

# **CCLA PUBLIC SECTOR INVESTMENT FUND**

PROSPECTUS

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Prospectus of the CCLA Public Sector Investment Fund.

(An umbrella type investment company with variable capital incorporated with limited liability in England and Wales under registered number IC000839 and authorised on 6 December 2010.)

This document constitutes the Prospectus for the CCLA Public Sector Investment Fund and is issued pursuant to and has been prepared in accordance with the Collective Investment Schemes Sourcebook issued by the FCA as amended or re-enacted from time to time (COLL Sourcebook).

This Prospectus is intended for distribution in the United Kingdom. The distribution of this Prospectus and the offering of Shares in the CCLA Public Sector Investment Fund may be restricted in other jurisdictions. Potential investors must inform themselves of the legal requirements and restrictions of their own jurisdiction and act accordingly. This Prospectus does not amount to a solicitation or offer by any person in any jurisdiction in which such solicitation or offer would be unauthorised or unlawful.

This document complies with the requirements of Chapter 4 of the COLL Sourcebook and copies have been sent to the Financial Conduct Authority and to the Depositary in accordance with the COLL Sourcebook.

**Important: If you are in any doubt about the contents of this Prospectus you should consult an independent financial adviser or consultant.**

Date of Prospectus: 3rd January 2018

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# DIRECTORY

**Company:**

CCLA Public Sector Investment Fund  
Senator House, 85 Queen Victoria Street,  
London EC4V 4ET

**Authorised Corporate Director:**

CCLA Investment Management Limited  
Senator House, 85 Queen Victoria Street,  
London EC4V 4ET

**Depository:**

HSBC Bank plc  
8 Canada Square,  
London E14 5HQ

**Administrator and Registrar:**

CCLA Investment Management Limited  
Senator House, 85 Queen Victoria Street,  
London EC4V 4ET

**Auditors:**

PricewaterhouseCoopers LLP  
7 More London Riverside,  
London SE1 2RT

**Legal Advisers:**

Farrer & Co LLP  
66 Lincoln's Inn Fields,  
London WC2A 3LH

**Regulator:**

Financial Conduct Authority  
25 The North Colonnade,  
Canary Wharf,  
London E14 5HS

# SUMMARY

- The Company is an open ended investment company with variable capital incorporated in England and Wales. The Company is constituted by its Instrument dated 6 December 2010. The Company was authorised by the FCA on 6 December 2010 and is classified as a UCITS Scheme.
- The Company is an umbrella company which currently has one Sub-Fund, The Public Sector Deposit Fund (**PSDF**).
- **Prospectus:** The Sub-Funds are segregated portfolios of assets and, accordingly, the assets of a Sub-Fund belong exclusively to that Sub-Fund and shall not be used to discharge directly or indirectly the liabilities of, or claims against, any other person or body, including the Company, or any other Sub-Fund and shall not be available for any such purpose.
- The PSDF is a UCITS Scheme constituting a Qualifying Money Market Fund (**QMMF**).
- Other Sub-Funds may be established by the Company from time to time. Details of the Sub-Funds including their investment objectives and policies, annual and interim accounting reference dates and distribution dates for each Sub-Fund are set out in Annexure 1.
- The base currency of the Company and all Sub-Funds is pounds sterling. The accounts of the Company are prepared in pounds sterling or its successor as the currency of the UK.
- CCLA Investment Management Limited is the authorised corporate director (ACD) of the Company and as part of that role carries out the investment management function. CCLA Investment Management Limited also acts as the Administrator and Registrar for the Company.
- HSBC Bank plc is the Depositary of the Company.
- Shareholders are not liable for the debts of the Company nor are they liable to make any further payment after they have paid the price of their Shares.
- The Company has a minimum share capital of £1,000 and a maximum share capital of £1,000,000,000,000.
- Shares are only currently available in respect of the PSDF. There are currently five Share Classes available in respect of the PSDF numbered Class 1 to 5. The Share Classes are all gross paying Income Shares.
- The minimum initial investment and balance for the different Share Classes in respect of the PSDF is as follows:

Share Class	Minimum investment and balance
Class 1 Shares — Income	£1.00
Class 2 Shares — Income	£25,000.00
Class 3 Shares — Income	£5,000,000.00
Class 4 Shares — Income	£15,000,000.00
Class 5 Shares — Income	£1,000,000.00

The minimum additional investment for each Share Class is £5,000. The ACD has discretion to waive or vary these limits.

- The Share price for each Sub-Fund will be published daily on the ACD's website ([www.ccla.co.uk](http://www.ccla.co.uk)) and is also available by calling 0800 022 3505. The Shares are not listed on any stock exchange.
- The ACD intends to declare all net income of the PSDF on each Dealing Day as a dividend and dividends will be payable monthly to Shareholders.
- Costs and expenses are accrued at Sub-Fund level with allocations for any Company costs made on a pro rata basis in accordance with the value of the Sub-Funds at the time of allocation, in accordance with Regulations.
- There are two denominations of Share, larger and smaller in a ratio of 1:1000. Title to Shares will be evidenced by entry on the Register of Shareholders and Share certificates will not be issued by the Company. Share confirmations will be issued only on request. A statement of holdings is issued at least annually, and usually quarterly, to then current holders.
- A Dealing Day is any Business Day between 9.00 am and 5.30 pm.
- The Valuation Point is normally 12.00 noon on a Dealing Day.
- This Prospectus, the Instrument and related documents can be inspected during normal office hours at the offices of the ACD.

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# 1. DEFINITIONS

## 1.1

The following defined terms are used in this Prospectus:

<b>ACD</b>	means CCLA Investment Management Limited as the authorised corporate director of the Company.
<b>ACD Agreement</b>	Agreement means the agreement between the Company and the ACD as amended from time to time under the terms of which the ACD is to provide investment management, administrative, accounting, company secretarial and registrar services to the Company.
<b>Accumulation Shares</b>	means Shares (of whatever Class) in the Company as may be in issue from time to time in respect of which income allocated thereto is credited periodically to capital in accordance with the COLL Sourcebook.
<b>Administrator</b>	means CCLA Investment Management Limited, or such other person who is appointed by the ACD to carry out administrative services in respect of the Company from time to time.
<b>Advisory Board</b>	means the advisory board further described in Paragraph 2.7.
<b>Application Form</b>	means an application form in respect of Shares in a form determined by the ACD from time to time.
<b>Auditors</b>	means PricewaterhouseCoopers LLP or such other entity as is appointed to act as auditor to the Company from time to time.
<b>Business Day</b>	means any weekday when banks in England and Wales are open for business (excluding any bank or public holiday in England and Wales).
<b>CASS</b>	means the Client Assets Sourcebook of the FCA Rules.
<b>CCLA</b>	means CCLA Investment Management Limited.
<b>Class or Classes</b>	means in relation to Shares (according to the context) all of the Shares relating to the Company, or a particular class or classes of Shares relating to the Company.
<b>COLL Sourcebook</b>	means the Collective Investment Schemes Sourcebook forming part of the FCA Rules as amended or re enacted from time to time.
<b>Company</b>	means CCLA Public Sector Investment Fund, an umbrella type investment company with variable capital incorporated with limited liability in England and Wales under registered number IC000839 and authorised on 6 December 2010.
<b>Dealing Day</b>	means each Business Day.
<b>Dealing Deadline</b>	means 11.30am London time on a Dealing Day; or as otherwise determined by the ACD.
<b>Depositary</b>	means HSBC Bank plc or such other entity as is appointed to act as depositary to the Company from time to time.
<b>Depositary Agreement</b>	means the agreement between the ACD, the Company and the Depositary as amended from time to time under the terms of which the Depositary provides depositary, administrative and ancillary services for the benefit of the Company and Shareholders.
<b>FCA</b>	means the Financial Conduct Authority of 25 The North Colonnade, Canary Wharf, London E14 5HS or any other regulatory body which may assume its regulatory responsibilities from time to time.
<b>FCA Glossary</b>	means the glossary to the FCA Rules.
<b>FCA Rules</b>	means the FCA Handbook of rules and guidance (including the COLL Sourcebook) made under FSMA as amended from time to time.
<b>Fitch Ratings</b>	means Fitch Ratings, the global rating agency.

<b>FSMA</b>	means the Financial Services and Markets Act 2000.
<b>ICVC</b>	means an investment company with variable capital established in accordance with the OEIC Regulations.
<b>Income Shares</b>	means Shares (of whatever Class) of the Company as may be in issue from time to time in respect of which income allocated thereto is distributed periodically to Shareholders in accordance with the COLL Sourcebook and this Prospectus.
<b>Instrument</b>	means the instrument of incorporation constituting the Company as amended from time to time.
<b>IOSCO</b>	means International Organisation of Securities Commissions.
<b>LIBID</b>	means London Interbank Bid Rate.
<b>MiFID II</b>	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.
<b>Net Asset Value</b>	means the value of the scheme property of a Sub-Fund as calculated in accordance with the Instrument and this Prospectus.
<b>OEIC Regulations</b>	means the Open-Ended Investment Company Regulations 2001 (as amended from time to time).
<b>Prospectus</b>	means this document as amended from time to time.
<b>PSDF</b>	means The Public Sector Deposit Fund, a Sub-Fund of the Company.
<b>Public Sector</b>	means the public sector in the UK, comprising central government, local government, public corporations, non-departmental and arm's length public bodies.
<b>QMMF</b>	
(a)	a UCITS Scheme which satisfies the following conditions:
(i)	its primary investment objective must be to maintain the net asset value of the undertaking either constant at par (net of earnings) or at the value of the investors' initial capital plus earnings;
(ii)	it must, with a view to achieving that primary investment objective invest exclusively in high quality money market instruments with a maturity or residual maturity of no more than 397 days, or regular yield adjustments consistent with such a maturity, and with a weighted average maturity of no more than 60 days. It may also achieve this objective by investing on an ancillary basis in deposits with credit institutions;
(iii)	it must provide liquidity through same day or next day settlement;
(b)	for the purposes of (a)(ii) a money market instrument is to be considered to be of high quality if the ACD performs its own documented assessment of the credit quality of money market instruments that allows it to consider a money market instrument as high quality subject to the conditions below:
(i)	where one or more credit rating agencies registered and supervised by ESMA have provided a rating of the instrument, the ACD's internal assessment must have regard, inter alia, to those credit ratings; and
(ii)	while there can be no mechanistic reliance on such external ratings, a downgrade below the two highest short-term credit ratings by any agency registered and supervised by ESMA that has rated the instrument will lead the ACD to undertake a new assessment of the credit quality of the money market instrument to ensure it continues to be of high quality.
<b>Qualifying Investment</b>	refers, but is not limited to, money placed at interest and securities that are not shares, including but not limited to government and corporate debt securities and certain derivative contracts.

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<b>Register of Shareholders</b>	means the register of Shareholders of the Company.
<b>Registrar</b>	means CCLA Investment Management Limited, or such other person as may be appointed by the ACD to maintain the Register of Shareholders, from time to time.
<b>Regulations</b>	means the OEIC Regulations, the FCA Rules, the UCITS Directive and MiFID II as may be applicable.
<b>Share(s)</b>	means a share in the Company.
<b>Shareholder</b>	means a holder of Shares in the Company.
<b>Sub-Fund</b>	means a Sub-Fund of the Company.
<b>The Public Sector Deposit Fund</b>	means The Public Sector Deposit Fund, a Sub-Fund of the Company.
<b>UCITS Directive</b>	means the Council Directive of 20 December 1985 on the co-ordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (No. 85/611/EEC), as amended.
<b>UCITS Scheme</b>	means a collective investment scheme authorised under the UCITS Directive.
<b>Valuation</b>	means valuation of the property of a Sub-Fund as provided for in the Instrument and Paragraph 26 of this Prospectus.
<b>Valuation Point</b>	means the valuation point on each Dealing Day fixed by the ACD for the purpose of valuing the property of a Sub-Fund being 12.00 noon London time or otherwise as determined by the ACD.

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## 1.2

Any reference to the Company or the ACD includes a reference to its or their duly authorised agents or delegates.

## 1.3

References to Paragraphs are to Paragraphs of this Prospectus and references to this Prospectus are to this Prospectus as amended from time to time.

## 1.4

The headings to the Paragraphs of this Prospectus are for convenience only and shall not affect their meaning or legal effect.

## 1.5

References to the plural shall include the singular and vice versa.

## 1.6

References to statutory provisions, regulations, FCA Rules or notices shall include those provisions, regulations, FCA Rules or notices as amended, extended, consolidated, substituted or re-enacted from time to time.

## 2. CONSTITUTIONAL AND GENERAL

### 2.1

#### *Constitution*

#### 2.1.1

The Company is an umbrella type investment company with variable capital and is a UCITS Scheme. It is incorporated under the OEIC Regulations in England and Wales under number IC000839. The Company was authorised by the Financial Services Authority (as it then was), now the Financial Conduct Authority, and incorporated on 6 December 2010. The Instrument is binding on each Shareholder (who is deemed to have notice of it). Words defined in the Regulations and the Instrument shall, where the context permits, bear the same meaning in this Prospectus.

#### 2.1.2

The Company is an umbrella scheme capable of comprising various Sub-Funds each of which is operated as a distinct Sub-Fund with its own portfolio of investments. Details of each Sub-Fund are set out in Annexure 1. The assets of a Sub-Fund belong exclusively to that Sub-Fund and shall not be used to discharge directly or indirectly the liabilities of, or claims against, any other person or body, including the umbrella, or any other Sub-Fund and shall not be available for any such purpose.

#### 2.1.3

The concept of segregated liability is relatively new. Where claims are brought by local creditors in foreign courts or under foreign law contracts, it is not yet known how those foreign courts will react to regulations 11A and 11B of the OEIC Regulations.

#### 2.1.4

If each Sub-Fund were an investment company with variable capital in respect of which an authorisation order were in force each would be a UCITS Scheme.

#### 2.1.5

Currently the Company has one Sub-Fund, the PSDF, which is a QMMF.

### 2.2

#### *Prospectus*

#### 2.2.1

CCLA Investment Management Limited as the authorised corporate director (ACD) of the Company is the person responsible for the information contained in this Prospectus. To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in the Prospectus does not contain any untrue or misleading statement or omit any matters required by the COLL Sourcebook to be included in it. CCLA Investment Management Limited accepts responsibility accordingly.

#### 2.2.2

This Prospectus is based on information, law and practice at the date of the Prospectus specified on the front cover. The Company is not bound by an out of date Prospectus when it has issued an amended or updated one. This Prospectus does not give investment, legal or tax advice. Investors should consult their own advisers in relation to acting in response to the information contained in this document.

### 2.3

#### *Registered and Head Office*

The registered and head office of the Company is at Senator House, 85 Queen Victoria Street, London EC4V 4ET. The head office is the address of the place in the UK for service on the Company of notices or other documents required or authorised to be served on it.

### 2.4

#### *Base Currency*

The base currency of the Company is pounds sterling.

### 2.5

#### *Share Capital*

The Company has a minimum share capital of £1,000 and a maximum share capital of £1,000,000,000,000.

### 2.6

#### *Typical Investors*

The Company is marketable to Eligible Counterparties and professional and retail clients but is principally targeted at Public Sector investors. Currently only gross paying Shares are available and so investors must be eligible to hold gross paying Shares. Further information is set out in Annexure 1 in respect of the profile of the typical investor for each Sub-Fund.

### 2.7

#### *Advisory Board*

There is an Advisory Board in respect of the PSDF. Members of the Advisory Board are drawn from the Public

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Sector and represent the interest of investors in the PSDF and the Public Sector as a whole. The Advisory Board monitors all aspects of the PSDF (including management, performance, marketing and business flows) and provides advice to the ACD. The Advisory Board is not required by the Regulations and has no regulatory status.

## 2.8

### *Cancellation Rights*

A Shareholder who has received advice may be entitled to cancel an application to purchase Shares for a period of 14 days from receipt of the contract note and to request the return of their money. If the investor has a right to cancel and exercises that right and if the value of the investment has fallen before the ACD receives notice of the cancellation, then the amount of refund that the investor receives will be reduced to reflect the fall in value. Generally, an investor who has applied directly will have no rights to cancel an application under the cancellation rules of the FCA Rules.

## 3. INSPECTION AND COPIES OF DOCUMENTS

The constitutional documents of the Company, including copies of the current Instrument, the current Prospectus, the most recent annual and half-yearly long reports of the Company and other material contracts (including the ACD Agreement) may be inspected at and copies obtained from, the head office of the ACD upon request.

## 4. CONFLICTS OF INTEREST

The ACD and other companies within its corporate group may, from time to time, act as authorised corporate director, investment manager or adviser to other companies or funds, which follow similar investment objectives to those of the Company or its Sub-Funds. It is therefore possible that the ACD may in the course of its business have potential conflicts of interest with the Company or a particular Sub-Fund. The ACD will, however, have regard in such event to its obligations in relation to the Company under the ACD Agreement and, in particular, to its obligation to act in the best interests of the Company so far as practicable, having regard to its obligations to other clients when undertaking any activity where potential conflicts of interest may arise.

## 5. MANAGEMENT AND ADMINISTRATION

### 5.1

#### *The ACD*

#### 5.1.1

CCLA Investment Management Limited, whose registered and head office is at Senator House, 85 Queen Victoria Street, London EC4V 4ET, is the ACD of the Company. It is the only director of the Company and is authorised and regulated by the FCA.

### 5.1.2

The ACD is responsible for managing and administering the Company's affairs in accordance with the Regulations. Under the terms of the ACD Agreement, the ACD is to provide investment management, administrative, accounting, company secretarial and registrar services to the Company.

### 5.1.3

The ACD is a private company limited by shares with an authorised share capital of 6,000,000 Shares of which 5,184,000 Shares have been issued. There are three Classes of Shares (Ordinary, Non-Voting and P Ordinary) and each Share has a nominal value of £1 each fully paid up. The ACD was incorporated in England and Wales on 26 October 1987.

The executive directors of the ACD are:

Bevan, James Edward Briscoe

Quicke, Michael Francis

Robinson, Andrew John

McMillan, Adrian David Graeme

The non-executive directors of the ACD are:

Horlick, Richard Miles Andrew

Norris, Rosemary

Salmon, Trevor Kenneth

Tattersall, John Hartley

Williams, Richard

The directors of the ACD also act as the directors of companies other than the ACD (including companies that are within the same group of companies as the ACD) but do not engage in business activities that are connected with the Company that would be significant to the Company's business within the meaning of the FCA Rules.

