminary charge is currently levied.

The introduction of a preliminary charge and any increase in the actual or maximum amount of a preliminary charge made by the Manager shall be subject to:

- a) notice of at least 90 days being given to Unitholders;
- b) the prior written agreement of the Board; and
- c) the prior written approval of the Charity Commission.

## Redemption Charge

The Manager may in the future implement a redemption charge.

The introduction of a redemption charge and any increase in the actual or maximum amount of a redemption charge made by the Manager shall be subject to:

- a) notice of at least 90 days being given to Unitholders;
- b) the prior written agreement of the Board; and
- c) the prior written approval of the Charity Commission.

## Inducements

It is the Manager's policy not to enter into any soft commission arrangements with its brokers for the supply of goods and services, in return for an agreed volume of business.

In accordance with the Regulatory Rules, the Manager when executing orders or placing orders with other entities in relation to financial instruments for execution on behalf of the Fund must not accept and retain any fees, commission or monetary benefits from a third party (**Third Party Payments**). If the Manager receives any Third Party Payments, the Manager will return the Third Party Payments to the Fund as soon as reasonably possible and will inform Unitholders of the amount received which will be set out in the annual reports.

The Manager must not accept any non-monetary benefits when executing orders or placing orders with other entities for execution in relation to financial instruments on behalf of the Fund, except those which are capable of enhancing the quality of the service provided to the Fund, and which are of a scale and nature such that they could not be judged to impair the Manager's compliance with its duty to act honestly, fairly and professionally in the best interests of the Fund.

## Research

Certain brokers provide research services to the Investment Manager, which the Investment Manager pays for out of its own resources. This research is used by the Investment Manager in its investment management process.

## Registration of Units

The Register of Unitholders is maintained on behalf of the Trustee by the Administrator. Holdings are registered in the name of the Unitholders or where applicable holdings may be registered in the name of the nominee company acting on behalf of the Unitholders, with the name of the Unitholders separately recorded in the Register. Holdings may not be registered in the names of the individual trustees. No certificates are issued, but confirmation of holding is available on request from the Administrator.

The Register may be inspected by or on behalf of Unitholders free of charge during normal business hours at the office of the Administrator at its registered office. Entry in the Register of Unitholders is conclusive evidence of title to the units in the Fund. The Register contains the name of each Unitholder, the number of units held, the type of units and the name and address of the correspondent for each account. In addition, the Register may contain the following particulars:

- a) details of the nominee company acting on behalf of the Unitholders;
- b) client designation;
- c) bank account details for the remittance of distributions and withdrawals; and
- d) authorised signatory(ies) and the number of signatures required.

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

The expenses of maintaining the Register are currently borne by the Manager and covered by the Annual Management Charge paid out of the Scheme Property of the Fund to the Manager.

The Manager will treat all Unitholders' records as confidential and so reserve the right to provide copies of your particular record, rather than allow access to files which may contain information about other Unitholders.

## Meetings

Any meeting of Unitholders' shall be held in accordance with the FCA Regulations, and all the provisions of the FCA Regulations shall apply to such meetings. A meeting of Unitholders' of the Fund duly convened and held by the Trustee may vote on a resolution:

- a) to approve a proposed scheme of amalgamation put forward by the Manager and the Trustee (or either of them); or
- b) to approve a proposed scheme of reconstruction put forward by the Manager and the Trustee (or either of them).
- c) to approve fundamental changes of investment objectives and policy.

A meeting of Unitholders has no other powers.

## Participation in the Fund

### **Income and Accumulation Units**

Contributors to the Fund may purchase either Income or Accumulation Units or both. Income Units provide regular distributions and each unit represents one undivided share in the property of that Fund. Holders of Income Units receive distributions quarterly.

Holders of Accumulation Units do not receive distributions. The distributions allocated to the Accumulation Units accumulate within the Fund and are reflected in the price of the Units. The effect of this accumulation of distributions is an increase in the price of an Accumulation Unit relative to the price of an Income Unit. An Accumulation Unit represents an increasing undivided share in the Scheme Property. The right represented by the holding of a Unit is that of a beneficial interest under a trust.

### **Eligible Contributors to the Fund**

Any Charity in the United Kingdom and any appropriate body within the meaning of the Charities Act 2011 may invest in the Fund, unless precluded by a specific provision in the Charity's governing instrument, provided always that such a Charity is recognised by HM Revenue & Customs as a Charity for tax purposes. The Manager is required under Money Laundering Regulations to satisfy itself as to the identity of participants. Any Charity (or a nominee company acting on its behalf) applying to participate must give a declaration of eligibility of the Charity to invest in the Fund. Where a Unitholder is found not to be eligible or becomes ineligible at a later date, it, or its nominee, must inform the Manager and disinvest. The Manager reserves the right to refuse to accept any application without giving any reason and to sell units on behalf of a Unitholder if it reasonably believes that the Unitholder is no longer eligible to invest in the Fund.

## Pricing of Units

### **The Dealing Day**

There is currently one Dealing Day per week, normally Thursday, except when this is not a Business Day; then the preceding Business Day becomes a Dealing Day.

### **Valuation**

The Manager values the property of the Fund at the last closing price on the relevant exchange on the Business Day prior to the Dealing Day (the Valuation Point) for the purpose of determining the prices at which units may be issued or redeemed.

In addition, for valuation and reporting purposes, the Fund is valued on the last Business Day of each calendar month. The Manager may, subject to the agreement of the Trustee, introduce additional or alternative Dealing Days and Valuation Points.

