

## **Prospectus of Morgan Stanley Funds (UK)**

This document constitutes the Prospectus for Morgan Stanley Funds (UK) (the 'Company') which has been prepared in accordance with the Open-Ended Investment Companies Regulations 2001 and the rules contained in the Collective Investment Schemes Sourcebook made by the Financial Conduct Authority in exercise of its powers under Section 247 of the Financial Services and Markets Act 2000.

No person has been authorised by the Company to give any information or make any representations in connection with the offering of Shares other than those contained in this Prospectus and, if given or made, such information or representations must not be relied on as having been made by the Company. The delivery of this Prospectus (whether or not accompanied by any reports) or the issue of Shares shall not, under any circumstances, create any implication that the affairs of the Company have not changed since the date of this Prospectus.

This Prospectus has been prepared solely for, and is being made available to investors for the purposes of evaluating an investment in Shares in the Funds. Investors should only consider investing in the Funds if they understand the risks involved including the risk of losing all capital invested.

This Prospectus is intended for distribution in the United Kingdom. Its distribution in certain other jurisdictions may be restricted. This Prospectus does not constitute an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not lawful or in which the person making such offer or solicitation is not authorised to do so, or to any person to whom it is unlawful to make such offer or solicitation. Distributors and other intermediaries which offer, recommend or sell Shares in the Funds must comply with all laws, regulations and regulatory requirements as may be applicable to them. Also, such Distributors and other intermediaries must consider such information about the Funds as is made available by the Manager for the purposes of the EU's Product Governance regime including, without limitation, target market information. Distributors and intermediaries may obtain such information on request from Morgan Stanley Investment Management Limited at [cslux@morganstanley.com](mailto:cslux@morganstanley.com).

In particular, the Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (nor has the Company been registered under the United States Investment Company Act of 1940, as amended) and may not be offered or sold, directly or indirectly, in the United States of America or its territories or possessions or areas subject to its jurisdiction, or to citizens or residents thereof other than in accordance with the laws of the United States.

Potential investors should be aware that the United Kingdom has enacted legislation enabling it to comply with its obligations in relation to the automatic exchange of information for international tax compliance including European Union directives and the United States provisions commonly known as "FATCA" and other intergovernmental agreements. As a result the Company may need to disclose the name, address, taxpayer identification number and investment information relating to certain Shareholders to HM Revenue & Customs, who will in turn exchange this information with their overseas counterparts in relevant jurisdictions.

By signing the application form to subscribe for Shares, each prospective Shareholder is agreeing to provide information upon request to the Company or its agent. If a Shareholder does not provide the necessary information, the Company will be required to report it to HM Revenue & Customs.

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

The provisions of the Company's Instrument of Incorporation are binding on each of its Shareholders (who are taken to have notice of them).

**This Prospectus is dated, and is valid as at 9 May, 2018.**

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## **SUMMARY**

The following information is taken from, and is qualified in its entirety by reference to, the full text of this Prospectus. Defined terms used in this Prospectus have the meanings ascribed to them under 'Definitions' in section 6, unless the context requires otherwise.

## **STRUCTURE**

The Company is an investment company with variable capital incorporated in England and Wales, and authorised by the FCA. The Company is a UCITS scheme and is structured as an umbrella company, with 4 Funds.

### **The Funds**

#### **Equity Funds**

Global Brands Fund

Global Brands Equity Income Fund

US Advantage Fund

#### **Fixed Interest Fund**

Sterling Corporate Bond Fund

#### **Base Currency**

The base currency of each Fund is pounds sterling.

### **The Shares**

Three Classes of Shares, A Shares, I Shares and F Shares, may from time to time be issued for certain Funds to reflect different investment levels and charging structures. F Shares have a minimum investment of £150,000,000 (with no minimum for subsequent investments). There is no preliminary charge in respect of I or F Shares, but preliminary charges may be levied in respect of investment in A Shares. Full details on the distribution policy of each Fund are set out in Section 1.

### **The Authorised Corporate Director**

The ACD of the Company is Morgan Stanley Investment Management (ACD) Limited which is a wholly-owned subsidiary of Morgan Stanley. Further details about the ACD are set out in Section 2.

### **Distribution Policy**

Substantially all the net income of each Fund in any year will be distributed or allocated to each Fund's Shareholders by way of dividends or interest (i) for Global Brands Fund, and Sterling Corporate Bond Fund, twice yearly; and (ii) annually for US Advantage Fund. As the intention of the Global Brands Equity Income Fund is to generate income, it is

intended that this Fund will distribute gross income on a quarterly basis, with expenses charged against capital instead of income.

In the case of Income Shares, dividends and interest will be automatically reinvested in further Shares of the same Class of the same Fund unless a Shareholder elects to receive payment in cash. The ACD reserves the right not to make a distribution of income if the average of the allocations of income to Shareholders (disregarding holdings of the ACD or the Depositary or associates of either of them) would be less than £10. In the case of Accumulation Shares income is accumulated. Details of the classes of Shares available are set out in Section 1 under "Shares in the Company".

### **Buying and Selling Shares**

Shares may be bought from or sold to the ACD on any Dealing Day. Valid orders accepted before 12 noon (London time) on any Dealing Day will be dealt with at the price calculated as at the valuation point for that Day. The valuation point will be 12 noon (London time). Orders received after 12 noon (London time) will be dealt with at the price calculated as at the valuation point for the following Dealing Day. Full details of the procedures for buying and selling Shares are set out in Section 1. Prices will be published daily on the Company's website [www.morganstanleyfunds.co.uk](http://www.morganstanleyfunds.co.uk).

The Company's Funds are not designed for investors with short term investment horizons. Information on the Typical Investor Profile for each Fund is set out in Section 1. Activities which may adversely affect the interests of the Company's Shareholders (for example that disrupt investment strategies or impact expenses) are not permitted. Specifically, market timing is not permitted.

Whilst recognising that Shareholders may have legitimate needs to adjust their investments from time to time, the ACD in its discretion may, if it deems such activities adversely affect the interests of the Company's Shareholders, take action as appropriate to deter such activities.

Accordingly if the ACD determines or suspects that a Shareholder has engaged in such activities, it may suspend, reject or otherwise deal with that Shareholder's subscription or conversion applications and take any action or measures as appropriate or necessary to protect the Company and its Shareholders.

### **Settlement**

Settlement for Shares bought is due, in cleared funds, within three days of the date of purchase and may be made by direct bank transfer or cleared cheque. Settlement for Shares sold will be made within three Business Days, of the later of (a) receipt of the renunciation form duly completed and signed, and (b) the valuation point following receipt of the request to redeem. Full details on settlement are set out in Section 1.

### **The Depositary**

The Depositary is State Street Trustees Limited. Further details on the Depositary are set out in Section 2.

**Investment Manager**

The ACD has appointed an Investment Manager, Morgan Stanley Investment Management Limited, to provide investment management and advisory services in respect of the Funds. Further details on the Investment Manager are set out in Section 2.

**Sub-Investment Manager**

The Investment Manager has appointed a sub-investment manager, Morgan Stanley Investment Management Inc., to provide investment management and advisory services in respect of certain funds. Further details on the Sub-Investment Manager are set out in Section 2.

**The Administrators**

State Street Bank and Trust Company provides the ACD with portfolio accounting and valuation services. DST Financial Services Europe Limited (formerly called International Financial Data Services (UK) Limited) provides the ACD with share dealing and transfer agency services relating to the Company and DST Financial Services International Limited (formerly called International Financial Data Services Limited) provides the ACD with other services relating to the operation, management and administration of the Company.

**The Registrar**

The Registrar is DST Financial Services International Limited (formerly called International Financial Data Services Limited).

## **Section 1 – The Company**

### **DETAILS OF THE COMPANY**

#### **General**

Morgan Stanley Funds (UK) is an investment company with variable capital incorporated in England and Wales under registered number, IC000012. The effective date of the authorisation order made by the FCA is 19 June 1998. The FCA's product reference number for the Company is 186580. The product reference number of each of the Funds is set out below.

Shareholders of the Company are not liable for the debts of the Company.

The head office of the Company is at 25 Cabot Square, Canary Wharf, London E14 4QA.

The head office is the address of the place in the United Kingdom for service on the Company of notices or other documents required or authorised to be served on it.

#### **Base Currency**

The base currency of the Company is pounds sterling. Each Fund and Class is designated in pounds sterling.

#### **Share Capital**

The maximum share capital of the Company is £100,000,000,000 and the minimum is £1.

Shares in the Company have no par value. The share capital of the Company at all times equals the sum of the net asset values of each of the Funds.

### **THE STRUCTURE OF THE COMPANY**

#### **The Funds**

The Company is a UCITS scheme which is structured as an umbrella company for the purposes of the Rules. The assets of each Fund will in general be treated as separate from those of every other Fund and will be invested in accordance with the investment objective and investment policy applicable to that Fund.

The Funds are segregated portfolios of assets and, accordingly, the assets of a Fund belong exclusively to that Fund and shall not be used or made available to discharge (directly or indirectly) the liabilities of, or claims against, any other person or body, including the Company and any other Fund and shall not be available for any such purpose. Whilst the provisions of the OEIC Regulations provide for segregated liability between Funds, the concept of segregated liability is relatively new. Accordingly, where claims are brought by local creditors in foreign courts or under foreign law contracts, it is not yet known whether a foreign court would give effect to the segregated liability and cross-investment provisions contained in the OEIC Regulations. Therefore, it is not possible to be certain that the assets of a Fund will always be completely insulated from the liabilities of another Fund of the Company in every circumstance.

Subject to the above, to the extent that any Scheme Property, or any assets to be received as part of the Scheme Property, or any costs, charges or expenses to be paid out of the Scheme Property, are not attributable to one Fund only, the ACD will allocate such Scheme Property, assets, costs, charges or expenses between the Funds in a manner which is fair to all Shareholders.

The Company issues (or proposes to issue) Shares in the following Funds:

## **Equity Funds**

### **Global Brands Fund**

**FCA Product Reference Number ("PRN"):** 636211

The Global Brands Fund's investment objective is to seek long term capital appreciation through investment primarily (meaning not less than 80% of the volume of the Scheme Property of the Fund) in equity securities of companies in the world's developed countries. The Fund will invest in a concentrated portfolio of companies whose success the Investment Manager believes depends on intangible assets (for example, but not limited to, brand names, copyrights or methods of distribution) underpinning a strong business franchise.

The Fund may also invest in preference shares, debt securities convertible into common shares or preference shares, warrants on securities and other equity linked securities to gain exposure to companies in developed and emerging markets, as well as equity securities of emerging market companies and China A-Shares via Stock Connect. The Fund may invest up to 10% of its net assets in China A-Shares via Stock Connect.

The Fund will limit the use of derivatives and forward transactions to hedging purposes only.

### **Global Brands Equity Income Fund**

**FCA Product Reference Number ("PRN"):** 757428

The Global Brands Equity Income Fund's investment objective is to provide regular income and seek long term capital appreciation.

The Fund will seek to achieve its investment objective by investing primarily (meaning not less than 80% of the value of the Scheme Property of the Fund) in equity securities of issuers located in the world's developed markets.

The Fund may also invest in equity securities of issuers located in emerging markets including China A-Shares via Stock Connect and in preference shares, debt securities convertible into common shares or preference shares, warrants on securities and other equity linked securities to gain exposure to issuers located in developed and emerging markets. The Fund may invest up to 10% of its net assets in China A-Shares via Stock Connect.

The Fund will invest in a concentrated portfolio of companies whose success the Investment Manager believes depends on intangible assets (for example, but not limited

to, brand names, copyrights, or methods of distribution) underpinning a strong business franchise.

With a view to enhancing returns and/or as part of the investment strategy, the Fund may make use of exchange traded and over-the-counter options, futures and other derivatives for investment or Efficient Portfolio Management (including hedging) purposes. In doing so, the Fund may use derivatives to enhance the level of income earned. This strategy is expected to include taking exposure via a swap on options on equity securities and/or on indices. This is expected to increase the amount of income earned, through receipt of the premiums received for writing the underlying options. However, in certain market circumstances, this may generate capital losses.

## **US Advantage Fund**

**FCA Product Reference Number ("PRN"):** 757430

The US Advantage Fund's investment objective is to seek long term capital appreciation.

The Fund will seek to achieve its investment objective by investing primarily (meaning not less than 80% of the value of the Scheme Property of the Fund) in securities issued by US companies. A company will be considered a US company eligible for the Fund by the Investment Manager if (i) its principal securities trading market is in the US; (ii) it derives 50% or more of its total annual revenue from goods produced, sales made and/or services performed in the US; or (iii) it is organized under the laws of, or has its principal office in, the US.

The Fund's investment objective will be pursued by investing primarily in a concentrated portfolio of equity securities of established large-capitalisation companies. The investment process will emphasise a bottom-up stock selection process, seeking attractive investments on an individual company basis. The selection of securities for investment will be driven by a search for large-capitalisation companies with strong name recognition and sustainable competitive advantages, typically favouring companies with rising returns on invested capital, above average business visibility, strong current period free cash flow generation and attractive risk/reward. Fundamental research drives the investment process. Company developments, including business strategy and financial results, will be studied on an ongoing basis. Portfolio holdings will generally be considered for divestment when the Investment Adviser determines that the holding no longer satisfies the Fund's investment criteria.

The Fund may also be invested in equities of companies not meeting the above requirements, debt securities convertible into common shares, depositary receipts (including American Depositary Receipts (ADRs) and Global Depositary Receipts (GDRs)), preference shares, warrants on securities, China A-Shares via Stock Connect, cash and cash equivalents and other equity linked securities. The Fund may invest up to 10% of its net assets in China A-Shares via Stock Connect.

With a view to enhancing returns and/or as part of the investment strategy, the Fund may make use of exchange traded and over-the-counter options, futures and other derivatives for investment or Efficient Portfolio Management (including hedging) purposes.

## **Fixed Interest Fund**

### **Sterling Corporate Bond Fund**

**FCA Product Reference Number ("PRN"):** 636215

The objective of the Fund is to provide a return from income and some capital growth. The Fund will seek to outperform the Bank of America Merrill Lynch Sterling Non-Gilt Index over the long term net of fees.

The Fund will invest primarily (meaning not less than 80% of the volume of the Scheme Property of the Fund) in issues of Sterling denominated fixed interest securities (meaning debt securities such as bonds, debentures and securitised debt) not issued by the UK Government. With a view to enhancing returns and/or as part of the investment strategy, the Fund may make use of exchange traded and over-the-counter options, futures and other derivatives for efficient portfolio management (including hedging) purposes.

The Fund may also invest in:

- Non-Sterling denominated fixed interest securities;
- money market instruments including money market funds, whether sterling denominated or not; and
- UK gilts

Non-Sterling currency exposure may be hedged back to the Sterling.

### **Changes to Fund Investment Objectives and Policies**

Any significant change in the investment objective and policies of a Fund may normally be made only with the approval of the FCA and the approval of the shareholders of the Company or, as the case may be, the relevant Fund by extraordinary resolution passed at a duly convened meeting. Please see Section 5 for further information.

### **Fund Assets and Liabilities**

Each Fund has a specific portfolio of assets to which that Fund's assets and liabilities are attributable. Each Fund will be charged with the liabilities, expenses, costs and charges of the Company attributable to that Fund and, within the Funds, charges will be allocated between Classes in accordance with the terms of issue of Shares of those Classes. Any assets, liabilities, expenses, costs or charges not attributable to a particular Fund may be allocated by the ACD in a manner which is fair to the Shareholders generally but they will normally be allocated to all Funds pro rata to the value of the net assets of the relevant Funds. Information on the past performance of each Fund is contained in Appendix 3.

## **Further Funds**

Subject to the approval of the FCA, the ACD may establish additional Funds from time to time. On the introduction of any new Fund or Class, a revised Prospectus will be issued including the relevant details of each such Fund or Class.

## **Investment and Borrowing Powers**

The eligible securities markets and eligible derivatives markets on which the Funds may invest are set out in Appendix 1. A detailed statement of the general investment and borrowing restrictions and the extent to which the Company may use derivatives for the purposes of investment and Efficient Portfolio Management techniques is set out in Section 3.

## **Typical Investor Profile**

In accordance with the UCITS regime, the paragraphs below describe the profile of the typical investor for whom each Fund has been designed. Please note however that this information does not constitute investment advice and potential investors should consult their own professional advisers concerning the acquisition, holding or disposal of any Shares in any of the Funds. Neither the Company nor the ACD makes any representation in relation to the suitability, appropriateness or otherwise of an investment in Shares in any of the Funds.

The Funds are marketable to all retail investors.

Global Brands Fund - this Fund may be appropriate for investors who seek to invest in equity securities and seek capital appreciation over the long term, and who are able to accept the risks associated with this type of investment.

Sterling Corporate Bond Fund – this Fund may be appropriate for investors who seek to invest in fixed interest securities and seek capital appreciation over the long term, and who are able to accept the risks associated with this type of investment.

Global Brands Equity Income Fund - this Fund may be appropriate for investors who seek to invest in equity securities which provide regular income and long term capital appreciation, and who are able to accept the risks associated with this type of investment.

US Advantage Fund - this Fund may be appropriate for investors who seek to invest in equity securities and seek capital appreciation over the long term, and who are able to accept the risks associated with this type of investment.

## **SHARES IN THE COMPANY**

### **Classes of Shares within the Funds**

Three Classes of Shares, A Shares, I Shares and F Shares, may from time to time be issued for certain Funds to reflect different investment levels and charging structures. The characteristics of the Shares are set out in the table below.

<b>Share Class</b>	<b>Minimum Initial Investment</b>	<b>Minimum Subsequent Investment</b>
A*	nil	nil
I	nil	nil
F**	£150,000,000	Nil

\*Class A Shares are in issue for the Global Brands Fund but are presently not available for investment.

\*\*Eligibility for investment in Class F Shares is restricted to:

- institutional investors (or their nominee companies);
- investors designated by the ACD as providing platform services (or their nominee companies) (as defined in the FCA's 'Glossary of Terms'); or
- investors that, (whether investing in their own name or on behalf of underlying investors) have arrangements for this share class with the ACD or its associates.

The ACD has discretion to accept from time to time initial or subsequent investments of lower amounts. The minimum amount for subsequent investments does not apply to the automatic reinvestment of income distributions.

Each Fund can issue net Income, gross Income, net Accumulation and gross Accumulation Shares in each Class.

Net Shares are Shares in respect of which income allocated to them is distributed periodically to the relevant Shareholders (in the case of Income Shares) or credited periodically to capital (in the case of Accumulation Shares), in either case in accordance with relevant tax law, net of any tax deducted or accounted for by the Company. Gross Shares are Income or Accumulation Shares where, in accordance with relevant tax law, distribution or allocation of income is made without any tax being deducted or accounted for by the Company. Eligibility for Gross Shares will depend on the individual tax circumstances of a Shareholder. Further information is available on request from the ACD. Holders of Income Shares are paid the income attributed to such Shares, which will be distributed on the relevant allocation date. Any income distributions will be automatically reinvested in further Shares of the same Class of the same Fund, unless the Shareholder elects, in the Application Form or otherwise in writing to the ACD, to receive payment in cash.

Shareholders are not entitled to be paid the income attributable to their Accumulation Shares, but that income, if any, is automatically transferred to (and retained as part of) the capital assets of the relevant Fund on the relevant annual accounting dates. The price of an Accumulation Share increases to reflect this.

Details of the Shares presently available for each Fund, are set out in this table:

<b>Fund Name:</b>	<b>Share Classes and type of Shares available:</b>
Global Brands Fund	I Income and Accumulation Shares (Class A Shares are in issue for this Fund but are presently not available for investment)
Global Brands Equity Income Fund	I and F Income and Accumulation Shares
US Advantage Fund	I and F Accumulation Shares
Sterling Corporate Bond Fund	A, I and F Income and Accumulation Shares

## **CHARGING STRUCTURES**

Each Class attracts different charges and expenses and so monies may be deducted from Classes in unequal proportions. In these circumstances the proportionate interests of the Classes within a Fund will be adjusted accordingly. The number of units of entitlement in the property of the relevant Fund represented by Shares of each Class is adjusted on each Dealing Day as necessary to ensure that the correct level of charge is reflected in their respective Share prices.

## **BUYING SHARES**

### **Procedures**

Shares can be bought by UK residents either by sending a completed Application Form to the ACD at the dealing office address stated in the Directory in Appendix 2, by faxing the ACD on 0870 888 3027, or by telephoning the ACD on 0800 328 1571. Application Forms may be obtained from the ACD. Telephone instructions must be confirmed by delivering either a duly completed and signed Application Form or registration details to the ACD at the dealing office address. The ACD will need to be satisfied as to the identity of Shareholders for all deals.

The dealing office of the ACD is open to receive subscriptions for Shares from 9.00 a.m. to 5.00 p.m. (London time) on each Dealing Day.

Applications for Shares received and accepted by the ACD by 12 noon (London time) on a Dealing Day will be dealt with at the price calculated as at the Valuation Point for that Day. Applications received and accepted after that time will be dealt with at the price calculated as at the Valuation Point for the following Dealing Day. For details of the appropriate preliminary charges on the purchase of A Shares, please see Section 5.

The ACD has the right to reject, on reasonable grounds relating to the circumstances of the applicant, any application for Shares in whole or part, and in this event the ACD will return any money sent, or the balance of such monies, at the risk of the applicant.

Any subscription monies remaining after a whole number of Shares has been issued (including on reinvestment of income distributions) will not be returned to the applicant.

Instead, smaller denomination Shares will be issued in such circumstances. A smaller denomination Share is equivalent to one hundredth of a larger denomination Share.

The Company may restrict or prevent the ownership of Shares in the Company by any person, firm or corporate body, if in the opinion of the ACD such holding may 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 would (if other Shares were 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). In particular, the Company has resolved to prevent the ownership of Shares by any U.S. Person.

### **Electronic Dealing**

The Administrator, on behalf of the ACD, may accept instructions to transfer title by electronic communication from investors who:

- (a) use an electronic dealing platform approved by the ACD by way of written agreement; and
- (b) have entered into an agreement with the electronic dealing platform for that purpose;

but transfer of title by electronic means is otherwise not accepted.

Where instructions are provided by permitted electronic means, the Administrator (on behalf of the ACD):

- (a) must take reasonable steps to be satisfied that any electronic instructions stated to be made by the party to the arrangements in (a) and (b) above are in fact made by that party;
- (b) may require that party providing those instructions to provide such further information to the Administrator as it considers necessary to satisfy itself as to the authenticity of instructions; and
- (c) reserves the right to reject or delay the processing or acceptance of such instructions until it is satisfied as to their authenticity.

For a current list of the electronic dealing platforms supported please contact the ACD.

### **Documents the purchaser will receive**

A contract note giving details of the Shares purchased and the price used will be issued by the end of the Business Day following the later of receipt of the application to purchase Shares or the Valuation Point by reference to which the purchase price is determined, together with, where appropriate, a notice of the applicant's right to cancel.

### **Settlement on purchase**

Settlement of purchase orders is due, in cleared funds within three Business Days of the date of purchase. Payment may be made by cleared cheque or alternatively made by

direct transfer to the bank account, details of which are set out in the Application Form, or in such other manner as the ACD shall inform the applicant. For customers paying by cheque, Shares will be purchased on the day of receipt of the cheque proving it is received by 12 noon and all documentation is correct. Cheques received after 12 noon on a dealing day will be treated as being receiving the next dealing day.

If subscription monies are returned by the applicant's bank as unpaid for any reason, and settlement is not made within a further seven Business Days, or if settlement has not been made within fourteen Business Days of the date of purchase, the ACD will have the right to treat the contract as repudiated and claim from the applicant any shortfall or retain any net profit made on the transaction.

Share certificates will not be issued in respect of Shares.

Ownership of shares will be evidenced by an entry on the Register of Shareholders. Statements in respect of periodic distributions on Shares will show the number of Shares held by the recipient. Individual statements of a Shareholder's Shares (or, when Shares are jointly held, the first-named Shareholder) will also be issued at any time on request by the registered Shareholder.

In its dealings in Shares of the Company, the ACD is responsible for arranging for the issue and the cancellation of the Shares and may do so for its own account.

The Company has power to issue bearer shares, but has no intention at present to do so.

### **Money Laundering**

The ACD and Depositary are subject to the laws related to money laundering. The ACD will need to be satisfied as to the identity of an applicant or transferee of Shares. The Rules contain provisions enabling the ACD and also, in the case of income, the Depositary to withhold payment of the proceeds of redemption and income on Shares where it is considered necessary or appropriate to carry out or complete identification procedures in relation to the Shareholder or another person pursuant to a statutory, regulatory or European Union obligation.

To comply with applicable law, appropriate identification enquiries may be made at any time, whether in respect of applications, redemptions, income distributions or the transfer of Shares. The ACD or the Depositary may therefore need to request information additional to that supplied on any initial application for Shares.

### **Automatic exchange of information for international tax compliance**

In order to comply with the legislation implementing the United Kingdom's obligations under various intergovernmental agreements relating to the automatic exchange of information to improve international tax compliance (including European Union directives and the United States provisions commonly known as FATCA), the Company (or its agent) will collect and report information about Shareholders for this purpose, including information to verify their identity and tax status.

When requested to do so by the Company or its agent, Shareholders must provide information to be passed on to HM Revenue & Customs, and, by them, to any relevant overseas tax authorities.

## **SELLING SHARES**

### **Procedure**

Every Shareholder has the right to require the ACD to redeem his Shares on any Dealing Day unless the value of Shares which a Shareholder wishes to redeem means that the Shareholder will hold Shares with a value less than the required minimum holding for the Class concerned. In such case the Shareholder may be required to redeem his entire holding.

Requests to redeem Shares may be made either in writing to the ACD at the dealing office address stated in Appendix 2, by faxing the ACD on 0870 888 3027 or by telephoning the ACD on 0800 328 1571. Fax and telephone deals must be confirmed in writing. No redemption proceeds will be paid until such written confirmation is received by the ACD.

Cheques or electronic monies will be issued or remitted within three Business Days of the later of (a) receipt by the ACD of the form of redemption (or other sufficient written instructions) duly signed by all the relevant Shareholders and completed as to the appropriate number of Shares, together with any other evidence of title, and (b) the appropriate Valuation Point following receipt by the ACD of the request to redeem. The ACD reserves the right to refuse a redemption request made by fax or phone where no redemption form is received.

The dealing office of the ACD is open from 9.00 a.m. and 5.00 p.m. (London time) on each Dealing Day to receive requests for the redemption of Shares.