### 5.1.4

The ACD may provide investment services to other clients and funds and to companies in which the Company may invest. It may also delegate its activities and/or retain the services of another person to assist in its functions subject to certain exclusions set out in the COLL Sourcebook.

### 5.1.5

The ACD Agreement is terminable on 12 months' notice in writing. Subject to the COLL Sourcebook, the Company agrees to indemnify the ACD against losses, liabilities, costs, claims, actions, damages, expenses or demands incurred by the ACD acting as authorised corporate director of the Company except where caused by the fraud, negligence, or wilful default of the ACD. Copies of the ACD Agreement are available to Shareholders on request.

### 5.1.6

Where the ACD is also the authorised corporate director or manager of other regulated collective investment schemes, these are specified in Annexure 5.

### 5.1.7

The ACD will provide, on request from a Shareholder, supplementary information to that set out in this Prospectus relating to the quantitative limits applying in the risk management of Sub-Funds, the methods used and any recent development of the risk yields of the main categories

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of investment in the Sub-Funds.

#### 5.1.8

The ACD's remuneration policy (Remuneration Policy) is designed to establish and apply a remuneration code that is consistent with and will promote sound and effective risk management in compliance with the UCITS V Directive's Remuneration Code as found in SYSC 19E of the FCA Handbook. The Remuneration Policy ensures that there is no encouragement of excessive risk-taking which is inconsistent with the profile of the Company, the Prospectus or the Instrument. The Remuneration Policy does not impair the ACD's compliance with its duty to act in the best interests of the Company.

#### 5.1.9

The up-to-date Remuneration Policy including but not limited to a description of how remuneration and benefits are calculated and the identities of persons responsible for awarding the remuneration and benefits is available online at the ACD's website: [www.ccla.co.uk](http://www.ccla.co.uk). A paper copy of the website information will be made available free of charge upon request.

#### 5.1.10

In accordance with the Regulations, the ACD must act in the best interests of the Company when executing decisions to deal on behalf of the Company and must establish and implement an order execution policy to allow it to obtain the best possible result. The ACD's Order Execution Policy is available online at the ACD's website: [www.ccla.co.uk](http://www.ccla.co.uk). A copy will also be made available on request.

#### 5.2

##### *Investment Management*

As at the date of this Prospectus, the ACD undertakes the management of the assets of the Company and its Sub-Fund and has not appointed any third party investment manager to assist it in carrying out this function. The ACD nevertheless reserves the right to do so in the future.

#### 5.3

##### *The Administrator and the Registrar*

##### 5.3.1

As at the date of this Prospectus the ACD acts as Administrator and Registrar of the Company.

##### 5.3.2

The Register of Shareholders is available and can be inspected by Shareholders at the registered office of the ACD.

## 6. THE DEPOSITARY

#### 6.1

Pursuant to the agreement dated 18 March 2016 between the Company, the ACD and the Depositary (the **Depositary Services Agreement**) and for the purposes of and in compliance with The Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2015, Commission Delegated Regulation (EU) No. Commission Delegated Regulation (EU) of 17.12.2015 supplementing

Directive 2009/65/EC of the European Parliament and of the Council with regard to obligations of depositaries (together, the **UCITS Legislation**) and the relevant FCA Rules, the Depositary has been appointed as depositary to the Company.

#### 6.2

The Depositary is a public limited company incorporated in England and Wales with company registration number 00014259. HSBC Bank plc is a wholly owned subsidiary of HSBC Holdings plc. The Depositary's registered and head office is located at 8 Canada Square, London E14 5HQ and the principal business activity of the Depositary is the provision of financial services, including trustee and depositary services. HSBC Bank plc is authorised by the Prudential Regulation Authority and regulated by the Prudential Regulation Authority and the Financial Conduct Authority.

#### 6.3

The Depositary provides services to the Company as set out in the Depositary Services Agreement and, in doing so, shall comply with the UCITS Legislation, the OEIC Regulations and the relevant FCA Rules.

#### 6.4

The Depositary's duties include the following:

##### 6.4.1

ensuring that the Company's/the Sub-Fund's cash flows are properly monitored and that all payments made by or on behalf of applicants upon the subscription to shares of the Company/the Sub-Fund have been received;

##### 6.4.2

safekeeping the assets of the Company/the Sub-Fund, which includes (i) holding in custody all financial instruments that may be held in custody; and (ii) verifying the ownership of other assets and maintaining records accordingly;

##### 6.4.3

ensuring that issues, redemptions and cancellations of the shares of the Company/the Sub-Fund are carried out in accordance with applicable law and the relevant FCA Rules;

##### 6.4.4

ensuring that the value of the shares of the Company/the Sub-Fund is calculated in accordance with applicable law and the relevant FCA Rules;

##### 6.4.5

carrying out the instructions of the Company, the Sub-Fund and the ACD, unless they conflict with applicable law and the relevant FCA Rules;

##### 6.4.6

ensuring that in transactions involving the Company's/the Sub-Fund's assets any consideration is remitted to the Company/the Sub-Fund within the usual time limits;

##### 6.4.7

ensuring that the Company's/the Sub-Fund's income is applied in accordance with applicable law and the relevant FCA Rules.

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**6.5**

Actual or potential conflicts of interest may arise between the Company, the Sub-Fund's, the Shareholders or the ACD and the Depositary. For example, such actual or potential conflict may arise because the Depositary is part of a legal entity or is related to a legal entity which provides other products or services to the Company. The Depositary may have a financial or business interest in the provision of such products or services, or receives remuneration for related products or services provided to the Company, or may have other clients whose interests may conflict with those of the Company, the Sub-Fund, the Shareholders or the ACD.

**6.6**

The Depositary has a conflict of interest policy in place to identify, manage and monitor on an on-going basis any potential conflict of interest.

**6.7**

The Depositary may delegate its safekeeping functions subject to the terms of the Depositary Services Agreement. The Depositary has delegated to the delegates listed in Annexure 6 the custody of certain scheme property entrusted to the Depositary for safekeeping in accordance with the terms of written agreements between the Depositary and those delegates.

**6.8**

From time to time actual or potential conflicts of interest may arise between the Depositary and its delegates, for example, where a delegate is an affiliate of the Depositary, the Depositary may have a financial or business interest in that delegate.

**6.9**

The Depositary and any of its affiliates or delegates may effect, and make a profit from, transactions in which the Depositary (or its affiliates, or another client of the Depositary or its affiliates) has (directly or indirectly) a material interest or a relationship of any description and which involves or may involve a potential conflict with the Depositary's duty to the Company, the Sub-Fund or the ACD. This includes, for example, circumstances in which the same entity as the Depositary or any of its affiliates or connected persons: provides fund services (including administration, fund accounting and middle office services), securities lending and/or collateral management services, foreign exchange services, credit facilities, transaction, execution, lending, settlement or prime services to the Company and/or to other funds or companies; acts as financial adviser, distributor, broker, market maker, banker, sub-custodian, derivatives counterparty or otherwise provides services to an issuer of the investments of the Company/the Sub-Fund; acts in the same transaction as agent for more than one client; has a material interest in the issue of the investments of the Company/the Sub-Fund; or earns profits from or has a financial or business interest in any of these activities.

**6.10**

The Depositary will ensure that any such additional services provided by it or its affiliates are on terms which are not materially less favourable to the Company or the Sub-Fund than if the conflict or potential conflict had not existed.

**6.11**

Included in the Depositary's conflict of interest policy are procedures to identify, manage and monitor on an on-going basis any potential conflict of interest involving its delegates.

**6.12**

Up to date information regarding the name of the Depositary, any conflicts of interest and delegations of the Depositary's safekeeping functions will be made available to Shareholders on request.

**6.13**

Shareholders have no personal right to directly enforce any rights or obligations under the Depositary Services Agreement.

**6.14**

In general, the Depositary is liable for losses suffered by the Company or the Sub-Fund as a result of its negligence, fraud or wilful default or wilful misconduct to properly fulfil its obligations. Subject to the Paragraph below, and pursuant to the Depositary Services Agreement, the Depositary will be liable to the Company or the Sub-Fund for the loss of financial instruments of the Company/the Sub-Fund which are held in its custody. The Depositary will not be indemnified out of the scheme property for the loss of financial instruments.

**6.15**

The liability of the Depositary will not be affected by the fact that it has delegated safekeeping to a third party.

**6.16**

The Depositary will not be liable where the loss of financial instruments arises as a result of an external event beyond the reasonable control of the Depositary, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary. The Depositary shall not be liable for any indirect, special or consequential loss.

**6.17**

In the event there are any changes to the Depositary's liability under the UCITS Legislation and the relevant FCA Rules, the ACD will inform Shareholders of such changes without delay.

**6.18**

The appointment of the Depositary under the Depositary Services Agreement may be terminated without cause by not less than 90 days' written notice provided that the Depositary Services Agreement does not terminate until a replacement Depositary has been appointed.

## 7. THE AUDITORS

The auditors of the Company are PricewaterhouseCoopers LLP of 7 More London Riverside, London SE1 2RT.

## 8. GOVERNING LAW

English law governs all transactions in Shares.

## 9. PAST PERFORMANCE

Past performance data is shown in Annexure 4.

## 10. INVESTMENT OBJECTIVE AND POLICY

### 10.1

The fundamental investment objective of the Company is to invest the property of the Company with the aim of spreading investment risk and giving Shareholders the benefit of the results of the management of that property. The types of investments and assets in which the property of the Company may be invested are:

#### 10.1.1

transferable securities;

#### 10.1.2

approved money market instruments;

#### 10.1.3

units in collective investment schemes;

#### 10.1.4

deposits; and

#### 10.1.5

derivatives and forward transactions, in each case to the extent such investors are consistent with the provisions of the COLL Sourcebook for a UCITS Scheme. The investment and borrowing powers of a UCITS Scheme to which the Company and the Sub-Funds will be subject, are summarised in Annexure 2.

### 10.2

The Company is structured as an umbrella company and different Sub-Funds may be established from time to time by the ACD with the agreement of the Depositary and the approval of the FCA. The investment objective and policy of each Sub-Fund will be formulated by the ACD at the time of creation of the relevant Sub-Fund, which may be varied from time to time subject to the requirements regarding Shareholder approval and FCA consent as set out in the Regulations. The investment objective and policy of each Sub-Fund are set out in Annexure 1.

### 10.3

As at the date of this Prospectus there is only one Sub-Fund, the PSDF which is a QMMF. The investment objective and policy of the PSDF will meet the conditions specified in the FCA Glossary for a QMMF.

### 10.4

It is not intended that the Company will have any interests in any immovable property or movable property for the direct pursuit of the Company's business.

## 11. CHARACTERISTICS OF SHARES IN THE COMPANY

### 11.1

Shareholders are not liable for the debts of the Company, nor are they liable to make any further payment after they have paid the price of their Shares.

### 11.2

The Company issues larger and smaller denomination Shares in the ratio of 1:1000.

### 11.3

All Shares are in registered form. Certificates are not issued in respect of the Shares. Ownership will be evidenced by entry on the Company's Register of Shareholders. At least once a year, and usually quarterly, the ACD will send to each current Shareholder a statement setting out their current holding of Shares. A statement of holdings is also available on request. Bearer shares cannot be issued in respect of the Company.

The table below shows which Classes of Shares are available as at the date of this Prospectus together with details of the minimum investment amount and balance. The ACD has discretion to waive or vary these limits. This information together with additional information in respect of the PSDF is set out in Annexure 1.

The minimum additional investment in respect of each Share Class is £5,000 (the ACD has discretion to waive or vary this amount).

### 11.4

If the ACD reasonably believes that any Shares are owned directly or beneficially in circumstances which constitute a breach of the law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory or which may (or may if other Shares are acquired or held in like circumstances) result in the Company incurring any liability to taxation or suffering any other adverse consequence (including a requirement to register under any securities or investment or similar laws or governmental regulation of any country or territory) then the Company may give notice to the holder of such Shares requiring them to transfer such Shares to a person who is qualified or entitled to own them, or to request the redemption of such Shares by the Company.

### 11.5

If the holder of Shares in the circumstances described in Paragraph 11.4 above does not either transfer such Shares to a qualified person or establish to the ACD's satisfaction that they and any person on whose behalf they hold such Shares are qualified and entitled to hold and own them, they will be deemed on the expiry of a 30-day period to have requested redemption of such Shares and the ACD reserves the right to redeem the Shares accordingly.

Fund	Share Class				
The Public Sector Deposit Fund	Class 1 - minimum investment and balance £1.00	Class 2 - minimum investment and balance £25,000.00	Class 3 - minimum investment and balance £5,000,000.00	Class 4 - minimum investment and balance £15,000,000.00	Class 5 - minimum investment and balance £1,000,000.00
Available for investment	Yes	Yes	Yes	Yes	Yes

The minimum additional investment in respect of each Share Class is £5,000 (the ACD has discretion to waive or vary this amount).

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## 11.6

The Company may:

### 11.6.1

issue a number of Share Classes in respect of a Sub-Fund;

### 11.6.2

apply differing charging structures, minimum investment levels and eligibility provisions in respect of different Share Classes;

### 11.6.3

offer different types of Share Class to different types of investor including, without limitation, Share Classes that distribute income without deduction of tax to appropriately qualified investors and Share Classes that distribute income net of tax; and

### 11.6.4

resolve to create further Share Classes in respect of existing and future Sub-Funds amending this Prospectus accordingly.

In each case Annexure 1 shall contain specific details of the characteristics of Share Classes comprised within each Sub-Fund.

## 11.7

The Shares are not listed or dealt on any investment exchange.

## 12. PUBLICATION OF SHARE PRICES

Share prices will be available daily on the Sub-Fund's website [www.ccla.co.uk](http://www.ccla.co.uk) and by calling 0800 022 3505. These prices will, unless for reasons beyond the control of the ACD, relate to the valuation on the Dealing Day immediately prior to the date of publication.

## 13. HOW TO PURCHASE SHARES

### 13.1

Except during periods of temporary suspension, the ACD will accept orders for the purchase of Shares on any Business Day between 9.00 am and 5.00 pm. It is intended that issues of Shares will normally be made with effect from a Dealing Day in respect of applications received and payment made on or prior to the relevant Dealing Deadline.

### 13.2

Applications to purchase Shares should be made by completion of the Application Form (which is available from the ACD) and submitted to the ACD by post at CCLA Investment Management Limited, Senator House, 85 Queen Victoria Street, London EC4V 4ET or by email to the ACD at [scanning@ccla.co.uk](mailto:scanning@ccla.co.uk), to be received by the ACD on or prior to the relevant Dealing Deadline. The ACD may, as from a date determined by the ACD accept orders by telephone, in which case all telephone calls between the ACD and investors will be recorded.

### 13.3

If an application is received after the relevant Dealing Deadline for the relevant Dealing Day, the application shall (unless otherwise determined by the ACD) be deemed to have been received by the following relevant Dealing Deadline. Applications sent to the ACD by email will be treated as definite orders and the ACD may act on such orders. However, the original application documentation must be promptly sent by courier or mail to the ACD at its registered office. No application will be capable of withdrawal after acceptance by the ACD.

### 13.4

If payment in full in cleared funds in respect of an application has not been received by the relevant Dealing Deadline or in the event of non-clearance, any provisional allotment of Shares made in respect of such application may be cancelled. In such circumstances the ACD may charge the applicant for any expense incurred by the Company and for any loss to the Company arising out of such non-receipt or non-clearance.

### 13.5

Subscription monies in respect of Shares are payable in sterling either: (i) by telegraphic transfer to the account details of which are set out on the Application Form; or (ii) up to the value of £400,000, by a cheque made payable to the PSDF. No interest will be paid prior to investment.

### 13.6

The number of Shares issued will be the greatest number of larger denomination Shares with the balance of the subscription money being used to purchase smaller denomination Shares. Purchase contract notes will usually be issued by the end of the Business Day following the allocation of Shares.

### 13.7

Details of the initial charge payable on purchase of Shares (if any) are set out in Paragraph 27.1 and Annexure 1.

### 13.8

Shares may not be issued or redeemed during any period of suspension which is more fully described in Paragraph 20.

### 13.9

The Company has to comply with and operate in accordance with anti-money laundering regulations applicable from time to time. The ACD may in its absolute discretion require verification of identity of any investor buying, selling or switching Shares or the identity of the person on whose behalf the investment is being made. If satisfactory verification is not forthcoming the ACD reserves the right to refuse to complete the transaction. In the case where Shares are being sold, the remittance of the proceeds may be delayed until proof of identity has been obtained.

### 13.10

Please note that electronic identity checks may be undertaken on the persons named in applications to purchase or redeem Shares.

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## 14. REDEMPTION OF SHARES

### 14.1

Requests for the redemption of Shares should be addressed to the ACD and may be made in writing to the ACD at CCLA Investment Management Limited, Senator House, 85 Queen Victoria Street, London EC4V 4ET, by e-mail to the ACD at scanning@ccla.co.uk or such other means as the ACD may from time to time permit. The ACD may as from a date determined by the ACD accept redemption requests by telephone, in which case all telephone calls between the ACD and investors will be recorded.

### 14.2

Requests to sell Shares received by the ACD up to the Dealing Deadline on any Dealing Day will be dealt with at the price calculated at the Valuation Point on that Dealing Day. Requests to sell Shares received after the Dealing Deadline on a Dealing Day will be dealt with at the price calculated at the Valuation Point on the following Dealing Day. Once made any request for the redemption of Shares cannot be withdrawn. The ACD can require that such requests are confirmed in writing.

### 14.3

Details of the redemption charge payable on the redemption of Shares (if any) are set out in Paragraph 27.1 and Annexure 1.

### 14.4

The ACD may determine from time to time a minimum value of Shares which may be issued. Shareholders must retain the minimum holding of Shares for a particular Class, or redeem their entire holding save that the ACD in its discretion may permit a Shareholder to hold less than the specified minimum of a Class of Shares.

### 14.5

Shares may not be redeemed during any period of suspension. This is more fully described in Paragraph 20.