The Manager may, at any time during a Business Day, carry out an additional valuation of the property of the Fund for the determination of unit prices if, after consultation with the Trustee, it is considered desirable to do so.

## **Valuation of the Fund**

The Scheme Property is valued in accordance with the FCA Regulations (as amended or replaced from time to time) and the value of the Fund shall be the value of its assets less the value of its liabilities. The valuation of exchange traded securities is carried out at mid-market prices at the Valuation Point. The valuation of non-exchange traded securities is determined as follows;

- Units in a collective investment scheme – if the scheme is singled priced then that price will be used. If the scheme is dual priced the mid-market price will be used.
- Private Equity Holdings – the manager will calculate the price based on valuation information provided by the private equity company.
- Other assets – the manager will value all other assets at a value which, in the opinion of the manager, represents a fair and reasonable value based on independent inputs.

The Unit price includes the value of the income of the Scheme Property which has not been declared as a dividend on the Dealing Day.

The amount of income to be included is the amount of income received by the Fund up to and including the day before the Dealing Day, together with the amount of income accrued to which the Fund is entitled. Any overseas income is treated on the same basis except that overseas tax deducted at source is only credited to the income of the Fund on receipt of claims made under double taxation treaties. All expenses paid or accrued on the same basis as the income will be deducted from the income.

## **Suspension of Dealing**

In exceptional circumstances, the Manager may, if the Trustee agrees, or shall, if the Trustee requires, suspend at any time for a period of up to 28 days the buying and selling of units. The Manager or the Trustee must be of the opinion that there is good and sufficient reason to do so having regard to the interests of the Unitholders. No units can be bought or sold during this period. The Manager will notify Unitholders immediately if it is decided to suspend trading in the Fund.

## **Buying (bid) and Selling (offer) Prices**

The buying and selling prices of the units are based upon the mid-market valuation of the Fund, as described above. To this valuation is added or deducted a fixed percentage of the valuation, representing the estimated transaction costs incurred in purchasing or disposing of assets. These costs are principally the difference between the bid and offer prices on the sale and purchase of assets and any associated costs.

The Manager may vary the amount of these provisions to reflect their estimate of the costs associated with any transaction. The most recent estimate of the cost is shown on our website [www.ccla.co.uk](http://www.ccla.co.uk)

The offer and bid prices represent the buying and selling prices for Unitholders and also the creation and cancellation prices for the Trustee. No units are held by the Manager or any other party involved in the management of the Fund other than in the capacity as a custodian or trustee for an eligible investor.

The offer price (the price at which an investor may purchase units) and bid price (the price at which a Unitholder may sell units), as last notified to the Trustee, is available from the Manager upon request.

## Buying Units

### **General applications**

Generally, applications to buy Units must be made using a completed application form and appropriate payment must be made at the same time as the submission of the application form.

Except as specified below, applications to purchase Units can only be actioned on a particular Dealing Day if, by 5.00pm on the Business Day prior to that Dealing Day:

- a correctly completed application form has been received by the Manager; and
- the Manager is in receipt of cleared funds.

Please note: When monies are received early they will be banked in a “fund transfer agency account” in the name of the Fund for investment on the next Dealing Day.

### **Applications from nominees**

Where a nominee company acts on behalf of prospective investors, and has submitted a signed nominee application form to the Manager, the Manager may, in its discretion, process an application to buy Units which has been received by 5.00pm on the Business Day prior to that Dealing Day even where it is not in receipt of cleared funds.

Where the Manager has acted upon such an instruction, cleared funds must be received by the end of two Business Days following that Dealing Day. Should cleared funds not be received by this time, the Manager reserves the right to immediately redeem any Units created as a result of that instruction.

The nominee company will be responsible for any losses (including costs, expenses or other liabilities) incurred by the Manager as a result of that nominee company failing to provide cleared funds by the end of two Business Days following the relevant Dealing Day. Such losses may include (without limitation) any loss sustained by the Manager or the Fund as a consequence of a fall in the price of Units and any costs sustained by the Manager or the Fund when redeeming such Units.

### **Provisions applicable to all applications**

The account should be held with a banking institution in the European Economic Area (EEA) and made payable in pounds sterling.

Applications to purchase, once made, are irrevocable. However, subject to its obligations under applicable law and regulation, the Manager has the right to reject, on reasonable grounds relating to the circumstances of the prospective investor (or nominee company, where applicable), any application for Units in whole or part, and in this event the Manager will return any money sent, or the balance of such monies, at the risk of the applicant.

The Manager may also, at its discretion, suspend the issue of new Units if any such new issue would prevent the orderly investment of monies by the Fund.

On acceptance of an application, Units will be issued at the relevant offer price. A contract note will normally be dispatched by the end of the next Business Day following the Dealing Day. The contract note will show certain information, such as the number of Units and the issue price. Units are issued to two decimal places.

### **Top Ups or Additional Investments**

The original application to create a new account needs to be accompanied by a cheque drawn on an account in the name of the applicant, see above. Funds may be sent via CHAPS or BACS for additional investments or top ups. For further details please contact Client Services, freephone 0800 022 3505.

### **Conditional Orders**

The Manager cannot accept conditional purchase or sale instructions from investors. A conditional order is one where the instruction specifically states that a purchase or sale may only proceed at a specified price, e.g. purchase £50,000 worth of COIF Ethical Investment Fund units if the offer price is less than £5.