Redemption requests received and accepted by the ACD by 12 noon (London time) on a Dealing Day will be dealt with at the price calculated as at the Valuation Point for that Dealing Day. All requests received and accepted after that time will be dealt with at the price calculated as at the Valuation Point for the next Dealing Day.

### **Documents the seller will receive**

Redemption requests will not be acknowledged, but a contract note giving details of the number and price of Shares sold will be sent to the selling Shareholder (the first-named, in the case of joint Shareholders) no later than the end of the Business Day following the Valuation Point by reference to which the redemption price is determined together (if sufficient written instructions have not already been given) with a form of redemption for completion and execution by the Shareholder (and, in the case of a joint holding, by all the joint holders).

### **Minimum and Maximum of Redemption**

Part of a Shareholder's holding may be sold but the ACD reserves the right to refuse a redemption request if the value of the Shares of any Fund to be redeemed is less than £500 in respect of any class of Shares.

If a Shareholder requests the redemption or cancellation of Shares representing a value which the ACD considers to be substantial in relation to the total value of the relevant Fund, the ACD may arrange that, in lieu of payment of the price for the Shares in cash, the Company shall cancel the Shares and transfer Scheme Property or, if required by the Shareholder, the net proceeds of the relevant Scheme Property to him. The ACD must give written notice to the Shareholder concerned of its decision to exercise these powers before the cash payment would otherwise be due.

The Scheme Property to be transferred (or sold) will be selected by the ACD in consultation with the Depositary but only if the Depositary has taken reasonable care to ensure that the property concerned would not be likely to result in any material prejudice to the interests of Shareholders.

Subject to the ACD's discretion, no partial redemption may be made which would reduce the value of Shares held (i) in the case of A Shares, below £1,000 and (ii) in the case of I Shares, below £50,000.

Shares may be compulsorily redeemed in accordance with the Instrument of Incorporation if the holding of any Shares by a Shareholder is, or is reasonably considered by the ACD, either to 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 would (if other shares were 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).

### **Settlement on redemption**

Settlement of redemption requests is due within three Business Days following receipt of properly completed and signed form of redemptions (or other sufficient written instructions).

Payment of redemption proceeds will be made in accordance with an instruction received or, if this is not practicable or no instructions are given, by cheque, posted to the applicant (at his risk).

Instructions to make payments to a third party may not be accepted.

### **Treatment of redemption proceeds where settlement is not provided in accordance with the above**

There may be circumstances where the Company is unable to pay redemption proceeds in accordance with the previous section. For example, where further supporting documentation is needed from you, or where a compulsory redemption is made but where the details we have on file for you are no longer up to date. For details of how the money may be held, subject to the FCA Rules, please see "The Holding of Client Money and Custody Assets" at Section 5 below.

## EXCHANGING SHARES

### Procedure

Shareholders are entitled (subject to certain restrictions) to exchange all or part of their Shares for Shares within a different Fund, or subject to minimum holdings prescribed for each Class, for Shares of another Class within the same Fund. Shareholders may acquire Shares in a gross Share Class only if they are eligible to hold gross Shares.

The Instrument of Incorporation allows a Shareholder to give notice to the Company in such form as the ACD may from time to time determine (an 'Exchange Notice') in writing, or by faxing the ACD on 0870 888 3027, or by telephoning the ACD on 0800 328 1571 of his desire to exchange all or some of his Shares of one Fund (the 'Original Shares') for Shares of another Fund (the 'New Shares'). The dealing office of the ACD is open to receive Exchange Notices from 9.00 a.m. to 5.00 p.m. (London time) on each Dealing Day.

If the exchange would result in the Shareholder holding a number of Original Shares or New Shares of a value which is less than the minimum holding in the Fund 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 exchange of the Original Shares. No exchange will be made during any period when the right of Shareholders to require the redemption of their Shares is suspended by the Company pursuant to the Rules. The general provisions on procedures relating to redemption will apply equally to an exchange. A duly completed exchange notice must be received by the ACD before the Valuation Point on a Dealing Day in the Fund or Funds concerned to be dealt with at the prices at those Valuation Points on that Dealing Day, or at such other date as may be approved by the ACD. Exchange Notices received after a Valuation Point will be held over until the next day which is a Dealing Day in the relevant Fund or Funds.

Upon receipt by the Company of an Exchange Notice, the ACD shall arrange for the Company to cancel (or, at its discretion, the ACD shall itself redeem) the Original Shares and issue (or, at its discretion, the ACD shall issue to the Shareholder) such number of New Shares as is arrived at by applying the following formula:

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

where N is the number of New Shares to be issued or sold (rounded down to the nearest whole number of smaller denomination shares); O is the number of Original Shares specified (or deemed to be specified) in the Exchange Notice which the holder has requested to exchange; CP is the price at which a single Original Share may be cancelled or redeemed as at the Valuation Point applicable to the cancellation or redemption as the case may be; ER is 1 where the Original Shares and the New Shares are designated in the same currency and, in any other case, is the exchange rate determined by the ACD in its absolute discretion (subject to the Rules) as representing the effective rate of exchange between the two relevant currencies as at the date the exchange notice is received (or deemed to have been received) by the Company having adjusted such rate as may be necessary to reflect any costs incurred by the Company in making any transfer of assets as may be required as a consequence of such an exchange being

effected; and SP is the price at which a single New Share may be issued or sold as at the Valuation Point applicable to the cancellation or redemption as the case may be.

An exchange of Shares from one Fund for Shares in another Fund will be treated as a redemption of Shares and a simultaneous purchase of Shares in the other Fund and will, for exchanging Shareholders subject to United Kingdom taxation, be a realisation for the purpose of capital gains taxation which may give rise to a liability to tax, depending on the Shareholder's circumstances. An exchange of Shares in one Class for Shares in another Class in the same Fund does not constitute a disposal for UK tax purposes.

In no circumstances will a Shareholder who duly notifies his intention to exchange Shares in one Fund for Shares in another Fund be given a right by law to withdraw or cancel the transaction.

On an exchange of Shares of one Class or Fund for Shares in another Class or Fund, the ACD may make a charge not exceeding the excess of the amount of the prevailing preliminary charge for the New Shares being acquired over the preliminary charge (if any) levied on the acquisition of the Original Shares.

## **RESTRICTIONS AND COMPULSORY TRANSFER AND REDEMPTION**

The ACD may from time to time impose such restrictions as it may think necessary for the purpose of ensuring that no Shares are acquired or held by any person either in 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 would (if other shares were 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). In this connection, the ACD may, inter alia, reject in its absolute discretion any application for the sale, purchase or exchange of Shares. In particular, the Company has resolved to prevent the ownership of Shares by any U.S. Person. If it comes to the notice of the ACD that any Shares ("Affected Shares") are owned directly or beneficially either in breach of any law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory; or would (if other shares were 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); or by virtue of which the relevant Shareholder is not qualified to hold such Shares or if the ACD reasonably believes this to be the case, the ACD may give notice to the holder of the Affected Shares requiring the transfer of such Shares to a person who is qualified or entitled to own them or that a request in writing shall be given for the repurchase of such Shares in accordance with the Rules. If any person upon whom such a notice is served does not, within thirty days after the date of such notice, transfer his Affected Shares to a person qualified to own them or establish to the satisfaction of the ACD (whose judgment shall be final and binding) that he is qualified and entitled to own the Shares he shall be deemed upon the expiration of that thirty day period to have given a request in writing for the redemption or cancellation (at the discretion of the ACD) of the Affected Shares pursuant to the Rules.

A person who becomes aware that he is holding or owns Affected Shares in breach of any law or governmental regulation (or any interpretation of a law or regulation by a

competent authority) of any country or territory, or by virtue of which he is not qualified to hold such Affected Shares, shall forthwith, unless he has already received a notice as described above, either transfer all his Affected Shares to a person qualified to own them or give a request in writing for the redemption of all his Affected Shares pursuant to the Rules.

## **SUSPENSION OF DEALINGS**

The ACD may, with the prior agreement of the Depositary, and must without delay if the Depositary so requires temporarily suspend the issue, cancellation, sale and redemption of Shares in any or all of the Funds where due to exceptional circumstances it is in the interests of all the Shareholders in the relevant Fund or Funds.

The ACD and the Depositary must ensure that the suspension is only allowed to continue for as long as is justified having regard to the interests of Shareholders.

The ACD will notify Shareholders as soon as is practicable after the commencement of the suspension, including details of the exceptional circumstances which have led to the suspension, in a clear, fair and not misleading way and giving Shareholders details of how to find further information about the suspensions.

Where such suspension takes place, the ACD will publish details on its website or other general means, sufficient details to keep Shareholders appropriately informed about the suspension, including, if known, its possible duration.

During the suspension none of the obligations in COLL 6.2 (Dealing) will apply but the ACD will comply with as much of COLL 6.3 (Valuation and Pricing) during the period of suspension as is practicable in light of the suspension.

Suspension will cease as soon as practicable after the exceptional circumstances leading to the suspension have ceased but the ACD and the Depositary will formally review the suspension at least every 28 days and will inform the FCA of the review and any change to the information given to Shareholders.

The ACD may agree during the suspension to deal in Shares in which case all deals accepted during and outstanding prior to the suspension will be undertaken at a price calculated at the first Valuation Point after the restart of dealings in Shares.

## **GOVERNING LAW**

All dealings in Shares are governed by English Law.

## **RIGHTS ATTACHED TO SHARES**

All Shares are in registered form. Share certificates will not be issued, title to Shares being evidenced by entries on the Register of Shareholders and confirmed to Shareholders in annual statements of account. Shares are freely transferable subject to the minimum holding requirements referred to above, unless any provision of law whether of the UK or elsewhere would be contravened. The Instrument of Incorporation permits the issue of bearer shares in such numbers as the ACD from time to time decides but the Company does not intend to issue any such bearer shares at present.

Shares may be issued in larger and smaller denominations. There are one hundred smaller denomination Shares to each larger Share. Smaller denomination Shares represent what, in other terms, might be called fractions of a larger Share and have proportionate rights.

Shares of each Class have no par value. Shareholders of each Class in each Fund are entitled to participate in proportion to their shareholding in the profits arising in respect of, and in the proceeds of the liquidation of the Company or termination of the relevant Fund.

Shares do not carry preferential or pre-emptive rights to acquire further Shares.

The net proceeds from subscriptions will be invested in the specific pool of assets constituting the relevant Fund. The Company will maintain for each Fund a separate pool of assets, each invested for the exclusive benefit of the relevant Fund.

Shares are not listed on any investment exchange.

If, for a period of 24 consecutive months commencing any time after the first issue of Shares, Shares in respect of less than two Funds are in issue, the ACD shall take such action as is necessary to change the type of the Company or to cause Shares in respect of more than one Fund to be in issue.

Shareholders are entitled to attend and vote at meetings of the Company, as described in Section 5 under "Meetings of Shareholders".

Investment in each Class of Share(s) is restricted to meeting certain requirements including those set out in the paragraph entitled "Classes of Shares within the Funds" above. The ACD has the right to waive these requirements in relation to any Class of Share in one or more Funds at any time.

## **VALUATION OF PROPERTY**

### **How and When the Scheme Property is Valued**

Valuations of the property of the Company and each Fund will be carried out in accordance with Part 4 of the Rules and the Instrument of Incorporation.

The property of the Company and each Fund is valued every Business Day as at 12 noon (London time) (the "Valuation Point"), on the basis described below.

The ACD may carry out additional valuations of the property of the Company and each Fund if it considers it desirable.

The ACD shall inform the Depositary of any decision to carry out such additional valuations. Valuations may be carried out for effecting a scheme of amalgamation or reconstruction which do not create a Valuation Point for the purposes of dealings.

The ACD will, forthwith upon completing each valuation, notify the Depositary of the price of a Share of each Class of each Fund.

## Determination of Net Asset Value

The following is a summary of the basis of valuation to be applied in valuing the property of the Company and each Fund:

1. Any units or shares in a collective investment scheme shall be valued, where there is a single price quoted for buying and selling units, at the most recent such price available; or if separate buying or selling prices are quoted, at the mid-market price, providing 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, if no price or no recent price exists, or the price obtained is in the opinion of the ACD unreliable, or the most recent price available does not reflect the ACD's best estimate of the value of the units or shares, at a value which in the opinion of the ACD, is fair and reasonable.
2. Any other transferable security shall be valued where there is a single price quoted for buying and selling the security at that price, or, if separate buying and selling prices are quoted, at the mid-market price, or, if in the opinion of the ACD the price obtained is unreliable or no recent traded price is available or if no price exists or if the most recent price available does not reflect the ACD's best estimate of the value of the securities, at a value which, in the opinion of the ACD, is fair and reasonable.
3. Property other than that described in 1. and 2. above, shall be given a value which, in the opinion of the ACD, represents a fair and reasonable mid-market price.
4. Cash and amounts held in current and deposit accounts and in other term-related deposits shall be valued at their nominal values.
5. Property which is a contingent liability transaction shall be treated as follows:
  - 5.1 if a written option (and the premium for writing the option has become part of the Scheme Property) include at fair market value. If the property is an off-exchange derivative, the method of valuation shall be agreed between the ACD and the Depositary;
  - 5.2 if an off-exchange future, include at the net value of closing out in accordance with a valuation method agreed between the ACD and the Depositary;
  - 5.3 if any other form of contingent liability transaction, include at the net value of margin on closing out (whether as a positive or negative value). If the property is an off-exchange derivative (but not falling within paragraph (b) above), include at a valuation method agreed between the ACD and the Depositary.
6. In calculating the value of the assets of the Company or Fund there shall be added to the Company's or Fund's assets any other credits or amounts due to be paid into its scheme property, any actual or estimated amount for accrued claims for tax of whatever nature which may be recoverable by the Company or Fund, and a sum representing any interest or any income accrued, due or deemed to have accrued but not received.

7. From the total value of the assets of each Fund shall be deducted the estimated amounts of all taxation and other liabilities of the Company attributable to the relevant Fund treating periodic items as accruing from day to day.

Notwithstanding the foregoing, the ACD may, in the event it is impractical or manifestly incorrect to carry out a valuation of an investment in accordance with the above rules, use other generally recognised valuation principles in order to reach a proper valuation of the total assets of the Company.

In the absence of bad faith, negligence or manifest error, every decision taken by the ACD or its delegate in calculating the net asset value shall be final and binding on the Company, and present, past and future Shareholders.

The price of a larger denomination Share of any Class in a Fund shall be calculated by taking the proportion of the value of Scheme Property attributable to all Shares of that Class (by reference to the most recent valuation of that Scheme Property) and dividing it by the number of Shares (expressed in terms of larger denomination Shares by aggregating every 100 smaller denomination Shares into a larger denomination Share and, if appropriate, including any outstanding fractions of a larger denomination Share represented by any residual number of smaller denomination Shares) of the relevant Class in issue immediately before that valuation. The price will be expressed in pounds sterling and will be accurate to four significant figures. A smaller denomination Share will have a price which is the appropriate proportion of the value of a larger denomination Share.

## **PRICING POLICY**

The ACD deals on a forward price basis, that is at the price for each Class of Share in each Fund as at the next Valuation Point following receipt of a request to issue or redeem Shares. This means that it is not possible to know in advance the Net Asset Value per Share at which Shares will be bought and sold.

Shares will be 'single priced', with the same price for buying or selling on any particular day. This will be calculated by reference to the net asset value per Share (calculated as described above under 'Valuation of property'). However, prices may be adjusted to compensate a Fund for dilution. A Fund may suffer a reduction in value, known as dilution, as a result of the costs incurred in dealing in its underlying investments and of any spread between the buying and selling prices of such investments. It is not, however, possible to predict accurately whether dilution will occur at any point in time.

With a view to countering this, the ACD applies a dilution adjustment in the calculation of Share prices, a policy known as Partial Swinging Pricing. The need to make a dilution adjustment will depend on the volume of purchases or redemptions of Shares in a Fund on any given day.

If on a given day, the net purchases (total purchases minus total redemptions) into a Fund exceed a pre-determined level (the "Swing Threshold") the price of all Shares within that Fund will be adjusted upwards by up to a pre-determined amount (the "Swing Factor"). Similarly, if the net redemptions (total redemptions minus total purchases) from a Fund exceed the Swing Threshold the price of all Shares within that Fund will be adjusted downwards by an amount not exceeding the Swing Factor.

The applicable Swing Factor will be up to 1.0 per cent. The Swing Factor will be the lower of 1.0 per cent of the price of a Share before it is adjusted and the ACD's best estimate of the estimated dealing spreads, costs and charges to be incurred by the Fund in liquidating or purchasing investments to satisfy the net purchases or redemptions on a given day.

As Partial Swinging Pricing is directly linked to the inflows and outflows of monies from a Fund, it is not possible to predict accurately whether a swing price adjustment will occur at a future point in time. However, the ACD expects to make a swing price adjustment whenever the Swing Threshold is exceeded. It is not possible to predict how frequently this will occur, however in calendar year 2016 the ACD applied a dilution adjustment 2 times. If a dilution adjustment is required then, based on historic data the estimated rate of such an adjustment would be up to:

<b>Fund Name</b>	
Global Brands Fund	0.35%
Global Brands Equity Income Fund	0.40%
US Advantage Fund	0.25%
Sterling Corporate Bond Fund	0.40%

The ACD will not benefit from the operation of Partial Swing Pricing.

## **PUBLICATION OF PRICES**

The most recent price of Shares will be published daily on the Company's website [www.morganstanleyfunds.co.uk](http://www.morganstanleyfunds.co.uk).

## **DISTRIBUTION POLICY**

Income Shares entitle the Shareholder at each allocation date to payment of the income allocated to the Share. The Company's accounting reference date is 30 September in each year. The income allocation dates are set out in the table below:

<b>Frequency</b>	<b>Income Allocation Dates</b>
Annual	30 September
Bi-annual	31 March and 30 September
Quarterly	31 March, 30 June, 30 September and 31 December
Monthly	Last day of each month

The frequency of income allocation for each Fund is set out below:

<b>Fund Name</b>	<b>A and I Share Class Income Allocation Frequency</b>	<b>F Share Class Income Allocation Frequency</b>
Global Brands Fund	Bi-annual	N/A
Global Brands Equity Income Funds	Quarterly	Quarterly
US Advantage Fund	Annual	Annual
Sterling Corporate Bond	Bi-annual	Monthly

Fund		
------	--	--

Income allocated in respect of Income Shares is automatically reinvested to acquire further Shares of the same Class in the relevant Fund unless a Shareholder elects in his Application Form or otherwise requests in writing, giving 30 days' notice prior to a distribution date to receive all the income allocated to his Shares in cash, and in each case provides relevant bank account details.

Holders of Accumulation Shares are not entitled to be paid the income attributed to such Shares, but that income is automatically transferred to (and retained as part of) the capital assets of the relevant Fund on the relevant interim and/or annual accounting dates. This is reflected in the price of an Accumulation Share.

With the exception of Global Brands Equity Income Fund, the income available for each Fund is calculated by taking the aggregate of income received or receivable by such Fund in respect of the period, deducting charges and expenses paid or payable by such Fund out of income in respect of the period, adding the ACD's best estimate of any relief from tax on such charges and expenses, and making any other adjustments that are permitted by the Rules and that the ACD considers appropriate in relation to both income and expenses (including taxation).

For Global Brands Equity Income Fund, the income available for the Fund is calculated by taking the aggregate of income received or receivable by the Fund in respect of the period, and making any other adjustments that are permitted by the Rules and that the ACD considers appropriate in relation to both income and expenses (including taxation), consequently the Fund's expenses will be charged to capital.

The ACD will consult the auditors concerning the calculation of available income when required to do so.

Except where an average income payment to Shareholders in a Fund would be less than £10, all available income must be allocated at the end of each annual accounting period. Any distribution unclaimed after a period of six years from the date of declaration of such distribution shall be forfeited and shall revert to the Company.

## **EQUALISATION**

Included in the issue price of Shares will be an income equalisation amount representing the value of income attributable to the Shares in question accrued since the end of the last annual accounting period.

The Instrument of Incorporation permits grouping of Shares in the same Class and the same Fund for equalisation; grouping will be operated in respect of each annual accounting period for which income is allocated. Shares purchased during each such period will carry an entitlement to equalisation which is the amount arrived at on an average basis of the accrued income per Share included in the price of the Shares purchased during the period.

## **Section 2 – Management and Administration**

### **THE AUTHORISED CORPORATE DIRECTOR**

The ACD is Morgan Stanley Investment Management (ACD) Limited, a private limited company incorporated in England and Wales under the Companies Act 1985 on 12 July 2001.

The ACD's registered office is 25 Cabot Square, Canary Wharf, London E14 4QA which is also its head office.

The issued share capital of the ACD is 244,000 ordinary shares of £1 and 13,000,000 ordinary shares of \$1, which is fully paid up.

The directors of the ACD are:

Andrew Onslow - Managing Director, Morgan Stanley Investment Management Limited, Head of Investment Management Operations International

Andy Mack – non-executive director. Formerly CEO of Morgan Stanley Investment Management EMEA. Acted as a consultant to Morgan Stanley Investment Management Limited until 31 December 2013.

Ruairi O'Healai - Managing Director, Morgan Stanley Investment Management Limited, Chief Operating Officer EMEA

Diane Hosie – Managing Director, Morgan Stanley Investment Management Limited, Head of International Client Account Management

No executive director is engaged in any significant business activity not connected with the business of the ACD or any of its affiliates. The non-executive directors may engage in business activities not connected with the business of the ACD or its affiliates but these activities are not of significance to the Company's business.

Andrew Onslow and Ruairi O'Healai are also directors of the Investment Manager.

The ACD is authorised and regulated by the FCA and is treated as having a permission pursuant to section 40 of the Act to carry on the regulated activity of acting as authorised corporate director of investment companies with variable capital by virtue of Article 4 of the Order.

The ultimate holding company of the ACD is Morgan Stanley, a company incorporated in the United States of America.

The ACD may delegate its management and administration functions to third parties including associates subject to the rules in the COLL Sourcebook. Investment management, administration and registrar services are delegated to third parties, details of which are set out below.

The ACD has been appointed under an ACD Agreement dated 17 July 1998 (as may have been novated, amended or supplemented) between the Company and the ACD. Pursuant to such ACD Agreement the ACD shall manage and administer the Company in

accordance with the Regulations, the Rules, the Instrument of Incorporation, the Prospectus and COBS. The ACD Agreement contains detailed provisions relating to the responsibilities of the ACD and, subject to the Regulations, excludes it from any liability to the Company for any act or omission except in the case of negligence, wilful default, or fraud in relation to the Company on its part or on the part of any affiliate of the ACD or its or their employees, officers or directors.

Details of the fees payable to the ACD are set out in Section 5. The ACD Agreement may be terminated by either party (without compensation) on not less than 12 months' written notice.

However, termination will not take effect until the FCA has approved it and a new ACD approved by the FCA has been appointed. Under the ACD Agreement, the ACD is free to render similar services to others and both the ACD and the Company are subject to a duty not to disclose confidential information. The powers, duties, rights and obligations of the ACD and the Company under the ACD Agreement shall, to the extent of any conflict, be overridden by the Regulations, the Rules and where applicable, COBS.

Under the ACD Agreement, and except insofar as it may result from the negligence, wilful default or fraud of the ACD, any associate or its or their employees, officers or directors, the Company indemnifies the ACD and its employees, officers and directors against all costs, losses, claims and expenses arising out of (i) any party claiming to be entitled to any part of the Scheme Property (ii) any breach by the Company of any term of the ACD Agreement (iii) the exercise by the ACD of the powers and discretions conferred upon it under the ACD Agreement (iv) the imposition of any liability to taxation, charge or other levy as a result of the ACD implementing the Company's investment objectives and policy or (v) in consequence of any act or omission of the ACD acting on instructions from the Depositary.

## **THE DEPOSITARY**

The Depositary of the Company is State Street Trustees Limited, a private limited company incorporated in England and Wales under the Companies Act 1985 on 24 October 1994.

The registered office of the Depositary is at 20 Churchill Place, London E14 5HJ, and its head office which is the Depositary's address for correspondence is at 525 Ferry Road, Edinburgh, EH5 2AW.

The Depositary is authorised and regulated by the Financial Conduct Authority and is treated as having a permission pursuant to section 40 of the Act to act as depositary of open-ended investment companies by virtue of Article 4 of the Order.

The principal business activity of the Depositary is to act as trustee and depositary of collective investment schemes.

The ultimate holding company of the Depositary is State Street Corporation, which is incorporated in the Commonwealth of Massachusetts, USA.

Depositary's functions

The Depositary has been entrusted with following main functions:

- ensuring that the sale, issue, repurchase, redemption and cancellation of Shares are carried out in accordance with applicable national law and the instrument of incorporation.
- ensuring that the value of the Shares is calculated in accordance with applicable national law and the instrument of incorporation.
- carrying out the instructions of the ACD or the Company unless they conflict with applicable national law or the instrument of incorporation.
- ensuring that in transactions involving the assets of each Fund any consideration is remitted within the usual time limits.
- ensuring that the income of each Fund is applied in accordance with applicable national law and the instrument of incorporation.
- monitoring of each Fund's cash and cash flows
- safe-keeping of each Fund's scheme property.

#### Depositary's liability

In carrying out its duties the Depositary shall act honestly, fairly professionally, independently and solely in the interests of the each Fund and its Shareholders.

In the event of a loss of a financial instrument held in custody, determined in accordance with the UCITS Directive, and in particular Article 18 of the UCITS Regulation, the Depositary shall return financial instruments of identical type or the corresponding amount to the relevant Fund without undue delay.

The Depositary shall not be liable if it can prove that the loss of a financial instrument held in custody has arisen as a result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary pursuant to the UCITS Directive.

In case of a loss of financial instruments held in custody, the Shareholders may invoke the liability of the Depositary directly or indirectly through the ACD provided that this does not lead to a duplication of redress or to unequal treatment of the Shareholders.

The Depositary will be liable to a Fund for all other losses suffered by that Fund as a result of the Depositary's negligent or intentional failure to properly fulfil its obligations pursuant to the UCITS Directive.

The Depositary shall not be liable for consequential or indirect or special damages or losses, arising out of or in connection with the performance or non-performance by the Depositary of its duties and obligations.

#### Delegation

The Depositary has full power to delegate the whole or any part of its safe-keeping functions but its liability will not be affected by the fact that it has entrusted to a third party some or all of the assets in its safekeeping. The Depositary's liability shall not be affected by any delegation of its safe-keeping functions under the Depositary Agreement.