### 14.6

The Company may on occasion issue or cancel Shares directly through the ACD in accordance with the relevant provisions of the COLL Sourcebook.

### 14.7

Contract notes will usually be issued within 24 hours of the relevant Dealing Day.

### 14.8

Where a Shareholder requests the redemption of Shares, the ACD may at its discretion (with the prior permission of the Depositary) arrange for the Company to cancel the Shares and transfer certain identified scheme property to the Shareholder, instead of paying the price of the Shares in cash. The ACD will serve a notice on the Shareholder that it proposes to make the in specie redemption. The selection of the scheme property will be made by the ACD in consultation with the Depositary with a view to ensuring that the redeeming Shareholder is not advantaged or disadvantaged vis-à-vis the continuing Shareholders.

## 15. SETTLEMENT

### 15.1

In the case of subscriptions, cleared funds must be received before the Dealing Deadline unless otherwise permitted by the ACD.

### 15.2

In the case of redemptions, proceeds will be paid by telegraphic transfer to a specified account at the Shareholder's risk and expense. Redemption proceeds in excess of £100,000 will usually be paid on the Dealing Day and in any event no later than four Business Days after receipt of the correctly completed redemption documents or the sale date, whichever is later. In respect of redemptions of Shares for a value of less than £100,000 then proceeds will usually be paid on the Business Day after the Dealing Day and in any event no later than four Business Days after receipt of the correctly completed redemption documents or the sale date whichever is later. Shareholders may request same day settlement in respect of redemptions of Shares for a value of less than £100,000, subject to a transaction fee of £20 and the ACD will endeavour to effect this.

### 15.3

The ACD is under no obligation to account to the Company, the Depositary or Shareholders for any profit made by the ACD on the issue of Shares or on the re-issue or cancellation of Shares previously redeemed by the ACD.

## 16. DEFERRED REDEMPTIONS

If requested redemptions across all Classes of a Sub-Fund on a particular Dealing Day exceed 10% of the value of a Sub-Fund, redemptions of Shares may be deferred to the next Valuation Point. Any such deferral will only be undertaken in such manner as to ensure consistent treatment of all Shareholders who had sought to redeem Shares at the Valuation Point at which redemptions were deferred. Deferral will be pro-rated based on the value of Shares being redeemed (provided that the ACD may determine in its discretion a value threshold below which all redemptions will be effected and above which the foregoing pro rata deferral shall apply) and so that all deals relating to an earlier Valuation Point are completed before those relating to a later Valuation Point are considered.

## 17. CLIENT MONEY

### 17.1

CCLA is obliged to comply with the FCA's client money rules as set out in CASS. However, CCLA is making use of the delivery versus payment exemption (**DVP exemption**) available to it under CASS when handling money for Shareholders in connection with buying or selling Shares in any Sub-Fund. Under the DVP exemption money belonging to Shareholders or applicants need not be treated as client money for the purposes of the CASS rules for a limited period in the following two situations:

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### 17.1.1

where money is received electronically from Shareholders and/or applicants that relates to a subscription for Shares in any of the Sub-Funds; and

### 17.1.2

where money is held by CCLA that relates to the redemption of Shares in one of the Sub-Funds.

### 17.2

While CCLA is operating under the DVP exemption, Shareholder and/or applicant money will not be subject to the protections conferred by the CASS rules and, if CCLA were to fail, the FCA's client money distribution rules as set out in CASS would not apply to these sums and Shareholders and/or applicants would not be entitled to share in any distribution under the CASS rules in respect of these sums.

### 17.3

Where CCLA has not paid any money belonging to Shareholders and/or applicants to the Depository or to Shareholders, as the case may be, by close of business on the business day following receipt, CCLA will stop operating under the DVP exemption for that transaction and will treat the relevant sum of money as client money for the purposes of the CASS rules.

### 17.4

By buying Shares in any of the Sub-Funds, you agree to CCLA's use of the DVP exemption as set out above. Should CCLA cease at any time to make use of the DVP exemption, CCLA will notify Shareholders in writing.

### 17.5

Where applicants and/or Shareholders provide money to CCLA by way of a cheque in order to invest in a Sub-Fund, CCLA will treat this money as client money and will pay it into a client money account by close of business on the day following receipt, where it will remain until such time as it is paid to the Depository.

### 17.6

Where CCLA is required to protect client money it will deposit the cash in the UK with an authorised bank to be held on our behalf in a 'client money' account separate to any account used to hold money belonging to CCLA in its own right. Interest will not be paid on cash balances held in the client money account. CCLA will not be responsible for any acts or omissions of the bank. If the bank becomes insolvent, CCLA will have a claim on behalf of its clients. If, however, the bank cannot repay all of its creditors, any shortfall may have to be shared pro rata between such creditors. In the event of such a shortfall, applicants and Shareholders may be able to seek recovery from the FSCS. Details of the FSCS can be found at [www.fscs.org.uk](http://www.fscs.org.uk).

## 18. SWITCHING

### 18.1

Investors may exchange Shares in one Class or Sub-Fund for Shares in another Class or Sub-Fund (currently, however, as the PSDF is the only Sub-Fund available for investment there is no facility to switch between Sub-Funds).

### 18.2

Shareholders may switch some or all of their Shares in one Sub-Fund to Shares in another Sub-Fund if this facility is available. The ACD, may, at its discretion make a charge on switching Shares, which will not exceed the excess difference between the initial charges in respect of the Share Classes concerned. Further details of charges on switching (if any) are stated in Paragraph 27.

### 18.3

Instructions to switch Shares must be sent in writing to the ACD at CCLA Investment Management Limited, Senator House, 85 Queen Victoria Street, London EC4V 4ET, by e-mail to the ACD at [scanning@ccla.co.uk](mailto:scanning@ccla.co.uk) or such other means as the ACD may from time to time permit and must be given in accordance with the current client mandate. Instructions should include full registration details together with the number of Shares to be switched between named Sub-Funds or Share Classes (as applicable). The ACD may require that telephone instructions are confirmed in writing.

### 18.4

Switching instructions received prior to the Dealing Deadline on a Dealing Day will be dealt with at the price prevailing on that Dealing Day. Instructions received after the Dealing Deadline will be dealt with at the price prevailing on the next Dealing Day.

### 18.5

No cancellation rights will apply to Shareholders who switch their Shares for Shares in another Class or Sub-Fund or Share Classes of the Company.

### 18.6

If a switch would result in the Shareholder holding a number of original or new Shares of a value which is less than the minimum holding in the Sub-Funds concerned, the ACD may, if it thinks fit, convert the whole of the applicant's holding of original Shares to new Shares, or refuse to effect any switch of the original Shares.

### 18.7

The number of new Shares to be issued to a Shareholder on a switch will be in accordance with the formula set out from time to time in the Instrument.

### 18.8

In respect of the PSDF, for Share Classes numbered 2, 3 and 4 automatic switching will apply (subject to eligibility requirements) when a Shareholder's balance reaches the minimum balance required for another Share Class in terms of minimum holding requirements. For example, where a Shareholder holds Class 2 Shares (which have a minimum balance and holding requirement of £25,000 and have an AMC of 0.20%) and invests further amounts so that their balance reaches £5,000,000, their Shareholding will

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automatically be switched to Class 3 Shares (which have a minimum balance and holding requirement of £5,000,000 and an AMC of 0.15%). Automatic switching will apply in relation to Share Classes 2, 3 and 4 unless a Shareholder notifies the ACD in writing that they do not wish automatic switching to apply. Automatic switching does not apply in relation to Share Classes 1 or 5.

#### **18.9**

Investors should note that a switch of Shares from one Sub-Fund for Shares in another Sub-Fund is treated as a redemption and issue and therefore is a disposal for UK tax purposes.

#### **18.10**

A switching investor must be eligible to hold the Shares in the Sub-Fund into which the switch is to be made.

## **19. DILUTION LEVY**

#### **19.1**

Where the Company buys or sells underlying investments in response to a request for the issue or redemption of Shares, it will generally incur a cost, made up of dealing costs and any spread between the bid and offer prices of the investments concerned, which is not reflected in the issue or redemption price paid by or to the Shareholder. This effect is known as "dilution" and may affect the future growth of the relevant Sub-Fund of the Company. To alleviate dilution, the ACD is entitled to impose a dilution levy, which will be added to the purchase price or deducted from the redemption price of Shares as appropriate. This levy is paid directly into the relevant Sub-Fund. The ACD will adopt the policy of applying a dilution levy if in its opinion, the existing Shareholders (for issues) or remaining Shareholders (for redemptions) might otherwise be adversely affected. The ACD has the right to use discretion to reduce or waive the dilution levy.

#### **19.2**

It is not possible to predict accurately whether dilution is likely to occur.

#### **19.3**

In respect of the PSDF, reflecting the liquid nature of the qualifying investments to be held, the ACD believes that the imposition of a dilution levy in respect of the issue or redemption of Shares in the PSDF is unlikely but cannot be ruled out, particularly in the case of issues or redemptions of significant size in relation to the Net Asset Value of the PSDF at the time the issue or redemption concerned.

#### **19.4**

If it is imposed, the estimated dilution levy charged by the ACD based on future projections will be between 0.25% and 5% of the price of a Share:

##### **19.4.1**

redeemed on a Dealing Day on which net redemption of Shares exceeds 1% in value (calculated by reference to their current price) of the issued Shares (which is deemed to be a large deal);

##### **19.4.2**

sold on a Dealing Day on which net sales of Shares exceed the same percentage.

## **20. SUSPENSION OF DEALING**

#### **20.1**

The ACD may, with the prior agreement of the Depositary, or must, if the Depositary requires, temporarily suspend the issue and redemption of Shares if the ACD, or the Depositary is of the opinion that due to exceptional circumstances it is in the interests of all Shareholders. The suspension will only be permitted to continue for as long as it is justified having regard to the interests of Shareholders. On suspension, the ACD or Depositary must immediately inform the FCA stating the reasons for its action. The ACD and Depositary must formally review the suspension every 28 days and inform the FCA of the result of this review with a view to ending the suspension as soon as practicable after the exceptional circumstances have ceased.

#### **20.2**

The ACD will ensure that a notification of such a suspension is made to Shareholders as soon as practicable after suspension commences. The ACD will also publish on its website sufficient details to keep Shareholders appropriately informed about the suspension including its likely duration.

#### **20.3**

The Company may not create or cancel Shares while the suspension remains in force. Shareholders requesting redemption will be notified of such suspension and, unless withdrawn, redemption requests will be considered as at the next Business Day following the end of such suspension.

#### **20.4**

Recalculation of prices will commence on the next Valuation Point following the end of the suspension period.

## **21. ACCOUNTING DATES/ INCOME**

#### **21.1**

##### *Accounting Dates*

The annual accounting period of the Company ends on 31 March each year. The half-yearly accounting period of the Company ends on 30 September each year or such other date as the ACD may determine.

#### **21.2**

##### *Income*

With respect to the allocation and payment of income:

##### **21.2.1**

the income of each Sub-Fund which is distributed to Shareholders in respect of each accounting reference period is determined by taking the aggregate income received or receivable by the relevant Sub-Fund and deducting all charges and expenses properly payable out of the scheme property attributed to the relevant Sub-Fund and making

appropriate adjustments for taxation;

**21.2.2**

income is allocated and distributed to Shareholders in a Sub-Fund as provided for in Annexure 1;

**21.2.3**

income is allocated to Shareholders of a Share Class rateably in accordance with the number of Shares held by them at the date of distribution;

**21.2.4**

income available for allocation in respect of a Sub-Fund will be allocated between the Share Classes based upon the respective proportionate interests represented by those Share Classes on a daily basis;

**21.2.5**

for certain Classes of Shareholder and in accordance with United Kingdom tax law the income allocated to such Shareholders may be distributed without deduction of income tax;

**21.2.6**

payment of income distributions will be made by means of direct credit to the Shareholder's nominated bank account or otherwise as determined by the ACD;

**21.2.7**

no payments of distributions shall bear interest against the Company;

**21.2.8**

all distributions unclaimed for a period of six years after having become due for payment shall be forfeited and shall revert to the Company; and

**21.2.9**

no equalisation will be applied.

**21.3**

*The PSDF*

**21.3.1**

In relation to Class 1 to 5 Shares, the ACD intends to declare all net income of the PSDF on each Dealing Day as a dividend to Shareholders on the Register of Shareholders as at the close of business on the relevant Dealing Day. Dividends will be declared daily and payable monthly on or about the last day of each calendar month.

**21.3.2**

Due to the daily allocation of income by the PSDF no element of income is included in the calculation of the price of a Share in the PSDF and hence no equalisation is applied.

## 22. REPORTS

**22.1**

The Company's annual long report incorporating audited financial statements will be published within four months after the end of each annual accounting period and the half-yearly long report within two months of the end of each half-yearly accounting period. Copies of the long form reports (annual and half-yearly) will be available online at [www.ccla.co.uk](http://www.ccla.co.uk) and shall be supplied to Shareholders free upon request.

**22.2**

The ACD shall also prepare a short report for each Sub-Fund in relation to each annual and half-yearly accounting period which contains the information required in the COLL Sourcebook, including a review of the Sub-Fund's activities during the relevant period and a performance record. Copies will be made available to Shareholder upon request.

**22.3**

Copies will be made available to Shareholder upon request.

## 23. DEALING DAYS

The Company's Dealing Days are each Business Day.

## 24. MEETINGS OF SHAREHOLDERS AND VOTING RIGHTS

**24.1**

The Company will not hold annual general meetings. However, extraordinary general meetings may be convened from time to time. The ACD or the Depositary may requisition a general meeting at any time. Shareholders who together hold not less than one-tenth in value of all of the Shares may also requisition a general meeting of the Company. Such requisition must be in writing, state the objects of the meeting and be signed by the Shareholders. The ACD must convene a general meeting within eight weeks of receiving a requisition.

**24.2**

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

**24.3**

The quorum for a meeting of Shareholders is two Shareholders present in person or by proxy. The quorum for an adjourned meeting is one Shareholder present in person or by proxy.

#### 24.4

The rules applicable to the Company as a whole shall also apply to meetings of a Class or a Sub-Fund as if general meetings of the Shareholders, but by reference to the Shares of the Class or Sub-Fund concerned and the Shareholders and value of such Shares.

#### 24.5

At any meeting of Shareholders or a Class of Shareholders of the Company or a Sub-Fund on a show of hands every Shareholder who (being an individual) is present in person or (being a corporation) is represented in person by its properly authorised representative has one vote. A poll may be demanded by the chairman of the meeting, by the ACD, by the Depositary, or by two or more Shareholders present in person or by proxy. On a poll, every Shareholder who is present in person or by proxy will be entitled to a number of votes calculated in accordance with the value that his Shareholding bears in relation to the value of the Sub-Fund or Company as relevant. A Shareholder entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.

#### 24.6

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

#### 24.7

The ACD is entitled to receive notice of and attend any meeting of Shareholders but is not entitled to vote or be counted in the quorum. The ACD or any associate of the ACD holding Shares shall not be entitled to vote at such a meeting except in respect of Shares which he holds on behalf of a person who, if he himself were the registered Shareholder, would be entitled to vote and from whom he has received voting instructions.

## 25. RISK FACTORS

### 25.1

#### Risk Factors

Investing in Shares involves risks. Some of these risks are general, which means that they apply to all investments. Others are specific, which means that they apply to individual Sub-Funds. Before investors decide to invest, it is important to understand these risks.

**If investors are unsure, they should seek professional advice from an independent financial advisor or consultant.**

### 25.2

#### General

#### 25.2.1

##### Market Fluctuations

The value of investments and the income derived from them may fall as well as rise. Investors may not get back the

amount originally invested and may lose money. There is no assurance that the investment objective of a Sub-Fund will actually be achieved. The entire market of a particular asset class or geographical sector may fall, having a more pronounced effect on a Sub-Fund heavily invested in that asset class or region.

#### 25.2.2

##### Interest Rate Risk

Investment in both fixed rate and floating rate securities involves interest rate risk. Any change to the interest rate relevant for floating rate securities may result in income either increasing or decreasing. Changes to prevailing rates or changes in expectations of future rates may also result in an increase or decrease in the value of the securities held.

#### 25.2.3

##### Liquidity Risk

Liquidity risk arises when a Sub-Fund invests in securities or markets which may have restrictions in both geographical markets and institutions. The Sub-Fund seeks to mitigate this risk by investing in markets and securities which are considered to have sufficient liquidity to effect an orderly realisation of their assets.

#### 25.2.4

##### Effect of Initial Charge

Where an initial charge is imposed, an investor who realises his Shares may not realise the amount originally invested, depending on change in investment value and the amount of the initial charge.

#### 25.2.5

##### Tax

Tax laws currently in place may change in the future which could affect the value of a Shareholder's investment.

#### 25.2.6

##### Inflation Risk

Returns will depend on each Sub-Fund's growth, interest rates and the effects of inflation over time.

#### 25.2.7

##### Performance Risk

There may be variation in performance between funds with similar objectives due to the different assets selected.

#### 25.2.8

##### Custody

There may be a risk of a loss where the assets of the Sub-Funds are held in custody that could result from insolvency, negligence or fraudulent action of the custodian or sub-custodian.

#### 25.2.9

##### Currency Exchange Rates

A Sub-Fund investing in overseas securities is exposed to and can hold currencies other than pounds sterling (GBP). As a result, exchange rate movements may cause the value of investments to decrease or increase. As at the date of this Prospectus there is only one Sub-Fund, the PSDF which will only invest in Sterling denominated investments, so this risk does not currently arise.

## 25.3

### *Specific Risks Involved in Investing in a Sub-Fund*

#### 25.3.1

Each Sub-Fund will have its own investment objective and policy as set out in Annexure 1. The specific risks listed below apply to particular Sub-Funds (as specified).

#### 25.3.2

The specific risk factors in respect of the PSDF:

##### (a) Qualifying Money Market Funds

An investment in a QMMF is not a guaranteed investment. Investment in a QMMF is not the same as making a deposit with a bank or other deposit taking body, in particular the principal invested in a QMMF is capable of fluctuation and the value of Shares in such a fund is not insured or guaranteed. Although it is intended to maintain a stable Net Asset Value per Share for Shares in a Sub-Fund which is a QMMF, there can be no assurance that a stable Net Asset Value per Share will be maintained.