### **Selling Units**

All instructions to sell units must be on a completed Renunciation Form and received by the Manager by 5.00pm on the Business Day prior to the Dealing Day to obtain that day's price. A contract note detailing the transaction will normally be sent out by the close of business on the next Business Day.

Proceeds of sales will be remitted to the nominated bank account of the Unitholder or be paid direct to a COIF Charities Deposit Fund account held in the name of the Unitholder or be sent by cheque to the correspondent and made payable to the Unitholder. Proceeds relating to settlement and sales are remitted within four Business Days of the dealing date.

Proceeds that are transferred to a COIF Charities Deposit Fund account are credited with effect from the Dealing Day.

### **Switches**

Switches between COIF funds are permitted although switches involving the property fund can only be undertaken on the monthly COIF Charities Property Fund Dealing Day.

### **Issue and Redemption of Units**

To apply for Units in the Fund, the applicant must have an active open account. An application to open or reactivate an account will normally take 48 hours provided all documents required are provided along with the application. Instructions cannot be accepted until the account is active.

Units in the Fund are dealt on a forward price basis. All instructions for buying and selling Units in the Fund must be received by 5.00pm on the Business Day prior to the Dealing Day



if they are to be processed at the prices to be calculated on that day. Instructions received later will be held over to the next Dealing Day.

The Manager will execute purchases or redemptions on the instructions of the client at the published offer/bid price at the relevant Valuation Point. Units can only be created or liquidated through the Trustee on behalf of the Fund.

### **Trustee's Refusal to Issue or Cancel Units**

Where, on receipt of instructions to issue or cancel Units, the Trustee is of the opinion that it is not in the interests of Unitholders that;

- a) Units should be issued; or
- b) Units should be cancelled; or
- c) Units should be issued or cancelled in the number requested by the Manager,

the Trustee must give notice to the Manager that the Trustee refuses to issue or, as the case may be, cancel, all, or a specified number of, the Units.

On giving such a notice the Trustee is relieved of the obligation to issue or cancel the number of Units to which the notice relates.

### **Publication of Prices**

The latest offer and bid prices of the units in the Fund will be published in the Financial Times. Month end prices for valuation purposes and daily bid and offer prices are displayed on the Manager's website [www.ccla.co.uk](http://www.ccla.co.uk)

The Fund's past performance is set out at Appendix 3 and is also available on the Manager's website on [www.ccla.co.uk](http://www.ccla.co.uk)

### **Minimum Investment**

The normal initial minimum investment in the units is £1,000. Any additional amount may be invested thereafter.

### **Securities Exchange**

Quoted securities in which the Fund has power to invest may be offered to the respective Fund in exchange for the issue of shares on a Dealing Day. If accepted, securities are taken in at mid-market valuation. The Manager has absolute discretion as to the securities which will be accepted. The procedure for exchange is complex and may require sometime for completion. Further details are available upon request. Neither the Trustee nor the Manager accepts any responsibility for the fluctuation in asset values during the transition into units.

### **Large Deals**

Deals of any size can normally be completed without delay, and there is normally no restriction on the carrying out of transactions. For the purpose of these Scheme Particulars, a large deal is one of £1,000,000. The Manager may at its discretion elect to settle such deals by way of a transfer of securities from the assets of the Fund to the seller (in specie transfer) and may be applied at the discretion of the Manager and subject to the agreement of the Trustee.

## Distributions to Unitholders

### Quarterly Distribution

Distributions are calculated quarterly at the end of March, June, September and December. The annual rate of distribution is approved by the Board in discussions with the Manager. The level of distributions is set at a level that is expected both to allow the level of distributions to be maintained or increased over time and to preserve the real (after inflation) value of Income Units over the long-term. It is recognised that from time to time changing circumstance may require an amendment to the annual rate in order to increase the likelihood of maintaining the real value of Income Units. Distributions in respect of the preceding quarter are made at the end of February, May, August and November.

Pursuant to the Scheme, both the capital and the income of the Fund will be available for distributions at the Manager's discretion.

Monies will be paid directly to a bank account held in the name of the Unitholder or a nominee company acting on behalf of that Unitholder, or paid into a COIF Charities Deposit Fund account in the name of the Unitholder. Changes in tax law and regulations may affect the basis of calculation and payment of distributions.

### Income Reserve Account

Each quarter income may be transferred from the Distribution Account to an Income Reserve Account which reduces the amount available for distribution in respect of that quarter, or income can be transferred from the Income Reserve Account to the Distribution Account, which increases the distribution. The Income Reserve Account is used to even out fluctuations in income available for distribution which may arise from time to time. The amount held in the Income Reserve Account of the Fund forms part of the capital of the Fund and is included in the price of Income Units of the Fund until it is used in the payment of a distribution. The Income Reserve Account is used in respect of Income Units only.

Following changes to the Scheme to allow distributions of both the capital and income (see above), monies held in the Income Reserve Account may be transferred to the Distribution Account for the purposes described above. However, the Manager anticipates that once all monies held in the Income Reserve Account have been transferred to the Distribution Account, the Income Reserve Account will be wound up.

### Equalisation

The first allocation of income within a distribution to which a Unitholder is entitled, following the purchase of units, is calculated as if the purchase had been made at the beginning of the quarter. The distribution will therefore include that part of the purchase price consisting of income from the beginning of the quarter to the date of purchase.

### Regular Statements

Unitholders will receive a valuation statement every six months, normally to the end of May and November unless instructed to the contrary. Unitholders may request a quarterly valuation statement. In addition, Certificates of Balance at any month end will be provided upon a Unitholder's written request to the Manager.