Information about the safe-keeping functions which have been delegated and the identification of the relevant delegates and sub-delegates are contained in Appendix 4 to the Prospectus. Investors should note that the list of sub-delegates is updated only at each Prospectus review.

Conflicts of Interest which may arise between the Depositary, the Company or a Fund, the Shareholder or the ACD.

The Depositary is part of an international group of companies and businesses that, in the ordinary course of their business, act simultaneously for a large number of clients, as well as for their own account, which may result in actual or potential conflicts. Conflicts of interest arise where the Depositary or its affiliates engage in activities under the depositary agreement or under separate contractual or other arrangements. Such activities may include:

- (i) providing nominee, administration, registrar and transfer agency, research, agent securities lending, investment management, financial advice and/or other advisory services to a Fund;
- (ii) engaging in banking, sales and trading transactions including foreign exchange, derivative, principal lending, broking, market making or other financial transactions with a Fund either as principal and in the interests of itself, or for other clients.

In connection with the above activities the Depositary or its affiliates:

- (i) will seek to profit from such activities and are entitled to receive and retain any profits or compensation in any form and are not bound to disclose to, the Fund, the nature or amount of any such profits or compensation including any fee, charge, commission, revenue share, spread, mark-up, mark-down, interest, rebate, discount, or other benefit received in connection with any such activities;
- (ii) may buy, sell, issue, deal with or hold, securities or other financial products or instruments as principal acting in its own interests, the interests of its affiliates or for its other clients;
- (iii) may trade in the same or opposite direction to the transactions undertaken, including based upon information in its possession that is not available to the Fund;
- (iv) may provide the same or similar services to other clients including competitors of the Fund;
- (v) may be granted creditors' rights by the Fund which it may exercise.

A Fund may use an affiliate of the Depository to execute foreign exchange, spot or swap transactions for the account of the Fund. In such instances the affiliate shall be acting in a principal capacity and not as a broker, agent or fiduciary of the Fund. The affiliate will seek to profit from these transactions and is entitled to retain and not disclose any profit to the Fund. The affiliate shall enter into such transactions on the terms and conditions agreed with the Fund.

Where cash belonging to a Fund is deposited with an affiliate being a bank, a potential conflict arises in relation to the interest (if any) which the affiliate may pay or charge to such account and the fees or other benefits which it may derive from holding such cash as banker and not as trustee.

The ACD may also be a client or counterparty of the Depository or its affiliates.

Potential conflicts that may arise in the Depository's use of sub-custodians include four broad categories:

1. conflicts from the sub-custodian selection and asset allocation among multiple sub-custodians influenced by (a) cost factors, including lowest fees charged, fee rebates or similar incentives and (b) broad two-way commercial relationships in which the Depository may act based on the economic value of the broader relationship, in addition to objective evaluation criteria;
2. sub-custodians, both affiliated and non-affiliated, act for other clients and in their own proprietary interest, which might conflict with clients' interests;
3. sub-custodians, both affiliated and non-affiliated, have only indirect relationships with clients and look to the Depository as its counterparty, which might create incentive for the Depository to act in its self-interest, or other clients' interests to the detriment of clients; and
4. sub-custodians may have market-based creditors' rights against client assets that they have an interest in enforcing if not paid for securities transactions.

In carrying out its duties the Depository shall act honestly, fairly, professionally, independently and solely in the interests of the Fund and its Shareholders.

The Depository has functionally and hierarchically separated the performance of its depository tasks from its other potentially conflicting tasks. The system of internal controls, the different reporting lines, the allocation of tasks and the management reporting allow potential conflicts of interest and the Depository issues to be properly identified, managed and monitored. Additionally, in the context of the Depository's use of sub-custodians, the Depository imposes contractual restrictions to address some of the potential conflicts and maintains due diligence and oversight of sub-custodians to ensure a high level of client service by those agents. The Depository further provides frequent reporting on clients' activity and holdings, with the underlying functions subject to internal and external control audits. Finally, the Depository internally separates the performance of its custodial tasks from its proprietary activity and follows a Standard of Conduct that requires employees to act ethically, fairly and transparently with clients.

Up-to-date information on the Depositary, its duties, any conflicts that may arise, the safe-keeping functions delegated by the depositary, the list of delegates and sub-delegates and any conflicts of interest that may arise from such a delegation will be made available to Shareholders on request.

The Depositary is entitled to be indemnified by the Company against all costs, charges, losses and liabilities incurred by it in the proper execution or exercise (or in the purported execution or exercise reasonably and in good faith) of its duties, powers and discretions as Depositary, except in respect of any liability for failure to exercise due care and diligence in the discharge of its functions and where it is recoverable from another person. The Depositary's rights of indemnity are subject always to the provisions of the Regulations and the Rules.

The Depositary's appointment may be terminated on not less than 90 days' written notice, but such notice may only take effect upon the appointment of a new Depositary.

The fees and expenses payable to the Depositary out of the Scheme Property are set out in Section 5.

## **INVESTMENT MANAGER**

The ACD has appointed Morgan Stanley Investment Management Limited as investment manager to provide investment management and advisory services. The ultimate holding company of the Investment Manager is Morgan Stanley.

The Investment Manager is authorised and regulated by the FCA. Its principal activity is providing investment advisory and investment management services.

The Investment Manager has been appointed under an investment management agreement dated 24 June 2004, the ("Investment Management Agreement"). Subject to an express delegation given by the Investment Manager, pursuant to the Investment Management Agreement, the Investment Manager may have discretion, on a day-to-day basis and subject to the overall control of the ACD, to purchase and sell securities (normally acting as agent for the ACD) and otherwise to manage the assets of the Funds for the account and in the name of the Company, in relation to specific transactions. The fees of the Investment Manager will be paid out of the ACD's fees.

The Investment Management Agreement may be terminated by the ACD immediately on written notice, where it is in the best interests of the Shareholders to do so, and otherwise by the Investment Manager or the ACD on 30 days' written notice.

## **SUB-INVESTMENT MANAGER**

Morgan Stanley Investment Management Inc. (the "Sub-Investment Manager") has been appointed under a sub-investment advisory agreement with the Investment Manager (the "Sub-Investment Advisory Agreements") as sub-investment manager to provide discretionary investment management and advisory services for the US Advantage Fund.

The ultimate holding company of the Sub-Investment Manager is Morgan Stanley, a company incorporated in the United States of America.

The Sub-Investment Manager is registered in the United States of America.

Subject to the provisions of the Sub-Investment Advisory Agreement, the Sub-Investment Manager has full power and authority to operate and manage the investment and reinvestment of investments in the US Advantage Fund on a discretionary basis without prior reference to the Investment Manager. The fees of the Sub-Investment Manager will be paid by the Investment Manager.

### **ADMINISTRATORS**

The ACD has appointed State Street Bank and Trust Company, London Branch, which is in the same group as the Depository, to exercise the ACD's duties, obligations and functions in connection with the valuation of the Scheme Property and certain portfolio accounting services. The ACD has appointed DST Financial Services Europe Limited to provide share dealing, cash management and transfer agency services relating to the Company and DST Financial Services International Limited to provide other services relating to the operation, management and administration of the Company.

### **THE DISTRIBUTOR**

The ACD has appointed Morgan Stanley Investment Management Limited as distributor of the shares of each Fund (the "Distributor") under a distribution agreement dated 24 June 2004 (the "Distribution Agreement"). The Distribution Agreement permits the Distributor to appoint other sub-distributors for the distribution of shares. The Distribution Agreement may be terminated by the ACD immediately on written notice where it is in the best interests of the Shareholders to do so.

### **THE REGISTRAR**

DST Financial Services International Limited will provide registration services to the Company.

### **THE AUDITOR**

The auditor of the Company is Ernst & Young LLP, Ten George Street, Edinburgh EH2 2DZ (the 'Auditor').

### **THE LEGAL ADVISERS**

The Company is advised by Eversheds LLP of One Wood Street, London EC2V 7WS.

## **Section 3 – Investment and Borrowing Powers**

### **INVESTMENT RESTRICTIONS**

The Company possesses the full investment and borrowing powers applicable to a UCITS scheme under the COLL Sourcebook. However, each Fund will be invested with the aim of achieving its investment objective, subject to the limits set out in the Fund's investment policy and those in Chapter 5 of the COLL Sourcebook and this Prospectus. In particular, the investment and borrowing powers of each Fund is subject to the restrictions set out below.

The US Advantage Fund, Sterling Corporate Bond Fund, Global Brands Fund and Global Brands Equity Income Fund will not carry out stock or commodities lending or enter into borrowing transactions, repurchase and reverse repurchase transactions, buy-sell back or sell-buy back transactions or margin lending transactions (each within the meaning of, and under the conditions set out in, applicable laws and regulations issued from time to time, in particular, but not limited to, the Regulation on Transparency of Securities Financing Transactions (EU) 2015/2365). Should a Fund use any of these techniques, this Prospectus shall be updated in accordance with that Regulation.

The Global Brands Equity Income Fund only is permitted to use total return swaps, as set out in further detail at paragraph 22 below. The other Funds do not use total return swaps.

#### **1. Prudent spread of risk**

The ACD must ensure that, taking account of the investment objectives and policy of each Fund, the Scheme Property aims to provide a prudent spread of risk.

#### **2. Cover**

2.1 Where the COLL Sourcebook allows a transaction to be entered into or an investment to be retained only (for example, investment in warrants and nil and partly paid securities and the general power to accept or underwrite) if possible obligations arising out of the investment transactions or out of the retention would not cause any breach of any limits in COLL 5, it must be assumed that the maximum possible liability of a Fund under any other of those rules has also to be provided for.

2.2 Where a rule in the COLL Sourcebook permits an investment transaction to be entered into or an investment to be retained only if that investment transaction, or the retention, or other similar transactions, are covered:

2.2.1 it must be assumed that in applying any of those rules, a Fund must also simultaneously satisfy any other obligation relating to cover; and

2.2.2 no element of cover must be used more than once.

#### **3. UCITS schemes: general**

3.1 The scheme property of the Funds must, subject to the investment objective and policy of each Fund and except where otherwise provided in Chapter 5 of the FCA Rules, only consist of any or all of:

3.1.1 transferable securities;

3.1.2 approved money market instruments;

3.1.3 derivatives and forward transactions;

3.1.4 deposits;

3.1.5 units in collective investment schemes;

3.2 It is not intended that the Funds will have an interest in any immovable property or tangible moveable property.

#### 4. **Transferable Securities**

4.1 A transferable security is an investment which is any of the following:

4.1.1 a share;

4.1.2 a debenture;

4.1.3 a government and public security;

4.1.4 a warrant; or

4.1.5 a certificate representing certain securities.

4.2 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.

4.3 In applying paragraph 4.2 above to an investment which is issued by a body corporate, and which is a share or a debenture, the need for any consent on the part of the body corporate or any members or debenture holders of it may be ignored.

4.4 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.

#### 5. **Investment in transferable securities**

5.1 A Fund may invest in a transferable security only to the extent that the transferable security fulfils the following criteria:

5.1.1 the potential loss which the Fund may incur with respect to holding the transferable security is limited to the amount paid for it;

- 5.1.2 its liquidity does not compromise the ability of the ACD to comply with its obligation to redeem units at the request of any qualifying shareholder;
  - 5.1.3 reliable valuation is available for it as follows:
    - 5.1.3.1 in the case of a transferable security admitted to or dealt in on an 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;
    - 5.1.3.2 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;
  - 5.1.4 appropriate information is available for it as follows:
    - 5.1.4.1 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;
    - 5.1.4.2 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;
  - 5.1.5 it is negotiable; and
  - 5.1.6 its risks are adequately captured by the risk management process of the ACD.
- 5.2 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:
- 5.2.1 not to compromise the ability of the ACD to comply with its obligation to redeem units at the request of any qualifying shareholder; and
  - 5.2.2 to be negotiable.
- 6. Closed ended funds constituting transferable securities**
- 6.1 A unit in a closed end fund shall be taken to be a transferable security for the purposes of investment by a Fund, provided it fulfils the criteria for transferable securities set out in paragraph 5 and either:

- 6.1.1 where the closed end fund is constituted as an investment company or a unit trust:
  - 6.1.1.1 it is subject to corporate governance mechanisms applied to companies; and
  - 6.1.1.2 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
- 6.1.2 where the closed end fund is constituted under the law of contract:
  - 6.1.2.1 it is subject to corporate governance mechanisms equivalent to those applied to companies; and
  - 6.1.2.2 it is managed by a person who is subject to national regulation for the purpose of investor protection.

## 7. **Transferable securities linked to other assets**

- 7.1 A Fund may invest in any other investment which shall be taken to be a transferable security for the purposes of investment by a Fund provided the investment:
  - 7.1.1 fulfils the criteria for transferable securities set out in paragraph 5; and
  - 7.1.2 is backed by or linked to the performance of other assets, which may differ from those in which a Fund can invest.
- 7.2 Where an investment in paragraph 7.1 contains an embedded derivative component (see paragraph 20.2.7, the requirements of this section with respect to derivatives and forwards will apply to that component.

## 8. **Approved Money Market Instruments**

- 8.1 An approved money-market instrument is a money-market instrument which is normally dealt in on the money market, is liquid and has a value which can be accurately determined at any time.
- 8.2 A money-market instrument shall be regarded as normally dealt in on the money market if it:
  - 8.2.1 has a maturity at issuance of up to and including 397 days;
  - 8.2.2 has a residual maturity of up to and including 397 days;
  - 8.2.3 undergoes regular yield adjustments in line with money market conditions at least every 397 days; or
  - 8.2.4 has a risk profile, including credit and interest rate risks, corresponding to that of an instrument which has a maturity as set out in paragraphs

8.2.1 or 8.2.2 or is subject to yield adjustments as set out in paragraph 8.2.3.

8.3 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 units at the request of any qualifying shareholder.

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

8.4.1 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

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

8.5 A money-market instrument that is normally dealt in on the money market and is admitted to or dealt in 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.

## 9. **Transferable securities and money market instruments**

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

9.1.1 admitted to or dealt on an eligible market (as described in paragraph 10.3.1 or 10.3.2 or 10.4 ; or

9.1.2 for an approved money-market instrument not admitted to or dealt in on an eligible market, within paragraph 10.3 or 10.4 or

9.1.3 recently issued transferable securities provided that:

9.1.3.1 the terms of issue include an undertaking that application will be made to be admitted to an eligible market; and

9.1.3.2 such admission is secured within a year of issue.

9.2 However, a Fund may invest no more than 10% of the scheme property in transferable securities and approved money-market instruments other than those referred to in paragraph 9.1.

## 10. **Eligible markets regime: purpose and requirements**

10.1 To protect investors the markets on which investments of a Fund are dealt in or traded on should be of an adequate quality ("eligible") at the time of acquisition of the investment and until it is sold.

- 10.2 Where a market ceases to be eligible, investments on that market cease to be approved securities. The 10% restriction on investing in non-approved securities applies and exceeding this limit because a market ceases to be eligible will generally be regarded as a breach beyond the control of the ACD.
- 10.3 A market is eligible for the purposes of the rules if it is:
- 10.3.1 a regulated market as defined in the FCA Handbook; or
  - 10.3.2 a market in an EEA State which is regulated, operates regularly and is open to the public.
- 10.4 A market not falling within paragraph 10.3 above is eligible for the purposes of COLL 5 if:
- 10.4.1 the ACD, after consultation with and notification to the Depositary, decides that market is appropriate for investment of, or dealing in, the scheme property;
  - 10.4.2 the market is included in a list in the Prospectus; and
  - 10.4.3 the Depositary has taken reasonable care to determine that:
    - 10.4.3.1 adequate custody arrangements can be provided for the investment dealt in on that market; and
    - 10.4.3.2 all reasonable steps have been taken by the ACD in deciding whether that market is eligible.
- 10.5 In paragraph 10.4.1, a market must not be considered appropriate unless it is regulated, operates regularly, is recognised, 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.
- 11. Money-market instruments with a regulated issuer**
- 11.1 In addition to instruments admitted to or dealt in on an eligible market, the Fund may invest in an approved money-market instrument provided it fulfils the following requirements:
- 11.1.1 the issue or the issuer is regulated for the purpose of protecting investors and savings; and
  - 11.1.2 the instrument is issued or guaranteed in accordance with paragraph 12.
- 11.2 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 purpose of protecting investors and savings if:
- 11.2.1 the instrument is an approved money market instrument;

11.2.2 appropriate information is available for the instrument (including information which allows an appropriate assessment of the credit risks related to investment in it), in accordance with paragraph 13; and

11.2.3 the instrument is freely transferable.

## 12. **Issuers and guarantors of money-market instruments**

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

12.1.1 issued or guaranteed by any one of the following:

12.1.1.1 a central authority of an EEA State or, if the EEA State is a federal state, one of the members making up its federation;

12.1.1.2 a regional or local authority of an EEA State;

12.1.1.3 the European Central Bank or a central bank of an EEA State;

12.1.1.4 the European Union or the European Investment Bank;

12.1.1.5 a non-EEA State or, in the case of a federal state, one of the members making up the federation;

12.1.1.6 a public international body to which one or more EEA States belong; or

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

12.1.3 issued or guaranteed by an establishment which is:

12.1.3.1 subject to prudential supervision in accordance with criteria defined by EU law; or

12.1.3.2 subject to and complies with prudential rules considered by the FCA to be at least as stringent as those laid down by EU law.

12.2 An establishment shall be considered to satisfy the requirement in paragraph 12.1.3.2 if it is subject to and complies with prudential rules, and fulfils one or more of the following criteria:

12.2.1 it is located in the European Economic Area;

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

12.2.3 it has at least investment grade rating;

12.2.4 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 EU law.

### 13. **Appropriate information for money-market instruments**

13.1 In the case of an approved money-market instrument within paragraph 12.1.2 or which is issued by an authority within paragraph 12.1.1.2 or a public international body within paragraph 12.1.1.6 but is not guaranteed by a central authority within paragraph 12.1.1.1, the following information must be available:

13.1.1 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;

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

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

13.2 In the case of an approved money-market instrument issued or guaranteed by an establishment within paragraph 12.1.3, the following information must be available:

13.2.1 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;

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

13.2.3 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.

13.3 In the case of an approved money-market instrument:

13.3.1 within paragraphs 12.1.1.1, 12.1.1.4 or 12.1.1.5; or

13.3.2 which is issued by an authority within paragraph 12.1.1.2 or a public international body within paragraph 12.1.1.6 and is guaranteed by a central authority within paragraph 12.1.1.1;

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.

### 14. **Spread: general**

14.1 This rule on spread does not apply to government and public securities.

- 14.2 For the purposes of this rule companies included in the same group for the purposes of consolidated accounts as defined in accordance with Directive 83/349/EEC or in the same group in accordance with international accounting standards are regarded as a single body.
- 14.3 Not more than 20% in value of the property of a Fund is to consist of deposits with a single body.
- 14.4 With the exception of those instruments specified in paragraph 16 below, not more than 5% in value of the property of a Fund is to consist of transferable securities or approved money-market instruments issued by any single body, except that the limit of 5% is raised to 10% in respect of up to 40% in value of the property of a Fund. For these purposes certificates representing certain securities are treated as equivalent to the underlying security. Covered bonds need not be taken into account for the purpose of applying the limit of 40%.
- 14.5 The limit of 5% in 14.4 is raised to 25% in value of the property of a Fund in respect of covered bonds, provided that when a Fund invests more than 5% in covered bonds issued by a single body, the total value of covered bonds held must not exceed 80% in value of the property of the Fund. The Funds are currently not permitted to invest in covered bonds.
- 14.6 The COLL Sourcebook provides that not more than 20% in value of the scheme property of an authorised fund is to consist of the units of any one collective investment scheme, although Shareholders should note, as set out in paragraph 17.1 below, that currently no more than 10% of the property of a Fund may be invested in other collective investment schemes.
- 14.7 Not more than 20% in value of the property of a Fund may consist of transferable securities or approved money-market instruments issued by the same group.
- 14.8 The exposure to any one counterparty in an Over-the-Counter ("OTC") derivative transaction must not exceed 5% in value of the property of a Fund; this limit being raised to 10% where the counterparty is an approved bank.
- 14.9 The COLL Sourcebook provides that in applying the limits in 14.4, 14.6 and 14.8, and subject to 14.5 not more than 20% in value of the property of a Fund is to consist of any combination of two or more of the following:
- transferable securities (including covered bonds) or approved money-market instruments issued by; or
  - deposits made with; or
  - exposures from OTC derivatives transactions made with;
- a single body.
- 14.10 Not more than 5% in value of the property of a Fund may consist of warrants.
15. **Counterparty risk and issuer concentration (derivatives and forwards)**

- 15.1 The ACD must ensure that counterparty risk arising from an OTC derivative is subject to the limits set out in COLL 5.2.11R(7) and COLL 5.2.11R(10).
  - 15.2 When calculating the exposure of the Fund to a counterparty in accordance with the limits in COLL 5.2.11R(7) the ACD must use the positive mark-to-market value of the OTC derivative contract with that counterparty.
  - 15.3 The ACD may net the OTC derivative positions of the Fund with the same counterparty, provided it is able legally to enforce netting agreements with the counterparty on behalf of the Fund may have with that same counterparty.
  - 15.4 The netting agreements in paragraph 15.3 above are permissible only with respect to OTC derivative positions with the same counterparty and not in relation to any other exposures the Fund may have with that same counterparty.
  - 15.5 The ACD may reduce the exposure of a Fund's property to a counterparty of an OTC derivative 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 and must otherwise be eligible collateral which meets the requirements of the ESMA Guidelines on ETFs and other UCITS issues (ESMA/2014/937EN). The ACD must take collateral into account in calculating exposure to counter-party risk in accordance with the limits in COLL 5.2.11R(7) when it passes collateral to an OTC counterparty on behalf of a Fund. Collateral passed in accordance with the foregoing 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 that Fund.
  - 15.6 The ACD must calculate the issuer concentration limits referred to in COLL 5.2.11R on the basis of the underlying exposure created through the use of OTC derivatives pursuant to the commitment approach.
  - 15.7 In relation to the exposure arising from OTC derivatives as referred to in COLL 5.2.11R(1) the ACD must include any exposure to OTC derivative counterparty risk in the calculation.
  - 15.8 The ACD measures the creditworthiness of counterparties as part of the risk management process. The counterparties of these transactions will be highly rated financial institutions specialising in these types of transactions and approved by the ACD. A counterparty may be an associate of the ACD which may give rise to a conflict of interest. For further details on the ACD's conflicts of interest policy please see the paragraph headed "Conflicts of Interest" below.
16. **Spread: government and public securities**
- 16.1 The following section applies to government and public securities ("such securities").
  - 16.2 Where no more than 35% in value of the property of a Fund is invested in respect of a transferable security or approved money-market instrument that is issued by (i) an EEA State; (ii) a local authority of an EEA State; (iii) a non-EEA State; or (iv) a public international body to which one or more EEA States

belong ("**such securities or government and public 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.

16.3 In the case of the Sterling Corporate Bond Fund more than 35% in value of the property of the Fund (as appropriate) may be invested in such securities issued by any single state, local authority or public international body provided that:

16.3.1 the ACD has before any such investment is made consulted with the Depository and as a result considers that the issuer of such securities is one which is appropriate in accordance with the investment objectives of the authorised fund;

16.3.2 no more than 30% in value of the property of the Fund consists of such securities of any one issue;

16.3.3 the property of the Fund includes such securities issued by that or another issuer, of at least six different issues;

16.3.4 the disclosures required by the FCA have been made.

In the case of the Sterling Corporate Bond Fund more than 35% of the property of such fund may be invested in Government and public securities issued by or guaranteed by the Government of Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Liechtenstein, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland United Kingdom (including the Scottish Administration, the Executive Committee of the Northern Ireland Assembly and the National Assembly of Wales) and United States or by one of the following international organisations: European Investment Bank (EIB), Kreditanstalt für Wiederaufbau (KfW), and the World Bank.

## 17. **Investment in collective investment schemes**

17.1 Up to 10% of the value of the property of a Fund may be invested in units or shares in other collective investment schemes ("Second Scheme") provided that Second Scheme satisfies all of the following conditions.

17.1.1 The Second Scheme must:

17.1.1.1 satisfy the conditions necessary for it to enjoy the rights conferred by the UCITS Directive; or

17.1.1.2 be recognised under the provisions of s.272 of the Financial Services and Markets Act 2000; or

17.1.1.3 be authorised as a non-UCITS retail scheme (provided the requirements of Article 50(1)(e) of the UCITS Directive are met); or

- 17.1.1.4 be authorised in another EEA State provided the requirements of Article 50(1)(e) of the UCITS Directive are met; or
  - 17.1.1.5 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 Second Scheme's management company, rules and depositary/custody arrangements;
  - 17.1.1.6 (provided the requirements of article 50(1)(e) of the UCITS Directive are met).
- 17.1.2 The Second Scheme must:
- 17.1.2.1 comply where relevant with paragraphs 18 and 19 below; and
  - 17.1.2.2 have terms which prohibit more than 10% in value of the scheme property consisting of units in collective investment schemes;
- 17.1.3 Each sub-fund of an umbrella scheme is to be treated as if it were a separate scheme
- 17.2 The Scheme Property attributable to a Fund may include shares in another Fund of the Company (the "Second Fund") subject to the requirements of paragraph 17.3 below.
- 17.3 A Fund may invest in or dispose of shares of a Second Fund provided that:
- 17.3.1 The Second Fund does not hold shares in any other Fund;
  - 17.3.2 The requirements set out at paragraphs 18 and 19 below are complied with; and
  - 17.3.3 Not more than 10% in value of the Scheme Property of the investing or disposing Fund is to consist of shares in the Second Fund.
- 18. Investment in associated collective investment schemes**
- 18.1 A Fund must not invest in or dispose of units in a Second Scheme where that Second Scheme is managed or operated by (or in the case of an OEIC, whose ACD is) the ACD of the Fund or an associate of the ACD unless:
- 18.1.1 the prospectus of the Fund clearly states that the property of that Fund may include such units; and

18.1.2 Paragraph 19 is complied with.

## 19. **Investment in other group schemes**

19.1 Where:

19.1.1 An investment or disposal is made under paragraph 18; and

19.1.2 there is a charge in respect of such investment or disposal by the ACD of the Fund making the investment or disposal must pay the Fund the amounts referred to in 18.2 and 18.3 within four business days following the date of the agreement to invest or dispose.