A QMMF does not rely on external support for guaranteeing the liquidity of the QMMF or stabilising the NAV per Share. The risk of loss of principal invested in a QMMF is to be borne by investors.

##### (b) Fixed Interest Securities

Fixed interest securities are particularly affected by changes in interest rates and inflation. If interest rates go up, the value of capital may fall and vice versa. Inflation will also decrease the real value of capital.

The value of a fixed interest investment may fall in the event of the default or reduced credit rating of the issuer. Generally, the higher the rate of interest, the higher the perceived credit risk of the issuer. High yield bonds with lower credit ratings (also known as sub investment grade bonds) are potentially more risky (higher credit risk) than investment grade bonds. The PSDF will only invest in securities that are of short duration and at the time of purchase will have the highest short term rating awarded by a competent credit rating agency or an equivalent and correspondingly strong long term rating.

##### (c) Use of Derivatives

The PSDF does not invest in derivatives and is therefore not exposed to any derivative risk.

#### 25.3.3

The investment risks set out in this Prospectus do not purport to be an exhaustive or complete explanation of all the risks. Investors should seek professional advice before investing.

## 26. VALUATION AND PRICING

### 26.1

#### *Single Pricing*

The price per Share at which Shares can be bought is the Net Asset Value of a Share to which may be added an initial charge (if applicable). The price per Share at which Shares may be redeemed is the Net Asset Value per Share from which may be deducted a redemption charge (if applicable). In addition, there may, for both purchases and sales, be a dilution levy, as described in Paragraph 19. There is a single price for buying, selling and switching Shares in a Sub-Fund of the Company, which represents the Net Asset Value of the Sub-Fund.

### 26.2

#### *Forward Basis*

Each Sub-Fund will deal on a forward pricing basis.

### 26.3

#### *General Valuation and Rules*

#### 26.3.1

The scheme property of the Company and any Sub-Fund will normally be valued at 12.00 noon on each Dealing Day for the purpose of calculating the price at which Shares in the Company may be issued, sold, repurchased or redeemed. The ACD reserves the right to revalue the Company or any Sub-Fund at any time if it considers it desirable to do so.

#### 26.3.2

Additional valuations may also be carried out in accordance with the Regulations in connection with a scheme of amalgamation or reconstruction, or on the day the annual or half-year accounting period ends.

#### 26.3.3

The value of the scheme property of the Company or Sub-Fund (as the case may be) shall save in the case of a Sub-Fund which is a QMMF (for which see Paragraph 26.4) be the value of its assets less the value of its liabilities determined in accordance with the following provisions:

- (a) all the scheme property (including receivables) is to be included, subject to the following provisions:
- (b) property which is not cash (or other assets dealt within Paragraph (c) below) shall be valued as follows and the prices used shall (subject as follows) be the most recent prices which it is practicable to obtain:
  - (i) Shares in a collective investment scheme:
    - (aa) if a single price for buying and selling Shares or Shares is quoted, at that price; or
    - (bb) if separate buying and selling prices are quoted, at the average of the two prices provided the buying price has been reduced by any initial charge included therein and the selling price has been increased by any exit or redemption charge attributable thereto; or

- 
- (cc)** if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no recent price exists, at a value which, in the opinion of the ACD, is fair and reasonable;
  - (ii)** exchange-traded derivative contracts:
    - (aa)** if a single price for buying and selling the exchange-traded derivative contract is quoted, at that price; or
    - (bb)** if separate buying and selling prices are quoted, at the average of the two prices;
  - (iii)** over-the-counter derivative contracts shall be valued in accordance with the method of valuation as shall have been agreed between the ACD and the Depositary;
  - (iv)** any other investment:
    - (aa)** if a single price for buying and selling the security is quoted, at that price; or
    - (bb)** if separate buying and selling prices are quoted, at the average of the two prices; or
    - (cc)** if in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if the most recent price available does not reflect the ACD's best estimate of the value, at a value which, in the opinion of the ACD, is fair and reasonable; and
    - (dd)** property other than that described in Paragraphs (i) to (iv) above: at a value which, in the opinion of the ACD, represents a fair and reasonable mid-market price.
  - (c)** cash and amounts held in current, deposit and margin accounts and in other time-related deposits shall be valued at their nominal values;
  - (d)** in determining the value of the scheme property, all instructions given to issue or cancel Shares shall be assumed (unless the contrary is shown) to have been carried out and any cash payment made or received and all consequential action required by the Regulations or the Instrument shall be assumed (unless the contrary has been shown) to have been taken;
  - (e)** subject to Paragraphs (f) and (g) below, agreements for the unconditional sale or purchase of property which are in existence but uncompleted shall be assumed to have been completed and all consequential action required to have been taken. Such unconditional agreements need not be taken into account if made shortly before the valuation takes place and, in the opinion of the ACD, their omission shall not materially affect the final net asset amount;
  - (f)** futures or contracts for differences which are not yet due to be performed and unexpired and unexercised written or purchased options shall not be included under Paragraph (e);
  - (g)** all agreements are to be included under Paragraph (e) which are, or ought reasonably to have been, known to the person valuing the property assuming that all other persons in the ACD's employment take all reasonable steps to inform it immediately of the making of any agreement;
  - (h)** deduct an estimated amount for anticipated tax liabilities (on unrealised capital gains where the liabilities have accrued and are payable out of the property of the Scheme; on realised capital gains in respect of previously completed and current accounting periods; and on income where liabilities have accrued) including (as applicable and without limitation) capital gains tax, income tax, corporation tax, value added tax and stamp duty;
  - (i)** deduct an estimated amount for any liabilities payable out of the scheme property and any tax thereon treating periodic items as accruing from day to day;
  - (j)** deduct the principal amount of any outstanding borrowings whenever payable and any accrued but unpaid interest on borrowings;
  - (k)** add an estimated amount for accrued claims for tax of whatever nature which may be recoverable;
  - (l)** add any other credits or amounts due to be paid into the scheme property;
  - (m)** add a sum representing any interest or any income accrued due or deemed to have accrued but not received and any stamp duty reserve tax position anticipated to be received; and
  - (n)** currencies or values in currencies other than the base currency or (as the case may be) the designated currency of a Sub-Fund shall be converted at the relevant Valuation Point at a rate of exchange that is not likely to result in any material prejudice to the interests of Shareholders or potential Shareholders.
- 26.4**  
Valuation Rules in Respect of the PSDF
- 26.4.1**  
As the PSDF is a QMMF, its primary investment objective is to maintain the Net Asset Value of the Sub-Fund at par net of earnings. As required under the COLL Sourcebook valuation of the scheme property of the PSDF shall be carried out on two bases: on an amortised cost basis and weekly on a mark to market basis.
- 26.4.2**  
At each Valuation Point:
- (a)** to the extent that the investments of the PSDF comprise money market instruments, valuation will be carried out in accordance with the amortised cost method of valuation. Under the amortised cost method, the investments of the PSDF are valued at their acquisition

cost as adjusted for amortisation of premium or accretion of discount rather than at current market value;

- (b) investments and other assets held within the PSDF shall be valued in accordance with Paragraph 26.3 above.

#### **26.4.3**

In the event that the amortised cost method of valuation is deemed by the ACD not to be the appropriate method of calculating the value of any investments listed or dealt in on a market, the value of such will be the last traded price on the relevant market at the relevant Valuation Point.

#### **26.4.4**

In the event that the amortised cost value method of valuation is deemed by the ACD not to be the appropriate method of calculating the value of any investment which is not listed or dealt in on a market, or of any investment which is normally listed or dealt in on a market but in respect of which no last traded price is currently available, or the current price of which does not in the opinion of the ACD represent fair market value, the value shall be the probable realisation value estimated with care and in good faith by the ACD or by a competent person approved for such purpose by the ACD.

#### **26.4.5**

The ACD shall in addition carry out a valuation of the property of the PSDF at least weekly on a Business Day (other than a Thursday, or such day that the Bank of England makes their policy announcements) on a mark to market basis (in accordance with Paragraph 26.3) and at the same Valuation Point used to value scheme property on an amortised cost basis.

#### **26.4.6**

The ACD shall ensure that the value of the scheme property of the PSDF when valued on a mark to market basis does not differ by more than 0.5% from the value of the property of the PSDF when valued on an amortised cost basis. The ACD will advise the Depositary when the mark to market value of the PSDF varies from its amortised cost value by 0.1 %, 0.2% and 0.3% respectively. The ACD will agree procedures with the Depositary designed to stabilise the value of the scheme property of the PSDF in these circumstances.

#### **26.4.7**

In circumstances where the ACD has resolved to operate a policy of smoothing in relation to the PSDF, any cumulative net realised capital gains or losses arising within the PSDF which would have an impact on the Net Asset Value per Share greater than five basis points, if applied on any one Dealing Day, may at the discretion of the ACD be spread over a maximum period of 60 days. The ACD retains the discretion to amend this policy from time to time.

## **27. CHARGES AND EXPENSES**

### **27.1**

*Initial, Redemption and Switching Charges*

### **27.1.1**

The ACD may levy an initial charge on the purchase of Shares, which will be added to the price of Shares and will be paid by the Company to the ACD. The current initial charge (if any) is specified in Annexure 1.

### **27.1.2**

The ACD may levy a redemption charge. If charged, the charge will be deducted from the price of the Shares being redeemed and will be paid by the Company to the ACD. The current redemption charge (if any) is specified in Annexure 1.

### **27.1.3**

The ACD may levy a charge for switching between Shares in one Sub-Fund for Shares in another Sub-Fund. There is currently no switching charge.

### **27.2**

*ACD Charges*

#### **27.2.1**

The ACD is entitled to receive from the Company in relation to each Sub-Fund, an annual management charge (and VAT, if applicable) being a percentage of the value of the net assets of each Sub-Fund, as specified in Annexure 1. The annual management charge may be increased only after the ACD has given 60 days prior notice in writing to Shareholders.

#### **27.2.2**

The annual management charge accrues daily and is calculated by daily reference to the Net Asset Value of each Sub-Fund and is payable monthly within 10 Business Days of the following month.

### **27.3**

In respect of the investment management carried on by the ACD and its role as Administrator and Registrar as part of its services, fees for such services are included in the annual management charge.

### **27.4**

*Local Authorities' Mutual Investment Trust's Contribution to the Expenses of the PSDF*

The Local Authorities' Mutual Investment Trust (**LAMIT**) is a company limited by guarantee whose objects include acting as trustee and operating funds for the benefit of local authorities and providing advice to local authorities in relation to the investment and management of funds held by them.

As the target investors for the PSDF will be local authorities and other public sector bodies, LAMIT is a key supporter of the PSDF. LAMIT has agreed with the ACD that it will bear some of the PSDF's expenses, as agreed between the ACD and LAMIT from time to time.

Should LAMIT's policy in relation to the above arrangement change it will give the ACD 120 days' prior written notice.

### **27.5**

*Depositary's Fees*

The Depositary receives for its own account a periodic fee which will accrue daily and is payable monthly on the last

business day in each calendar month in respect of that day and the period since the last business day in the preceding month. This fee is payable within 10 Business Days after the last business day in each month. The fee is calculated by reference to the value of the Sub-Fund on the last business day of the preceding month except for the first accrual which is calculated by reference to the first valuation point of the Sub-Fund. The rate of the periodic fee is agreed between the ACD and the Depositary and is calculated on a sliding scale for the Sub-Fund on the following basis:

**0.010% per annum** of the first £100m of the scheme property;

**0.0075% per annum** of the next £400m of the scheme property;

**0.0050 % per annum** of the balance.

These rates can be varied from time to time in accordance with the COLL Sourcebook.

The first accrual in relation to any Sub-Fund will take place in respect of the period beginning on the day on which the first valuation of that Sub-Fund is made and ending on the last business day of the month in which that day falls.

In addition to the periodic fee referred to above, the Depositary shall also be entitled to be paid transaction and custody charges in relation to transaction handling and safekeeping of the scheme property as follows:

Item	Range
Transaction Charges	£4 to £90
Custody Charges	0.0040% to 0.25%

These charges vary from country to country depending on the markets and the type of transaction involved. Transaction charges accrue at the time the transactions are effected and are payable as soon as is reasonably practicable and in any event not later than the last business day of the month when such charges arose or as otherwise agreed between the Depositary and the ACD. Custody charges accrue and are payable as agreed from time to time by the ACD and the Depositary.

Where relevant, the Depositary may make a charge for (or otherwise benefit from) providing services in relation to: distributions, the provision of banking services, holding money on deposit, lending money, or engaging in stock lending or derivative transactions, in relation to the Sub-Fund and may purchase or sell or deal in the purchase or sale of scheme property, provided always that the services concerned and any such dealing are in accordance with the provisions of the COLL Sourcebook. Currently the ACD does not allow stock lending or derivatives.

The Depositary will also be entitled to payment and reimbursement of all costs, liabilities and expenses properly incurred in the performance of, or arranging the performance of, functions conferred on it by the Instrument, the COLL Sourcebook or by general law. With effect from 1

November 2016, the Depositary will receive £6,000 per annum out of the property of the Sub-Fund relating to the performance of Cash Flow Monitoring and Reconciliations.

On a winding up of the Sub-Fund the Depositary will be entitled to its pro rata fees, charges and expenses to the date of winding up, the termination, or the redemption (as appropriate) and any additional expenses necessarily realised in settling or receiving any outstanding obligations.

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

In each such case such payments, expenses and disbursements may be payable to any person (including the ACD or any associate or nominee of the Depositary or of the ACD) who has had the relevant duty delegated to it pursuant to the COLL Sourcebook by the Depositary.

## 27.6

### *Inducements*

#### 27.6.1

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

#### 27.6.2

The ACD 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 Company, except those which are capable of enhancing the quality of the service provided to the Company, and which are of a scale and nature such that they could not be judged to impair the ACD's compliance with its duty to act honestly, fairly and professionally in the best interests of the Company.

## 27.7

### *Research*

Certain brokers may from time to time provide research services to the ACD. The ACD pays for such research services out of its own resources, which is used by the ACD in its fund management process.

## 27.8

### *General Expenses*

#### 27.8.1

In addition to the fees already listed, the costs, charges and expenses (together with any value added tax payable) which may be charged to the Company include:

- (a) all taxes and other duties which may be due on the assets and the income or otherwise of the Company;
- (b) usual banking, audit and brokerage fees (if any) due on transactions involving portfolio securities of the

- Company;
- (c) insurance, postage, telephone, fax and email;
  - (d) the fees of any directors additional to the ACD;
  - (e) fees and expenses in respect of establishing and maintaining the Register of Shareholders;
  - (f) remuneration (and out-of-pocket expenses) of the ACD (and any delegate), the Depositary (and any delegate), distributor or paying agent appointed. Certain of these functions may be performed by and remuneration paid to, associates of the ACD;
  - (g) formation expenses, including the cost of preparing and filing the Instrument, this Prospectus, simplified prospectuses prepared in respect of Sub-Funds and all other documents concerning the Company;
  - (h) any costs incurred in relation to a unitisation, amalgamation or reconstruction of the Company where the property of another body corporate or collective investment scheme is transferred to the Company in consideration for Shares and any liability arising after the transfer, which if it had arisen prior to the transfer would have been properly payable out of such property, provided that the ACD is satisfied that proper provision was made for satisfying such liability as was known or could have reasonably been anticipated at the time of the transfer;
  - (i) any fees or levies of the FCA relating to the Company;
  - (j) broker commission where applicable (and where such payment may be made in accordance with the Regulations);
  - (k) the cost of convening and holding any meeting of Shareholders (including meetings of Shareholders of a particular Sub-Fund or Class of Shareholder) requisitioned by Shareholders other than the ACD or an associate of the ACD;
  - (l) the cost incurred in amending the Instrument, this Prospectus or the Simplified Prospectus including the costs of covering any meeting for Shareholders and/or directors;
  - (m) any sum incurred by the Company or the ACD on behalf of the Company in order to comply with any governmental or regulatory requirement;
  - (n) the cost of qualifying the Company for the sale of Shares in any jurisdiction or a listing on any stock exchange;
  - (o) fees due to ratings agencies;
  - (p) the cost of preparing, printing and publishing in such languages as are necessary and distributing annual and half-yearly reports of the Company or any Sub-Fund and such other reports or documents as may be desirable or required under any applicable laws or regulations of any relevant jurisdiction;
  - (q) the cost of preparing, printing, publishing and distributing public notices and other communications to the Shareholders including proxies and the costs incurred by Shareholder meetings;
  - (r) the cost of making distributions for any Sub-Fund or for the Company;
  - (s) any legal, auditing and other professional fees, expenses or disbursements incurred by the Company or the ACD in relation to the Company;
  - (t) interest and other charges relating to permitted borrowing;
  - (u) the sums incurred by reason of indemnifying the ACD against all losses and liabilities incurred by reason of acting as ACD of the Company except where the ACD has been negligent, fraudulent or acting by wilful default;
  - (v) the sums incurred by reason of any indemnity given to the Depositary; and
  - (w) all other charges and expenses as may be deducted from the scheme property in accordance with the Instrument and/or the COLL Sourcebook.
- 27.8.2**  
For the avoidance of doubt, where research services are provided to the ACD, any research fee is paid from the ACD's own resources and not charged to the Company (or Sub-Fund).
- 27.8.3**  
*Basis of Calculation of Administrative Expenses*  
Administrative and other expenses of a regular or recurring nature may be calculated on an estimated basis for yearly or other periods in advance and the same may be accrued in equal proportion over any such period as the directors may consider reasonable.
- 27.8.4**  
*Allocation*  
Expenses can be allocated between income and capital in accordance with the COLL Sourcebook. Currently all expenses are allocated first against income. However, to the extent that there is insufficient income, expenses will be allocated to capital in accordance with the COLL Sourcebook. This may constrain capital growth.
- See Annexure 1 for full details of all charges relating to each Sub-Fund.
- ## 28. TERMINATION AND AMALGAMATION
- 28.1**  
The ACD shall proceed to wind up the Company:
- 28.1.1**  
if the order declaring the Company to be an authorised collective investment scheme is revoked;

### 28.1.2

if the ACD or Depositary requests the FCA to revoke the order declaring the Company to be an authorised investment company with variable capital and the FCA has agreed that on the conclusion of the winding up of the Company it will accede to that request;

### 28.1.3

if an extraordinary resolution to that effect is passed;

### 28.1.4

on the effective date of a duly approved scheme of amalgamation of the Company with another body or scheme;

### 28.1.5

on the effective date of a duly approved scheme of reconstruction which results in all the property of the reconstructed scheme becoming the property of two or more authorised or recognised schemes; or

### 28.1.6

if a court scheme is initiated under Part V of the Insolvency Act 1986 for an unregistered company.