## Charity Trustees' Obligations

The primary duty of a charity trustee of a charity must always be to act exclusively in the interest of the charity under their care and to promote the interest of beneficiaries by seeking the best return on their investments. Before investing the charity's money in the Fund, they must also be able to satisfy themselves that they will be furthering the charitable purposes of the charity under their care.

The Charity trustees of Unitholders should consider carefully their general legal powers and duties of investment, in particular those relating to selection of investments using non-financial (e.g. ethical and socially responsible) criteria, as well as all applicable policies or guidelines issued by the Charity Commission which may impact on their eligibility to invest.

Under the Trustee Act 2000, Charity trustees are obliged to review their investments regularly. If you need a valuation to be able to conduct this review please contact the Manager at the registered office of the Company.

Charity Commission guidance on ethical and responsible investment in CCI4 states that trustees must 'invest in a way that furthers the purpose of the Charity', and that this can be consistent with an ethical investment policy which 'does not detract from the objective of obtaining the best direct financial return from investment' or involves:

- 'avoiding investments in a particular business that would for practical reasons conflict with the aims of the charity';
- 'avoiding investments that might hamper a Charity's work, either by making potential beneficiaries unwilling to be helped because of the source of the Charity's money, or by alienating supporters. This requires trustees to strike a balance between the likely cost of lost support, if the Charity were to hold the investments, and any risk of financial underperformance if those investments are excluded from its portfolio.'

The above circumstances may not apply but trustees may wish to make investment decisions based on moral grounds screening for positive or negative criteria or a combination of both. The trustees must ensure that their decisions will not place the Charity at risk of significant financial detriment due to under performance by the preferred investments or by the exclusion of investments to which the trustees are opposed.

## Changes to Authorised Signatories

Changes to the authorised signatories for a Charity's holding of units in the Fund must be made on a duly completed Mandate Form by the charity. Where an existing authorised signatory is removed by way of a mandate form, they shall receive notification of the removal by the Manager.

## Changes in Correspondents

A Unitholder must notify the Manager of any change in the authorised correspondent for its Fund Account.

## Anti-Money Laundering

The Manager is required by law to maintain procedures to combat money laundering. In order to implement these procedures, proof of identity may sometimes be required either when buying or when selling units from time to time, even of existing unitholders. We may freeze or return your investments and / or subscription amounts unless or until the necessary evidence of identity can be obtained. In the case where units are being sold, the remittance of proceeds may be delayed until proof of identity has been obtained. Electronic identity checks may be undertaken on the persons named within the application form.

## Telephone and electronic communications

The Manager, in accordance with the Regulatory Rules, must take all reasonable steps to record telephone conversations and keep a copy of electronic communications where such conversations and communications relate to activities in financial instruments as required by the FCA Regulations.

## Complaints

The Manager has established a complaints handling procedure to investigate complaints received.

Any complaints regarding the operation of the Fund, or the Manager, should be addressed in writing to the addresses shown in Appendix 1.

Unitholders who are eligible complainants (as defined in the Regulations) may have the right to complain directly to the Financial Ombudsman Service (FOS) if a complaint is not dealt with to the satisfaction of the Unitholder. The address and telephone number of the FOS is shown in Appendix 1 of this document.

A copy of the Manager's complaints policy is available on [www.ccla.co.uk](http://www.ccla.co.uk)

## Potential Risks

Investors should consider the following risk factors before investing in the Fund.

### General Investment Risks

Past performance is not a reliable indicator of future results. The price of units and distribution from them may fall as well as rise and an investor may not recover the full amount invested. There can be no guarantee that any Fund will achieve its investment objective or that a Unitholder will recover the full amount invested in a Fund. The capital return and distributions of each Fund are based on the capital appreciation and income on the securities it holds, less expenses incurred. Therefore, each Fund's return may be expected to fluctuate in response to changes in such capital appreciation or income. As investors may be required to pay a sales charge on the issues of Units, an investment in a Fund should be considered to be a medium to long term investment.

The Fund's units are intended only for long-term investment and are not suitable for money liable to be spent in the near future. They are realisable only at each weekly Dealing Day.

**Equity risks**

Prices of equities will fluctuate daily and are dependent on market conditions. Markets can be influenced by a series of factors such as political or economic news, corporate earnings reports, demographic trends, catastrophic events and wider market expectations. It is worth noting that the value of equities can fall as well as rise and investors into equities funds may not get back the amount that was originally invested. Potentially a Fund investing in equities could incur significant losses.

**Political risks**

The value of the Fund's assets may be affected by uncertainties such as political developments, changes in government policies, taxation and currency repatriation restrictions on foreign investment in some of the countries that the Fund may invest.

**Currency risks**

Some of the investments the fund makes may be acquired in a wide range of currencies and changes in exchange rates between currencies may cause the value of an investment in the Fund to fluctuate. The Fund may use hedging techniques within the limits set by the Board.

**Counterparty and Settlement risks**

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

**Custody Risks**

The Fund is permitted to invest in wide range of markets where custodial /settlement systems and processes are not fully developed. Where the Fund invests in instruments in these markets which have been entrusted to sub-custodians in circumstances where the use of sub-custodians is necessary, the Fund may be exposed to risk in circumstances where the Trustee will have no liability.