19.2 When an investment is made, the amount referred to in 19.1.1 is either:

19.2.1 any amount by which the consideration paid by the Fund for the units in the Second Scheme exceeds the price that would have been paid for the benefit of the Second Scheme had the units been newly issued or sold by it; or

19.2.2 if such price cannot be ascertained by the ACD, the maximum amount of any charge permitted to be made by the seller of units in the Second Scheme;

19.3 When a disposal is made, the amount referred to in 19.1.1 is any charge made for the account of the authorised fund manager or operator of the Second Scheme or an associate of any of them in respect of the disposal.

19.4 In paragraphs 19.1 to 19.3 above:

19.4.1 any addition to or deduction from the consideration paid on the acquisition or disposal of units in the second scheme, which is applied for the benefit of the second scheme and is, or is like, a dilution levy made is to be treated as part of the price of the units and not as part of any charge; and

19.4.2 any switching charge made in respect of an exchange of units in one sub-fund or separate part of the second scheme for units in another sub-fund or separate part of that scheme is to be included as part of the consideration paid for the units.

## 20. **Investment in nil and partly paid securities**

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

## 20.2 **Derivatives: General**

- 20.2.1 Under the FCA Rules derivatives are permitted for UCITS schemes for investment purposes and derivative transactions may be used for the purposes of hedging or meeting the investment objectives or both. **The Global Brands Equity Income Fund and the US Advantage Fund currently intend to use their respective scheme property to invest in derivatives and forward transactions for investment purposes. Please see Section 4 for further information on the risks associated with using derivatives for investment purposes.**
- 20.2.2 **All of the Funds currently intend to use their respective scheme property to invest in derivatives and forward transactions under the COLL Sourcebook for the purposes of efficient portfolio management (“EPM”) techniques (as defined below), which is not expected to have a detrimental effect on the risk profile of the Funds.**
- 20.2.3 Permitted EPM transactions are transactions in derivatives (i.e. options, futures, forward transactions or contracts for differences) dealt in or traded on an eligible derivatives market; off-exchange options or contracts for differences resembling options; or synthetic futures in certain circumstances. A transaction must be economically appropriate for the reduction of relevant risks, the reduction of relevant costs and/or be entered into with the purpose of generating additional capital or income for a Fund with an acceptably low level of risk. Subject to the Rules, the Company may enter into futures and options transactions and forward currency transactions for the purposes of EPM. Futures and options transactions may be on or off exchange, in accordance with the Rules. Exposure must be and remain fully ‘covered’ individually and globally by cash or other property within the meaning of the Rules. EPM transactions that are not currently permitted are stock or commodities lending or borrowing transactions, repurchase and reverse repurchase transactions, buy-sell back or sell-buy back transactions and margin lending transactions (each within the meaning of, and under the conditions set out in, applicable laws and regulations issued from time to time, in particular, but not limited to, the Regulation on Transparency of Securities Financing Transactions (EU) 2015/2365).
- 20.2.4 A transaction in derivatives or a forward transaction must not be effected for a Fund unless the transaction is of a kind specified in paragraph 31 and the transaction is covered, as required by COLL 5.3.
- 20.2.5 Where a Fund invests in derivatives, the exposure to the underlying assets must not exceed the limits set out in paragraphs 14 and 16 except for index based derivatives provided the relevant index falls within paragraph 20.2.9.

- 20.2.6 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 section.
- 20.2.7 A transferable security or approved money-market instrument will embed a derivative if it contains a component which fulfils the following criteria:
- 20.2.7.1 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 stand-alone derivative;
  - 20.2.7.2 its economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract; and
  - 20.2.7.3 it has a significant impact on the risk profile and pricing of the transferable security or approved money-market instrument.
- 20.2.8 A transferable security or approved money-market instrument does not embed a derivative where it contains a component which is contractually transferable independently of the transferable security or approved money-market instrument. That component shall be deemed to be a separate instrument.
- 20.2.9 Where a Fund invests in an index based derivative, provided the relevant index falls within COLL 5.2.33R (Relevant Indices), the underlying constituents of the index do not have to be taken into account for the purposes of the paragraphs 14 and 16. The relaxation is subject to the ACD continuing to ensure that the property of the Funds provides a prudent spread of risk.

## 21. **Permitted transactions (derivatives and forwards)**

- 21.1.1 A transaction in a derivative must be in an approved derivative; or be one which complies with paragraph 34.
- 21.1.2 A transaction in a derivative must have the underlying consisting of any or all of the following to which the scheme is dedicated:
- 21.1.2.1 transferable securities,
  - 21.1.2.2 approved money market instruments,
  - 21.1.2.3 permitted deposits,

- 21.1.2.4 derivatives permitted under this paragraph,
  - 21.1.2.5 collective investment scheme,
  - 21.1.2.6 financial indices which satisfy the criteria set out in paragraph 31,
  - 21.1.2.7 interest rates,
  - 21.1.2.8 foreign exchange rates; and
  - 21.1.2.9 currencies.
- 21.1.3 A transaction in an approved derivative must be effected on or under the rules of an eligible derivatives market. A list of the current eligible derivatives markets for each Fund is set out in Appendix 1. Further derivatives markets may be added to the list following consultation with the Depositary in accordance with COLL.
- 21.1.4 A transaction in a derivative must not cause a Fund to diverge from its investment objectives as stated in the Instrument of Incorporation and the most recently published version of this Prospectus.
- 21.1.5 A transaction in a derivative must not be entered into if the intended effect is to create the potential for an uncovered sale of one or more, transferable securities, approved money-market instruments, units in collective investment schemes, or derivatives.
- 21.1.6 Any forward transaction must be with an Eligible Institution (as defined in the glossary of the FCA Handbook) or an Approved Bank (as defined in the glossary of the FCA Handbook).
- 21.1.7 A derivative includes an instrument which fulfils the following criteria:
- 21.1.7.1 it allows the transfer of the credit risk of the underlying independently from the other risks associated with that underlying;
  - 21.1.7.2 it does not result in the delivery or the transfer of assets other than those referred to in paragraph 3 including cash;
  - 21.1.7.3 in the case of an OTC derivative, it complies with the requirements in paragraph 35.
  - 21.1.7.4 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.

21.1.8 The scheme may not undertake transactions in derivatives on commodities.

## 22. **Total return swaps**

22.1 Total return swaps are agreements under which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the total return (including both the income it generates and any capital gains) of an underlying asset (for example, a commodity or stock market index). In this way, a party can gain the economic exposure of the underlying asset without actually owing that asset.

22.2 The specific types of total return swaps permitted in this section are swaps on options on equity securities and/ or indices.

22.3 The total return swaps permitted by this section may be exercised by the Global Brands Equity Income Fund only to gain exposure to options on equity securities and/ or indices. The other sub-funds are not permitted to use total return swaps, undertake stock or commodities lending or enter into borrowing transactions, or repurchase and reverse repurchase transactions, or buy-sell back or sell-buy back transactions, or margin lending transactions (each within the meaning of, and under the conditions set out in, applicable laws and regulations issued from time to time, in particular, but not limited to, the Regulation on Transparency of Securities Financing Transactions (EU) 2015/2365).

22.4 The ACD's derivatives policy states that both exchange traded derivatives and over-the-counter derivatives must be traded with approved counterparties.

22.4.1 New counterparties are approved after a review that covers the legal status of the proposed counterparty, an assessment of the operational risk and credit risk associated with that counterparty and any other material considerations and it must have the minimum required credit rating.

22.4.2 Trading must occur in approved derivative instruments and the arrangements must be governed by appropriate legal documentation.

22.5 The maximum proportion of the assets under management of the Global Brands Equity Income Fund that can be subject to total return swaps in equity securities and/ or indices is 250% on a notional basis.

22.6 The expected proportion of the assets under management of the Global Brands Equity Income Fund that can be subject to total return swaps in equity securities and/ or indices is less than 190% on a notional basis.

22.7 All revenues arising from total return swaps will be returned to the Global Brands Equity Income Fund, and the ACD does not take any fees or costs out of those revenues additional to its periodic charge on the Scheme Property of the Fund as set out in more detail above.

## 23. **Financial indices underlying derivatives**

23.1.1 The financial indices referred to in paragraph 21.1.2.6 are those which satisfy the following criteria:

23.1.1.1 the index is sufficiently diversified;

23.1.1.2 the index represents an adequate benchmark for the market to which it refers; and

23.1.1.3 the index is published in an appropriate manner.

23.1.2 A financial index is sufficiently diversified if:

23.1.2.1 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;

23.1.2.2 where it is composed of assets in which the scheme 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 section; and

23.1.2.3 where it is composed of assets in which the scheme 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 section 10.

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

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

23.1.3.2 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

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

23.1.4 A financial index is published in an appropriate manner if:

23.1.4.1 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

23.1.4.2 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.

23.1.5 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 21 be regarded as a combination of those underlyings.

24. **Transactions for the purchase of property**

A derivative or forward transaction which will or could lead to the delivery of property for the account of the Funds may be entered into only if that property can be held for the account of the Funds, 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.

25. **Requirement to cover sales**

No agreement by or on behalf of the Funds 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 the Funds by delivery of property or the assignment (or, in Scotland, assignation) of rights, and the property and rights above are owned by the Funds at the time of the agreement. This requirement does not apply to a deposit.

26. **OTC transactions in derivatives**

26.1.1 Any transaction in an OTC derivative under paragraph 21 must be:

26.1.1.1 with an approved counterparty; A counterparty to a transaction in derivatives is approved only if the counterparty is an Eligible Institution or an Approved Bank; or a person whose permission (including any requirements or limitations), as published in the FCA Register or whose Home State authorisation, permits it to enter into the transaction as principal off-exchange;

26.1.1.2 on approved terms; the terms of the transaction in derivatives are approved only if, the ACD carries out, at least daily, a reliable and verifiable valuation in respect of that transaction corresponding to its fair value and which does not rely only on market quotations by the counterparty; and can enter into one or more further transactions to sell, liquidate or close out that transaction at any time, at its fair value;

26.1.1.3 capable of reliable valuation; a transaction in derivatives is capable of reliable valuation 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: on the basis on the basis of an up-to-date market value which the ACD and the Depositary have agreed is reliable; or, if that value is not available, on the basis of a pricing model which the ACD and the Depositary have agreed uses an adequate recognised methodology; and

26.1.1.4 subject to verifiable valuation; a transaction in derivatives is subject to verifiable valuation only if, throughout the life of the derivative (if the transaction is entered into) verification of the valuation is carried out by 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 a department within the ACD which is independent from the department in charge of managing the scheme property and which is adequately equipped for such a purpose.

26.1.2 For the purposes of 31.1.1.2, "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.

26.2 The eligible derivatives markets for the Funds are set out in Appendix 1.

26.3 The use of derivatives for EPM is not intended for speculative purposes.

## 27. **Valuation of OTC derivatives**

27.1 For the purposes of clause 26, the ACD must:

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

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

27.2 Where the arrangements and procedures referred to above involve the performance of certain activities by third parties, the ACD must comply with the requirements in SYSC 8.1.13R (Additional requirements for a management company) and COLL 6.6A.4R(4) to (6) (Due diligence requirements of AFMs of UCITS schemes).

The arrangements and procedures referred to above must be:

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

27.2.2 adequately documented.

## 28. **Risk Management**

28.1 The ACD uses a risk management process in accordance with COLL 6.12, as reviewed by the Depositary and filed with the FCA, enabling it to monitor and measure at any time the risk of the Funds' positions and their contribution to the overall risk profile of the Fund.

28.2 The following details of the risk management process must be regularly notified to the FCA by the ACD in advance of the use of the process as above, and at least on an annual basis:

28.2.1 a true and fair view of the types of derivatives and forwards to be used within a Fund together with their underlying risks and any relevant quantitative limits; and

28.2.2 the methods for estimating risks in derivatives and forwards.

The ACD must notify the FCA in advance of any material alteration to the details in 28.2.1 and 28.2.2 above.

## 29. **Investment in deposits**

29.1 A Fund may invest in deposits if it:

29.1.1 is with an approved bank;

29.1.2 is;

29.1.2.1 repayable on demand; or

29.1.2.2 has the right to be withdrawn; and

29.1.2.3 matures in no more than 12 months.

## 30. **Calculation of global exposure**

30.1 The ACD must calculate the global exposure of a Fund on at least a daily basis. The ACD must calculate the global exposure of any Funds either as:

30.1.1 the incremental exposure and leverage generated through the use of derivatives and forward transactions (including imbedded derivatives as referred to in the section above at clause 20.2 which may not exceed 100% of the net value of the Fund's property; or

30.1.2 the market risk of the Fund.

30.2 For the purposes of this section 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.

30.3 The ACD must calculate the global exposure of a Fund by using:

30.3.1 the commitment approach; or

- 30.3.2 the value at risk approach.
- 30.4 The ACD must ensure that the method selected above is appropriate, taking into account:
  - 30.4.1 the investment strategy pursued by the Fund;
  - 30.4.2 types and complexities of the derivatives and forward transactions used; and
  - 30.4.3 the proportion of the Fund's property comprising derivatives and forward transactions.
- 30.5 Where a Fund employs techniques and instruments including repo contracts or stock lending transactions in accordance with clause 31 in order to generate additional leverage or exposure to market risk, the ACD must take those transactions into consideration when calculating global exposure.

## 31. **Stocklending**

- 31.1 As an extension of EPM explained above, the Company or the Depositary at the request of the Company, may enter into certain stocklending arrangements or repurchase agreements in respect of the Funds. Permitted stocklending may be exercised by the Funds when it reasonably appears to the Company or to the ACD to be appropriate to do so with a view to generating additional income for the Funds with an acceptable degree of risk. Such arrangements are those where the Company or the Depositary delivers securities to a third party in return for which it is agreed that those securities or securities of the same kind and amount should be redelivered to the Company or the Depositary at a later date. The Company or the Depositary at the time of delivery receives collateral to cover against the risk of the future redelivery not being completed. There is no limit on the value of the property of the Company which may be the subject of stocklending arrangements. Revenue from stocklending arrangements is returned to the relevant Fund and this may be net of direct or indirect operational fees and costs incurred in relation to such arrangements.
- 31.2 Such arrangements must always comply with the requirements of the Taxation of Chargeable Gains Act 1992 and the requirements of the COLL Sourcebook and the Guidance on Stocklending issued by the FCA as amended from time to time. The Funds do not currently use stock lending arrangements.

## 32. **Cash and Near Cash**

- 32.1 Cash and near cash must not be retained except to the extent that this may reasonably be regarded as necessary in order to enable:
  - 32.1.1 pursuit of the Funds investment objectives (at present none of the Funds are permitted to use cash or near cash for the pursuit of their investment objectives); or
  - 32.1.2 the redemption of Shares; or

32.1.3 efficient management of the Funds in accordance with their investment objectives; or

32.1.4 other purposes which may reasonably be regarded as ancillary to the investment objectives of the Funds.

### 33. **Borrowings**

33.1 The Company may borrow money for each Fund repayable out of its scheme property in accordance with the Rules.

33.2 The ACD must ensure that the borrowing of the Company is on a temporary basis and not persistent, and in particular must ensure that no period of borrowing exceeds three months without the prior consent of the Depositary (who may give such consent only on conditions which appear to the Depositary to ensure that the borrowing does not cease to be temporary). The ACD must also ensure that borrowing by each Fund does not exceed 10% of the value of the Fund. However, this 10% limit does not apply in the case of back-to-back borrowing for currency hedging purposes entered into in the context of efficient portfolio management in accordance with the Rules.

### 34. **Significant influence**

34.1 The Company must not acquire 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:

34.1.1 immediately before the acquisition, the aggregate of any such securities held by the Company gives the Company power significantly to influence the conduct of business of that body corporate; or

34.1.2 the acquisition gives the Company that power.

34.2 For the purposes of paragraph 34.1, the Company is to be taken to have power significantly to influence the conduct of business of a body corporate if it can, because of the transferable securities held by it, exercise or control the exercise of 20% or more of the voting rights in that body corporate (disregarding for this purpose any temporary suspension of voting rights in respect of the transferable securities of that body corporate).

### 35. **Concentration**

The Company:

35.1 must not acquire transferable securities other than debt securities which:

35.1.1 do not carry a right to vote on any matter at a general meeting of the body corporate that issued them; and

35.1.2 represent more than 10% of these securities issued by that body corporate;

- 35.2 must not acquire more than 10% of the debt securities issued by any single issuing body;
- 35.3 must not acquire more than 25% of the units in a collective investment scheme;
- 35.4 must not acquire more than 10% of the approved money market instruments issued by any single body; and
- 35.5 need not comply with the limits in paragraphs 35.2, 35.3 and 35.4 if, at the time of the acquisition, the net amount in issue of the relevant investment cannot be calculated.

## 36. **General**

- 36.1 It is envisaged that the Company will normally be fully invested but there may be times that it is appropriate not to be fully invested when the ACD reasonably regards this as necessary in order to enable the redemption of units, efficient management of the Company or any one purpose which may reasonably be regarded as ancillary to the investment objectives of the Company.
- 36.2 Where the Company invests in or disposes of units or shares in another collective investment scheme which is managed or operated by the ACD or an associate of the ACD, the ACD must pay to the Company by the close of business on the fourth business day the amount of any preliminary charge in respect of a purchase, and in the case of a sale, any charge made for the disposal.
- 36.3 A potential breach of any of these limits does not prevent the exercise of rights conferred by investments held by the Company but, in the event of a consequent breach, the ACD must then take such steps as are necessary to restore compliance with the investment limits as soon as practicable having regard to the interests of Shareholders.

## 37. **Underwriting**

Underwriting and sub underwriting contracts and placings may also, subject to certain conditions set out in the COLL Sourcebook, be entered into for the account of the Company.

## **Section 4 – Risk Factors**

This Section of the Prospectus explains the risks that apply to the Funds – investors must read these risk considerations before investing in any of the Company’s Funds.

The risk factors set out in General Risk Factors may apply to all of the Company’s Funds. The table below sets out which of the risk factors set out in Section Specific Risk Factors apply to the Company’s Funds.

### **4.1. General Risk Factors**

#### **General Risk**

Past performance is not a guide to future performance and the Funds should be regarded as medium to long-term investments. Investments in Funds are subject to market fluctuations and other risks inherent to investing in securities and other financial instruments. The price of the Shares can go down as well as up. An investor may not get back the amount he has invested, particularly if Shares are redeemed soon after they are issued.

#### **Investment Objective**

There is no guarantee or representation that the investment objective of the Company or a Fund will be achieved. Depending on market conditions and the macroeconomic environment, it may become more difficult or even impossible to achieve investment objectives.

#### **Market Risk**

Investors may experience losses due to changes in the level of one or more market prices, rates, indices, or other market factors. Market risk cannot be eliminated through diversification, though it can be hedged against. Sources of market risk include, but are not limited to, recessions, political turmoil, changes in monetary policies, etc.

#### **Currency Risk**

The Funds may invest in investments denominated in a number of different currencies other than the base currency in which the Funds are denominated. Changes in foreign currency exchange rates between the base currency and the currency in which the investments are denominated will cause the value of the investments expressed in the base currency to differ.

Funds that have the ability to invest in overseas assets may be subject to currency volatility including currency devaluation. Currency movements may impact the value of the Fund’s assets. The Funds may use derivatives to reduce this risk. However, certain market conditions may make it impossible or uneconomical to hedge against currency risk. The Company may in its discretion choose not to hedge against currency risk within the Funds.

#### **Liquidity Risk**

Liquidity risk exists when some of the Funds' investments may be difficult to sell due to unforeseen economic or market conditions, such as the deterioration in the creditworthiness of an issuer. In case of a large redemption request, the Funds may consequently not be able to sell certain assets to meet the redemption requirement or may not be able to sell certain assets at levels close to current valuation price.

### **Counterparty Risk**

The Funds may enter into transactions with counterparties (which could be a company, government or other institution), thereby exposing them to the counterparties' creditworthiness and their ability to perform and fulfil their financial obligations. There exists a risk that the obligation of such counterparties will not be satisfied. This risk may arise at any time the Funds' assets are deposited, extended, committed, invested or otherwise exposed through actual or implied contractual agreements. The weaker the financial strength of a counterparty, the greater the risk of that party failing to satisfy its obligations. The Net Asset Value of the Funds could be affected by any actual or anticipated breach of the party's obligations, while the income of the Fund would be affected only by an actual failure to pay, which is known as a default.

In addition, the Funds may enter into contracts with service providers and other third party contractors (the "Service Providers"). This risk means that in certain circumstances (including but not limited to force majeure events) the Service Providers may not be able to perform or fulfil their contractual obligations to the Funds. This could result in periods where the normal trading activity of the Funds may be affected or disrupted.

### **Custody Risk**

The Assets of the Company are entrusted to the Custodian for safekeeping and are identified in the Custodian's books as belonging to the Company. Securities held by the Custodian are segregated from other assets of the Custodian which mitigates but does not exclude the risk of non-restitution in case of bankruptcy of the Custodian. However, no such segregation applies to cash which increases the risk of non-restitution in case of bankruptcy.

The Custodian may not keep all the assets of the Company itself but may use a network of sub-custodians which are not always part of the same group of companies as the Custodian. Investors are exposed to the risk of bankruptcy of the sub-custodians in the same manner as they are to the risk of bankruptcy of the Custodian.

The Funds may invest in markets where custodial and/or settlement systems are not fully developed. The assets of the Funds that are traded in such markets and which have been entrusted to such sub-custodians may be exposed to risk in circumstances where the Custodian will have no liability.

### **Inflation/Deflation Risk**

Inflation risk refers to the possibility of a reduction in the value of the income or assets as inflation decreases the value of money. The real value of a Fund's portfolio could decline as inflation increases. Deflation risk is the risk that prices throughout the economy may decline over time. Deflation may have an adverse effect on the

creditworthiness of issuers and may make issuer default more likely, which may result in a decline in the value of a Fund's portfolio.

### **Regulatory Risk**

The Funds are domiciled in the United Kingdom and investors should note that all the regulatory protections provided by their local regulatory authorities may not apply. Additionally, some of the Funds may be registered in non-EU jurisdictions and, as a result, may be subject, without any notice to the Shareholders in the Funds concerned, to more restrictive regulatory regimes. In such cases the Funds will abide by these more restrictive requirements. This may prevent the Funds from making the fullest possible use of the investment limits.

In addition, accounting, auditing and financial reporting standards in some of the countries in which the Funds may invest may be lower than those applicable in other more developed countries and investment decisions may be required to be made on less complete information than is customarily available.

Regulators are authorised to take extraordinary actions in the event of market emergencies. The effect of any future regulatory action on the Funds could be substantial and adverse.

### **MiFID II**

The EU's second Markets in Financial Instruments Directive ("MiFID II"), laws and regulations introduced by Member States of the EU to implement MiFID II, and the EU's Markets in Financial Instruments Regulation ("MiFIR"), which will come into force on 3 January 2018, will impose new regulatory obligations and costs on the ACD and the Investment Manager. This may have a negative impact on the ACD, the Investment Manager, the Sub-Investment Manager, the Company and/or the Funds.

In particular, MiFID II and MiFIR will require certain standardised OTC derivatives to be executed on regulated trading venues. The overall impact of MiFID II and MiFIR on the Company and the Funds is highly uncertain and it is unclear how the OTC derivatives markets will adapt to these new regulatory regimes.

MiFID II and MiFIR will introduce for the first time within the EU position limit and position reporting requirements in relation to certain commodity derivatives. The precise implication and scope of these requirements is not yet known, as the implementation measures are not yet finalised. However, it is likely that these measures will impose restrictions on the positions that the Company and the ACD on behalf of all accounts owned or managed by it may hold in certain commodity derivatives and will require the ACD to more actively monitor such positions. If the Company's and/or the ACD's positions reach the position limit thresholds, the ACD will be required to reduce those positions in order to comply with such limits.

In addition, MiFID II introduces wider transparency regimes in respect of trading on EU trading venues and with EU counterparties. MiFID II extends the pre- and post-trade transparency regimes from equities traded on a regulated market to cover equity-like instruments such as Depositary Receipts, Exchange-Traded Funds and certificates that are traded on regulated trading venues as well as to cover non-equities such as bonds,

structured finance products, emission allowances and derivatives. The increased transparency regime under MiFID II, together with the restrictions on the use of “dark pools” and other trading venues, will mean a wealth of new information relating to price discovery becoming available. Such increased transparency and price discovery may have macro effects on trading globally, which may have an adverse effect on the Net Asset Value.

## **Share Classes**

### *Suspension of Share Class Dealing*

Investors are reminded that in certain circumstances their right to redeem or switch Shares may be suspended (see sections Selling Shares and Exchanging Shares).

### *Cancellation*

Investors entitled to cancellation rights and returning their cancellation notice may not receive the full amount invested, if the share price has fallen between the date of investment and the date of the cancellation notice being received.

## **Taxation**

Investors should note that the proceeds from the sale of securities in some markets or the receipt of any dividends or other income may be or may become subject to withholding or other taxes imposed by the authorities in that market. Tax and law practice in certain countries into which a Fund invests or may invest in the future may not be clearly established, may be subject to change or may be subject to change with retrospective effect. It is possible therefore that the Funds could become subject to additional taxation in such countries that is not anticipated either at the date of the Prospectus or when investments are made, valued or disposed of.

### *Individual Savings Account*

For holders of Shares investing through an Individual Savings Account (ISA), the value of any tax advantage will depend on individual circumstances. This favourable tax treatment may not be maintained and may be subject to future government legislation.

## **Potential Conflicts of Interest**

The ACD, the Investment Manager and other affiliates may effect transactions in which they have, directly or indirectly, an interest which may involve a potential conflict with the ACD’s duty to the Company. Neither the ACD nor the Investment Manager(s) nor other affiliates shall be liable to account to the Company for any profit, commission or remuneration made or received from or by reason of such transactions or any connected transactions nor will the Investment Manager(s)’s fees, unless otherwise provided, be adjusted. The ACD and the Investment Manager(s) will ensure that such transactions are effected on terms which are not less favourable to the Company than if the potential conflict had not existed. Such potential conflicting or duties may arise because the ACD or the Investment Manager(s) may have invested directly or indirectly in the Company. More specifically, the ACD, under the organisational and conduct rules applicable to it, must take all appropriate steps to identify and to prevent or manage conflicts of interest.