### 28.2

The procedure for winding up of the Company will be as follows: in the case of an amalgamation or reconstruction, the ACD shall wind up the Company in accordance with the approved scheme of amalgamation or reconstruction; in any other case, the ACD shall as soon as practicable after the Company falls to be wound up realise the scheme property and, after paying out all liabilities of the Company properly so payable and retaining provision for the costs of the winding up, distribute the proceeds to the Shareholders and to itself (upon production by them of evidence as to their entitlement) proportionately to their respective interests in the Company. Any unclaimed net proceeds or other cash held by the ACD after the expiry of 12 months from the date on which the same became payable will be paid by the ACD into court subject to the ACD having a right to receive out of it any expenses incurred by it in making that up, the ACD shall notify the FCA and request the FCA to revoke the order of authorisation.

### 28.3

A Sub-Fund may be terminated with the approval of the FCA, if a solvency statement is lodged with the FCA in respect of the liabilities of the Company relating to that Sub-Fund and either an extraordinary resolution to that effect has been passed by Class meeting(s) of the Class(es) of Shares linked to the Sub-Fund; or the FCA has agreed to a request by the ACD for the termination of the Sub-Fund.

The ACD may make such a request, among other circumstances, if at any time after the first anniversary of the issue of the first Shares linked to a Sub-Fund the net value of the assets of the Company attributable to the Sub-Fund is less than £1,000,000. Termination of a Sub-Fund will be carried out by the ACD in accordance with the COLL Sourcebook in a similar way to the winding-up of the Company as described above.

## 29. TAXATION

### *United Kingdom Taxation*

The following is only intended as a general summary of United Kingdom (UK) tax law and HM Revenue & Customs (HMRC) practice, as at the date of this Prospectus, applicable to the Company and its Sub-Fund(s) and to its Shareholders. It should not be treated as legal or tax advice. Accordingly, if investors are in any doubt as to their taxation position, they should consult their professional adviser. Levels and bases of, and reliefs from, taxation are subject to change in the future.

### 29.1

#### *Taxation of the Company*

The Company is an umbrella Open-Ended Investment Company (OEIC). Umbrella OEICs are entirely transparent and therefore not treated as companies for UK tax purposes. Each separate Sub-Fund is an OEIC in its own right and each is treated as a company for UK tax purposes and taxed accordingly.

### 29.2

#### *Taxation of The Public Sector Deposit Fund*

#### 29.2.1

##### *Introduction*

The PSDF is the only Sub-Fund of the Company at the date of this Prospectus and a summary of its UK tax treatment is set out below.

The PSDF should qualify as a "bond fund" for UK taxation purposes for any given distribution period because it is anticipated that the market value of qualifying investments of the PSDF will exceed 60% of the market value of its investments. The effect of the PSDF being regarded as a bond fund is that all distributions by the PSDF are deemed to be payments of yearly interest. The PSDF is then entitled to deduct as an expense distributions paid from income received when computing its own tax liability.

#### 29.2.2

##### *Tax on capital gains*

Capital gains accruing in the Sub-Fund will generally not be subject to UK taxation on capital gains arising on the disposal of its investments. If, however, it was deemed that the Sub-Fund was trading in securities (rather than holding them as investments) any gain made would be treated as taxable trading income and subject to corporation tax.

#### 29.2.3

##### *Tax on income*

A Sub-Fund will be liable to UK corporation tax on income from investments in debt, debt related securities and cash deposits. However, if such income is distributed (or treated as distributed) as an interest distribution, either by way of cash distribution or through accumulation or re-investment in the Sub-Fund it should not be subject to corporation tax.

#### 29.2.4

##### *Withholding Tax liability*

To the extent the Company (or the Sub-Fund) is required to withhold tax as a result of:

- (i) a Shareholder failing (or delaying) to provide relevant information to the ACD;
- (ii) a Shareholder failing (or delaying) to enter into a direct agreement with a tax authority where required; or
- (iii) the Company (or the Sub-Fund) becoming liable under FATCA or any legislation or regulation to account for tax in any jurisdiction in the event that a Shareholder or beneficial owner of a Share receives a distribution, payment or redemption, in respect of their Shares or disposes (or is deemed to have disposed) of part or all of their Shares in any way;

each a Chargeable Event,

the ACD may take any action in relation to a Shareholder's holding in a Sub-Fund to ensure that such withholding is economically borne by the relevant Shareholder and the ACD and/or its delegate or agent shall be entitled to deduct from the payment arising on a Chargeable Event an amount equal to the appropriate tax. The action by the ACD may include, but is not limited to, removal of a non-compliant Shareholder from the ACD or its delegates or agents redeeming or cancelling such numbers of Shares held by the Shareholder or such beneficial owner as are required to meet the amount of tax. Neither the ACD nor its delegate or agent, including the administrator, will be obliged to make any additional payments to the Shareholder in respect of such withholding or deduction.

Shareholders should consult their own tax advisors regarding the possible implications of these results on their investments in the Sub-Fund.

### 29.2.5

#### *Indemnity*

Each investor agrees to indemnify the ACD and its delegates/agents including the Administrator for any loss caused by such investor arising to the ACD and/or its delegates/agents by reason of them both becoming liable to account for tax in any jurisdiction on the happening of a Chargeable Event (as defined in Paragraph 29.2.4).

### 29.3

#### *Taxation of a Shareholder*

This is a summary of the UK tax treatment of Shareholders in a bond fund.

### 29.3.1

#### *Income Tax*

#### (a) Individual Shareholders

UK resident individual Shareholders will be subject to income tax at the relevant rate on the grossed-up equivalent of any interest distributions from a Sub-Fund. Interest distributions are paid after deduction of income tax at the basic rate of 20% but credit will be allowed for any income tax deducted at source. Individual Shareholders whose income does not exceed their personal allowance should be able to reclaim from HMRC the full amount of income tax deducted at source.

Shareholders liable to income tax at the higher and the additional rate (currently 40% and 45% respectively) will be liable to pay further income tax of 20% or 25% respectively on the gross interest payment.

Non-resident individual Shareholders will generally not be liable to UK income tax on interest distributions received from the Company or a Sub-Fund and may apply for repayment of any income tax deducted at source. Where there is an appropriate double tax treaty between the UK and the Shareholder's country of residence this may reduce or eliminate any liability to UK income tax.

Individual investors who are not resident in the UK may, if certain conditions are complied with, receive all or part of an interest distribution without deduction of income tax.

#### (b) Corporate Shareholders

A corporate Shareholder which, whether UK resident or not, is within the charge to corporation tax is usually entitled to receive interest distributions (or deemed distributions from Accumulation Shares) gross and such Shareholders should contact the ACD about receiving such distributions gross.

### 29.3.2

#### *Capital Gains Tax (CGT)*

#### (a) UK resident individuals

Shareholders who are resident in the UK may be liable to UK taxation on capital gains arising from the sale or other disposal, including redemption, of Shares. Individuals and certain trusts generally compute their gains by deducting from the net sale proceeds the capital gains base cost in respect of Shares. The resulting gains will be taxable at the capital gains tax rate and may be reduced by capital losses in the year, and by annual exemptions. The rate of capital gains tax is currently 10% where the total taxable gains and income are less than the upper limit of the income tax basic rate band and 20% where gains are above that limit. Exempt Shareholders, which include UK charities, UK approved pension funds, ISAs (and their individual investors), would not normally be liable to capital gains tax on their disposal of Shares.

#### (b) UK resident companies

Special rules apply to Shareholders within the charge to corporation tax which, in certain circumstances, can result in a holding of a Sub-Fund's Shares being treated as a creditor relationship for the purposes of the UK's corporate debt rules. The result is that a fair value basis of accounting has to be used for computing corporation tax liabilities with regard to that creditor relationship.

#### (c) Non-resident Individual and Corporate Shareholders

A Shareholder who is not resident in the UK will not normally be liable to UK tax on capital gains realised on the disposal (or deemed disposal) of Shares.

### 29.3.3

#### *Inheritance tax*

A gift by a Shareholder of his Shareholding in a Sub-Fund or the death of a Shareholder may give rise to a liability to inheritance tax, except where the Shareholder is neither domiciled in the UK, nor deemed to be UK domiciled under special rules relating to long residence or previous domicile in the UK. For these purposes, a transfer of a Shareholding at less than the full market value may be treated as a gift.

### 29.3.4

#### *EU Savings Directive*

- (a) UK resident individual Shareholders who invest directly in Shares of the Company (or any of the Sub-Funds) or via a UK entity, and corporate investors (whether UK resident or not) will not be subject to the EU Savings Directive.
- (b) The EU Savings Directive requires member states of the European Union to provide to the tax authorities of other member states details of payments of interest or other similar income paid by a paying agent established in the member state to an individual resident in another member state. Austria and Luxembourg will instead impose a system of withholding tax of 35% for a transitional period unless the investor elects for the exchange of information. The Luxembourg government has elected out of the withholding system in favour of the automatic exchange of information with effect from 1 January 2015. Switzerland, Monaco, Liechtenstein, Andorra, San Marino, the Channel Islands, the Isle of Man and the dependent or associated territories in the Caribbean have also introduced measures equivalent to information reporting or, during the same transitional period, withholding tax.
- (c) Where a non-UK resident individual Shareholder receives a distribution by the Company (or any the Sub-Funds) that distribution will be subject to the EU Savings Directive if more than 15% of the Company's (or Sub-Fund's) assets are invested in debt securities. Proceeds realised by Shareholders on the disposal of Shares may be subject to such reporting or withholding if more than 25% of the Company/ Sub-Fund's assets are invested in debt instruments.
- (d) The Council of the European Union adopted Directive 2014/48/EU on 24 March 2014, amending Directive 2003/48/EC on the taxation of savings income. The member states are required to transpose new Directive 2014/48/EU into national law by 1 January 2016 and to apply the new requirements with effect from 1 January 2017. The changes made by Directive 2014/48/EU include extending the scope of the EU Savings Directive to payments made to certain entities and legal arrangements and broadening the definition of interest payment to cover income that is equivalent to interest.

### 29.3.5

#### **Stamp Duty Reserve Tax (SDRT)**

On 30 March 2014, Schedule 19 Stamp Duty Reserve Tax (SDRT) ceased to be chargeable on dealings in shares in an OEIC. As such, SDRT will no longer apply on dealings of

Shares in the PSDF. However, investors should note that should SDRT or a similar tax relating to dealings on shares in an OEIC be re-introduced in the future, all such costs will be paid by the Company or Sub-Fund and charged to capital.

It should be noted that in the event of either of the below occurring within the Sub-Fund SDRT may still be triggered and where applicable be charged to the investor:

- (a) third party transfer of Shares; or
- (b) non-pro rata in specie redemptions.

### 29.4

#### *FATCA*

### 29.5

The UK International Tax Compliance Regulations 2015 (**UK Regulations**) implement the "Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the United States of America to Improve International Tax Compliance and to Implement FATCA" (commonly known as **FATCA**). Under UK Regulations, Financial Institutions must identify all reportable accounts and establish the tax residency of all account holders not just in respect of US persons. More background on how FATCA has been implemented in the UK can be found in HMRC's Guidance Notes at <https://www.gov.uk/government/publications/uk-us-automatic-exchange-of-information-agreement/uk-us-automatic-exchange-of-information-agreement>.

### 29.6

In order to comply with the UK Regulations, the ACD must collect certain information about each Shareholder's tax residence(s), and determine whether it is obliged to submit certain account information to UK tax authorities, who may pass it on to other tax authorities.

### 29.7

Shareholders may also be asked to provide additional information to the ACD to enable the Company (or a Sub-Fund) to satisfy its obligations. Institutional Shareholders may be required to provide a Global Intermediary Identification Number (**GIIN**). Failure to provide requested information may subject a Shareholder to liability for any resulting US withholding taxes, US tax information reporting and/or mandatory redemption, transfer or other termination of the Shareholder's interest in its Shares. The GIIN for each Sub-Fund is available on request.

### 29.8

By signing the application form to subscribe for Shares, each Shareholder agrees and acknowledges that, in certain circumstances, the ACD will be obliged to share this information with UK tax authorities, who may pass it on to other tax authorities. Shareholders are encouraged to consult with their own tax advisors regarding the possible implications of FATCA on their interest in the Company.

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## 30. Miscellaneous

### 30.1

#### *Notices*

Notices and other documents will be served on Shareholders by post, with copies available to be sent by email.

The address of the head office and place for service of the Company of notices or other documents required or authorised to be served on it is Senator House, 85 Queen Victoria Street, London EC4V 4ET.

### 30.2

#### *Telephone and electronic communications*

The ACD in accordance with the Regulations 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 Rules.

### 30.3

#### *Communicating by Email*

Investors and potential investors in the Company acknowledge and accept that when they instruct the ACD to purchase or sell Shares on their behalf by email (or otherwise communicate with the ACD by email) that there are inherent risks (including the security risks of interception of or unauthorised access to such communications, the risks of and corruption of such communications and the risks of viruses or other harmful devices) and possible delays. Instructions sent or received by email over the internet may be altered, amended, deleted or may fail to be delivered without the knowledge of the parties. The ACD does not accept responsibility for any loss caused to an investor or potential investor in the Company or a Sub-Fund or any other third party due to any breach of confidentiality or alteration to information sent or received over the internet which occurs during transmission and prior to receipt by the relevant party including any email communications from an investor or potential investor to the ACD which have failed to be delivered for whatever reason.

### 30.4

#### *Complaints*

Complaints in respect of the operation or marketing of the Company should in the first instance be made in writing to the Head of Client Services of the ACD at Senator House, 85 Queen Victoria Street, London EC4V 4ET. A Shareholder may also have a right to refer complaints to the Financial Ombudsman Service, South Quay Plaza, 183 Marsh Wall, London E14 9SR, [www.financial-ombudsman.org.uk](http://www.financial-ombudsman.org.uk) or telephone 0800 023 4567. A copy of the ACD's internal complaints handling procedure is available upon request and at [www.ccla.co.uk](http://www.ccla.co.uk).

### 30.5

#### *Compensation*

In the event of the ACD being unable to pay a valid claim against it, the Shareholder may be entitled to compensation from the Financial Services Compensation Scheme. If you would like more information, please visit the Financial Services Compensation Scheme website at [www.fscs.org.uk](http://www.fscs.org.uk) or call 0800 678 1100.

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# ANNEXURE 1

## Sub-Fund Information

### 1

The Public Sector Deposit Fund, a UCITS Scheme and a QMMF

### 1.1

#### Investment Objective

The investment objective of the PSDF is to maximise the current income consistent with the preservation of principal and liquidity by investing in a diversified portfolio of high quality sterling denominated deposits and instruments. The primary objective is to maintain the net asset value of the fund at par (net of earnings).

### 2

#### Investment Policy

#### 2.1

The PSDF will only invest in Sterling denominated investments and deposits. The principal investments will comprise certificates of deposit, call accounts and term deposits with banks and building societies. The PSDF may also invest in other securities such as commercial paper, floating rate notes and bonds which may be issued or guaranteed as to principal or interest by sovereign governments and their agencies, supranational entities, corporations and financial institutions. All investments at the time of purchase will have the highest short term rating awarded by a competent credit rating agency or an equivalent and correspondingly strong long term rating.

#### 2.2

Consistent with its status as a QMMF and subject to the limits set out in this Annexure 1, the PSDF is entitled to exercise the investment and borrowing powers for UCITS Schemes, a summary of which is contained in Annexure 2.

#### 2.3

The weighted average maturity of the PSDF's investments will not exceed 60 days. When calculating the weighted average maturity of investments, the maturity of a floating rate instrument shall be deemed to be its next interest readjustment date and the maturity of any obligations subject to demand features shall be deemed to be the earlier of the next relevant reset date or the date upon which the demand may be invoked to recover the principal.

#### 2.4

Up to 100% of the PSDF's net assets may be invested in debt and/or debt-related instruments issued or guaranteed as to principal and interest by the UK government, its agencies or instrumentalities and which at the time of purchase will have the highest short term rating awarded by a competent credit rating agency or an equivalent and correspondingly strong long term rating;

### 2.5

As a QMMF, the investment objective and policy of the PSDF must meet the conditions specified in the definition of a QMMF in the FCA Glossary.

### 2.6

The PSDF will not invest in derivatives or other collective investment schemes.

### 3

#### Risk Profile

The PSDF will maintain a low level of overall risk. This will be achieved by only investing with high quality issuers, by maintaining a high level of diversification and by maintaining a low weighted average maturity. In addition to the general risk factors outlined in the Prospectus investors should also note that purchase of the PSDF Shares is not the same as making a deposit with a bank or other deposit taking body and the value of the Shares is not insured or guaranteed. Although it is intended to maintain a stable Net Asset Value per Share, there can be no assurance that a stable Net Asset Value per Share will be maintained. The value of the PSDF may be affected by the creditworthiness of issuers in which the Sub-Fund invests and, notwithstanding the policy of investing in short term instruments, may also be affected by substantial adverse movements in interest rates.

The PSDF will endeavour to maintain a Triple A money market fund rating with at least one competent rating agency.

### 4

#### Rating Award

The PSDF will seek to obtain a AAAMmf rating from Fitch Ratings. When awarded the rating, Fitch Ratings takes into account, inter alia, the PSDF's portfolio quality, its counterparties and management, operating procedures and controls, regulatory compliance and market price risk relative to the PSDF's published objectives. The ACD intends to operate the Sub-Fund in accordance with the Fitch Ratings requirements (as amended from time to time).

### 5

#### Benchmark

The Benchmark Index for the PSDF is 7 Day Sterling LIBID rate.