**Risk associated with investment in other collective investment schemes**

The fund may invest in one or more collective investment schemes including schemes that are managed by the Manager or affiliated companies. In some cases these collective investment schemes may be unregulated. The Fund may invest in collective investment schemes and other assets which may, on occasions, be illiquid such as the COIF Charities Property Fund which invests directly in property and property related assets which are valued by an external property valuer and as such are open to substantial subjectivity. The performance of the COIF Charities Property Fund may be adversely affected by a downturn in the property market which could impact on the capital and or income value of the Fund.

**Emerging market risk**

There is no limit on where the Fund may invest and a portion of the assets may be invested in Emerging Markets. Risks associated with investing in these markets are likely to exceed the risk of investing in more mature markets. Such risks arise from negative investor sentiments as a result of situations such as military conflict, civil unrest or other adverse

political developments. Furthermore, there may be difficulties in accurately assessing a company's prospects where accounting standards are such that those prospects cannot be fairly reflected by published accounts; there can be difficulties in selling, or selling at a fair price, where the market is inefficient; delays may be experienced in settlement and the local currency may not be readily realizable. In some Emerging Markets there may also be foreign ownership restrictions which limit the Funds ability to participate in certain corporate actions. The Fund may generally face significant registration, settlement and custody risks in purchasing and selling securities in Emerging Markets.

## Risk management process and liquidity management

The Manager employs a risk management process, including the use of appropriate stress-testing procedures, which enables it to identify measure, manage and monitor at any time the relevant risks of the positions to which the Fund is or may be exposed and their contribution to the overall risk profile of the Fund.

The Manager maintains a liquidity management process to monitor the liquidity risk of the Fund, which includes, among other tools and methods of measurement, the use of stress tests under both normal and exceptional liquidity conditions.

The liquidity management systems and procedures allow the Manager to apply various tools and arrangements necessary to ensure that the Fund is sufficiently liquid to respond appropriately to redemption requests. In normal circumstances, redemption requests will be processed as set out in these Scheme Particulars.

Other arrangements may also be used in response to redemption requests, including, in extreme cases, temporary suspension which, if activated, will restrict the redemption rights investors benefit from in normal circumstances as set out under in these Scheme Particulars.

## Compensation

The Manager will pay fair compensation on eligible claims arising from its negligence or error in the management and administration of the Fund.

As the Fund is not an authorised unit trust within the meaning of the FSMA 2000, investments or deposits in the Fund are not covered by the Financial Services Compensation Scheme (FSCS). The Manager will pay fair compensation on eligible claims arising from its negligence or error in the management and administration of the Fund.

However, Unitholders may be eligible for compensation under the FSCS if they have claims against the Manager, Trustee or another FCA authorised Service Provider which is in default. There are limits on who can claim and the amount of compensation available. Further information about the FSCS is at [www.fscs.org.uk](http://www.fscs.org.uk)

The maximum level of compensation payable by the FSCS for a claim is £85,000 per person per eligible complainant. Further information is available from the Manager on request or via [www.fscs.org.uk](http://www.fscs.org.uk) or at their address below:

Financial Services Compensation Scheme,

10th Floor,  
Beaufort House,  
15 St Botolph Street,  
London, EC3A 7QU.

## Material Interests and Conflicts

The Manager, the Investment Manager, the Trustee, or the Administrator are or may be involved in other financial, investment and professional activities which may, on occasion, cause conflicts of interest in the management of the Fund. In addition, the Fund may enter into transactions at arm's length with companies in the same group as the Manager.

The Trustee may, from time to time, act as trustee of other funds.

Each of the parties will, to the extent of their ability and in compliance with the FCA Regulations and the AIFMD Legislation, ensure that the performance of their respective duties will not be impaired by any such involvement.

The Fund has the power to invest in other COIF Charities Funds and a rebate of charges is made to ensure no double charging of the management fee. The Manager operates a client relationship management service to offer suitable support to charities. It should be noted that this service is associated with the COIF Charities Funds and that the COIF Charities Investment Fund owns 25% of the share capital of the CCLA Investment Management Limited.

## Conflicts of Interest Policy

The Manager operates a Conflicts of Interest Policy to ensure that our clients are fairly treated. Our policy seeks to avoid circumstances which we consider may give rise to potential conflicts of interest and materially disadvantage our clients. It describes the controls and arrangements for preventing the Manager and its staff from:

- favouring one client over another;
- making a financial gain, or avoiding a financial loss, at the expense of the client;
- favouring a member of staff over a client;
- providing to (or receiving from) a person other than the client, an inducement in relation to a service provided to the client, in the form of a financial interest; and
- favouring the Manager's shareholders over a client.

Full details of the Conflicts of Interest Policy are available on request and on the website [www.ccla.co.uk](http://www.ccla.co.uk)

## Data Protection

The Manager is a data controller in accordance with the Data Protection Legislation and will hold personal data about each Unitholder's representatives (referred to below as "representatives") that has been supplied to the Manager (whether by the representative, a Unitholder or otherwise) as set out in CCLA's Privacy Notice. Each Unitholder agrees to ensure that the contact details and other personal data provided for it and its representatives to the Manager remains up to date at all times.

The Unitholder acknowledges that the Fund may invest in investment schemes operated and managed by the Manager and/or by third parties (referred to below as "investment schemes") and that the Manager may need to pass data, including personal data regarding the representatives, to those investment schemes. The Manager will not pass on any personal data to any other third party or permit the investment schemes to pass the personal data to third parties except: (i) where, in relation to the performance of its services to the Unitholder, the Manager (or the investment scheme) sub-contracts part of the services or any support services; (ii) as agreed by the Unitholder; or (iii) where required to do so for legal or regulatory purposes as set out in CCLA's Privacy Notice.