**Cyber Security**

The Funds and their service providers are susceptible to cyber security risks that include, among other things, theft, unauthorized monitoring, release, misuse, loss, destruction or corruption of confidential and highly restricted data; denial of service attacks; unauthorized access to relevant systems, compromises to networks or devices that the Funds and their service providers use to service the Funds’ operations; or operational disruption or failures in the physical infrastructure or operating systems that support the Funds and their service providers. Cyber-attacks against or security breakdowns of the Funds or their service providers may adversely impact the Funds and their shareholders, potentially resulting in, among other things, financial losses; the inability of Funds’ shareholders to transact business and the Funds to process transactions; inability to calculate the Funds’ NAV; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs; and/or additional compliance costs. The Funds may incur additional costs for cyber security risk management and remediation purposes. In addition, cyber security risks may also impact issuers of securities in which the Funds invest, which may cause the Funds’ investments in such issuers to lose value. There can be no assurance that the Funds or their service providers will not suffer losses relating to cyber-attacks or other information security breaches in the future.

**4.2. Specific Risk Factors**

In addition to the general risks, as set out above, that should be considered for all Funds, there are other risks that investors should also bear in mind when considering investment into specific Funds. The table below shows which specific risk warnings apply to each of the Funds based on their respective investment objectives and policies. Investors’ attention is drawn to the fact that these risks will only arise in the event the Funds invest in the relative instruments as may be decided from time to time by the Investment Manager.

The specific risk factors that have been listed as relevant to a Fund in the table below are those identified as the material risks applicable to each of the Funds at the time of the issue of this Prospectus. Specific risk factors may apply to each Fund to varying degrees, and the exposure to specific risk factors will also vary over time. Additionally, risks may arise in the future which could not have been foreseen in advance. This Prospectus will be regularly updated to reflect any changes to the risk factors.

<b>Strategy</b>	Equity	Equity	Equity	Bond
<b>Fund Name</b>	Global Brands Fund	Global Brands Equity Income Fund	US Advantage Fund	Sterling Corporate Bond Fund
<b>Equity Risk</b>	✓	✓	✓	
<b>Fixed Interest Risk</b>	✓	✓	✓	✓

<b>Financial Derivative Instruments</b>	✓	✓	✓	✓
<b>EPM Techniques</b>	✓	✓	✓	✓
<b>Emerging Markets</b>	✓	✓	✓	
<b>High Yield</b>				✓
<b>ABS/MBS</b>				✓
<b>CoCos</b>				✓
<b>Investments in Mainland China</b>	✓	✓	✓	

## **Fixed Interest Risk**

Funds which invest in debt securities will be subject to interest rate and credit risk, and the additional risks associated with securities such as high-yield debt securities, asset backed securities or loans.

Debt securities are subject to the risk of an issuer's ability to meet principal and interest payments on the obligation (credit risk), and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (market risk). A Fund may invest in debt securities which are interest rate sensitive. An increase in interest rates will generally reduce the value of debt securities, while a decline in interest rates will generally increase the value of debt securities. The performance of such Funds will therefore depend in part on the ability to anticipate and respond to such fluctuations on market interest rates, and to utilise appropriate strategies to maximise returns, while attempting to minimise the associated risks to investment capital.

### *Interest Rate Risk*

The values of debt securities held by the Funds will vary with changes in interest rates and such variation may affect Share prices accordingly. The value of debt securities will generally increase when interest rates fall and decrease when interest rates rise. Debt securities with greater interest rate sensitivity and longer maturities are usually subject to greater fluctuations in value in response to interest rate changes.

### *Credit Risk*

Funds which invest in debt securities are subject to the risk that an issuer will fail to make timely payments of interest and principal. Issuers with higher credit risk typically offer higher yields for this added risk. Conversely, issuers with lower credit risk typically offer lower yields. Generally, government securities are considered to be the safest in terms of credit risk, while corporate debt, especially those with poorer credit ratings, have the highest credit risk. Changes in the financial condition of an issuer, changes in economic and political conditions in general, or changes in economic and political conditions specific to an issuer, are all factors that may have an adverse impact on an issuer's credit quality and security values.

### *High Yield Securities*

Funds may invest in higher yielding debt securities which are subject to greater credit and market risk than lower yielding securities. Generally, lower rated securities pay higher yields than more highly rated securities to compensate investors for the higher risk. Such securities are subject to the risk of an issuer's inability to meet principal and interest payments on its obligations (credit risk) and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity and as a result may be less liquid than lower yielding securities.

### *Downgrading Risk*

The credit ratings given to debt securities may be subject to changes. The downgrading of a rated debt security could decrease the value and liquidity of the security, particularly in a thinly traded market, and also increase the price volatility. The Company may continue to invest in securities that are downgraded after purchase.

### *Non-Investment Grade Securities*

Non-investment grade securities have a lower credit rating than investment grade securities or are unrated and are generally considered to have a higher credit risk than more highly rated securities. In addition, non-investment grade securities tend to be more volatile than higher rated securities, so that adverse economic events may have a greater impact on the prices of non-investment grade securities than on higher rated securities. The market for securities which are rated below investment grade, have a lower credit rating or are unrated generally has lower liquidity and is less active than that for higher rated securities and a Fund's ability to liquidate its holdings in response to changes in the economy or the financial markets may be further limited by such factors as adverse publicity and investor perceptions. Certain Funds may invest in securities rated below investment grade.

### *Unrated Securities*

Some Funds may invest in securities that are not rated. As they are unrated these securities may be subject to greater price volatility and Funds investing in these securities must rely on the Investment Manager(s)' credit assessment of such securities and are in particular subject to a high credit risk.

### *Sovereign Debt*

Certain countries and government entities rely more heavily than others upon foreign investment and the international markets for funding. Investment in sovereign debt issued or guaranteed by such countries or government entities involves a high degree of risk as the issuing entity may be unable or unwilling to repay the principal or interest when due in accordance with the terms of the debt. As a result, there may be a risk that the issuing entity will reschedule repayment or default on the debt.

### *Asset-Backed Securities*

Some Funds may invest in Asset-Backed Securities (ABS) which are debt securities backed or collateralised by the income stream from an underlying pool of assets such as credit cards, automobile loans, student loans, small business loans, mortgages and receivables. An ABS may be usually issued in a number of different tranches, or classes, with varying characteristics depending on the riskiness of the underlying assets assessed by reference to their credit quality and term and can be issued at a fixed or a floating rate.

The higher the risk contained in the tranche, the more the ABS is likely to have to pay by way of income. The obligations associated with these securities may be subject to greater credit, liquidity and interest rate risk compared to other debt securities. ABS are often exposed to extension risk (where obligations on the underlying assets are not paid on

time) and prepayment risks (where obligations on the underlying assets are paid earlier than expected), these risks may have a substantial impact on the timing and size of the cash flows paid by the securities and may negatively impact the returns of the securities. The average life of each individual security may be affected by a large number of factors such as the existence and frequency of exercise of any optional redemption and mandatory prepayment, the prevailing level of interest rates, the actual default rate of the underlying assets, the timing of recoveries and the level of rotation in the underlying assets.

### *Mortgage-Backed Securities*

Some Funds may invest in Mortgage-Backed Securities (MBS) which are debt securities backed or collateralised by the income stream from an underlying pool of commercial and/or residential mortgages. This type of security is commonly used to redirect the interest and principal payments from the pool of mortgages to investors. An MBS may be issued in a number of different tranches, or classes, with varying characteristics depending on the riskiness of the underlying mortgages assessed by reference to their credit quality and term and can be issued at a fixed or a floating rate. The higher the risk contained in the tranche, the more the MBS pays by way of income. MBS may be subject to prepayment risk which is the risk that, in a period of falling interest rates, borrowers may refinance or otherwise repay principal on their mortgages earlier than scheduled. When this happens, certain types of MBS will be paid off more quickly than originally anticipated and the Funds will have to invest the proceeds in securities with lower yields. MBS may also be subject to extension risk, which is, the risk that, in a period of rising interest rates, certain types of MBS will be paid off more slowly than originally anticipated and the value of these securities will fall. As a result, the average duration of the Funds' portfolios may increase. The value of longer-term securities generally changes more in response to changes in interest rates than that of shorter-term securities. Because of prepayment risk and extension risk, MBS may react differently to changes in interest rates than other debt securities. Small movements in interest rates (both increases and decreases) may quickly and significantly reduce the value of certain MBS. In some circumstances investments in MBS may become less liquid and in the case of a large redemption or change in market liquidity the Investment Manager may not be able to sell the securities to meet the redemption requirement or may only be able to sell the securities at a price which negatively affects the Funds' Net Asset Value. In addition, the market price for MBS may be volatile.

### *Non-Agency Mortgage Backed Securities*

Non-agency Mortgage Backed Securities are MBS issued by private institutions. These securities have no credit guarantee other than the quality of the loans behind them, and any other structural credit protection provided by the terms of the bond deal they belong to. Investing in non-agency mortgage-backed securities generally entails credit, prepayment, extension, liquidity and default risk.

### *Convertible Bonds*

Convertible bonds are subject to a number of risks including risk arising from both debt and equity securities, and to convertible securities specific risks. Convertible bond valuations are sensitive to macro-economic risk, interest rate risk, spread risk, default

risk, and equity risk. In addition, convertible bonds issuers may be downgraded. In certain market conditions convertible bonds may be less liquid than other asset classes.

#### Contingent Convertible Debt Securities

##### *Characteristics of the contingent convertible debt securities*

Certain Funds may invest in contingent convertible debt securities which are debt securities that may pay an attractive coupon and which may be converted into equity securities or suffer capital losses by decreasing the face value if pre-specified events occur ("trigger events"), depending in particular of the capital ratio levels of the issuer of such contingent convertible debt securities ("trigger levels"). Contingent convertible debt securities may be issued as perpetual instruments which may (or may not) be called at pre-determined date.

##### *Specific risks associated with the related contingent convertible debt securities*

Trigger levels and conversion risks: contingent convertible debt securities are complex financial instruments in respect of which, trigger levels (and thus exposure to conversion risk) differ widely. In particular, conversion may cause the value of the investment to fail significantly and irreversibly, and in some cases even to zero.

Unknown and yield related risks: contingent convertible debt securities are also innovative financial instruments and their behaviour under a stressed financial environment is thus unknown. This increases uncertainty in the valuation of contingent convertible debt securities and the risks of potential price contagion, as well as the volatility and also the liquidity risks of the entire contingent convertible securities asset class. In certain circumstances finding a ready buyer for contingent convertible bonds may be difficult and the seller may have to accept a significant discount to the expected value of the bond in order to sell it. Furthermore, because of the often attractive yield of contingent convertible debt securities, it still remains unclear whether holders of contingent convertible debt securities have fully considered the underlying risks of these instruments.

Write-down and capital structure inversion risks: the investment in contingent convertible debt securities may also result in material losses to the relevant Fund as the debt security may suffer capital market loss by decreasing the face value ("write-down") on the occurrence of certain trigger events. In this event, holders of contingent convertible debt securities will suffer losses ahead of holders of equity securities issued by the same issuer, contrary to the classic order of capital structure hierarchy where equity holders are expected to suffer the loss before debt holders.

Call extension risk: as contingent convertible debt securities may be perpetual instruments which may not be called on the predefined call date and investors may not receive return of principal on the call date or at any date.

Coupon cancellation risk: In addition, some contingent convertible debt securities are also subject to the risk of discretionary cancellation of coupon payments by the issuer at any point, for any reason, and for any length of time.

#### **Equity Risk**

Funds which invest in equity securities are subject to the volatility of the capital markets on which these securities are traded and may incur significant losses. The price of equities can be influenced by many factors at the individual company level, as well as by broader economic and political developments, including trends in economic growth, inflation and interest rates, corporate earnings reports, demographic trends and catastrophic events.

#### *Depositary Receipts*

Depositary receipts (ADRs, GDRs and EDRs) are instruments that represent shares in companies trading outside the markets in which the depositary receipts are traded. Accordingly whilst the depositary receipts are traded on Recognised Exchanges, there may be other risks associated with such instruments to consider- for example the shares underlying the instruments may be subject to political, inflationary, exchange rate or custody risks.

#### *Small and mid-sized companies*

The stock prices of small and mid-sized companies tend to be more volatile than the stock prices of larger companies. Smaller companies may have limited resources and product ranges and therefore may be more sensitive to changes in market conditions. The stocks of smaller companies are traded less frequently and in lower volumes than those of larger companies and this may contribute to greater stock price volatility.

#### *Participation Notes*

Equity funds may generate exposure to certain equity securities in certain countries by purchasing a participation note. A participation note, while generating the desired equity security exposure, adds counterparty risk exposure to the issuer of the participation note.

### **Financial Derivative Instruments**

Some Funds may, in accordance with their investment policy, invest in financial derivative instruments including but not limited to European and American options including single security, currency, basket and index calls and puts; single security, equity index and volatility futures; interest rate, Eurodollar and treasury futures; contract for differences (CFDs); single currency swaps; credit default swaps; interest rate swaps; Consumer Price Index (CPI) swaps, total return swaps, structured notes, warrants, currency forwards and participatory notes.

While the prudent use of derivatives may be beneficial, derivatives also involve risks different from, and, in certain cases, greater than, the risks presented by more traditional investments. If so provided in its investment policy, a Fund may engage various investment strategies with a view to reducing certain of its risks and/or enhancing return. These strategies may include the use of derivative instruments such as options, warrants, swaps and/or futures. Such strategies may be unsuccessful and incur losses for the Fund.

Derivatives also involve specific risks. These risks relate specifically to market risks, management risk, counterparty risk, liquidity risk, the risk of mispricing or improper

valuation of derivatives and the risk that derivatives may not correlate perfectly with underlying assets, interest rates and indices.

The following is a general discussion of important risk factors and issues concerning the use of derivatives that investors should understand before investing in a Fund.

#### *Market Risk*

This is a general risk that applies to all investments, including derivatives, meaning that the value of a particular derivative may go down as well as up in response to changes in market factors. A Fund may also use derivatives to gain or short exposure to some investments. In extreme market conditions the use of derivatives may, theoretically, give rise to unlimited losses for the Fund. However, an investor's loss is always limited to the amount invested in the Fund. Should such extreme market conditions occur, investors could, in certain circumstances, therefore face minimal or no returns, or may even suffer a loss on their investment in that particular Fund.

#### *Liquidity Risk*

Liquidity risk exists when a particular instrument is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid, it may not be possible to initiate a transaction or liquidate a position at an advantageous price (however, the Company will only enter into OTC derivatives if it is allowed to liquidate such transactions at any time at fair value).

#### *Counterparty Risk*

The Funds may enter into transactions in OTC markets, which will expose the Funds to the credit of their counterparties and their ability to satisfy the terms of such contracts. In the event of a bankruptcy or insolvency of a counterparty, the Funds could experience delays in liquidating the position and significant losses, including declines in the value of its investment during the period in which the Company seeks to enforce its rights, inability to realise any gains on its investment during such period and fees and expenses incurred in enforcing its rights. There is also a possibility that the above agreements and derivative transactions may be terminated due, for instance, to bankruptcy, supervening illegality or change in the tax or accounting laws relative to those at the time the agreement was originated. However this risk is limited in view of the investment restrictions laid down in Section 3 - "Derivatives and efficient portfolio management techniques" of Appendix A - Investment Powers and Restrictions.

#### *Counterparty Replacement Risk*

The Global Brands Equity Income Fund is expected to take exposure via a swap on options on equity securities and/or indices. This swap is highly customised and gaining this exposure is dependent on the availability of a counterparty. This Fund intends to use Morgan Stanley International Plc, a company affiliated to the Investment Adviser, as a counterparty to the swap. If Morgan Stanley International Plc is unable to continue as counterparty to the swap, the Fund may be unable to contract with another counterparty for an equivalent swap. This may mean that the Fund is unable to implement its investment strategy fully and, in particular, the income enhancement component of the strategy may be affected resulting in a reduction of income. This may also mean that the

Fund cannot meet its investment objective to deliver regular income. Please see paragraph 15.7 for detail on the selection of counterparties by the ACD.

#### *Leverage Risk*

Derivative instruments allow the Fund to gain a larger exposure to asset values than the amount the Fund invests. As a result, losses on derivative instruments can exceed the amount invested in them which may significantly reduce the value of the Fund as a whole.

#### *Other Risks*

Other risks in using derivatives include the risk of differing valuations of derivatives arising out of different permitted valuation methods and the inability of derivatives to correlate perfectly with underlying securities, rates and indices. Many derivatives, in particular OTC derivatives, are complex and often valued subjectively and the valuation can only be provided by a limited number of market professionals who often are acting as counterparties to the transaction to be valued. The ACD will seek to obtain independent valuations for OTC derivatives in order to limit this risk.

Derivatives do not always perfectly or even highly correlate to or track the value of the securities, rates or indices they are designed to track. Consequently, a Fund's use of derivative techniques may not always be an effective means of following a Fund's investment objective. In cases where derivatives are being used to hedge risk, it is possible that the offsetting investments will not experience price changes that are perfectly inversely correlated. As a result, hedged portfolios may be exposed to basis risk – the risk that the portfolio will realize excess gains or losses in the execution of the hedging strategy.

#### *Risks associated with OTC Derivatives*

An OTC derivative is a derivative instrument which is not listed and traded on a formal exchange such as FTSE or NYSE but is traded by counterparties who negotiate directly with one another over computer networks and by telephone. The counterparty risk on any transaction involving OTC derivative instruments may not exceed 10% of the assets of a Fund when the counterparty is a credit institution domiciled in the EU or in a country where the FCA considers that supervisory regulations are equivalent to those prevailing in the EU. This limit is set at 5% in any other case.

The ACD ensures that appropriate risk monitoring is in place for any OTC transactions.

#### *Risks associated with the Control and Monitoring of Derivatives*

Derivative products are highly specialised instruments that require investment techniques and risk analysis different from those associated with equity and debt Securities. The use of derivative techniques requires an understanding not only of the underlying assets of the derivative but also of the derivative itself, without the benefit of observing the performance of the derivative under all possible market conditions.

In particular, the use and complexity of derivatives require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a

derivative adds to a Fund and the ability to forecast the relative price, interest rate or currency rate movements correctly.

There is no guarantee that a particular forecast will be correct or that an investment strategy which deploys derivatives will be successful.

## **Warrants**

Certain Funds may invest in equity linked securities or equity linked instruments such as warrants. The gearing effect of investment in warrants and the volatility of warrant prices make the risk attached to the investment in warrants higher than in the case with investment in equities.

## **Investment Funds**

### *Open-ended and Closed-end Collective Investment Vehicles*

Some Funds may invest in other collective investment vehicles. By investing in collective investment vehicles indirectly through the Fund, the investor will bear not only his proportionate share of the management fee of the Fund, but also indirectly, the management and administration expenses of the underlying collective investment vehicles.

In the case of investment in closed-end investment vehicles, shares may at times be acquired only at market prices representing premiums to their net asset values or disposed of at market prices representing discounts to their net asset value. Shares of such closed-end collective investment vehicles will be valued at their last available stock market value.

Collective investment vehicles established in different jurisdictions may not always provide an equivalent level of protection. This may expose the Funds investing in them to additional risks, for instance, less frequent opportunities for disposal, delayed payment or non-receipt of settlement monies, or less protective judicial structures.

### *Investment in Third Party Funds*

Certain Funds may invest in shares of collective investment schemes including Exchange Traded Funds, Closed Ended Funds and UCITS funds – collectively, underlying funds. These Funds may be advised or sub-advised by the Investment Manager, an affiliate adviser or by an unaffiliated adviser. The ability of a Fund which invests in shares of an underlying fund or funds to achieve its investment objective may be directly related to the ability of the underlying funds to meet their investment objectives. Funds which invest in underlying funds will be exposed to the risks to which the underlying funds are exposed. These risks may include liquidity risk where the ability of the Fund to meet the liquidity requirements of its investment is directly linked to the ability of the underlying funds to meet their liquidity requirements.

## **Emerging Markets, Frontier Markets and other non-developed markets**

In certain countries, there is the possibility of expropriation of assets, confiscatory taxation, political or social instability or diplomatic developments which could affect

investment in those countries. There may be less publicly available information about certain financial instruments than some investors would find customary and entities in some countries may not be subject to accounting, auditing and financial reporting standards and requirements comparable to those to which certain investors may be accustomed. Certain financial markets, while generally growing in volume, have, for the most part, substantially less volume than more developed markets, and securities of many companies may be less liquid and their prices more volatile than securities of comparable companies in more sizeable markets. There are also varying levels of government supervision and regulation of exchanges, financial institutions and issuers in various countries. In addition, the manner in which foreign investors may invest in securities in certain countries, as well as limitations on such investments, may affect the investment operations of certain of the Funds.

Settlement systems in Emerging Markets, Frontier Markets and other non-developed markets may be less well organised than in developed markets. Thus there may be a risk that settlement may be delayed and that cash or securities of the Funds may be in jeopardy because of failures of or defects in the systems. In particular, market practice may require that payment shall be made prior to receipt of the security which is being purchased, or that delivery of a security must be made before payment is received. In such cases, default by a broker or bank (the "Counterparty") through whom the relevant transaction is effected might result in a loss being suffered by Funds investing in non-developed market securities.

The Company will seek, where possible, to use Counterparties whose financial status is such that this risk is reduced. However, there can be no certainty that this risk will be successfully eliminated for the Funds, particularly as Counterparties operating in Emerging Markets, Frontier Markets and other non-developed markets frequently lack the substance or financial resources of those in developed countries.

There may also be a danger that, because of uncertainties in the operation of settlement systems in individual markets, competing claims may arise in respect of securities held by or to be transferred to the Funds. Furthermore, compensation schemes may be non-existent or limited or inadequate to meet the Company's claims in any of these events.

Investments in the Russian Federation are subject to certain heightened risks with regard to the ownership and custody of securities. In these countries the ownership is evidenced by entries in the books of a company or its registrar (which is neither an agent nor responsible to the Custodian). No certificates representing ownership of such companies will be held by the Custodian or any of its local correspondents or in an effective central depository system. As a result of this system and the lack of effective state regulation and enforcement, the Company could lose its registration and ownership of such securities through fraud, negligence or even mere oversight. However, in recognition of such risks, the relevant correspondent to the Custodian follows increased "due diligence" procedures. The correspondent has entered into agreements with company registrars and will only permit investment in those companies that have adequate registrar procedures in place. In addition, the settlement risk is minimised as the correspondent will not release cash until registrar extracts have been received and checked. In addition, debt securities in these countries have an increased custodial risk associated with them as such securities are, in accordance with market practice, held in custody with institutions

which may not have adequate insurance coverage to cover loss due to theft, destruction or default whilst such assets are in its custody.

Other risks could include, by way of example, controls on foreign investment and limitations on the repatriation of capital and the exchange of local currencies for global reserve currencies such as US\$, the impact on the economy as a result of religious or ethnic unrest.

In addition investments in India may be subject to the withdrawal or non-renewal of the Investment Manager's Foreign Institutional Investor licence.

### **Holdings Concentration**

Some Funds may invest in a relatively small number of investments. Concentrated portfolios may be more volatile than more diversified portfolios with a larger number of investments and may be more significantly impacted by a decline in the value or circumstance of any one stock, asset classes or sector.

### **Investments in China**

Certain Funds may invest in securities or instruments which have exposure to the Chinese market (where "**China**" or "**PRC**" mean the People's Republic of China (except where the context requires, and only for the purpose of the Prospectus, references to the "PRC" or "China" do not include Hong Kong, Macau and Taiwan)). The exposure may be obtained via Stock Connect. Other than risks involved in investments in emerging markets, as well as other risks of investments generally, as described in this section, which are applicable to investments in China, investors should also note the additional specific risks below.

#### *Investments in China A-Shares via Stock Connect*

Stock Connect (currently comprising of the Shanghai Stock Connect and the Shenzhen Stock Connect), is a securities trading and clearing linked program developed by the Hong Kong Exchanges and Clearing Limited ("**HKEX**"), the Shanghai Stock Exchange ("**SSE**"), the Shenzhen Stock Exchange ("**SZSE**") and ChinaClear with an aim to achieve mutual stock market access between the PRC and Hong Kong. The Shanghai Stock Connect and the Shenzhen Stock Connect are operated independently from each other, but are similar in respect to the fundamental principles, operational mechanism and regulatory framework.

The Stock Connect comprises a Northbound trading link and a Southbound trading link. Under the Northbound trading link, Hong Kong and overseas investors, such as the Company, through its Hong Kong brokers and a securities trading service company established by the Stock Exchange of Hong Kong Limited ("**SEHK**"), respectively in Shanghai (for trading under the Shanghai Stock Connect) and Shenzhen (for trading under the Shenzhen Stock Connect), may be able to trade certain eligible China A-Shares listed on the SSE/ SZSE by routing orders to SSE/ SZSE. Under the Southbound trading link, investors in the PRC will be able to trade certain stocks listed on the SEHK. Under a joint announcement issued by the Securities and Futures Commission ("**SFC**") and the China Securities Regulatory Commission ("**CSRC**") on 10 November 2014 the Shanghai

Stock Connect commenced trading on 17 November 2014. The Shenzhen Stock Connect commenced trading on 5 December 2016.

Under the Stock Connect, the Company, through its Hong Kong brokers may trade certain eligible shares listed on the SSE/ SZSE. As for trading on SSE, the eligible China A-Shares include all the constituent stocks from time to time of the SSE 180 Index and the SSE 380 Index, and all the SSE listed A-Shares that are not included as constituent stocks of the relevant indices but which have corresponding H-Shares listed on SEHK (companies that issue both A-Shares on SSE/SZSE and H-Shares on SEHK are referred to as "A+H Shares Companies"). As for trading on SZSE, the eligible China A-Shares include all constituent shares of the SZSE Constituent Index and the SZSE Small/Mid Cap Innovation Index issued by a company with a market capitalisation of RMB6 billion or above, and China A-Shares issued by A+H Shares Companies listed on SZSE. SSE/SZSE-listed shares which are not traded in Renminbi ("**RMB**") and SSE/SZSE-listed shares which are included in the "risk alert board" are explicitly excluded from the eligible shares under the Stock Connect. It is expected that the list of eligible securities will be subject to review and adjustment (in particular, the adjustment along with the changes of the constituent China A-Shares in the relevant indices).

The Hong Kong Securities Clearing Company Limited ("**HKSCC**"), a wholly-owned subsidiary of HKEX, and ChinaClear are responsible for the clearing, settlement and the provision of depository, nominee and other related services of the trades executed by their respective market participants and investors. The China A-Shares traded through Stock Connect are issued in scripless form, and investors will not hold any physical China A-Shares.

Although HKSCC does not claim proprietary interests in the SSE/SZSE securities held in its omnibus stock account in ChinaClear, ChinaClear as the share registrar for SSE/SZSE listed companies will still treat HKSCC as one of the shareholders when it handles corporate actions in respect of such SSE/SZSE securities. Stock Connect trades are settled in RMB and investors must have timely access to a reliable supply of RMB in Hong Kong, which cannot be guaranteed.