**6**  
**Share Classes Available for Investment in The Public Sector Deposit Fund**

Share Class	Availability	Minimum Investment <sup>1</sup> and Balance	Characteristics
(Class 1 Shares – income)	Restricted for use by CCLA and its Public Sector investor clients	£1	Gross paying income shares
(Class 2 Shares – income)	Restricted to Public Sector investors who can receive income gross and meet the minimum investment criteria	£25,000	Gross paying income shares
(Class 3 Shares – income)	Restricted to Public Sector investors who can receive income gross and meet the minimum investment criteria	£5,000,000	Gross paying income shares
(Class 4 Shares – income)	Restricted to Public Sector investors who can receive income gross and meet the minimum investment criteria	£15,000,000	Gross paying income shares
(Class 5 Shares – income)	Restricted to investors who can receive income gross and meet the minimum investment criteria	£1,000,000	Gross paying income shares

<sup>1</sup> The ACD reserves the right in its absolute discretion to waive the minimum investment and balance requirements for any Share Class.

**7**  
**Ongoing Charges Figure (OCF)**

**7.1**

The OCF represents the total of all charges including the Initial Charge (IC), the Annual Management Charge (AMC), the redemption charge and any other ongoing charges (Other). The table below shows the latest calculation of the OCF and is based on charges in the 12 month periods to 31 March. The charges are shown for each Share Class as follows:

**The Public Sector Deposit Fund Calculation date – 31 March 2015**

	IC	AMC	Redemption Charge	Other	OCF
Class 1 Shares	0.00%	0.00%	0.00%	0.04%	0.04%
Class 2 Shares	0.00%	0.20%	0.00%	0.04%	0.24%
Class 3 Shares	0.00%	0.15%	0.00%	0.04%	0.19%
Class 4 Shares	0.00%	0.10% *	0.00%	0.04%	0.14%
Class 5 Shares	5.00%	0.20%	0.00%	0.04%	5.24%

\*On 2 November 2015, the AMC for Class 4 Shares was temporarily reduced from 0.10% per annum to 0.08% per annum.

**The Public Sector Deposit Fund Calculation date – 31 March 2014**

	IC	AMC	Redemption Charge	Other	OCF
Class 1 Shares	0.00%	0.00%	0.00%	0.04%	0.04%
Class 2 Shares	0.00%	0.20%	0.00%	0.04%	0.24%
Class 3 Shares	0.00%	0.15%	0.00%	0.04%	0.19%
Class 4 Shares	0.00%	0.10%	0.00%	0.04%	0.14%
Class 5 Shares	5.00%	0.20%	0.00%	0.04%	5.24%

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**7.2**

The AMC is exclusive of VAT (which if payable will apply in addition) and is calculated by reference to the Net Asset Value of the relevant Class. The AMC will be payable monthly in arrears and be calculated with reference to the daily Net Asset Value of the PSDF.

**7.3**

The AMC charged in respect of each Share Class will be reduced by 10% in the event that the PSDF reaches assets under management of £3 billion. The AMC charged in respect of each Share Class (as may be reduced pursuant to the preceding sentence) will be reduced by a further 10% in the event that the PSDF reaches assets under management of £4.5 billion.

**7.4**

The ACD may rebate all or part of the AMC to recognised intermediaries.

**8****Operating Characteristics Common to Share Classes 1 to 5**

The following operating characteristics are common to Share Classes 1 to 5:

**8.1**

annual accounting reference date: 31 March;

**8.2**

half-yearly accounting date: 30 September;

**8.3**

income allocation and ex-dividend date: each Dealing Day;

**8.4**

income distribution: the last day of each calendar month (if that day is not a Dealing Day then no later than the following Dealing Day).

**9****Profile of Typical Investor**

The PSDF is marketable to all eligible counterparties and professional and retail clients, but is principally targeted at Public Sector investors. Since only gross paying Shares are currently available, investors must be eligible to receive income payable gross. The Sub-Fund is suitable for investors who are looking for security, liquidity and yield.

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# ANNEXURE 2

## Summary of Investment and Borrowing Powers for UCITS Schemes

The property of each Sub-Fund will be invested with the aim of achieving the investment objective relating to the relevant Sub-Fund but subject to the limits on investment set out in the FCA's COLL Sourcebook for the particular Sub-Fund. In particular any Sub-Fund which is a QMMF must comply with additional restrictions and ensure that its permitted investments are consistent with being a QMMF. Further information is contained in Annexure 1. Each Sub-Fund will be subject to the investment restrictions applicable to a UCITS Scheme which are summarised below.

### 1 Permitted Categories of Investment

With limited exceptions a Sub-Fund must invest solely in any or all of permitted categories of the following:

**1.1**  
Transferable securities;

**1.2**  
Money market instruments;

**1.3**  
Derivatives and forward transactions;

**1.4**  
Deposits;

**1.5**  
Units in collective investment schemes; and

**1.6**  
Movable and immovable property that is necessary for the direct pursuit of the Company's business.

### 2 Transferable Securities

**2.1**  
Types of Transferable Security

**2.1.1**  
A transferable security is an investment which is a share, a debenture, an alternative debenture, a government and public security, a warrant, or a certificate representing certain securities (as such terms are defined in the FCA Handbook).

**2.1.2**  
An investment is not a transferable security if the title to it cannot be transferred, or can be transferred only with the consent of a third party.

**2.1.3**  
In applying Paragraph 2.1.2 to an investment which is issued by a body corporate and which is a share or a debenture (as such terms are defined in the FCA Handbook), the need for any consent on the part of the body corporate or any members or debenture holders of it may be ignored.

**2.1.4**  
An investment is not a transferable security unless the liability of the holder of it to contribute to the debts of the issuer is limited to any amount for the time being unpaid by the holder of it in respect of the investment.

**2.2**  
Criteria for Investment in Transferable Securities

**2.2.1**  
A Sub-Fund may invest in a transferable security only to the extent that the transferable security fulfils the following criteria:

- (a) the potential loss which a Sub-Fund may incur with respect to holding the transferable security is limited to the amount paid for it;
  - (b) its liquidity does not compromise the ACD's ability to comply with its obligations to redeem Shares at the request of any qualifying Shareholder;
  - (c) reliable valuation is available for it as follows:
    - (i) in the case of a transferable security admitted to or dealt in on an eligible market (see further Paragraph 5 below for an explanation of eligible market) where there are accurate, reliable and regular prices which are either market prices or prices made available by valuation systems independent from issuers;
    - (ii) in the case of a transferable security not admitted to or dealt in on an eligible market, where there is a valuation on a periodic basis which is derived from information from the issuer of the transferable security or from competent investment research;
  - (d) appropriate information is available for it as follows:
    - (i) in the case of a transferable security admitted to or dealt in on an eligible market, where there is regular, accurate and comprehensive information available to the market on the transferable security or, where relevant, on the portfolio of the transferable security;
    - (ii) in the case of a transferable security not admitted to or dealt in on an eligible market where there is regular and accurate information available to the ACD on the transferable security or, where relevant, on the portfolio of the transferable security;
  - (e) it is negotiable; and
  - (f) its risks are adequately captured by the risk management process of the ACD.
- 2.2.2**  
Unless there is information available to the ACD that would lead to a different determination, a transferable security which is admitted to or dealt in on an eligible market shall be presumed:
- (a) not to compromise the ability of the ACD to comply with its obligations to redeem Shares at the request of any

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qualifying Shareholder; and

**(b)** to be negotiable.

### **2.3**

#### **Closed End Funds Constituting Transferable Securities**

A unit in a closed end fund shall be taken to be a transferable security for the purposes of investment by a Sub-Fund, provided it fulfils the criteria for transferable securities set out in Paragraph 2.2 above and either:

#### **2.3.1**

where the closed end fund is constituted as an investment company or a unit trust:

- (i)** it is subject to corporate governance mechanisms applied to companies; and
- (ii)** where another person carries out asset management activity on its behalf that person is subject to national regulation for the purpose of investor protection; or

#### **2.3.2**

where the closed end fund is constituted under the law of contract:

- (i)** it is subject to corporate governance mechanisms equivalent to those applied to companies; and
- (ii)** it is managed by a person who is subject to national regulation for the purpose of investor protection.

### **2.4**

#### **Transferable Securities Linked to Other Assets**

#### **2.4.1**

A Sub-Fund may invest in any other investment which shall be taken to be a transferable security for the purposes of investment by a Sub-Fund provided the investment:

- (a)** fulfils the criteria for transferable securities set out in Paragraph 2.2 above; and
- (b)** is backed by or linked to the performance of other assets which may differ from those in which a Sub-Fund can invest.

#### **2.4.2**

Where an investment in Paragraph 2.4.1 contains an embedded derivative component, the requirements of this Paragraph with respect to derivatives and forwards will apply to that component.

## **3**

### **Approved Money Market Instruments**

#### **3.1**

An approved money market instrument is a money market instrument which is normally dealt on the money market, is liquid and has a value which can be accurately determined at any time.

#### **3.2**

A money market instrument shall be regarded as normally dealt on the money market if it:

##### **3.2.1**

has a maturity at issuance of up to and including 397 days;

##### **3.2.2**

has a residual maturity of up to and including 397 days;

##### **3.2.3**

undergoes regular yield adjustments in line with money market conditions at least every 397 days; or

##### **3.2.4**

has a risk profile, including credit and interest rate risks, corresponding to that of an instrument which has a maturity as set out in 3.2.1 or 3.2.2 or is subject to yield adjustments as set out in 3.2.3.

#### **3.3**

A money market instrument shall be regarded as liquid if it can be sold at limited cost in an adequately short time frame, taking into account the obligation of the ACD to redeem Shares at the request of any qualifying Shareholder.

#### **3.4**

A money market instrument shall be regarded as having a value which can be accurately determined at any time if accurate and reliable valuation systems, which fulfil the following criteria, are available:

##### **3.4.1**

enabling the ACD to calculate a net asset value in accordance with the value at which the instrument held in the portfolio could be exchanged between knowledgeable willing parties in an arm's length transaction; and

##### **3.4.2**

based either on market data or on valuation models including systems based on amortised costs.

#### **3.5**

A money market instrument that is normally dealt on the money market and is admitted to or dealt on an eligible market shall be presumed to be liquid and have a value which can be accurately determined at any time unless there is information available to the ACD that would lead to a different determination.

## **4**

### **Transferable Securities and Money Market Instruments Generally to be Admitted to or Dealt on an Eligible Market**

#### **4.1**

Transferable securities and approved money market instruments held within a Sub-Fund must be:

##### **4.1.1**

admitted to or dealt on an eligible market (as described in Paragraph 5.2.1 or Paragraph 5.3); or

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#### **4.1.2**

dealt on an eligible market (as described in Paragraph 5.2.2); or

#### **4.1.3**

for an approved money market instrument not admitted to or dealt on an eligible market within Paragraph 6; or

#### **4.1.4**

recently issued transferable securities provided that the terms of issue include an undertaking that application will be made to be admitted to an eligible market; and such admission is secured within a year of issue.

#### **4.2**

A Sub-Fund may invest up to 10% of the Sub-Fund's investments in transferable securities and approved money market instruments other than those referred to in Paragraph 4.1.

#### **4.3**

However, the ability to hold up to 10% of the Sub-Fund's investments in ineligible assets under Paragraph 4.2 above is subject to the following limitations:

##### **4.3.1**

for a qualifying money market fund (as defined in the FCA Rules), the 10% restriction is limited to high quality money market instruments with a maturity or residual maturity of not more than 397 days or regular yield adjustments consistent with such a maturity, and with a weighted average maturity of no more than 60 days;

##### **4.3.2**

for a short term money market fund or a money market fund (as such terms are defined in the FCA Rules), the 10% restriction is limited to high quality approved money market instruments as determined under the FCA Rules at COLL 5.9.6R.

### **5**

#### **Eligible Markets Regime**

##### **5.1**

To protect investors the markets in which investments of a Sub-Fund are dealt or traded on should be of an adequate quality ("eligible") at the time of acquisition of the investment and until it is sold. Where a market ceases to be eligible, investments on that market cease to be approved securities. The 10% restriction in Paragraph 4.2 above on investment in non-approved securities applies and exceeding this limit because a market ceases to be eligible will generally be regarded as an inadvertent breach.

##### **5.2**

A market is eligible for the purposes of the FCA Handbook if it is:

###### **5.2.1**

a regulated market (as defined in the FCA Handbook); or

###### **5.2.2**

a market in an EEA state which is regulated, operates regularly and is open to the public.

##### **5.3**

A market not falling within Paragraph 5.2 is eligible for the purposes of the FCA Handbook if:

###### **5.3.1**

the ACD after consultation with and notification to the Depositary decides that market is appropriate for investment of, or dealing in the Sub-Fund's property;

###### **5.3.2**

the market is included in a list in the Prospectus; and

###### **5.3.3**

the Depositary has taken reasonable care to determine that adequate custody arrangements can be provided for the investment dealt on that market; and all reasonable steps have been taken by the ACD in deciding whether that market is eligible.

##### **5.4**

In Paragraph 5.3.1 a market must not be considered appropriate unless it is regulated, operates regularly, is recognised as a market or exchange or as a self regulating organisation by an overseas regulator, is open to the public, is adequately liquid and has adequate arrangements for unimpeded transmission of income and capital to or to the order of investors.

### **6**

#### **Money Market Instruments with a Regulated Issuer**

##### **6.1**

In addition to instruments admitted to or dealt on an eligible market, a Sub-Fund may invest in an approved money-market instrument provided it fulfils the following requirements:

###### **6.1.1**

(a) the issue or the issuer is regulated for the purposes of protecting investors and savings; and

###### **6.1.2**

(b) the instrument is issued or guaranteed in accordance with Paragraph 7

##### **6.2**

The issue or the issuer of a money market instrument other than one dealt in on an eligible market, shall be regarded as regulated for the purposes of protecting investors and savings if:

###### **6.2.1**

the instrument is an approved money market instrument;

###### **6.2.2**

appropriate information is available for the instrument (including information which allows an appropriate assessment of the credit risks related to investments in it) in accordance with Paragraph 8, and

###### **6.2.3**

the instrument is freely transferable.

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## **7 Issuers and Guarantors of Money Market Instruments**

### **7.1**

A Sub-Fund may invest in an approved money market instrument if it is:

#### **7.1.1**

issued or guaranteed by any one of the following:

- (a)** a central authority of an EEA state or if the EEA state is a federal state, one of the members making up the federation;
- (b)** a regional or local authority of an EEA state;
- (c)** the European Central Bank or a central bank of an EEA state;
- (d)** the EU or the European Investment Bank;
- (e)** a non-EEA state, or in the case of a federal state one of the members making up the federation; or
- (f)** a public international body to which one or more EEA states belong;

#### **7.1.2**

issued by a body, any securities of which are dealt on an eligible market; or

#### **7.1.3**

issued or guaranteed by an establishment which is:

- (a)** subject to prudential supervision in accordance with criteria defined by European community law; or
- (b)** an establishment which is subject to and complies with prudential rules considered by the FCA to be at least as stringent as those laid down by European community law.

### **7.2**

An establishment shall be considered to satisfy the requirement in Paragraph 7.1.3(b) if it is subject to and complies with prudential rules, and fulfils one or more of the following criteria:

#### **7.2.1**

it is located in the EEA;

#### **7.2.2**

it is located in an OECD country belonging to the Group of Ten;

#### **7.2.3**

it has at least one investment grade rating;

#### **7.2.4**

on the basis of an in-depth analysis of the issuer, it can be demonstrated that the prudential rules applicable to that issuer are at least as stringent as those laid down by European community law.

## **8**

### **Appropriate Information for Money Market Instruments**

#### **8.1**

In the case of an approved money market instrument within Paragraph 7.1.2 or issued by a body referred to in the COLL Sourcebook at COLL 5.2.10EG; or which is issued by an authority within Paragraph 7.1.1(b) or a public international body within Paragraph 7.1.1(f), but is not guaranteed by a central authority within Paragraph 7.1.1(a), the following information must be available:

##### **8.1.1**

information on both the issue or the issuance programme and the legal and financial situation of the issuer prior to the issue of the instrument, verified by appropriately qualified third parties not subject to instructions from the issuer;

##### **8.1.2**

updates of that information on a regular basis and whenever a significant event occurs; and

##### **8.1.3**

available and reliable statistics on the issue or the issuance programme.

#### **8.2**

In the case of an approved money market instrument issued or guaranteed by an establishment within Paragraph 7.1.3 the following information must be available:

##### **8.2.1**

information on the issue or the issuance programme or on the legal and financial situation of the issuer prior to the issue of the instrument;

##### **8.2.2**

updates of that information on a regular basis and whenever a significant event occurs; and

##### **8.2.3**

available and reliable statistics on the issue or the issuance programme, or other data enabling an appropriate assessment of the credit risks related to investment in those instruments.

#### **8.3**

In the case of an approved money market instrument within Paragraph 7.1.1(a) 7.1.1(d) or 7.1.1(e) or which is issued by an authority within Paragraph 7.1.1(b) or a public international body within Paragraph 7.1.1(f) and is guaranteed by a central authority within Paragraph 7.1.1(a) information must be available on the issue or the issuance programme, or on the legal and financial situation of the issuer prior to the issue of the instrument.

## **9**

### **Spread Limits**

#### **9.1**

This Paragraph does not apply to government and public securities.

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**9.2**

Not more than 20% in value of a Sub-Fund's property can consist of deposits with a single body.

**9.3**

No more than 5% of a Sub-Fund's scheme property can consist of transferable securities or approved money market instruments issued by any single body (raised to 10% in respect of up to 40% in value of a fund's property and raised to 25% in respect of covered bonds, provided that where more than 5% of a Sub-Fund's property is invested in covered bonds issued by a single body, the total value of covered bonds held must not exceed 80% of the value of a Sub-Fund's property).

**9.4**

In applying Paragraph 9.3 certificates representing certain securities are to be treated as equivalent to the underlying security.

**9.5**

The exposure to any one counterparty in an OTC derivative transaction must not exceed 5% in value of a Sub-Fund's property (10% when the counterparty is an approved bank).

**9.6**

Not more than 20% in value of a Sub-Fund's investments can consist of transferable securities and approved money market instruments issued by the same group.

**9.7**

Not more than 20% in value of a Sub-Fund's property is to consist of the units of any one collective investment scheme.