The Manager (and the investment schemes) may keep records of all business transactions for at least five years. Unitholders have a right to inspect copies of contract notes and entries in the Manager's books or computerised records relating to their transactions. Their representatives also have certain rights under applicable data protection legislation, including the right to access copies of their personal data and change the permissions given in respect of the processing of it. The Manager will treat all Unitholders' records as confidential and so reserves the right to provide copies of the Unitholder/representative's particular record, rather than allow access to files which may contain information about other Unitholders. Requests to access the above records/personal data or to exercise any other rights under applicable data protection legislation should be directed to The Data Protection Adviser at the Manager's office, Senator House, 85 Queen Victoria Street, London, EC4V 4ET.

## Accounts of the Fund

The Report and Accounts of the Fund are normally prepared by the Manager for the half year to 30 June (unaudited) and the year to 31 December (audited).

The Manager will make available, free of charge on its website ([www.ccla.co.uk](http://www.ccla.co.uk)) the Annual Report and Accounts for the period to 31 December (the accounting reference date) and half-yearly Reports and Accounts for the period to 30 June (the interim accounting date) within six months of the end of the relevant period.

An Annual Report is issued on or before 30 June each year which in addition to the valuation reports detailed above includes, amongst other things, information on the Fund's risk profile, the Manager's risk management systems and details of any changes to the Fund's liquidity management. The Annual Report will also include details of any change to the Fund's use of leverage and further disclosures required by the AIFMD Legislation.

If a hard copy or an email of the Report and Accounts is required please contact customer services telephone helpline on 0800 022 3505.

## Auditor

The Auditor of the Fund is shown in Appendix 1 of this document.

## Taxation

The Fund has charitable status and is recognised as a Charity for UK tax purposes. As a Charity, the Fund should not be subject to UK tax on gains (provided such gains are applied



for charitable purposes) or income from investments (provided such income is applied to charitable purposes). Tax suffered on investment income from UK equity dividends is not recoverable. To the extent that the Fund invests overseas, it may not be possible for the Manager to recover withholding tax suffered. As a Charity, the Fund is exempt from UK Stamp Duty.

Distributions by the fund will be made gross (i.e. without deduction of tax). Unitholders should not be liable to UK tax in respect of such distributions provided such income is applied to charitable purposes.

Overseas income is credited net and any overseas withholding tax is credited to income when it is recovered. No deductions in respect of tax are made with regard to income distributions or income passed to capital.

This is our understanding of the tax position as of the date of these Scheme Particulars. The tax position may change in the future. Unitholders should obtain their own tax advice in respect of their own position. Any changes to the tax position of the Fund will be notified on the CCLA website.

### **Professional liability**

The Manager holds professional indemnity insurance (PII) to cover professional liability risk.

### **Fair treatment of Unitholders**

The Manager has established policies and procedures and made arrangements to ensure the fair treatment of Unitholders. Such arrangements include, but are not limited to, ensuring that no one or more Unitholders are given preferential treatment over any rights and obligations in relation to their investment in the Fund that would result in a disadvantage to any other Unitholder. All rights and obligations to Unitholders, including those related to subscription and redemption requests, are set out in the Scheme and these Scheme Particulars.

The Manager has established fair and transparent pricing models and valuation systems and procedures for the assets of the Fund and endeavours to ensure that there are no undue costs being charged to the Fund and the Unitholders. The Manager has also established procedures to identify, manage and monitor conflicts of interest and, where applicable, disclose those conflicts of interest to prevent them from adversely affecting the interests of the Unitholders. The Manager has established a process for recognising and dealing with complaints fairly.

### **Amending these Scheme Particulars**

These Scheme Particulars may be updated or amended by the Manager from time to time, subject where applicable to the approval of the Board or the Charity Commission where necessary as set out in the Scheme and these Scheme Particulars, and in relation to any changes to the investment objective and policy only in accordance with the provisions dealing with such changes as set out above in these Scheme Particulars.

The approval of the Board is necessary where the Manager seeks to amend the investment

objective or policy, or where the Manager wishes to enter into a course of borrowing in excess of 10% of the Net Asset Value.

The approval of the Charity Commission is required in the following circumstances:

- if it is proposed that the fees of the Manager or the Trustee be increased; or
- if any amendment is proposed which modifies or relaxes any duty to account to the Fund which may result from a conflict of interest or duty on the part of the Trustee, Manager or other person.

The Manager will endeavour to give Unitholders 30 days' notice of changes to the Scheme Particulars save in respect of any proposed increase in the fees of the Manager and/or Trustee when a minimum of 90 days' prior notice is required to be given under the Scheme. For changes other than changes to the fees of the Manager and/or Trustee, in some circumstances it may not be possible to give 30 days' notice when changes are required for regulatory or other reasons.

The Fund is deemed compliant for the purposes of FATCA.

## Corporate Actions

The Fund will take an active policy with regard to corporate actions and voting. Please see comments on the Ethical Investment Policy of the Fund.

## Execution Services

The Manager has controls in place to provide investors with the best possible result in accordance with its Order Execution Policy and to ensure that all sufficient steps are taken to act in the investors' best interests in line with its Treating Customers Fairly Policy.

Full details of the brokers used and costs of execution services are disclosed in the Fund's Annual Report to investors.

## Acceptance of Terms and Conditions

By completing the application form to purchase units the Unitholder acknowledges and accepts the terms and conditions for the unitholding and agrees to be bound by the provisions of these Scheme Particulars and the Scheme Rules.