In addition to paying trading fees, levies and stamp duties in connection with trading in China A-Shares, the Funds investing via Stock Connect may be subject to new fees arising from trading of China A-Shares via the Stock Connect which are yet to be determined and announced by the relevant authorities.

#### Liquidity and Volatility Risk

The existence of a liquid trading market for China A-Shares may depend on whether there is supply of, and demand for, China A-Shares. The price at which securities may be purchased or sold by the relevant Funds and the Net Asset Value of such Funds may be adversely affected if trading markets for China A-Shares are limited or absent. The China A-Share market may be more volatile and unstable (for example, due to the risk of suspension of a particular stock or government intervention). Market volatility and settlement difficulties in the China A-Share markets may also result in significant fluctuations in the prices of the securities traded on such markets and thereby may affect the value of the relevant Funds.

#### Suspension Risk

It is contemplated that both SEHK and SSE/SZSE have the right to suspend or limit trading in any security traded on the relevant exchange if necessary for ensuring an orderly and fair market and that risks are managed prudently. In particular, trading band limits are imposed by the stock exchanges on China A-Shares, where trading in any China A-Share on the relevant stock exchange may be suspended if the trading price of the security has increased or decreased to the extent beyond the trading band limit. A suspension will render it impossible for the relevant Funds to liquidate positions and could thereby expose the Funds to significant losses. Further, when the suspension is subsequently lifted, it may not be possible for the Funds to liquidate positions at a favourable price, which could thereby expose the affected Funds to significant losses. Finally, where a suspension is effected, the relevant Funds' ability to access the PRC market will be adversely affected.

#### Quota and Other Limitations

Although the Stock Connect is the first program allowing non-Chinese investors to trade the China A-Shares without a license and there is no longer an aggregate quota limitation, trading of China A-Shares through the Stock Connect is still subject to a daily quota ("**Daily Quota**"), which limits the maximum net buy value of cross-boundary trades under the Stock Connect each day. Northbound trading and Southbound trading under each of the Shanghai Stock Connect and the Shenzhen Stock Connect will be subject to a separate set of Daily Quota. The Northbound Daily Quota for each of the Shanghai Stock Connect and the Shenzhen Stock Connect is currently set at RMB13 billion. Quota limitations may prevent the Funds from purchasing the Stock Connect securities when it is otherwise advantageous to do so. In particular, once the remaining balance of the relevant Daily Quota drops to zero or the Daily Quota is exceeded, buy orders will be rejected (although investors will be permitted to sell their cross-boundary securities regardless of the quota balance).

#### Differences in Trading Day

Because Stock Connect trades are routed through Hong Kong brokers and the SEHK, Stock Connect will only operate on days when both the PRC and Hong Kong markets are open for trading and when banks in both markets are open on the corresponding settlement days. Therefore, it is possible that there are occasions when it is a normal trading day for the PRC market but the relevant Funds cannot carry out any China A-Shares trading via the Stock Connect. As a result, prices of the relevant China A-Shares may fluctuate at times when the Funds are unable to add to or exit their position.

Additionally, an investor cannot purchase and sell the same security on the same trading day on SSE/SZSE, which may restrict the Funds' ability to invest in China A-Shares through Stock Connect and to enter into or exit trades where it is advantageous to do so on the same trading day.

#### Eligibility of Shares

Only certain China A-Shares are eligible to be accessed through Stock Connect. Such securities may lose their eligibility at any time. When a China A-Share is recalled from the scope of eligible shares for trading via the Stock Connect, the China A-Share can only be sold (though the China A-Share need not be immediately sold) but is restricted from being bought. This may affect the investment portfolio or strategies of the relevant

Funds, for example, if the Advisor wishes to purchase a China A-Share which is recalled from the scope of eligible securities.

#### Operational Uncertainty

Because Stock Connect is relatively new, its effects on the market for trading China A-Shares are uncertain. In addition, the trading, settlement and IT systems required to operate Stock Connect are relatively new and continuing to evolve. In particular, the Stock Connect is premised on the functioning of the operational systems of the relevant market participants. Market participants are permitted to participate in this program subject to meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and/or clearing house. The securities regimes and legal systems of the two markets differ significantly and market participants may need to address issues arising from the differences on an on-going basis. There is no assurance that the systems of the SEHK and market participants will function properly or will continue to be adapted to changes and developments in both markets. In the event that the relevant systems do not function properly, trading through Stock Connect could be disrupted and the relevant Funds' ability to access the China A-Share market may be adversely affected and the Fund may not be able to effectively pursue its investment strategy.

#### Other Legal and Regulation Risks

Stock Connect is subject to regulation by both Hong Kong and China. The current regulations are untested and there is no certainty as to how they will be applied. In addition, the current regulations are subject to change and there can be no assurance that the Stock Connect will not be abolished. There can be no assurance that further regulations will not affect the availability of securities in the program, the frequency of redemptions or other limitations. Additional shareholder restrictions and disclosure requirements might also be applicable to the Company as a result of their investments in China A-Shares via Stock Connect.

#### Lack of Investor Protection

Transactions through the Stock Connect are not covered by the investor protection programs of either the Hong Kong or Shanghai/ Shenzhen stock exchanges. Investment in the China A-shares via the Stock Connect is conducted through brokers, and is subject to the risks of default by such brokers' in their obligations. Investments of the Funds are not covered by the Hong Kong's Investor Compensation Fund, which has been established to pay compensation to investors of any nationality who suffer pecuniary losses as a result of default of a licensed intermediary or authorised financial institution in relation to exchange-traded products in Hong Kong. Since default matters in respect of SSE/SZSE shares via Stock Connect do not involve products listed or traded in SEHK or Hong Kong Futures Exchange Limited, they will not be covered by the Investor Compensation Fund. Therefore the Funds are exposed to the risks of default of the broker(s) it engages in its trading in China A-Shares through the Stock Connect.

On the other hand, according to the Measures for the Administration of Securities Investor Protection Fund, the functions of China Securities Investor Protection Fund ("CSIPF") only include "indemnifying creditors as required by China's relevant policies in case a securities company is subjected to compulsory regulatory measures including

dissolution, closure, bankruptcy and administrative takeover by the CSRC and custodian operation” or “other functions approved by the State Council”. As far as the Fund is concerned, since it is carrying out Northbound trading through securities brokers in Hong Kong and these brokers are not PRC brokers the Fund is therefore not protected by CSIPF in the PRC.

#### Legal/Beneficial Ownership

In China, Stock Connect securities are held on behalf of ultimate investors (such as the Company) by the HKSCC as nominee. HKSCC in turn holds the SSE/SZSE shares, as the nominee holder, through an omnibus securities account in its name registered with ChinaClear. While Chinese regulators have affirmed that the ultimate investors hold a beneficial interest in Stock Connect securities, where they can provide evidential proof of direct interest as a beneficial owner, the law surrounding such rights is in its early stages and the mechanisms that beneficial owners may use to enforce their rights are untested and therefore pose uncertain risks. Further, courts in China have limited experience in applying the concept of beneficial ownership and the law surrounding beneficial ownership will continue to evolve as they do so. There is accordingly a risk that as the law is tested and developed, the Company’ ability to enforce its ownership rights may be negatively impacted. Because of this uncertainty, in the unlikely event that HKSCC becomes subject to winding up proceedings in Hong Kong it is not clear if the SSE/SZSE shares will be regarded as held for the beneficial ownership of the Funds or as part of the general assets of HKSCC available for general distribution to its creditors. Furthermore, the Company may not be able to participate in corporate actions affecting Stock Connect securities due to time constraints or for other operational reasons. Similarly, the Company will not be able to vote in shareholders’ meetings except through HKSCC and will not be able to attend shareholders’ meetings.

#### Clearing and Settlement Risk

ChinaClear and HKSCC have established the clearing links and each becomes a participant of each other to facilitate clearing and settlement of cross-boundary trades. For cross-boundary trades initiated in a market, the clearing house of that market will on one hand clear and settle with its own clearing participants, and on the other hand undertake to fulfil the clearing and settlement obligations of its clearing participants with the counterparty clearing house.

As the national central counterparty of the PRC’s securities market, ChinaClear operates a comprehensive network of clearing, settlement and stock holding infrastructure. ChinaClear has established a risk management framework and measures that are approved and supervised by the CSRC. The chances of ChinaClear default are considered to be remote. In the remote event of a ChinaClear default, HKSCC’s liabilities in SSE/SZSE shares under its market contracts with clearing participants will be limited to assisting clearing participants in pursuing their claims against ChinaClear. HKSCC should in good faith, seek recovery of the outstanding stocks and monies from ChinaClear through available legal channels or through ChinaClear’s liquidation. In that event, the relevant Fund may suffer delay in the recovery process or may not fully recover its losses from ChinaClear.

#### Short swing profit rule

According to the PRC law, a shareholder of 5% or more of the total issued shares of a PRC listed company ("major shareholder") has to return any profits obtained from the purchase and sale of shares of such PRC listed company if both transactions occur within a six-month period. In the event that the Fund becomes a major shareholder of a PRC listed company by investing in Stock Connect securities via Stock Connect, the profits that the Fund may derive from such investments may be limited, and thus the performance of the Fund may be adversely affected depending on the relevant Fund's size of investment in Stock Connect securities.

#### Pre-Trade Requirements and Special Segregated Accounts

PRC regulations require that before an investor sells any share, there should be sufficient shares in the account; otherwise the SSE/SZSE will reject the sell order concerned. SEHK will carry out pre-trade checking on China A-Share sell orders of its participants (i.e. the stock brokers) to ensure there is no over-selling.

If a Fund intends to sell certain China A-Shares it holds, it must transfer those China A-Shares to the respective accounts of its broker(s) before the market opens on the day of selling (the "**trading day**"). If it fails to meet this deadline, it will not be able to sell those shares on the trading day. Because of this requirement, a Fund may not be able to dispose of its holdings of China A-Shares in a timely manner.

Alternatively, if the relevant Fund maintains its SSE/SZSE shares with a custodian which is a custodian participant or general clearing participant participating in the Hong Kong Central Clearing and Settlement System ("**CCASS**"), the Fund may request such custodian to open a special segregated account ("**SPSA**") in CCASS to maintain its holdings in the SSE/SZSE shares under the enhanced pre-trade checking model. Each SPSA will be assigned a unique "Investor ID" by CCASS for the purpose of facilitating the Stock Connect system to verify the holdings of an investor such as a Fund. Provided that there is sufficient holding in the SPSA when a broker inputs the relevant Fund's sell order, the Fund will only need to transfer SSE/SZSE shares from its SPSA to its broker's account after execution and not before placing the sell order and the Fund will not be subject to the risk of being unable to dispose of its holdings of China A-Shares in a timely manner due to failure to transfer of China A-Shares to its brokers in a timely manner.

In addition, these pre-trade requirements may, as a practical matter, limit the number of brokers that the Funds may use to execute trades. While the Funds may use SPSA in lieu of the pre-trade check, many market participants have yet to fully implement IT systems necessary to complete trades involving securities in such accounts in a timely manner. Market practice with respect to SPSA is continuing to evolve.

### **4.3 Methodology for Calculating the Global Exposure**

The ACD has implemented a risk management process for each Fund in order to comply with its obligations under the UCITS Directive. The ACD may calculate global exposure for the Fund using the commitment approach, relative VaR or absolute VaR.

The selection of the appropriate methodology for calculating global exposure is made by the ACD based upon a consideration of the following factors:

- (i) whether the Fund engages in complex investment strategies which represent a significant part of the Fund's investment policy;
- (ii) whether the Fund has a significant exposure to exotic derivatives; and/or
- (iii) whether the commitment approach adequately captures the market risk of the Fund's portfolio.

The selection of relative VaR or absolute VaR will depend on whether the Fund has a leverage free Reference Portfolio which reflects its investment strategy. The Reference Portfolios adopted by the Funds are standard, widely-used industry indices.

Classification of a Fund will depend on a consideration of each of these factors and the fact that a Fund is authorised to use derivative instruments for investment purposes will not automatically, in isolation, mean that the global exposure of that Fund will be calculated using either relative or absolute VaR approach.

The global exposure cannot exceed the total net value of a Fund, 20% of the total net value of a Fund or twice the VaR of the Reference Portfolio for a Fund using the commitment approach, absolute VaR or relative VaR respectively.

The table below sets out the methodology which the ACD has adopted for each Fund in order to calculate the global exposure and the expected leverage for the Funds using the VaR approach, as defined by the UCITS IV Regulations.

Expected Leverage is provided using the 'sum of the notionals of the derivatives used' methodology as per the ESMA Guidelines 10-788.

Expected leverage is provided at a Fund level, however the Fund's actual level of leverage may be higher or lower than the disclosed expected leverage in the table below.

Expected leverage is not a regulatory limit on the Fund and there may be no action as a result of the actual leverage being higher or lower than the disclosed expected leverage.

Derivatives usage is consistent with the investment objective and the risk profile of the Fund. The 'sum of notionals' calculation does not allow netting or hedging. The expected leverage using the 'sum of notionals' calculation may not reflect the investment risk associated with the derivative positions held in the Fund.

Additional information about the realized range of leverage employed by the relevant Funds can be found in the Annual Report.

<b>Fund Name</b>	<b>Global Exposure Methodology</b>	<b>Reference Portfolio</b>	<b>Expected Gross Leverage</b>
Global Brands Fund	Commitment	N/A	N/A
Global Brands Equity Income Fund	Absolute VaR	N/A	200%
US Advantage Fund	Commitment	N/A	N/A

Sterling Corporate Bond Fund	Commitment	N/A	N/A
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## **Section 5 – General Information**

### **CHARGES AND EXPENSES**

This section details the payments that may be made out of each Fund to the parties operating the Funds to meet the costs of administration of each Fund and the Company and in respect of the investment and safekeeping of Scheme Property. Each class of Shares in a Fund has an ongoing charges figure and this is shown in the relevant key investor information document. The ongoing charges figure is calculated in accordance with rules that apply to all UCITS schemes. It is intended to assist Shareholders to ascertain and understand the impact of charges on their investment and to compare the level of those charges with the level of charges in other funds. Accordingly, shareholders should refer to the ongoing charges figure for the Class they hold. We have set out the levels of the ongoing charges figure as at the date of this prospectus below, but please check the latest key investor information document to ensure you have up to date information.

The ongoing charges figure excludes portfolio transaction costs and any initial charge or redemption charge but will capture the effect of the various charges and expenses referred to in this section. In common with other types of investors in financial markets, the Funds incur costs when buying and selling underlying investments in pursuit of their investment objectives. These portfolio transaction costs include dealing spread, broker commissions, transfer taxes and stamp duty. The annual and half-yearly reports of each Fund provide further information on portfolio transaction costs incurred in the relevant reporting period.

All fees or expenses payable by a Shareholder or out of Scheme Property are set out in this section.

### **Payments to the ACD**

#### **1. Preliminary Charge**

A preliminary charge of 5.00% may be levied on the purchase of A Shares in all Funds. Part or all of the preliminary charge may be waived at the ACD's discretion.

No preliminary charge is, or will be, levied in respect of I Shares or F Shares in any Fund.

On an exchange of Shares of one Class or Fund for Shares in another Class or Fund, the ACD may make a charge not exceeding the excess of the amount of the prevailing preliminary charge for the New Shares being acquired over the preliminary charge levied on the acquisition of the Original Shares.

#### **2. Redemption Charge**

No charge is made on the redemption or cancellation of Shares by the ACD (whether as principal or acting on behalf of the Company) or by the Company at the request of the Shareholder.

3. **Ongoing Charges Figures**

The ongoing charges figures are calculated in accordance with rules that apply to all UCITS schemes. As, under those rules, all costs that form a part of the ongoing charges figure are part of the fees described further below, the ongoing charges figure is simply an aggregate of the management fee, the administration and registration fees, payments to the Depositary and other payments out of the scheme property.

4. **Management Fee**

The ACD is entitled under the ACD Agreement to receive from the Company (with effect from the Dealing Day on which Shares of any Class are first allotted) a management fee (which will include the fees and expenses payable to the Investment Manager) calculated and accrued daily, based on the value of the Scheme property of the relevant Fund on the immediately preceding Valuation Point, at the annual percentage rate set out below. The management fee is payable monthly in arrears as soon as practicable after the end of the month in question.

		<b>ANNUAL MANAGEMENT FEE</b>		
		<b>A Shares</b>	<b>I Shares</b>	<b>F Shares</b>
<b>Equity Funds</b>				
Global Brands Fund		1.5%	0.75%	N/A
Global Brands Equity Fund	Income	N/A	0.85%	0.5%
US Advantage Fund		N/A	0.70%	0.40%
<b>Fixed Interest Funds</b>				
Sterling Corporate Bond Fund		0.75%	0.25%	0.15%

In the case of any individual Fund or Class, the ACD may choose to waive all of its fee or any portion thereof at its absolute discretion for an indefinite period. For example, the ACD may choose to waive all or part of its fee in order to reduce the impact such fee may have on the performance of the Fund or Class in instances where the net assets of the Fund or Class are of insufficient size, or may do so in its discretion for any other purpose.

The current management fee payable to the ACD for a class may only be increased or a new type of remuneration introduced in accordance with the COLL Sourcebook.

**5. Payment for investment research**

Any third party research received in connection with investment management and investment advisory services that the Investment Manager provides to the Funds (other than research that qualifies as a minor non-monetary benefit) will be paid for by the Investment Manager out of its own resources.

The Sub-Investment Manager will also pay for any third party equity research received by it in connection with the sub-investment management and sub-investment advisory services that it provides to the relevant Fund(s) (other than research that qualifies as a minor non-monetary benefit) out of its own resources. However, to the extent the Sub-Investment Manager receives third party research other than equity research, it will implement systems and controls to ensure that the receipt of such research does not influence order routing and best execution decisions or give rise to conflicts of interest that risk detriment to the relevant Fund(s) and their investors.

**6. Administration and Registration fees**

The ACD is entitled to receive a fee out of the Scheme Property for providing administration and registration services. The current amount of these fees in respect of each Fund may not exceed 0.25 per cent. per annum of the value of the Scheme Property of the Fund in question (inclusive of Value Added Tax) calculated and paid in the same way as the management fee. These fees are reviewed by the ACD on a periodic basis.

**7. Payments to the Depositary**

The Depositary is entitled to receive out of the property of each Fund, by way of remuneration, a periodic charge which will accrue daily based on the total prior day NAV of each Fund and will be paid monthly in arrears. The current rate of the Depositary's periodic charge in respect of each Fund is 0.0155 per cent per annum of the value of the relevant Fund, represented by the Net Asset Value of the Fund calculated on each Business Day. This periodic charge is subject to a minimum charge of £8,000 (plus Value Added Tax) per annum per Fund, except for the Global Brands Fund and the Sterling Corporate Bond Fund for which no minimum charge applies. The valuation used for each day which is not a Business Day will be the value calculated on the previous Business Day. Value Added Tax on the amount of the periodic charge will be paid out of each Fund in addition.

The Depositary Agreement between the Company and the Depositary provides that in addition to a periodic charge the Depositary may also be paid by way of remuneration custody fees where it acts as custodian and other transaction and bank charges.

At present the Depositary does not itself act as custodian.

In addition to the remuneration referred to above, the Depositary is entitled to receive reimbursement for expenses properly incurred by it in discharge of its duties or exercising any powers conferred upon it in relation to the Company and each Fund. Such expenses include, but are not restricted to:

- 7.1 the charges and expenses payable to State Street Bank & Trust Company ('SSBTC') to whom the Depositary has delegated the function of custody of the Scheme property, such charges being the subject of agreement between the Depositary, the Company and SSBTC from time to time. As custodian of the Scheme Property SSBTC will be paid custody, other transaction and bank charges plus Value Added Tax (if any) together with out-of-pocket expenses.

Transaction and custody charges vary from country to country. The current range of transaction charges is between £9 and £54 per transaction depending on the countries in which the Funds invest. The cost of custody generally depends upon the market value of the stock involved and currently ranges between 0.0113 per cent. per annum and 0.36 per cent. per annum per Fund of such market value, subject to a minimum monthly fee of £1,080 in respect of each Fund.

- 7.2 all charges imposed by, and any expenses of, any agents appointed by the Depositary to assist in the discharge of its duties;
- 7.3 all charges and expenses incurred in connection with the collection and distribution of income;
- 7.4 all charges and expenses incurred in relation to the preparation of the Depositary's annual report to Shareholders;
- 7.5 all charges and expenses incurred in relation to stocklending or other transactions; and
- 7.6 fees and expenses payable to any professional advisers advising or assisting the Depositary.

The current rate of charges detailed above may only be increased as agreed from time to time between the ACD and the Depositary and in accordance with the COLL Sourcebook.

## 8. **Other Payments Out of the Scheme Property**

So far as the COLL Sourcebook allows, the Company or Fund, as the case may be, is responsible for all of its other expenses including the following:

- 8.1 the costs of dealing in the Scheme Property necessary to be incurred and normally shown in contract notes and similar documents and the costs of registering Scheme Property;
- 8.2 interest on borrowings by the Company and charges incurred in effecting or terminating such borrowings or in negotiating or varying the terms of such borrowings;

- 8.3 taxation and duties payable in respect of the Scheme Property or the issue or redemption of Shares;
- 8.4 any costs incurred in modifying the Instrument of Incorporation and the Prospectus;.
- 8.5 any costs incurred in respect of meetings of Shareholders, including such meetings convened on a requisition by Shareholders not including the ACD or an associate of the ACD;
- 8.6 any costs incurred in producing and despatching dividend or other payments of the Company;
- 8.7 the cost of minute books and other documentation required to be maintained by the Company;
- 8.8 any expenses incurred in relation to company secretarial duties;
- 8.9 the audit fee of the auditor of the Company and any proper expenses of such auditor;
- 8.10 the fees of the FCA under Chapter 18 of the Rules and the corresponding periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which Shares are or may be marketed;
- 8.11 all fees and expenses incurred in relation to the incorporation and initial organisation of any new Funds, the listing of Shares on any stock exchange, any offer of Shares (including the preparation and printing of any prospectus) and the creation, conversion and cancellation of Shares;
- 8.12 certain liabilities on amalgamation or reconstruction arising after transfer of property to the Company in consideration for the issue of Shares as more fully detailed in the Rules;
- 8.13 any costs incurred by the Company in publishing and despatching the price of the Shares;
- 8.14 all costs incurred in producing and despatching the yearly, half-yearly and other reports of the Company;
- 8.15 the cost of preparing, printing the key investor information document in respect of any Fund and to the extent permitted by the Rules, the cost of any marketing activities undertaken by the ACD in relation to the Company or any Fund;
- 8.16 any fees, expenses or disbursements of any legal or other professional adviser of the Company;
- 8.17 any costs incurred in taking out and maintaining an insurance policy in respect of the ACD and the Company;
- 8.18 payments otherwise due by virtue of the Rules; and

8.19 any value added or similar tax relating to any charge or expense set out herein.

The costs of the creation of any new Funds will be borne by that new Fund.

## **UNITED KINGDOM TAXATION**

The taxation of income and capital gains of both the Company and Shareholders is subject to the fiscal law and practice of the UK and of the jurisdictions in which Shareholders are resident or otherwise subject to tax. The following summary of the anticipated tax treatment in the UK does not constitute legal or tax advice and applies only to persons holding Shares as an investment. It is not a guarantee to any investor of the tax results of investing in the Company and prospective investors should be aware that the relevant fiscal rules and practice or their interpretation may change.

Prospective investors should consult their own professional advisers on the tax implications of making an investment in, holding, exchanging or disposing of Shares and the receipt of distributions with respect to such Shares under the laws of the jurisdictions in which they may be liable to taxation.

### **The Company**

As the Funds are sub-funds of an open-ended investment company, the Funds themselves are not subject to UK taxation on capital gains arising on the disposal of investments (including interest-paying securities and derivatives) held by them.

A Fund which receives dividends and similar distributions from UK resident companies will not be subject to tax on those payments. Furthermore, foreign dividends will also be tax exempt unless they derive from certain tax avoidance circumstances or a Fund elects for a dividend to be taxable. It is expected that all dividends will be tax exempt in each Fund except where an election will result in a net tax saving to the Fund (taking into account both UK corporation tax and foreign taxes). The Funds will each be subject to corporation tax at 20 per cent. on other types of income after deducting allowable expenses and the gross amount of any interest distributions.

To the extent that a Fund receives income from, or realises gains on, non-UK investments, it may be subject to foreign withholding or other taxation.

### **The Shareholder**

Distributions from each of the Funds comprise income for UK tax purposes.

### **Equity Funds**

The Equity Funds will make dividend distributions. These will be distributed to holders of Income Shares and automatically retained in the Fund in the case of Accumulation Shares.

A dividend distribution paid by any of the Funds for any distribution period will be treated as if it were a dividend paid to the Shareholder in that Fund.

No tax is deducted from dividend distributions. There is no longer any tax credit attached to dividend distributions.

Since 6 April 2016, for individual Shareholders resident in the United Kingdom, the first £5,000 of dividends and dividend distributions received in each tax year has been free of income tax (the dividend allowance). Where dividends and dividend distributions from all sources exceed the dividend allowance, the excess will be liable to income tax at dividend tax rates which depend upon the Shareholder's highest rate of tax. Dividend tax rates are 7.5% for basic rate taxpayers, 32.5% for higher rate taxpayers and 38.1% for additional rate taxpayers. Dividends received within the allowance will still count towards total taxable income and so may affect the rate of tax due on dividends received in excess of the allowance.

Shareholders who are not UK-resident will not be subject to any UK tax on dividend distributions but may be subject to tax in their country of tax-residence.

Shareholders within the charge to UK corporation tax who receive dividend distributions may have to divide them into two (the division will be indicated on the tax voucher). Any part representing income which has been subject to corporation tax in the Fund must be treated by the corporate Shareholder as an annual payment made after deduction of income tax at the basic rate, and corporate Shareholders may be liable to tax on the grossed up amount, with the benefit of a 20% deemed income tax deduction, or to reclaim part or all of the deemed tax deducted as shown on the tax voucher. This is subject to limitations on any part of the deemed tax deducted representing foreign tax suffered by the fund which cannot be reclaimed. The remainder (including any part representing dividends received by the Fund from a company) will be treated as dividend income and, consequently, will be exempt from corporation tax.

### **Fixed Interest Funds**

The Fixed Interest Funds currently pay interest distributions.