**9.8**

In applying the limits in Paragraphs 9.2, 9.3 and 9.5 not more than 20% in value of a Sub-Fund's investments can consist of any combination of two or more of the following:

**9.8.1**

transferable securities (including covered bonds) or approved money market instruments issued by; or

**9.8.2**

deposits made with; or

**9.8.3**

exposures from OTC derivatives transactions made with;

a single body.

**9.9**

The ACD must ensure that counterparty risk arising from an OTC derivative transaction is subject to the limits set out in Paragraphs 9.5 and 9.8.

**9.10**

When calculating the exposure of a Sub-Fund to a counterparty in accordance with the limits in Paragraph 9.5, the ACD must use the positive mark-to-market value of the OTC derivative contract with that counterparty.

**9.11**

The ACD may net the OTC derivative positions of a UCITS scheme with the same counterparty, provided:

**9.11.1**

it is able legally to enforce netting agreements with the counterparty on behalf of the Company; and

**9.11.2**

the netting agreements in Paragraphs 9.11.1 do not apply to any other exposures the Company may have with that same counterparty.

**9.12**

The ACD may reduce the exposure of a Sub-Fund's investments to a counterparty to an OTC derivative transaction through the receipt of collateral. Collateral received must be sufficiently liquid so that it can be sold quickly at a price that is close to its pre-sale valuation.

**9.13**

The ACD must take collateral into account in calculating exposure to counterparty risk in accordance with the limits in Paragraph 9.15 when it passes collateral to the counterparty to an OTC derivative transaction on behalf of a Sub-Fund.

**9.14**

Collateral passed in accordance with Paragraph 9.13 may be taken into account on a net basis only if the ACD is able legally to enforce netting arrangements with this counterparty on behalf of a Sub-Fund.

**9.15**

The ACD must calculate the issuer concentration limits referred to Paragraph 9 on the basis of the underlying exposure created through the use of OTC derivatives in accordance with the commitment approach.

**9.16**

In relation to exposures arising from OTC derivative transactions, as referred to in Paragraph 9.8, the ACD must include in the calculation any counterparty risk relating to the OTC derivative transactions.

**10****Government and Public Securities**

With regard to government and public securities:

**10.1**

Where no more than 35% in value of a Sub-Fund's investments is invested in such securities issued by any one body, there is no limit on the amount which may be invested in such securities or in any one issue.

**10.2**

A Sub-Fund may invest more than 35% in value of its investments in such securities issued by one issuer provided that:

### 10.2.1

the ACD, after prior consultation with the Depositary considers that the issuer of such securities is one which is appropriate in accordance with the investment objectives of the Company;

### 10.2.2

no more than 30% in value of the investments of a Sub-Fund consist of such securities of any one issue;

### 10.2.3

the investments of a Sub-Fund include such securities issued by that or another issuer of at least six different issues; and

### 10.2.4

such securities are issued or guaranteed by or on behalf of the government of the UK.

### 10.3

Notwithstanding Paragraph 9.1 and subject to Paragraphs 10.1 and 10.2, in applying the 20% limit in Paragraph 9.8, with respect to a single body government and public securities issued by that body shall be taken into account.

## 11

### Collective Investment Schemes

With regard to collective investment schemes:

#### 11.1

A Sub-Fund may invest in units in collective investment schemes provided that no more than 30% in value of a Sub-Fund's investments is in collective investment schemes that are not UCITS schemes and only if the collective investment scheme (second scheme) falls within one of the categories specified below:

##### 11.1.1

the scheme complies with the conditions necessary for it to enjoy the rights conferred by the UCITS Directive; or,

##### 11.1.2

be a recognised scheme under the provisions of section 272 of FSMA that is authorised by the supervisory authorities of Guernsey, Jersey or the Isle of Man (provided the requirements of article 50(1)(e) of the UCITS Directive are met); or

##### 11.1.3

be authorised as a non-UCITS retail scheme provided it complies with the requirements of article 50(1)(e) of the UCITS Directive; or

##### 11.1.4

be authorised in another EEA State provided the requirements of article 50(1)(e) of the UCITS Directive are met; or

##### 11.1.5

be authorised by the competent authority of an OECD member country (other than another EEA State) which has:

(a) signed the IOSCO Multilateral Memorandum of

Understanding; and

(b) approved the scheme's management company, rules and depositary/custody arrangements;

provided that the requirements of article 50(1)(e) of the UCITS Directive are met;

and the second scheme must satisfy all of the following conditions:

#### 11.1.6

it complies with certain restrictions set out in the FCA Rules including restrictions designated to avoid double charging as set out at COLL 5.2.15R and 5.2.16R;

#### 11.1.7

it is a scheme which has terms which prohibit more than 10% in value of the scheme property consisting of units or shares in collective investment schemes; and

#### 11.1.8

where the second scheme is an umbrella the provisions in Paragraphs 11.1.6, 11.1.7 and 9 apply to each Sub-Fund as if it were a separate scheme.

#### 11.2

Subject to the limits specified in Paragraph 11.1, investment may be made in a second scheme managed by the ACD or an associate of the ACD.

#### 11.3

A Sub-Fund may invest in units of other collective investment schemes and pay any related charges or expenses for investing in such units where the schemes are managed, operated or administered by the ACD (or one of its associates) in which case the rules on double charging contained in the FCA Rules (in particular those set out at COLL 5.2.16R) will be complied with.

## 12

### Nil/Partly Paid

With regard to nil or partly paid transferable securities or approved money market instruments, a Sub-Fund may invest in such securities or instruments only if it is reasonably foreseeable that the amount of any existing and potential call for any sum unpaid could be met by a fund when payment is required without contravening the COLL Sourcebook.

## 13

### Derivatives: General

#### 13.1

A transaction in derivatives or a forward transaction cannot be effected for a Sub-Fund unless:

##### 13.1.1

it is a permitted derivative and forward transaction (broadly a derivative must be effected on or under the rules of any eligible derivatives market and have underlyings consisting of any or all of the following; transferable securities, money market instruments, deposits, permitted derivatives,

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permitted collective investment schemes, financial indices, interest rates, foreign exchange rates, currencies); and

#### **13.1.2**

it is covered as required by the COLL Sourcebook.

#### **13.2**

The exposure to the underlying assets must not exceed the limits in the COLL Sourcebook for the class of underlying asset concerned.

#### **13.3**

Hedging — the ACD may hedge transactions by back-to-back foreign currency borrowings against sterling. The ACD does not envisage entering into hedging transactions to a major extent.

#### **13.4**

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

#### **13.5**

A transferable security or an approved money market instrument will embed a derivative if it contains a component which fulfils the following criteria:

##### **13.5.1**

by virtue of that component some or all of the cash flows that otherwise would be required by the transferable security or approved money market instrument which functions as host contract can be modified according to a specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable and therefore vary in a way similar to a standalone derivative;

##### **13.5.2**

the economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract; and

##### **13.5.3**

it has a significant impact on the risk profile and pricing of the transferable security or approved money market instrument.

#### **13.6**

A transferable security or an approved money market instrument does not embed a derivative where it contains a component which is contractually transferable independently of the transferable security or the approved money market instrument. That component shall be deemed to be a separate instrument.

If a fund invests in an index-based derivative provided the relevant index falls within Paragraph 15 the underlying constituents of the index do not have to be taken into account for the purposes of Paragraphs 9 and 10 above.

## **14**

### **Permitted Transactions (Derivatives and Forwards)**

#### **14.1**

A transaction in a derivative must be in an approved derivative or be one which complies with the requirements for permitted OTC derivatives, in Paragraph 18.

#### **14.2**

A transaction in a derivative must have the underlyings consisting of any or all of the following to which the scheme is dedicated: transferable securities; approved money-market instruments; permitted deposits; permitted derivatives; permitted collective investment scheme units; financial indices; interest rates; foreign exchange rates and currencies. A transaction in an approved derivative must be effected on or under the rules of an eligible derivatives market. A derivatives transaction must not cause a Sub-Fund to diverge from its investment objectives as stated in the Instrument and the most recently published Prospectus. It must not be entered into if the intended effect is to create the potential for an uncovered sale of one or more transferable securities, approved money market instruments, collective investment scheme units or derivatives.

#### **14.3**

Any forward transaction must be with an eligible institution or an approved bank.

#### **14.4**

A derivative includes an instrument which fulfils the following criteria:

##### **14.4.1**

it allows the transfer of the credit risk of the underlying independently from the other risks associated with that underlying;

##### **14.4.2**

it does not result in the delivery or the transfer of assets other than those referred to in COLL 5.2.6A R (UCITS schemes: permitted types of scheme property) including cash;

##### **14.4.3**

in the case of an OTC derivative, it complies with the requirements in COLL 5.2.23 R (OTC transactions in derivatives);

##### **14.4.4**

its risks are adequately captured by the risk management process of the ACD, and by its internal control mechanisms in the case of risks of asymmetry of information between the ACD and the counterparty to the derivative, resulting from potential access of the counterparty to non-public information on persons whose assets are used as the underlying by that derivative.

#### **14.5**

A Sub-Fund may not undertake transactions in derivatives on commodities.

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## 15

### Financial Indices Underlying Derivatives

#### 15.1

The financial indices referred to in Paragraph 14.2 are those where the index is sufficiently diversified, it represents an adequate benchmark for the market to which it refers and the index is published in an appropriate manner.

#### 15.2

A financial index is sufficiently diversified if:

##### 15.2.1

it is composed in such a way that price movements or trading activities regarding one component do not unduly influence the performance of the whole index;

##### 15.2.2

where it is composed of assets in which a Sub-Fund is permitted to invest, its composition is at least diversified in accordance with the requirements with respect to spread and concentration set out in this Annexure 2; and

##### 15.2.3

where it is composed of assets in which a Sub-Fund cannot invest, it is diversified in a way which is equivalent to the diversification achieved by the requirements with respect to spread and concentration set out in this Annexure 2.

#### 15.3

A financial index represents an adequate benchmark for the market to which it refers if:

##### 15.3.1

it measures the performance of a representative group of underlyings in a relevant and appropriate way;

##### 15.3.2

it is revised or rebalanced periodically to ensure that it continues to reflect the markets to which it refers, following criteria which are publicly available; and

##### 15.3.3

the underlyings are sufficiently liquid, allowing users to replicate it if necessary.

#### 15.4

A financial index is published in an appropriate manner if:

##### 15.4.1

its publication process relies on sound procedures to collect prices and calculate and subsequently publish the index value, including pricing procedures for components where a market price is not available; and

##### 15.4.2

material information on matters such as index calculation, rebalancing methodologies, index changes or any operational difficulties in providing timely or accurate information is provided on a wide and timely basis.

#### 15.5

Where the composition of underlyings of a transaction in a derivative does not satisfy the requirements for a financial

index, the underlyings for that transaction shall where they satisfy the requirements with respect to other underlyings pursuant to Paragraph 14.2 be regarded as a combination of those underlyings.

## 16

### Transactions for the Purpose of Property

A derivative or forward transaction which will or could lead to the delivery of property for the account of a Sub-Fund may be entered into only if that property can be held for the account of a Sub-Fund and the ACD having taken reasonable care determines that delivery of the property under the transaction will not occur or will not lead to a breach of the rules in the COLL Sourcebook.

## 17

### Requirement to Cover Sales

#### 17.1

No agreement by or on behalf of a Sub-Fund to dispose of property or rights may be made unless the obligation to make the disposal and any other similar obligation could immediately be honoured by a Sub-Fund by delivery of property or the assignment (or, in Scotland, assignation) of rights and the property and rights above are owned by a Sub-Fund at the time of the agreement. This requirement does not apply to a deposit.

#### 17.2

Paragraph 17.1 does not apply where:

##### 17.2.1

the risks of the underlying financial instrument of a derivative can be appropriately represented by another financial instrument and the underlying financial instrument is highly liquid; or

##### 17.2.2

the ACD or the Depositary has the right to settle the derivative in cash and cover exists within a Sub-Fund's property which falls within one of the following asset classes:

(a) cash;

(b) liquid debt instruments (e.g. government bonds of first credit rating) with appropriate safeguards (in particular, haircuts); or

(c) other highly liquid assets having regard to their correlation with the underlying of the financial derivative instruments, subject to appropriate safeguards (e.g. haircuts where relevant).

#### 17.3

In the asset classes referred to in Paragraph 17.2 an asset may be considered liquid where the instrument can be converted into cash in no more than seven Business Days at a price closely corresponding to the current valuation of the financial instrument on its own market.

## 18

### OTC Transactions in Derivatives

A transaction in an OTC derivative must be:

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**18.1**

with an approved counterparty (namely an eligible institution, an approved bank or a person whose FCA permission or home state authorisation permits it to enter into the transaction as principal off-exchange);

**18.2**

on approved terms; the terms of the transaction in derivatives are approved only if the ACD:

**18.2.1**

carries out, at least daily, a reliable verifiable valuation in respect of that transaction corresponding to its fair value and which does not rely on market quotations by the counterparty; and

**18.2.2**

can enter into one or more further transactions to sell, liquidate or close out that transaction at any time, at its fair value;

**18.3**

capable of reliable valuation, i.e. only if the ACD having taken reasonable care determines that, throughout the life of the derivative (if the transaction is entered into), it will be able to value the investment concerned with reasonable accuracy:

**18.3.1**

on the basis of an up to date market value which the ACD and the Depositary have agreed is reliable; or

**18.3.2**

if this is not available on the basis of a pricing model which the ACD and the Depositary have agreed uses an adequate recognised methodology; and

**18.4**

subject to verifiable valuation (i.e. if throughout the life of the derivative (if the transaction is entered into)) verification of the valuation is carried out by:

**18.4.1**

an appropriate third party which is independent from the counterparty of the derivative, at an adequate frequency and in such a way that the ACD is able to check it; or

**18.4.2**

a department within the ACD which is independent from the department in charge of managing a Sub-Fund's property and which is adequately equipped for such purpose.

**18.5**

For the purposes of the above "fair value" is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

**18.6**

In respect of its obligations under COLL 6.6.4 R (1)(a), the Depositary must take reasonable care to ensure that the ACD has systems and controls that are adequate to ensure compliance with Paragraphs 18.1 to 18.4.

**19****Valuation of OTC Derivatives****19.1**

For the purposes of Paragraph 18.2, the ACD must:

**19.1.1**

establish, implement and maintain arrangements and procedures which ensure appropriate, transparent and fair valuation of the exposures of a Sub-Fund to OTC derivatives; and

**19.1.2**

ensure that the fair value of OTC derivatives is subject to adequate, accurate and independent assessment.

**19.2**

Where the arrangements and procedures referred to in Paragraph 19.1 involve the performance of certain activities by third parties, the ACD must comply with the requirements in SYSC 8.1.13 R and COLL 6.6A.4 R (5) and (6) or, where appropriate, the equivalent requirements of the UCITS home state regulator implementing article 5(2) and article 23(4), second subparagraph, of the UCITS implementing directive.

**19.3**

The arrangements and procedures referred to in this Paragraph 19 must be:

**19.3.1**

adequate and proportionate to the nature and complexity of the OTC derivative concerned; and

**19.3.2**

adequately documented.

**20****Deposits**

A Sub-Fund may invest in deposits only with an approved bank and which are repayable on demand or have the right to be withdrawn and maturing in no more than 12 months.

**21****Risk Management**

The ACD uses a risk management process, as reviewed by the Depositary enabling it to monitor and measure as frequently as appropriate the risk of a Sub-Fund's position and their contribution to the overall risk profile of a Sub-Fund. Before using the process, the ACD will notify the FCA of the details of the risk management process.

**22****Derivative Exposure****22.1**

A Sub-Fund may invest in derivatives and forward transactions as long as the exposure to which a Sub-Fund is committed by that transaction itself is suitably covered from within a Sub-Fund's property. Exposure will include any initial outlay in respect of that transaction.

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## **22.2**

Cover ensures that a Sub-Fund is not exposed to the risk of loss of property including money, to an extent greater than the net value of the Sub-Fund's property. Therefore, a Sub-Fund must hold property sufficient in value or amount to match the exposures arising from a derivative obligation to which the Sub-Fund is committed. Paragraph 23 sets out detailed requirements for cover of the Sub-Fund.

## **22.3**

A future is to be regarded as an obligation to which a Sub-Fund is committed (in that, unless closed out, the future will require something to be delivered, or accepted and paid for); a written option as an obligation to which the scheme is committed (in that it gives the right of potential exercise to another thereby creating exposure); and a bought option as a right (in that the purchaser can, but need not, exercise the right to require the writer to deliver and accept and pay for something).

## **22.4**

Cover used in respect of one transaction in derivatives or forward transaction must not be used for cover in respect of another transaction in derivatives or a forward transaction.

## **23**

### **Cover for Transactions in Derivatives and Forward Transactions**

#### **23.1**

A transaction in derivatives or a forward transaction is to be entered into only if the maximum exposure, in terms of the principal or notional principal created by the transaction to which the scheme is or may be committed by another person is covered globally.

#### **23.2**

Exposure is covered globally if adequate cover from within a Sub-Fund's property is available to meet a Sub-Fund's total exposure, taking into account the value of the underlying assets, any reasonably foreseeable market movement, counterparty risk and the time available to liquidate any positions.

#### **23.3**

Cash not yet received into a Sub-Fund's property but due to be received within one month is available as cover.

#### **23.4**

Property the subject of a stock lending transaction is only available for cover if the ACD has taken reasonable care to determine that it is obtainable (by return or re-acquisition) in time to meet the obligation for which cover is required.

#### **23.5**

The total exposure relating to derivatives held in a Sub-Fund may not exceed the net value of the Sub-Fund's property.

## **24**

### **Daily Calculation of Global Exposure**

#### **24.1**

The ACD must calculate a Sub-Fund's global exposure on at least a daily basis.

## **24.2**

For the purposes of this Paragraph 24, exposure must be calculated taking into account the current value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the positions.

## **25**

### **Cover and Borrowing**

#### **25.1**

Cash obtained from borrowing and borrowing which the ACD reasonably regards as an eligible institution or an approved bank to be committed to provide, is unavailable for cover under Paragraph 23 except where Paragraph 25.2 below applies.

#### **25.2**

Where, for the purposes of this Paragraph a Sub-Fund borrows an amount of currency from an eligible institution or an approved bank and keeps an amount in another currency, at least equal to such borrowing for the time on deposit with the lender (or his agent or nominee), then this applies as if the borrowed currency and not the deposited currency, were part of the Sub-Fund's property.