## Applicable Law and Jurisdiction

Any agreement to invest in the Fund is governed by English Law and subject to all applicable laws, regulations and rules. In the event of a conflict between such agreement and any such laws, regulations and rules the latter shall prevail.

These Scheme Particulars summarise the terms on which the Fund operates. For further information as to the terms on which units are issued, reference should be made to the Scheme.

By applying for Units, a Unitholder acknowledges that it will be subject to the exclusive jurisdiction of the courts of England and Wales to settle any dispute or claim arising out of or in connection with such a Unitholder's investment in the Fund or any related material.

## Scheme Particulars

Any person relying on the information contained in this document which was current at the date shown, should check with the Manager that the document is the most current version and that no revisions or corrections have been made to the information contained herein. Copies of this document are available free of charge on [www.ccla.co.uk](http://www.ccla.co.uk)

## Additional Information

A Unitholder is entitled to request an unaudited periodic report to be provided within 25 days after the end of the period to which it relates.

The Manager will make available copies of the Scheme Particulars, Factsheets, current Investment Policy and annual and half yearly report and accounts, free of charge, on its website [www.ccla.co.uk](http://www.ccla.co.uk)

If a hard copy or an email copy of any of these documents or the Scheme Rules is required please contact customer services on telephone helpline 0800 022 3505.

## Winding Up

If, upon consideration of the Board's representations (if any), the Trustee remains of the opinion that a winding-up of the Fund is expedient in the interests of the Unitholders, the Trustee may execute a written declaration that the Fund is to be wound up, and if it does so, the Trustee shall send copies of the declaration to the Charity Commission, the Manager and the Board and publish it as the Charity Commission may direct. As soon as practicable after the Fund falls to be wound up, the Trustee shall realise the Scheme Property and after paying or providing for the liabilities of the Fund and the costs of the winding-up, distribute the proceeds to the Unitholders pro rata to their holdings.

In the event of winding up, any amount in the Income Reserve Account is distributed at the discretion of the Trustee.

## APPENDIX 1 - Directory

### Trustee

The Trustee of the Fund is HSBC Bank plc which is a public limited company, incorporated in England and Wales. It is a 100% subsidiary of HSBC Holdings plc, incorporated in England with limited liability. Its principal business is banking. The Head Office, which is also the Registered Office, is at 8 Canada Square, London E14 5HQ.

### Manager

The Manager is CCLA Fund Managers Limited which is a limited liability company registered in England and Wales authorised and regulated by the Financial Conduct Authority in the conduct of investment business. The Manager is authorised by the FCA as a full scope AIFM and is entered on the FCA's register under number 611707.

The main business activity of the Manager is the management of unregulated collective investment schemes in the form of alternative investment funds.

CCLA Fund Managers Limited is a wholly owned subsidiary of CCLA Investment Management Limited. Registered Office at Senator House, 85 Queen Victoria Street, London EC4V 4ET.

Incorporated on 16 October 2013.

Directors of CCLA Fund Managers Limited are:

R. Horlick (Chairman)\*

J. Bevan

C. Johnson\*

G. Newson\*

P. Hugh Smith

A. Robinson

E. Sheldon

J. Tattersall\*

(\* indicates a Non-Executive Director)

The Manager also manages the COIF Charities Investment Fund, COIF Charities Global Equity Income Fund, the COIF Charities Fixed Interest Fund, the COIF Charities Property Fund and the COIF Charities Deposit Fund.

CCLA Fund Managers Limited Customer Telephone Helpline Number is 0800 022 3505. Please note telephone calls may be recorded.

### Investment Manager

The Investment Manager is CCLA Investment Management Limited which is a limited liability company registered in England and Wales and is authorised and regulated by the Financial Conduct Authority in the conduct of investment business. Registered Office at Senator House, 85 Queen Victoria Street, London EC4V 4ET.

## The Board of the Fund

The members of the Board are:

K. Corrigan

A. Daws

J. Hobart

N. Morecroft (Chairman)

G. Newson (Non-Executive Director of the Investment Manager)

J. West

## Administrator

HSBC Bank plc, 8 Canada Square, Canary Wharf, London, E14 5HQ.

## Registrar

The Registrar of the Fund is CCLA Investment Management Limited. The Register of Unitholders may be inspected at the Registered Office of CCLA Investment Management Limited.

## Auditor

The Auditor of the Fund is PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT.

## Address for Complaints

Complaints regarding the operation of the Fund or the Manager should be addressed to: The Head of Client Services, CCLA Fund Managers Limited, Senator House, 85 Queen Victoria Street, London EC4V 4ET or The Compliance Officer, HSBC Bank plc, Corporate Trustee of the COIF Charities Funds, 8 Canada Square, London E14 5HQ.

Unitholders who are eligible complainants may have the right to complain directly to the Financial Ombudsman Service, Exchange Tower, London E14 9SR (telephone 0845 080 1800).

## APPENDIX 2 - Investment Restrictions

### Securities

Save as provided below, the Manager shall not invest the Scheme Property in transferable securities which are not approved securities (an approved security being a transferable security that is admitted to official listing in an EEA State or is traded on or under the rules of an eligible securities market (otherwise than by the specific permission of the market authority)).

The Fund will not invest in securities underwritten by the Manager or the Investment Manager.

The Manager shall not invest more than 10% of the Net Asset Value of the Scheme Property as at the date of the investment in transferable securities issued by any single body, other than government and public securities.