#### *Net Share Classes*

In tax year 2016-17, where a Fund pays (or accumulates) income in the form of an interest distribution, it will be paid (or accumulated) after income tax at 20% has been deducted and paid to HM Revenue & Customs by the Depositary (except in any Gross Share Classes). Where tax is deducted, the tax voucher supplied to Shareholders will show the total interest distribution before the deduction of tax (gross interest), the tax deducted and the amount of the interest distribution after tax has been deducted (net interest).

Since 6 April 2016, individual UK taxpayers have been entitled to a personal savings allowance in each tax year. For basic rate taxpayers, the first £1,000 of total interest and interest distributions are free of tax. For higher rate taxpayers, the allowance is £500, and for additional rate taxpayers the amount is nil. To the extent that any interest distribution falls within this allowance or within an individual's unused personal tax allowance, then the individual will be able to reclaim the tax deducted from those distributions. Interest received within the allowance will still count towards total taxable income and so may affect the rate of tax due on interest received in excess of the allowance.

Where an individual UK-resident Shareholder receives total interest and interest distributions in excess of the savings allowance then the income tax deducted will satisfy

the investor's basic rate liability to tax. Higher-rate taxpayers will have an additional liability of 25% of the net interest distribution. Additional-rate taxpayers will have an additional liability of 31.25% of the net interest distribution. UK non-taxpayers and starting rate taxpayers should be able to reclaim the 20% income tax deducted from HM Revenue & Customs.

Where net Income or Accumulation Shares are held through ISAs the ISA Manager should reclaim any tax deducted.

Since 6 April 2017, no tax has been deducted from any interest distributions. As a result, where individuals' total interest and interest distributions exceed their personal savings allowances then they will be liable to pay income tax at their highest rates (normally 20% for basic rate taxpayers, 40% for higher rate and 45% for additional rate taxpayers) on the amount over the allowance.

A corporate Shareholder with Shares in a Fund that pays interest distributions must account for its holding in that Fund in accordance with the loan relationships tax regime. This requires the Shareholder's interest in the Fund (including any the gross amount of any distributions received) to be taken into account for corporation tax on a fair value basis.

It is expected that corporate Shareholders will normally hold Gross Share classes, but if income tax is deducted then this can be set off against tax or reclaimed.

#### *Gross Share Classes*

Until the start of the first distribution period of a Class which ended after 5 April 2017, gross Shares were available only to certain categories of investors and prospective investors who should contact the ACD. Corporate Shareholders and certain others who are exempt from tax on income, including pension funds, charities and individuals whose Shares are held through an ISA were potentially eligible to receive distribution payments without the deduction of income tax.

Since 5 April 2017, interest distributions on gross Income Shares and gross Accumulation Shares were paid without deduction of tax. Investors may be subject to tax on the gross interest distributions depending on their personal tax circumstances.

(Since 6 April 2017, interest allocations are made without deduction of tax on all Share classes as explained above under Net Share Classes).

#### **Income Equalisation**

Since the Company operates equalisation in respect of the Funds, the first allocation made after the acquisition of Shares will include an amount of equalisation. This amount corresponds to the income included in the price at which the Shares were acquired (subject to grouping where appropriate). This portion of the distribution represents a repayment of capital for UK tax purposes and is not taxable. It should, instead, be deducted from the base cost of Shares in arriving at any capital gain realised on their subsequent disposal.

#### **Gains**

Shareholders who are resident or ordinarily resident in the UK may be liable to UK taxation on capital gains arising from the sale or other disposal of Shares.

Part of any increase in value of Accumulation Shares represents accumulated income (including equalisation but excluding any amounts deducted in respect of tax). These amounts may be added to the allowable cost when calculating the capital gain realised on their disposal.

Shareholders within the charge to corporation tax must treat their holding in the Fixed Interest Funds as creditor relationships and apply a fair value basis of accounting.

A conversion of Shares from one Fund for Shares in another Fund will be treated as a redemption of Shares and a simultaneous purchase of Shares in the other Fund and will, for converting Shareholders subject to UK taxation, be a realisation for the purposes of capital gains taxation, which may give rise to a liability to tax, depending on the Shareholders' circumstances.

### **Stamp Taxes (Stamp Duty or Stamp Duty Reserve Tax)**

No Stamp Taxes are payable on the issue or the surrender of Shares.

Stamp Taxes on Shares may still arise on purchases of interests in Shares where the Shares do not require re-registration by the ACD (where Shares are not surrendered to the ACD). Stamp Tax at 0.5 percent may also still arise where scheme property that includes UK equities is transferred to an investor on the redemption of Shares.

### **Automatic exchange of information for international tax compliance**

The Company (or its agent) will collect and report information about Shareholders and their investments, including information to verify their identity and tax residence. When requested to do so by the Company or its agent, Shareholders must provide information to be passed on to HM Revenue & Customs, and, by them, to any relevant overseas tax authorities.

If Shareholders fail to provide the required information then their identifying and account information will also be passed to HM Revenue & Customs and, by them, to relevant foreign tax authorities (to include the tax authorities of the United States and Crown dependencies and Gibraltar under the intergovernmental agreements with those territories)

This is required by legislation that implements the United Kingdom's obligations under various intergovernmental agreements relating to the automatic exchange of information to improve international tax compliance (including but not limited to European Directives, the international Common Reporting Standard, and the United States provisions commonly known as 'FATCA').

### **Taxation of the Funds as a result from investments in the PRC**

By investing in China A-Shares, the funds may be subject to taxes imposed by the PRC.

#### *a. Corporate Income Tax ("CIT")*

Under general PRC tax law, if the Fund is considered a PRC tax resident, it will be subject to PRC CIT at 25% on its worldwide taxable income. If the Fund is considered a non-PRC resident but has a permanent establishment ("**PE**") in the PRC, the profits attributable to that PE would be subject to PRC CIT at 25%. If the Fund is a non-PRC resident without PE in the PRC, the income derived by it from the investment in China A-Shares would in general be subject to 10% PRC CIT withholding in the PRC, unless exempt or reduced under specific tax circulars or relevant tax treaties.

It is the intention of the Investment Manager that the affairs of the Fund will be conducted in a manner such that it is not a PRC tax resident enterprise and will not have a PE in the PRC for PRC CIT purposes, although this cannot be guaranteed.

(i) Shanghai Stock Connect

In respect of equity interest investments such as China A-Shares, the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission have jointly promulgated the Circular on Taxation Policy of the Pilot Programme for the Mutual Stock Market Access between Shanghai and Hong Kong Stock Markets (Caishui [2014] No.81) (**the "Circular 81"**) dated 31 October 2014 to clarify the relevant income tax liabilities.

Pursuant to the Circular 81, taking effect on 17 November 2014, in respect of trading through the Stock Connect:

- the income tax shall be exempt on a temporary basis on the gains earned by Hong Kong market investors (including corporate and individual investors) from the transfer of China A-Shares listed on the SSE; and
- Hong Kong market investors are required to pay tax on dividends and bonuses of China A-Shares at a standard rate of 10%, which will be withheld and paid to the relevant PRC tax authority by the respective listed companies (before HKSCC is able to provide details such as investor identities and holding periods to CSDCC, the policy of differentiated rates of taxation based on holding periods will temporarily not be implemented). Where there is any applicable tax treaty prescribing for a lower tax rate, the investor may apply for refund from the competent tax authority.

(i) Shenzhen Stock Connect

The PRC tax authorities have not yet issued formal regulations on the PRC income tax treatment of dividends and capital gains derived from the trading of eligible securities on Shenzhen Stock Connect. However, it is expected that the above tax policy applicable to Shanghai Stock Connect will be extended to Shenzhen Stock Connect given the similarities in policies between the two stock connect programmes. Accordingly, 10% PRC CIT withholding (subject to any reduction under an applicable tax treaty) can be expected to apply on dividends, as well as provisional exemption from PRC income tax on capital gains, in respect of eligible securities traded on Shenzhen Stock Connect. However, this tax treatment is still subject to the official confirmation by the relevant PRC regulators and authorities and can only be confirmed with certainty when formal tax guidance for Shenzhen Stock Connect is issued. In the event that the relevant PRC regulators and authorities refuse or delay to issue such confirmation, trading of China A-

Shares under the Shenzhen Stock Connect may be subject to a more disadvantageous tax treatment compared with that under the Shanghai Stock Connect, which will in turn adversely affect the Net Assets Value of the relevant Funds.

*b. Value Added Tax ("VAT")*

The Circular 81 has provided that, in respect of trading through the Shanghai Stock Connect, business tax ("**BT**") shall be exempt on a temporary basis on the gains earned by Hong Kong market investors (including corporate and individual investors) from the sale and purchase of China A-Shares listed on the SSE.

With effect from 1 May 2016, all industries formerly subject to BT will have transitioned to VAT pursuant to the *Circular on Overall Replacement of Business Tax by Value Added Tax on A Pilot Basis (Caishui [2016] No. 36)* jointly issued by China's Ministry of Finance and State Administration of Taxation on 24 March 2016 (the "**Circular 36**"). The Circular 36 provides for a 6% VAT rate for financial services (including trading financial instruments), replacing the 5% tax rate formerly applied under the BT regime. However, the provisional exemption from BT provided under the Circular 81 has been extended to VAT under the Circular 36 for trading of securities under Shanghai Stock Connect by Hong Kong market investors (including corporate and individual investors).

As mentioned above, the PRC tax authorities have not yet issued formal tax regulations for Shenzhen Stock Connect. However, due to the similarities in policies between the two stock connect programmes, it is expected that the VAT exemption granted Shanghai Stock Connect will also extend to Shenzhen Stock Connect, although this can only be confirmed with certainty when formal tax guidance for Shenzhen Stock Connect is issued. In the event that the relevant PRC regulators and authorities refuse or delay to issue such confirmation, trading of China A-Shares under the Shenzhen Stock Connect may be subject to a more disadvantageous tax treatment compared with that under the Shanghai Stock Connect, which will in turn adversely affect the Net Assets Value of the relevant Funds.

*c. Stamp duty*

Stamp duty under the PRC laws generally applies to the execution and receipt of all taxable documents listed in the PRC's provisional rules on stamp duty.

Under the Circular 81, Hong Kong market investors trading through Shanghai Stock Connect are required to pay stamp duty arising from the sale and purchase of China A-Shares and the transfer of China A-Shares by way of succession and gift in accordance with the prevailing PRC taxation regulations (currently, 0.1% on the transferor). This PRC stamp duty treatment is expected to also apply to trading of eligible securities through the Shenzhen Stock Connect.

This tax treatment is subject to termination by the PRC tax authorities with or without notice and worst case, retrospectively. In addition, the PRC tax authorities may implement other tax rules with retrospective effect which may adversely affect the Fund. If the tax treatment is withdrawn the Fund would be subject to PRC taxation in respect of gains on China A Shares and the resultant tax liability would be payable by the Fund, and

thus borne by its investors. However, this liability may be mitigated under the terms of an applicable tax treaty, and if so, any such benefits will be passed to investors.

## **MEETINGS OF SHAREHOLDERS**

The Company has dispensed with the need to hold Annual General Meetings.

Shareholders may inspect or request a copy of the ACD Agreement at the registered office of the Company, 25 Cabot Square, Canary Wharf, London E14 4QA.

Rules for the calling and conduct of meetings of Shareholders are contained in Chapter 4 of the COLL Sourcebook and in the Instrument of Incorporation. Shareholders will receive at least 14 days' notice of a general meeting. All notices or documents required to be served on Shareholders shall be served by post to the address of such Shareholder as evidenced on the register. All documents and remittances are sent at the risk of the Shareholder. The ACD may convene a general meeting of the Company at any time. Shareholders representing not less than one-tenth in value of all shares in the Company then in issue may requisition a general meeting. The quorum at a meeting of Shareholders shall be two Shareholders, present in person or by proxy or, in the case of a corporation, by a duly authorised representative. The quorum for an adjourned meeting is one Shareholder, present in person or by proxy.

In certain circumstances, the Regulations require that a resolution be passed as an extraordinary resolution (which is a resolution passed by a majority of not less than three-quarters of the votes validly cast (whether on a show of hands or on a poll) for and against the resolution). In other cases a resolution may be passed by a simple majority of the votes validly cast for and against the resolution.

A resolution put to the vote of a general meeting shall be determined on a show of hands unless a poll is demanded by the chairman, at least two Shareholders or the Depositary. On a show of hands, every Shareholder who, being an individual, is present in person or, being a corporation, is present by its representative has one vote. On a poll, every holder has the voting rights which attached to his Shares seven days before the notice of the relevant meeting was deemed to be given. The voting rights of any Share are such proportion of the voting rights attached to all of the Shares in issue as the price of the Share in question bears to the aggregate price or prices of all Shares in issue at the relevant date. In effect, voting rights are related to the value of Shares held. A Shareholder entitled to more than one vote need not, if he votes, use all his votes or cast all his votes in the same way.

A Shareholder entitled to attend and vote at a meeting of the Company is entitled to appoint another person to attend and vote in his place (whether a Shareholder or not). A Shareholder shall be entitled to appoint more than one proxy to attend on the same occasion but a proxy shall be entitled to vote only on a poll. An instrument appointing a proxy must be received by the Company no later than 48 hours before the meeting in order that the appointment be effective.

A corporation being a Shareholder may authorise such person as it thinks fit to act as its representative at any meeting of Shareholders and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as the corporation could exercise if it were an individual Shareholder.

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 Shareholders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Shareholders.

The ACD and its associates may hold Shares and shall be entitled to receive notice of and attend any meeting. The ACD shall not be entitled to be counted in the quorum (but its associates may be so counted) and, except as provided below, the ACD's Shares are not regarded as being in issue in relation to the meeting. Neither the ACD nor its associates are entitled to vote at a meeting. None of these limitations apply if the ACD or the associate holds Shares on behalf of or jointly with a person who, if himself the registered Shareholder, would be entitled to vote and from whom the ACD or its associate (as the case may be) has received voting instructions.

The record date for a meeting is the date seven days (or such other reasonable time selected by the ACD) before the notice of the relevant meeting is deemed to have been given, but persons known not to be Shareholders at the time of the meeting are excluded.

Certain material changes to the Prospectus and Instrument of Incorporation require the prior approval of Shareholders.

The above provisions, unless the context requires otherwise, apply to class meetings and general meetings of each Fund as they apply to general meetings of the Company, but by reference to the Shares of the Class or Fund concerned and the Shareholders and prices of such Shares or Fund.

## **WINDING UP OF THE COMPANY**

### **General**

The Company is to be wound up in accordance with the Rules:

- 1) if an extraordinary resolution is passed to that effect; or
- 2) on the effective date stated in any agreement by the FCA to a request by the ACD for the revocation of the authorisation order in respect of the Company, albeit that such agreement is subject to there being no material change in any relevant factor prior to the date of the revocation.

The Company may also be wound up under Part V of the Insolvency Act 1986.

## **Procedure**

On a winding-up (otherwise than in accordance with an approved scheme of amalgamation or reconstruction) the ACD is required as soon as practicable after the time the Company falls to be wound-up, to realise the Scheme Property of the Company and pay the liabilities of the Company out of the proceeds.

After making adequate provision for the expenses of the winding-up and the discharge of any outstanding liabilities, the ACD may arrange for the Depositary to make interim distributions and then a final distribution of the proceeds of the realisation of the Scheme Property attributable or allocated to each Fund to the Shareholders in each Fund proportionately to the right to participate in the Scheme Property attached to their respective Shares.

If the Company is to be wound-up in accordance with an approved scheme of amalgamation or reconstruction, the ACD is required to wind-up the Company in accordance with the resolution of Shareholders approving such scheme.

Where the Company and one or more Shareholders (other than the ACD) agree, the requirement to realise the property of the Company shall not apply to that part of the property which is proportionate to the right of that or those Shareholders, and the ACD may distribute that part in the form of property, after making such adjustments or retaining such provision as appears to the ACD appropriate for ensuring that or those Shareholders bear a proportionate share of the liabilities and expenses.

If any sum of money is unclaimed or stands to the account of the Company at the date of its dissolution the ACD shall arrange for the Depositary to pay or lodge such sum within one month after that date in accordance with the Rules.

## **TERMINATION OF A FUND**

### **General**

A Fund may be terminated:

- 1) if an extraordinary resolution of the Shareholders of such Fund is passed to that effect; or
- 2) on the effective date stated in any agreement by the FCA to a request by the ACD for the termination of such Fund; or
- 3) by the ACD in its absolute discretion if one year from the date of the first issue of Shares relating to that Fund or at any date thereafter the net asset value of the Fund is less than £5 million.

## **Procedure**

On the termination of a Fund (otherwise than in accordance with an approved scheme of amalgamation or reconstruction) the ACD is required as soon as practicable after the time the Fund falls to be terminated, to realise the property of the Fund and pay the liabilities of the Fund out of the proceeds.

After making adequate provision for the expenses of the termination and the discharge of any outstanding liabilities, the ACD may arrange for the Depositary to make interim distributions and then a final distribution of the proceeds of the realisation of the property of the Fund to the Shareholders of the Fund proportionately to the right to participate in the property attached to their respective Shares.

If the Fund is to be terminated in accordance with an approved scheme of amalgamation or reconstruction, the ACD is required to terminate the Fund in accordance with the resolution of holders approving such scheme.

Where the Company and one or more Shareholders (other than the ACD) agree, the requirement to realise the Scheme Property of the Fund shall not apply to that part of the Scheme Property which is proportionate to the right of that or those Shareholders, and the ACD may distribute that part in the form of Scheme Property, after making such adjustments or retaining such provision as appears to the ACD appropriate for ensuring that those Shareholders bear a proportionate share of the liabilities and expenses.

If any sum of money is unclaimed or stands to the account of the property of the Fund, the ACD shall instruct the Depositary to retain such sum in an account separate from any other part of the Scheme Property in accordance with the Regulations. On the dissolution of the Company the Depositary shall cease to hold those amounts as part of that account and they shall be paid or lodged by the Depositary in accordance with the Regulations.

## **INSPECTION OF DOCUMENTS**

Copies of the Instrument of Incorporation (including details of all amendments thereto), the Prospectus, the key investor information document, the agreement with the ACD dated 17 July 1998, the most recent annual and half-yearly long reports of the Company, and the Regulations may be inspected, and, except for the Regulations, may be obtained from the registered office of the ACD during normal business hours. The ACD may charge a reasonable fee for copying documents which are not required to be available free of charge.

The Register of Shareholders of the Company is kept at the office of the Registrar and may be inspected at that address on any Business Day between 9.30 a.m. and 5.30 p.m.

## **REPORTS AND ACCOUNTING DATES**

The Company's annual accounting period and that of each Fund will end at the close of business on 30 September in each year. The interim accounting period will end on 31 March in each year. Half-yearly consolidated accounts will be made up to such date each year.

Annual reports will be published within 4 months after the end of each annual accounting period and half-yearly accounts within 2 months after the end of each half-yearly accounting period. Accounts for each Fund shall show all Classes of Share in that Fund. A report in respect of each annual and half yearly accounting period containing the full accounts is available to Shareholders or any other person at [www.morganstanleyfunds.co.uk](http://www.morganstanleyfunds.co.uk) and on request, free of charge.

## **CONFLICTS OF INTEREST**

The Rules contain provisions on conflict of interest governing any transaction concerning the Company which is carried out by or with any "affected person", an expression which covers the Company, an associate of the Company, the ACD, an associate of the ACD, the Depositary and an associate of the Depositary.

These provisions, among other things, enable an affected person to sell or deal in the sale of property to the Company or the Depositary for the account of the Company; vest property in the Company or the Depositary against the issue of Shares; purchase property from the Company (or the Depositary acting for the account of the Company); enter into a stocklending transaction in relation to the Company; or provide services for the Company. Any such transactions with or for the Company are subject to best execution on exchange, or independent valuation or arm's length requirements as set out in the Rules. An affected person carrying out such transaction is not liable to account to the Depositary, the ACD, any other affected person, or to the Shareholders or any of them for any benefits or profits thereby made or derived.

Investment of the Scheme Property may be made on arm's length terms through a member of an investment exchange (acting as principal) who is an affected person in relation to the ACD. Neither the ACD nor any such affected person will be liable to account for any profit out of such dealings.

The ACD, the Investment Manager and other companies within the ACD's and/or the Investment Manager's group may, from time to time, act as investment manager or advisers to other funds or sub-funds which follow similar investment objectives to those of the Funds. It is therefore possible that the ACD and/or Investment Manager may in the course of their business have potential conflicts of interest with the Company or a particular Fund or that a conflict exists between the Company and other funds managed by the ACD or the Investment Manager.

Each of the ACD and the Investment Manager will, however, have regard in such event to their obligations under the ACD agreement and the investment management agreement respectively and, in particular, to their obligation to act in the best interests of the Company so far as practicable, having regard to their obligations to other clients, when undertaking any investment business where potential conflicts of interest may arise.

Where a conflict of interest cannot be avoided, the ACD and Investment Manager will ensure that the Company and other collective investment schemes they manage are fairly treated.

The ACD and the Investment Manager maintain written Conflicts of Interest Policies. It is not always possible for the risk of detriment to a client's interests to be entirely mitigated such that, on every transaction when acting for clients, a risk of detriment does not remain. The ACD and the Investment Manager acknowledge that there may be some situations where the organisational or administrative arrangements in place for the management of conflicts are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of the Company or its shareholders will be prevented. Should any such situations arise the ACD will disclose these to Shareholders in the annual report or other appropriate format.

### **CHANGES TO THE FUNDS**

Where any changes are proposed to be made to any one of the Funds the ACD will assess whether the change is fundamental, significant or notifiable in accordance with COLL 4.3. If the change is regarded as fundamental, Shareholder approval will be required. If the change is regarded as significant, not less than 60 days' prior written notice will be given to Shareholders. If the change is regarded as notifiable, Shareholders will receive suitable notice of the change.

### **STRATEGY FOR THE EXERCISE OF VOTING RIGHTS**

The ACD has a strategy for determining when and how voting rights attached to ownership of property of a Fund are to be exercised for the benefit of that Fund. A summary of this strategy is available from the ACD on request.

Details of the actions taken on the basis of this strategy in relation to each Fund are available from the ACD on request.

### **BEST EXECUTION POLICY**

The ACD must act in the best interests of each Fund when executing decisions to deal on behalf of the relevant Fund. The ACD's best execution policy sets out the basis upon which the ACD, and the Investment Manager on its behalf, will effect transactions and place orders in relation to the Funds whilst complying with its obligations under the FCA Handbook to obtain the best possible result for the Company. The best execution policy sets out the systems and controls that have been put in place and the oversight carried out by the Investment Manager to ensure that notwithstanding the Sub-Investment Manager is a non-EU entity, it undertakes transactions to achieve the best result for the Funds.

Details of the best execution policy are available from the ACD on request.

### **INDUCEMENTS**

Where Shares in the Company are sold to retail investors who employ the services of an intermediary the ACD may, in certain circumstances and subject to the FCA Rules, make commission payments to that intermediary out of fees due to the ACD comprising an

initial sales commission; and/or an annual commission payment based on the value of the investor's holding.

The provision of benefits described above will not result in any additional cost to the Company or the Funds.

Save as otherwise set out in this Prospectus and/or permitted under the FCA Rules, the ACD and the Investment Manager may not accept and retain any fees, commissions or monetary benefits or accept any non-monetary benefits (other than acceptable minor non-monetary benefits and research permitted in accordance with the FCA Rules), where these are paid or provided by any third party or a person acting on their behalf.

In the case of minor non-monetary benefits, the ACD and the Investment Manager will accept such minor non-monetary benefits only where the benefit is:

- (a) capable of enhancing the quality of the service provided by the ACD to the relevant Fund or by the Investment Manager to ACD;
- (b) of a scale and nature that it could not be judged to impair the ACD's or the Investment Manager's compliance with its duty to act honestly, fairly and professionally in the best interests of the relevant Fund, in the case of the ACD and in the best interests of the ACD, in the case of the Investment Manager; and
- (c) reasonable, proportionate and of a scale that is unlikely to influence the ACD's or the Investment Manager's behavior in any way that is detrimental to the interests of the relevant Fund, in the case of the ACD, or the ACD, in the case of the Investment Manager.

## Research

The ACD and the Investment Manager may not receive research from brokers through whom they place securities transactions in respect of the Company and its Funds, other than research which meets the criteria set out in the FCA Rules and which is received in return for either: (i) direct payments by the ACD or the Investment Manager, as applicable, out of its own resources, or (ii) payments from a separate research payment account controlled by the ACD or the Investment Manager which meets the requirements set out in the FCA Rules. Details of charges for such research are set out above in Section 5 under "5. Payment for Investment Research".

## **REMUNERATION POLICY**

The ACD has established a remuneration policy (the "Remuneration Policy") that is in accordance with the requirements of SYSC 19E of the FCA Handbook.

The Remuneration Policy is designed to ensure that the ACD's remuneration practices, for those staff caught by the applicable rules, are:

- consistent with and promote sound and effective risk management;
- do not encourage risk taking and are consistent with the risk profiles, or the Instrument of Incorporation or Prospectus of the UCITS funds it manages;

- do not impair the ACD's compliance with its duty to act in the best interests of those funds; and
- include fixed and variable components of remuneration including salaries and discretionary pension benefits.

When applying the Remuneration Policy, the ACD will comply with the applicable rules in a way, and to the extent, that is appropriate to the size, internal organisation and the nature, scope and complexity of the ACD's activities.

The Remuneration Policy must be in line with the business strategy, objectives, values and interests of:

- the ACD;
- the UCITS funds it manages; and
- the Shareholders; and

include measures to avoid conflicts of interest.

Up-to-date details of a description of how remuneration and benefits are calculated; and the identities of the persons responsible for awarding the remuneration and benefits will be available on the Company's website [www.morganstanleyfunds.co.uk](http://www.morganstanleyfunds.co.uk). A paper copy of the information provided on this website is available free of charge following a request to the ACD.

## **COLLATERAL MANAGEMENT POLICY**

The Funds are allowed to enter into OTC financial derivative transactions and to use EPM techniques subject to the restrictions set out in Section 3 - Investment and Borrowing Powers above, paragraph 21 - "Derivatives - General". In particular, the counterparty risk arising from OTC derivative instruments and EPM techniques may not exceed 10% of the assets of a Fund when the counterparty is a credit institution domiciled in the EU or in a country where the FCA considers that supervisory regulations are equivalent to those prevailing in the EU. This limit is set at 5% in any other case.