## **26**

### **Significant Influence**

The ACD must not acquire or cause to be acquired for the Sub-Fund, transferable securities issued by a body corporate and carrying rights to vote (whether or not on substantially all matters) at a general meeting of that body corporate if:

#### **26.1**

immediately before the acquisition, the aggregate of any such securities held for the Sub-Fund taken together with any such securities already held for other authorised unit trusts of which it is also the ACD, gives the ACD significant power to influence the conduct of business of that body corporate; or

#### **26.2**

the acquisition gives the ACD that power.

## **27**

### **Concentration Limits**

#### **27.1**

A Sub-Fund must comply with the concentration limits set out in Paragraph 27.2 below (unless, in the case of sub-Paragraphs 27.2.2, 27.2.3 and 27.2.4 at the time of acquisition, the net amount in issue of the relevant investment cannot be calculated).

#### **27.2**

A Sub-Fund:

##### **27.2.1**

must not acquire transferable securities (other than debt securities) which do not carry a right to vote on any matter at a general meeting of the body corporate that issued them; and represent more than 10% of those securities issued by that body corporate;

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**27.2.2**

must not acquire more than 10% of the debt securities issued by any single body;

**27.2.3**

must not acquire more than 25% of the units in a collective investment scheme; and

**27.2.4**

must not acquire more than 10% of the approved money market instruments issued by any single body.

**28****Underwriting**

Subject to certain conditions set out in the COLL Sourcebook, underwriting or sub underwriting transactions may be entered into on behalf of a Sub-Fund.

**29****Cash and Near Cash****29.1**

Cash and near cash may be held by a Sub-Fund where this may reasonably be regarded as necessary in order to enable:

**29.1.1**

the pursuit of the Sub-Fund's investment objectives;

**29.1.2**

redemption of Shares;

**29.1.3**

efficient management of the Sub-Fund in accordance with its investment objectives; or

**29.1.4**

other purposes reasonably regarded as ancillary to the investment objectives of the Sub-Fund.

**29.2**

During the period of the initial offer a Sub-Fund may consist of cash and near cash without limitation.

**30****Borrowing and Lending Powers****30.1**

The Company may on the instructions of the ACD and subject to the provisions of the COLL Sourcebook, borrow money for the use of the Sub-Fund on terms that the borrowing is to be repayable out of the property of the Sub-Fund.

**30.2**

Borrowing must be on a temporary basis and not persistent and against these criteria the ACD must have regard to:

**30.2.1**

the duration of any period of borrowing; and

**30.2.2**

the number of occasions on which it has had to resort to borrowing in any period.

**30.3**

No period of borrowing should exceed three months without the prior consent of the Depositary which may only be given on such conditions as appear appropriate to the Depositary to ensure that borrowing does not cease to be on a temporary basis only.

**30.4**

This Paragraph 30 does not apply to "back to back" borrowing under Paragraph 25.2.

**30.5**

The Company must not issue any debenture unless it acknowledges or creates a borrowing that complies with Paragraphs 30.1 to 30.3.

**30.6**

The ACD must ensure that the Sub-Fund's borrowing does not, on any business day, exceed 10% of the value of the Sub-Fund's property.

**30.6.1**

This Paragraph 30.6 does not apply to "back to back" borrowing under Paragraph 25.2.

**30.6.2**

For the purposes of this Paragraph 30.6 borrowing includes, as well as borrowing in a conventional manner, any other arrangement (including a combination of derivatives) designed to achieve a temporary injection of money into the scheme property in the expectation that the sum will be repaid.

**30.7**

None of the money in the property of the Sub-Fund may be lent. However, providing an officer of the Sub-Fund with money to meet expenditure does not constitute lending for the purposes of this prohibition.

**30.8**

Neither acquiring a debenture nor placing money on deposit in a current account constitutes lending.

**30.9**

The Sub-Fund may not lend (by way of deposit or otherwise) or mortgage the property of the Sub-Fund (other than money).

**30.10**

Stock lending as permitted by the COLL Sourcebook does not constitute lending for the purposes of this prohibition.

**30.11**

Where transactions in derivatives or forward transactions are used for the account of the Sub-Fund in accordance with the COLL Sourcebook a Sub-Fund may lend, deposit, pledge or charge the property of the Sub-Fund for margin requirements or may transfer fund property under the terms of an agreement in relation to margin requirements, provided that the ACD reasonably considers that both the agreement and the margin arrangements made under it provide appropriate protection to Shareholders.

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**31****Movable and Immovable Property**

The Company will not have any interest in any immovable property or tangible movable property.

**32****Guarantees and Indemnities****32.1**

The Company or the Depositary on behalf of the Company must not provide any guarantee or indemnity in respect of the obligation of any person and none of the property of the Company may be used to discharge any obligation arising under a guarantee or indemnity with respect to the obligation of any person.

**32.2**

Paragraph 32.1 does not apply to guarantees or indemnities specified in COLL 5.5.9 R (3).

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## ANNEXURE 3

### Eligible Securities Markets

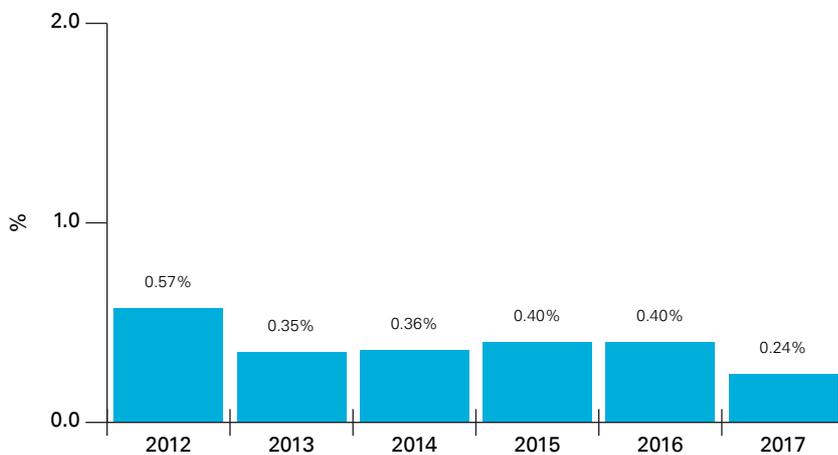
#### The Public Sector Deposit Fund

As at the date of this Prospectus, the markets which the ACD, after consultation with the Depositary, has decided are appropriate for the purpose of investment of or dealing in the property of the PSDF and having regard to the relevant criteria in the COLL Sourcebook are:

- (a) regulated markets established in member states of the European Union, or any other state which is within the European Economic Area on which transferable securities admitted to official listing are traded; and
- (b) the market organised by the International Capital Markets Association.

## ANNEXURE 4

Past Performance based on Share Class 4



## ANNEXURE 5

Authorised Collective Investment Schemes

The ACD in addition to acting as ACD of the Company also acts as the manager the CCLA Authorised Contractual Scheme.

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## ANNEXURE 6

Sub-custodians appointed by the Depository

<b>Country</b>	<b>Sub-custodian/Agent</b>
Argentina	HSBC Bank Argentina S.A.
Australia	HSBC Bank Australia Ltd
Austria	UniCredit Bank Austria AG
Austria	Erste Group Bank Ag
Austria	OESTER KONTROLLBK WIEN (OeKB)
Bahrain	HSBC Bank Middle East Ltd (Bahrain)
Bangladesh	The Hongkong and Shanghai Banking Corporation Ltd (Bangladesh)
Belgium	BNP Paribas Securities Services (Belgium)
Belgium	Euroclear Bank S.A./N.V.
Bermuda	HSBC Bank Bermuda Ltd
Bosnia-Herzegovina	Unicredit Bank DD (Bosnia)
Botswana	Standard Chartered (Botswana)
Brazil	HSBC Corretora de Titulos e Valores Mobiliarios SA
Bulgaria	UniCredit Bulbank AD
Canada	Royal Bank of Canada
Chile	Banco Santander Chile
China	HSBC Bank (China) Ltd
China	Citibank (China) Co Ltd
Colombia	CorpBanca Investment Trust Colombia SA
Croatia	Privredna Banka Zagreb
Cyprus	HSBC Bank Plc, Athens
Czech Republic	Ceskoslovenska Obchodni Banka
Czech Republic	Unicredit Bank Czech Republic, A.S.
Denmark	Skandinaviska Enskilda Banken AB (publ), Copenhagen Branch
Egypt	HSBC Bank Egypt SAE
Estonia	AS SEB Pank
Finland	Skandinaviska Enskilda Banken AB (publ.), Helsinki Branch
France	CACEIS Bank
France	BNP Paribas Securities Services (France)
Germany	HSBC Trinkaus & Burkhardt
Germany	Clearstream Banking Frankfurt

Ghana	Standard Chartered Bank Ghana Ltd
Greece	HSBC Bank Plc
Hong Kong	The Hongkong and Shanghai Banking Corporation Ltd (HK)
Hungary	Unicredit Bank Hungary Zrt
India	The Hongkong and Shanghai Banking Corporation Ltd (India)
Indonesia	The Hongkong and Shanghai Banking Corporation Ltd (Indonesia)
Ireland	HSBC Bank Plc
Israel	Bank Leumi Le-Israel BM
Italy	BNP Paribas Securities Services (Italy)
Japan	The Hongkong and Shanghai Banking Corporation Ltd (Japan)
Jordan	Bank of Jordan
Kazakhstan	JSC Citibank Kazakhstan
Kenya	Standard Chartered Bank Kenya Ltd
Kuwait	HSBC Bank Middle East Ltd (Kuwait)
Latvia	AS SEB Banka
Lebanon	HSBC Bank Middle East Ltd (Lebanon)
Lithuania	SEB Bankas
Luxembourg	Clearstream Banking SA
Luxembourg	HSBC Bank PLC Luxembourg branch
Malaysia	HSBC Bank Malaysia Berhad
Mauritius	The Hongkong and Shanghai Banking Corporation Ltd (Mauritius)
Mexico	HSBC Mexico, SA
Morocco	Citibank Maghreb
Netherlands	BNP Paribas Securities Services (Netherlands)
New Zealand	The Hongkong and Shanghai Banking Corporation Ltd (New Zealand)
Nigeria	Stanbic IBTC Bank plc - (Restricted market: T-Bills and Government Debt)
Norway	Skandinaviska Enskilda Banken AB (publ) Oslo Branch
Oman	HSBC Bank Oman S.A.O.G.
Pakistan	Citibank NA (Pakistan)
Palestine	HSBC Bank Middle East Ltd (Palestine)
Peru	Citibank del Peru
Philippines	The Hongkong and Shanghai Banking Corporation Ltd (Philippines)
Poland	Bank Pekao SA
Portugal	BNP Paribas Securities Services (Portugal)
Qatar	HSBC Bank Middle East Ltd, Qatar

Romania	Citibank Europe plc, Romania branch
Russia	ZAO Citibank
Saudi Arabia	HSBC Saudi Arabia Ltd
Serbia	Unicredit Bank Serbia JSC
Singapore	The Hongkong and Shanghai Banking Corporation Ltd (Singapore)
Slovakia	Ceskoslovenska Obchodna Banka AS
Slovenia	Unicredit Banka Slovenija DD
South Africa	Standard Bank of South Africa Ltd
South Korea	The Hongkong and Shanghai Banking Corporation Ltd (South Korea)
Spain	BNP Paribas Securities Services (Spain)
Sri Lanka	The Hongkong and Shanghai Banking Corporation Ltd (Sri Lanka)
Sweden	Skandinaviska Enskilda Banken AB (publ.)
Switzerland	Credit Suisse AG
Switzerland	UBS AG
Switzerland	SIX SIS AG ZUERICH
Taiwan	HSBC Bank (Taiwan) Ltd
Tanzania	Standard Chartered Bank (Mauritius) Ltd, Tanzania
Thailand	The Hongkong and Shanghai Banking Corporation Ltd (Thailand)
Turkey	HSBC Bank AS
Uganda	Standard Chartered (Uganda) - Restricted market only for T-Bills and Government Debt
United Arab Emirates	HSBC Bank Middle East Ltd (UAE)
United Kingdom	Deutsche Bank AG (London Branch)
United Kingdom	JPMorgan Chase Bank NA
United Kingdom	HSBC Bank Plc (UK)
United Kingdom	State Street Bank & Trust Co (UK)
United Kingdom	UBS AG, London branch
United States	HBSC Bank (USA) NA
United States	Brown Brothers Harriman & Co
United States	Citibank, N.A. (USA)
Vietnam	HSBC (Vietnam) Ltd
Zambia	Standard Chartered Bank (Zambia) Plc - Restricted market: approved only for Government Debt, Corporate Debt and Equities

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# ANNEXURE 7

## Order Execution Policy

### Background

This document sets out CCLA's Order Execution Policy and approach to providing 'Best Execution' for the Cash Funds and Segregated Clients ("Cash Funds") managed by CCLA IM and FM on behalf of its clients. For the purpose of this policy, the term 'client' will also be used to mean 'scheme' or 'prospectus' and are therefore deemed to be professional.

When placing deposits with banks and building societies it is not feasible to adhere to the Best Execution Policy for quoted securities. This is principally because transactions in money market instruments are made over the counter on a Trading Facility or with an Execution Venue and are usually indicative. It's only at the point of agreement between the seller, usually the issuer, and the purchaser is the transaction is binding. In some but not all occasions, a broker is used as an intermediary between the issuer and the purchaser on a Trading Facility.

### Eligible Financial Instruments

When applying best execution obligations, CCLA takes into account the different circumstances surrounding the execution of orders for particular types of financial instruments. Eligible financial instruments comprise of transferable securities (e.g. equities & bonds), money market instruments (e.g. certificates of deposit), units in regulated collective investment schemes, options, futures and other financial derivatives.

For clarity, eligible financial instruments do not include cash accounts, money market deposits, direct property and unregulated collective investment schemes..

### Execution Venues

Execution venues are the centres through which securities transactions are ultimately facilitated. These include the major Regulated Markets, Multilateral Trading Facilities (MTF), Organised Trading Facilities (OTF), Systematic Internalisers (a firm that deals on its own account), the UK Money Market, third-party investment firms (brokers acting as market makers or other liquidity providers) and the managers of Collective Investment Schemes.

CCLA is not a direct member of a Regulated Market or a Multilateral Trading Facility and uses approved brokers to transact on its behalf or deals directly with its approved deposit takers (in the case of most money market instruments). CCLA's approved brokers are deemed to operate an OTF or MTF and the approved deposit takers are deemed to be the Execution Venues for the purpose of this Policy.

Remuneration, discounts or non-monetary benefits are not received by CCLA for routing client orders to a particular execution venue.

On an annual basis CCLA will publish the top five brokers in terms of trading volumes chosen for execution. This will be provided for each class of financial instruments and will include a summary on the quality of execution obtained.

CCLA's list of approved brokers and deposit takers can be found at the end of this policy.

### Types of UK Money Market

Our funds will typically utilise money market deposits which include, but are not limited to, Call Accounts, Notice Accounts, Fixed Term Deposits and Certificates of Deposit.

### Method of Execution

Having assessed the relevant factors and any specific instruction provided by a client, CCLA will select the most appropriate venue(s) from those available and execute the order accordingly.

### Best Execution Policy

After satisfying the Fund's primary and secondary objectives of security and liquidity respectively, price (or yield) will be the most important execution factor when making a choice between Execution Venues. Other factors including likelihood of settlement, diversification of issuer, and size of ticket will also be a consideration.

When placing a deposit with an issuer CCLA aims to achieve the best price possible (i.e. highest yield) relative to other issuers of similar credit quality and for the same instrument type and period. To achieve this CCLA receives daily indications of issuer yields for different instruments and periods from a number of sources including brokers and directly from issuers. CCLA also maintains a sufficiently long list of approved issuers in order to ensure flexibility to deal with a number of potential issuers.

When selling Certificates of Deposit in the secondary market the same principles will apply although the best possible price will be the lowest yield and significant consideration will be given to market illiquidity.

Where CCLA transmits an order to an approved broker for execution it will look to use its experience in order to improve the terms on which it transacts in that market. CCLA looks to use the execution venue best placed to help the firm add value to any transactions. CCLA does not pay commission on its money market deposit transactions to trading and execution venues.

### Monitoring and Review of the Best Execution Policy

CCLA will review the Policy at least annually and whenever a material change occurs that affects CCLA's ability to continue to obtain the best possible result for the execution of client orders. Updated versions of this document will be posted on our website ([www.ccla.co.uk](http://www.ccla.co.uk)).

January 2018

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# Approved Deposit Takers (Execution Venues)

ABN Amro Bank N.V.

Australia and New Zealand Banking Group Limited

Bank Nederlandse Gemeenten (BNG)

Bank of America N.A.

Bank of Montreal

Bank of New York Mellon (The)

Bank of Nova Scotia (The)

Bank of Scotland plc

Bank of Tokyo Mitsubishi UFJ

Barclays Bank plc

Bayerische Landesbank

BNP Paribas

Canadian Imperial Bank of Commerce

Citibank N.A.

Commonwealth Bank of Australia

Coventry Building Society

Credit Agricole Corporate and Investment Bank

Credit Industriel et Commercial

Danske Bank AS

DBS Bank Limited

DNB ASA

Deutsche Zentral-Genossenschaftsbank (DZ Bank AG)

HSBC Bank plc

ING Bank N.V.

JP Morgan Chase Bank N.A.

KBC Bank N.V.

Landesbank Baden-Wuerttemberg

Landesbank Hessen-Thuringen Girozentrale

Leeds Building Society

Lloyds Bank plc

Mizuho Bank

National Australia Bank Limited

National Bank of Canada

Nationwide Building Society

Nordea Bank AB

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Rabobank

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Royal Bank of Canada

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Santander UK plc

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Skandinaviska Enskilda Banken AB

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Societe Generale

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Standard Chartered Bank plc

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Sumitomo Mitsui Banking Corporation Europe

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Svenska Handelsbanken AB

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Toronto-Dominion Bank (The)

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UBS AG

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United Overseas Bank Limited

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Westpac Banking Corporation

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# Approved Brokers

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Tullett Prebon Securities

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ICAP Securities Limited

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BGC

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RP Martin a division of BGC

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Tradition

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Conduct Authority.

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