### In-House Funds

The Manager may invest in other collective investment schemes and Common Deposit Funds operated by the Manager or an associate (In-House Funds) provided that not more than a total of 20% of the net asset value of the Scheme Property as at the date of the investment shall be invested in In-House Funds.

### Non In-House Funds

The following restrictions apply to investment in collective investment schemes other than investment in In-House Funds.

The Manager shall not invest in units in a collective investment scheme (second scheme) unless the second scheme meets each of the requirements set out in 1.1 to 1.3:

- 1.1 the second scheme complies with the conditions necessary for it to enjoy the rights conferred by the UCITS Directive; or
  - a) is a non-UCITS retail scheme; or
  - b) is a recognised scheme; or
  - c) 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
  - d) is a common investment fund.
- 1.2 the second scheme operates on the principle of the prudent spread of risk; and
- 1.3 the participants in the second scheme shall be entitled to have their units redeemed in accordance with that scheme at a price;
  - a) related to the net asset value of the property to which the units relate; and
  - b) determined in accordance with that scheme.

Notwithstanding the above, the Manager may invest not more than a total of 20% of the Net Asset Value of the Scheme Property as at the date of the investment;

- 2.1 in units in a second scheme or schemes not falling within 1.1 to 1.3; and
- 2.2 in any transferable securities which are not approved securities.

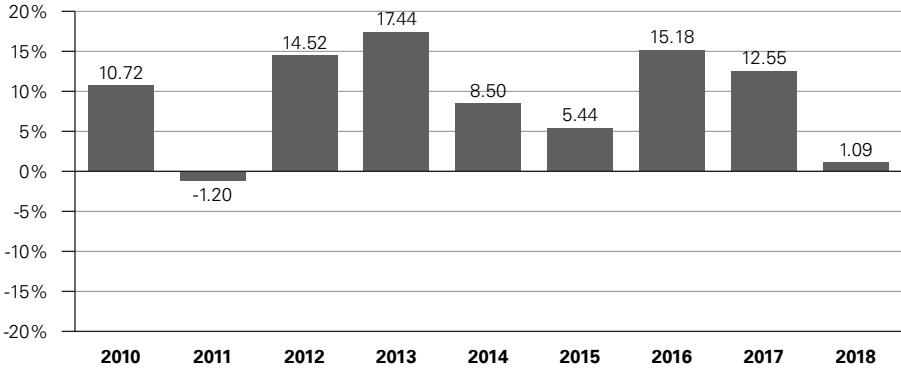
The Manager shall not invest more than 35% of the Net Asset Value of the Scheme Property as at the date of the investment in any one collective investment scheme.

## Cash

To the extent that it is not otherwise permitted under the provisions of the Scheme, the Scheme Property may include cash and near cash where this may reasonably be regarded as necessary in order to facilitate the cancellation of units, or to further the efficient management of the Fund, or otherwise to enable the Manager to discharge its functions under the Scheme.

### APPENDIX 3 - Past Performance

The performance shown below is gross of all Fund charges and it has been calculated in Sterling.



The Fund launched in December 2009. Past performance is not a reliable indicator of future results.



### COIF Charities Ethical Investment Fund

#### **Investment Objective**

The Fund aims to provide a long-term total return comprising growth in capital and income.

#### **Investment Policy**

The Fund is an actively managed, diversified portfolio of assets designed to help protect both present and future beneficiaries from the effects of inflation. It will have an emphasis on equities but will also include property, bonds and other asset classes.

The Fund has a wide range of ethical restrictions and is advised by an ethical advisory group that assists in the development of the Fund's client-driven ethical investment policy.

#### **Benchmark**

A long term gross total return of 5% per annum net of inflation as measured by the increase in the Consumer Prices Index.

#### **Target Investors**

The Fund is suitable for all of a charity's long-term funds where the charity is looking for a good level of distributions and long-term protection from inflation. The Fund is targeted at investors with an understanding or previous experience of investing in similar types of fund, with appropriate levels of risk tolerance and ability to bear loss.

#### **Balance between different kinds of Investment**

The balance between the different kinds of investment will be established by reference to the asset allocation of the performance benchmark and the Manager's judgment of the future returns likely to be obtained on each asset class. To control risk, the differences will be regularly monitored and reviewed by both the Manager and the Board.

#### **Risk**

The nature of the Fund is to be exposed to a number of risks, including market price risk, currency risk, interest rate risk, liquidity risk, credit risk and stock specific risk. This means that the unit price may fluctuate, more or less in line with its benchmark. Risk will be controlled by diversification across a number of asset classes, by diversification, where possible, within each asset class, and by following standard administrative procedures.

**Projected Return**

It is not possible to accurately project a total return for a fund of this kind since markets are volatile and the value of units can go down as well as up. Past performance is not a reliable indicator of future results. Policy will be to expect the Manager to outperform the benchmark over a medium to long term time frame, and to deliver growth in the real value of the Fund's distribution.

**The Realisation of Investments**

The Fund will continue to be actively managed, which means that investments will be realised by the Manager for both stock specific and asset allocation reasons in furtherance of the Policy.

# **CCLA**

CCLA Client Services:  
Freephone: 0800 022 3505  
or visit [www.ccla.co.uk](http://www.ccla.co.uk)

CCLA Investment Management Ltd (registered in England No. 2183088) and CCLA Fund Managers Ltd (registered in England No. 8735639) whose registered address is: Senator House, 85 Queen Victoria Street, London, EC4V 4ET are authorised and regulated by the Financial Conduct Authority.