The counterparty risk of a Fund vis-à-vis a counterparty will be equal to the positive mark-to-market value of all OTC derivative and EPM techniques transactions with that counterparty, provided that:

- if there are legally enforceable netting arrangements in place, the risk exposure arising from OTC derivative and EPM techniques transactions with the same counterparty may be netted; and
- if collateral posted in favour of the Fund and such collateral complies at all times with the criteria set out below, the counterparty risk of a Fund towards a counterparty under OTC derivative or EPM techniques transactions is reduced by the amount of such collateral.

The purpose of this section is to set the collateral policy that will be followed by all Funds.

## **Eligible collateral**

### **General principles**

Collateral received by a Fund may be used to reduce its counterparty risk exposure with a counterparty if it complies at all times with the criteria laid down in the ESMA Guidelines 2014/937. By way of derogation to the principle of collateral diversification laid down under 43 (e) of the ESMA Guidelines 2014/937, each Fund may have an exposure for up to 100% of its net assets in securities issued or guaranteed by a Member State, its local authorities, a member State of the OECD or by a public international body of which one or more Member States are members, provided that the Fund holds securities of at least six different issues and that the securities from any one issue do not account for more than 30% of the net assets of the Fund.

For the purpose of paragraph "General" above, all assets received by a Fund in the context of EPM Techniques should be considered as collateral.

### **Eligible assets**

Collateral received by a Fund will only be taken into account for reducing its counterparty risk exposure with a counterparty if it consists of assets which are part of the following list:

- (a) Liquid assets. Liquid assets include not only cash and short term bank certificates, but also money market instruments such as defined within Directive 2009/65/EC of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS). A letter of credit or a guarantee at first-demand given by a first class credit institution not affiliated to the counterparty are considered as equivalent to liquid assets.
- (b) Bonds issued or guaranteed by a Member State of the OECD or by their local public authorities or by supranational institutions and undertakings with EU, regional or world-wide scope.
- (c) Shares or units issued by money market UCIs calculating a daily net asset value and being assigned a rating of AAA or its equivalent.
- (d) Shares or units issued by UCITS investing mainly in bonds/shares mentioned in (e) and (f) below.
- (e) Bonds issued or guaranteed by first class issuers offering an adequate liquidity.
- (f) Shares admitted to or dealt in on a Regulated Market of a Member State of the European Union or on a stock exchange of a Member State of the OECD, on the condition that these shares are included in a main index.

The above general collateral eligibility requirements are without prejudice to the more specific requirements which may apply to a Fund under the section "Structure of the Company", "The Funds" above.

## **Reinvestment of collateral**

### **Non-cash collateral**

Non-cash collateral received by a Fund may not be sold, re-invested or pledged.

### **Cash collateral**

Cash collateral received by a Fund can only be:

- (a) placed on deposit with credit institutions which either have their registered office in an EU Member State or are subject to prudential rules considered by the FCA as equivalent to those laid down in Community law;
- (b) invested in high-quality government bonds;
- (c) used for the purpose of reverse repo transactions provided the transactions are with credit institutions subject to prudential supervision and the Company is able to recall at any time the full amount of cash on accrued basis; or
- (d) invested in short-term money market funds.

Re-invested cash collateral should be diversified in accordance with the diversification requirements applicable to non-cash collateral as set out in "Eligible Assets" above.

### **Safekeeping of collateral**

Collateral posted in favour of a Fund under a title transfer arrangement should be held by the Depositary or one of its correspondents or sub-custodians. Collateral posted in favour of a Fund under a security interest arrangement (e.g., a pledge) can be held by a third party custodian which is subject to prudential supervision, and which is unrelated to the provider of the collateral.

### **Valuation of collateral**

Collateral received is marked to market and revalued on a daily basis. If market movements cause the value of collateral to be insufficient, additional collateral may be called from the counterparty such that the value of the collateral and margin requirements are maintained. In the normal course of events, additional collateral is delivered the following Business Day, therefore a counterparty credit risk may arise pending delivery of the additional collateral.

### **Haircut policy**

The ACD has a haircut policy relating to the classes of assets received as collateral. The ACD typically receives cash, high-quality government and non-government bonds as collateral. The ACD will typically apply haircuts ranging from 0.5-10% for government bonds and from 5-15% for non-government bonds. No haircut will generally be applied to cash collateral. Haircuts are assessed based on collateral credit quality, price volatility and tenor, and the ACD may vary the haircut outside the above ranges if it consider it to be appropriate based on these factors.

## **THE HOLDING OF CLIENT MONEY AND CUSTODY ASSETS**

### **The holding of client money**

As an FCA authorised firm, the Company is subject to the FCA Rules governing customer assets ('CASS') where it holds client money, as defined in CASS. Client money typically arises during the creation and redemption processes where a client passes money to the ACD for the purpose of investment in Shares in the Company or the ACD passes money due to a client as the result of the redemption of Shares in the Company. Investors should note that in its dealings in Shares of the Company, the ACD is responsible for arranging for the issue and the cancellation of the Shares and may do so for its own account.

#### *Money paid to the ACD*

Any money which is received by the ACD prior to investment in a Fund or following redemption of Shares will be held in accordance with the FCA's client money rules in a client money account. The ACD will deposit the cash with a third-party banking institution. The bank will hold the cash on the ACD's behalf in an omnibus client account, separate from any money the bank holds for the ACD in its own right.

If the bank becomes insolvent the ACD will have a claim on behalf of its clients against the bank, as set out in further detail below.

No interest is payable by the ACD on monies credited to a client money bank account.

#### *Redemption proceeds*

Where the Company is unable to pay the redemption proceeds as set out in "Selling Shares" above, the money may be held in a client money account subject to CASS. The ACD will deposit the money with a third-party banking institution. The bank will hold the money on the ACD's behalf in an omnibus client account separate from any money the bank holds for the ACD in its own right.

As stated in further detail below, if the ACD becomes insolvent, money will be pooled separately from the ACD's insolvent estate and distributed to investors and the other clients of the ACD (for whom the ACD also holds client money) or transferred to another ACD in accordance with the provisions in CASS on client money distribution or transfer.

#### *Paying money away*

Where the ACD is holding unclaimed client money the ACD may, in accordance with CASS, eventually pay away such amounts to a registered charity. This would be after a period of six years has elapsed since the date of the last movement on the relevant account (disregarding any payment of or receipt of interest, charges or similar items). Before doing so the ACD will have ensured that it has taken reasonable steps in accordance with CASS, to attempt to pay these monies to the rightful Shareholder(s).

In all circumstances monies paid to a charity would no longer be treated as client money. The making of a payment of unclaimed client money to a charity would not prevent a

Shareholder from making a future claim to the ACD for repayment of such client monies upon production to the ACD of satisfactory evidence of their entitlement to those monies.

#### *Insolvency of the third-party bank holding client money*

If the third-party bank holding client money becomes insolvent the ACD will have a claim on behalf of investors and its other clients, for whom it holds client money, against the bank.

It is important to note that if the bank holding client money fails, there may be a shortfall between the amount of client money held with the bank and the Client Money Claim. In these circumstances, investors will share in that shortfall with all other clients in proportion to their respective claims and investors may not receive back all the client money due to them.

The ACD will not, however, be responsible for any acts or omissions or for failure of any bank to whom it passes money received from or due to the client.

If the ACD itself becomes insolvent, money will be pooled separately from the ACD's insolvent estate and investors will have a Client Money Claim against the ACD and the other clients of the ACD (for whom the ACD also holds client money).

In the event that either the third-party banking institution or the ACD were to fail, the FCA's client money distribution rules apply. The purpose of these distribution rules is to protect investors' interests with the aim of making the timely return of their money following any such failure.

In the event that there is a loss of Client Money, investors may be entitled to compensation for that loss under the rules of the Financial Services Compensation Scheme or under a deposit guarantee scheme, if applicable. More information is available at <https://www.fscs.org.uk/>.

#### **The holding of Scheme Property**

In accordance with the requirements governing the safekeeping of scheme property, the ACD is not permitted to hold any Scheme Property. Instead, the Depositary is responsible for such safe-keeping, as is explained in more detail in Section 2. The ACD does not, therefore, have any duties with respect to custody assets.

#### *Insolvency of the Depositary*

The Scheme Property would not form part of the Depositary's insolvent estate. In the event of the insolvency of the Depositary, the Scheme Property could be transferred to another Depositary or treated by the ACD in some other way to protect the holders of Shares in the Company.

The Depositary may have a security interest or lien over, or right of set-off in relation to Scheme Property, including any cash held as part of that Scheme Property. This may result in a reduction of the amount of Scheme Property transferred to another Depositary in the event of the insolvency of the Depositary.

In the event that there is a loss of Scheme Property, investors may be entitled to compensation for that loss under the rules of the Financial Services Compensation Scheme. More information is available at <https://www.fscs.org.uk/>.

#### *Third country custodians*

The Depositary is required to safeguard the Scheme Property in accordance with the rules implementing EEA law and, as such, the Scheme Property will be protected according to the same basic standards as those in the UK and investors will have rights that are equivalent to those in the UK. The Depositary may, however, delegate the safeguarding of part of the Scheme Property to a custodian in a non-EEA country where the standards of protection and the laws governing the insolvency of such custodians are not the same as those in the EEA. In the event of the failure of the third country custodian, this may result in a loss or a delay in the return of Scheme Property held by the third country custodian.

#### **DATA PROTECTION**

A detailed data protection notice is included as Appendix 5 to this Prospectus. Shareholders and prospective Shareholders should read the information contained in Appendix 5 to understand how the Company, the ACD, their affiliates and anyone acting on their behalf will process a Shareholder's personal data.

#### **EU BENCHMARK REGULATION**

Certain Funds use indices or benchmarks, which at the date of this Prospectus, are provided by benchmark administrators who benefit from the transitional arrangements afforded under Regulation (EU) 2016/1011 (the "**Benchmark Regulation**"). These benchmark administrators may not yet appear on the register of administrators and benchmarks maintained by ESMA pursuant to Article 36 of the Benchmark Regulation. These benchmark administrators should apply for authorisation or registration as an administrator under the Benchmark Regulation before 1 January 2020 and updated information will be available no later than January 2020. The ACD, acting in accordance with the Benchmark Regulation and applicable laws, has adopted a written plan setting out the actions that will be taken in the event that any benchmark that may be used by any Fund materially changes or ceases to be available.



## Section 6 – Definitions

<b>ACD</b>	The Authorised Corporate Director of the Company, Morgan Stanley Investment Management (ACD) Limited
<b>ACD Agreement</b>	The Agreement dated 17 July 1998 between the Company and the ACD (as may have been novated, amended or supplemented)
<b>Accumulation Shares</b>	Shares (of whatever Class) in Funds of the Company as may be in issue from time to time in respect of which income allocated thereto is credited periodically to capital pursuant to the FCA Rules
<b>Act</b>	The Financial Services and Markets Act 2000 as amended or re-enacted from time to time
<b>Administrator</b>	State Street Bank and Trust Company, or DST Financial Services Europe Limited or DST Financial Services International Limited, as the case may be
<b>Appendix or Appendices</b>	An appendix, or the appendices, to this Prospectus
<b>Business Day</b>	Any day other than a Saturday, Sunday, bank holiday in London, any other day declared by the ACD to be a Company holiday and any other day at the ACD's discretion in order to protect Shareholders' interests in respect to outdated prices resulting from some markets being closed.
<b>China A-Shares</b>	Shares denominated and traded in Chinese Yuan on the Shanghai Stock Exchange or the Shenzhen Stock Exchange and issued by Chinese companies
<b>the COLL Sourcebook</b>	The Collective Investment Schemes Sourcebook issued by the FCA as amended or re-enacted from time to time
<b>Class or Classes</b>	In relation to Shares, means (according to the context) all of the Shares relating to a single Fund or a particular class or classes of Shares relating to a single Fund Company
<b>COBS</b>	The rules contained in the Conduct of Business Sourcebook made by the FCA in exercise of its powers under the Act, which forms part of the

	FCA Handbook of Rules and Guidance as amended from time to time
<b>Company</b>	Morgan Stanley Funds (UK)
<b>Dealing Day</b>	Any Business Day
<b>Depository</b>	State Street Trustees Limited
<b>Efficient Portfolio Management or EPM</b>	as used in this prospectus, shall mean efficient portfolio management, hedging and investment techniques where derivatives are used for one or more of the following purposes: reduction of risk, reduction of cost or generation of additional income with an acceptably low level of risk, as more fully described in Section 3, paragraph 20.2.3
<b>ESMA Guidelines on ETFs and other UCITS Issues (ESMA/2014/937EN)</b>	Guidelines published by the European Securities and Markets Authority (ESMA) on 1 August 2014 and applicable to all UCITS funds
<b>Equity Funds</b>	The Global Brands Fund, Global Brands Equity Income Fund, US Advantage Fund
<b>EU</b>	The European Union, being the union established by the Treaty on European Union signed at Maastricht on 7 February 1992 (as amended)
<b>Fixed Interest Fund</b>	Sterling Corporate Bond Fund
<b>FCA</b>	The Financial Conduct Authority
<b>FCA Handbook</b>	The FCA Handbook of Rules and Guidance as amended from time to time
<b>Fund or Funds</b>	A sub-fund of the Company
<b>Income Shares</b>	Shares (of whatever class) in Funds of the Company as may be in issue from time to time in respect of which income allocated thereto is distributed periodically to the holders thereof pursuant to the FCA Rules
<b>Investment Manager</b>	Morgan Stanley Investment Management Limited
<b>Net Asset Value</b>	The value of such part of the Scheme Property as is attributable to a particular Fund, less such liabilities as are attributable to that Fund, calculated in accordance with the Company's Instrument of Incorporation

<b>Order</b>	The Financial Services and Markets Act 2000 (Transitional Provisions) (Authorised Persons etc.) Order 2001
<b>Registrar</b>	DST Financial Services International Limited
<b>Regulations</b>	The Open-Ended Investment Companies Regulations 2001 as amended from time to time
<b>Rules</b>	The rules contained in the Collective Investment Schemes Sourcebook made by the FCA and as amended from time to time in exercise of its powers contained in section 247 of the Act
<b>Scheme Property</b>	The property of the Company required under the Rules to be given for safekeeping to the Depositary
<b>Share or Shares</b>	A share or shares in the Company (including larger denomination Shares and smaller denomination Shares)
<b>Shareholders</b>	A holder of registered or bearer Shares in the Company
<b>Shanghai Stock Connect</b>	The Shanghai-Hong Kong Stock Connect program
<b>Shenzhen Stock Connect</b>	The Shenzhen-Hong Kong Stock Connect program
<b>Stock Connect</b>	The Shanghai Stock Connect and the Shenzhen Stock Connect which allow non-Chinese investors to purchase certain China A-Shares via brokers in Hong Kong and/or any other similar stock connect program between any other city of the People's Republic of China and Hong Kong when it becomes available to, and can be utilised by, the Company.
<b>Sub-Investment Manager</b>	Morgan Stanley Investment Management Inc.
<b>UCITS Directive</b>	A European Directive relating to undertakings for collective investment in transferable securities which has been adopted in the UK
<b>UCITS scheme</b>	A scheme constituted in accordance with the UCITS Directive
<b>UK</b>	United Kingdom

**U.S. Persons**

As defined pursuant to Regulation S under the U.S. Securities Act of 1933, as amended, and pursuant to the Hiring Incentives to Restore Employment Act

## **Appendix 1 – Eligible Securities Markets and Eligible Derivatives Markets**

Approved transferable securities and approved derivatives are classified by reference to the eligible securities markets and eligible derivatives markets in this Appendix.

For each Fund, an eligible securities and derivatives markets is:

1. A market established in a member state of the European Union or in any other state within the European Economic Area on which transferable securities admitted to official listing are dealt in or traded.
2. Any of the following markets shown below.

### **Eligible Securities Markets**

Australia – The Australian Securities Exchange (ASX Limited)  
Bahrain – Bahrain Stock Exchange  
Bangladesh – Dhaka Stock Exchange  
Brazil – BM&F BOVESPA  
Canada – the over-the-counter market in Canadian Government Bonds, regulated by the Investment Dealers Association of Canada  
Canada – Montreal Stock Exchange  
Canada – The Toronto Stock Exchange (TMX Group)  
Canada – TSX Venture Exchange (TMX Group)  
Chile – Santiago Stock Exchange  
China – Shanghai Stock Exchange  
China – Shenzhen Stock Exchange  
Colombia – Bolsa de Valores de Colombia  
Croatia – Zagreb Stock Exchange  
Egypt – Egyptian Exchange  
Hong Kong – The Hong Kong Exchanges and Clearing Ltd  
International Capital Market Association (ICMA)  
India – The National Stock Exchange of India  
India – The Bombay Stock Exchange Ltd  
Indonesia – Indonesia Stock Exchange  
Israel – The Tel Aviv Stock Exchange  
Japan – Nagoya Stock Exchange  
Japan – The Osaka Securities Exchange  
Japan – JASDAQ Securities Exchange  
Japan – The Tokyo Stock Exchange  
Japan – TSE Mothers  
Jordan – Amman Stock Exchange  
Korea – Korea Exchange Incorporated  
Kuwait – Kuwait Stock Exchange  
Malaysia – Bursa Malaysia  
Mexico – The Mexican Stock Exchange  
Morocco – Casablanca Stock Exchange  
New Zealand – The New Zealand Stock Exchange  
Oman – Muscat Securities Market

Pacific Stock Exchange  
Pakistan – Karachi Stock Exchange  
Peru – Lima Stock Exchange  
Philippines – The Philippine Stock Exchange, Inc  
Qatar – Qatar Exchange  
Russia – MICEX-RTS  
Singapore – Catalist (the second tier on the Singapore Stock Exchange)  
Singapore – The Singapore Exchange  
South Africa – JSE Securities Exchange  
Sri Lanka – Colombo Stock Exchange  
Switzerland – SIX Swiss Exchange  
Taiwan – Gre Tai Securities Market  
Taiwan – Taiwan Stock Exchange  
Thailand – The Stock Exchange of Thailand  
Turkey – Istanbul Stock Exchange  
United Arab Emirates – Abu Dhabi  
United Arab Emirates – Dubai Financial Market  
United Arab Emirates – NASDAQ Dubai  
USA – NASDAQ (and PORTAL)  
USA – NYSE Euronext (NYX)  
USA – Chicago Stock Exchange  
USA – the OTC market in US government securities conducted by primary dealers selected by the Federal Reserve Bank of New York  
USA – The New York Stock Exchange  
USA – The OTC Bulletin Board Board operated by NASD  
USA – The New York Stock Exchange Arca  
USA – NASDAQ OMX PHLX

### **Eligible Derivatives Markets**

Australia – The Australian Securities Exchange (ASX Limited)  
Austria – Vienna Stock Exchange  
Belgium – Euronext Brussels  
Brazil – BM&F BOVESPA  
Canada – The Montreal Exchange (TMX Group)  
Canada – Toronto Futures Exchange  
Denmark – NASDAQ OMX Copenhagen  
Europe – ICE Futures Europe  
Finland – NASDAQ OMX (Helsinki)  
France – Euronext Paris  
Germany – Eurex Germany  
Greece – Athens Derivatives Exchange (ADEX)  
Hong Kong – The Hong Kong Exchanges and Clearing Ltd  
India – The National Stock Exchange of India  
India – The Bombay Stock Exchange  
Ireland – Irish Stock Exchange  
Italy – IDEM

Japan – The Osaka Securities Exchange  
Japan – The Tokyo Stock Exchange  
Japan – Tokyo Financial Exchange  
Korea – Korea Exchange Incorporated  
Malaysia – Bursa Malaysia Derivatives Berhad (BMD)  
Mexico – Mexican Derivatives Exchange  
Netherlands – Euronext Amsterdam  
New Zealand – New Zealand Futures and Options Exchange  
Poland – Warsaw Stock Exchange  
Portugal – Euronext Lisbon  
Singapore – The Singapore Exchange  
South Africa – JSE Securities Exchange  
Spain – BME, Spanish Exchanges  
Sweden – NASDAQ OMX Stockholm  
Switzerland – EUREX (Zurich)  
Taiwan – Taiwan Futures Exchange  
Thailand – Thailand Futures Exchange (TFEX)  
Turkey – Turkish Derivatives Exchange (TurkDEX)  
United Kingdom – Euronext LIFFE  
USA – Chicago Board Options Exchange  
USA – CME Group  
USA – ICE  
USA – Kansas City Board of Trade  
USA – The New York Stock Exchange Arca  
USA – NASDAQ OMX PHLX

## **Appendix 2 – Directory**

### **Authorised Corporate Director**

Morgan Stanley Investment Management (ACD) Limited  
25 Cabot Square  
Canary Wharf  
London E14 4QA

### **Dealing Office**

PO Box 9025  
Chelmsford CM99 2WE

### **Depositary**

State Street Trustees Limited  
525 Ferry Road  
Edinburgh EH5 2AW

### **Investment Manager**

Morgan Stanley Investment Management Limited  
25 Cabot Square  
Canary Wharf  
London E14 4QA

### **Sub-Investment Manager**

Morgan Stanley Investment Management Inc.  
522 Fifth Avenue  
New York  
NY 10036  
United States of America

### **Administrators**

State Street Bank and Trust Company  
London Branch  
20 Churchill Place  
London E14 5HJ

DST Financial Services International Limited  
St. Nicholas Lane  
Basildon  
Essex SS15 5FS

### **Distributor**

Morgan Stanley Investment Management Limited  
25 Cabot Square

Canary Wharf  
London E14 4QA

**Registrar**

DST Financial Services International Limited  
St. Nicholas Lane  
Basildon  
Essex SS15 5FS

**Auditors**

Ernst & Young LLP  
Ten George Street  
Edinburgh  
EH2 2DZ

**Legal Advisers to the Company**

Eversheds Sutherland (International) LLP  
One Wood Street  
London EC2V 7WS

### Appendix 3 – Past Performance

<b>Fund Name</b>	<b>Share Class</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Sterling Corporate Bond Fund	(I Class Acc)	8.9%	0.7%	10.9%	2.3%	19.6%
Sterling Corporate Bond Fund	(I Class Inc)	8.9%	0.7%	10.9%	2.3%	19.7%
Sterling Corporate Bond Fund	(A Class Acc)	8.3%	0.2%	10.3%	1.8%	19.1%
Sterling Corporate Bond Fund	(A Class Inc)	8.3%	0.2%	10.3%	1.8%	19.1%
Sterling Corporate Bond Fund	(F Class Acc)	9.0%	0.8%	N/A	N/A	N/A
Sterling Corporate Bond Fund	(F Class Inc)	9.0%	0.8%	N/A	N/A	N/A
Global Brands Fund	(I Class Acc)	25.5%	12.0%	11.9%	17.7%	9.4%
Global Brands Fund	(I Class Inc)	25.5%	12.0%	11.9%	17.7%	9.4%
Global Brands Fund	(A Class Acc)	24.6%	11.2%	11.1%	16.8%	8.6%
Global Brands Fund	(A Class Inc)	24.6%	11.2%	11.1%	16.8%	8.6%
Global Brands Equity Income Fund*	(I Class Acc)	N/A	N/A	N/A	N/A	N/A
Global Brands Equity Income Fund*	(I Class Inc)	N/A	N/A	N/A	N/A	N/A
Morgan Stanley Global Brands Equity Income Fund**	(F Class Acc)	N/A	N/A	N/A	N/A	N/A
Morgan Stanley Global Brands Equity Income Fund**	(F Class Inc)	N/A	N/A	N/A	N/A	N/A
US Advantage Fund*	(I Class Acc)	N/A	N/A	N/A	N/A	N/A
US Advantage Fund*	(F Class Acc)	N/A	N/A	N/A	N/A	N/A

\*As these Funds launched in 2016 no past performance information is yet available.

\*\*As these Share Classes launched in June 2017 no past performance information is yet available.

**Notes:**

- The table above shows the annual performance in percentage terms (net of taxes and charges) of the Funds within the Morgan Stanley Funds (UK) range excluding any entry or exit charges.
- Performance figures are calculated as at calendar year end.
- Source of figures: Morgan Stanley Investment Management Limited.
- Past performance is not necessarily a guide to future performance and the value of the Shares and income from them may fall as well as rise.
- The figures quoted above are on a single pricing basis. The information provided may not be up-to-date.

You can obtain current information on past performance by contacting Morgan Stanley Investment Management (ACD) Limited

## Appendix 4 – List of Delegates

The Depositary has delegated those safekeeping duties set out in Article 22(5)(a) of the UCITS Directive to State Street Bank and Trust Company with registered office at Copley Place 100, Huntington Avenue, Boston, Massachusetts 02116, USA, with an office at 20 Churchill Place, Canary Wharf, London E14 5HJ, UK, whom it has appointed as its global sub-custodian.

At the date of this prospectus State Street Bank and Trust Company as global sub-custodian has appointed local sub-custodians within the State Street Global Custody Network as listed below.

<b>MARKET</b>	<b>SUB CUSTODIAN</b>
<b>Albania</b>	Raiffeisen Bank sh.a.
<b>Argentina</b>	Citibank, N.A., Buenos Aires
<b>Australia</b>	The Hongkong and Shanghai Banking Corporation Limited
<b>Austria</b>	Deutsche Bank AG
	UniCredit Bank Austria AG
<b>Bahrain</b>	HSBC Bank Middle East Limited (as delegate of The Hongkong and Shanghai Banking Corporation Limited)
<b>Bangladesh</b>	Standard Chartered Bank
<b>Belgium</b>	Deutsche Bank AG, Netherlands (operating through its Amsterdam branch with support from its Brussels branch)
<b>Benin</b>	via Standard Chartered Bank Côte d'Ivoire S.A., Abidjan, Ivory Coast
<b>Bermuda</b>	HSBC Bank Bermuda Limited
<b>Federation of Bosnia and Herzegovina</b>	UniCredit Bank d.d.
<b>Botswana</b>	Standard Chartered Bank Botswana Limited
<b>Brazil</b>	Citibank, N.A.
<b>Bulgaria</b>	Citibank Europe plc, Bulgaria Branch
	UniCredit Bulbank AD
<b>Burkina Faso</b>	via Standard Chartered Bank Côte d'Ivoire S.A., Abidjan,

	Ivory Coast
<b>Canada</b>	State Street Trust Company Canada
<b>Chile</b>	Banco Itaú Chile S.A.
<b>People's Republic of China</b>	HSBC Bank (China) Company Limited (as delegate of The Hongkong and Shanghai Banking Corporation Limited)
	China Construction Bank Corporation (for A-share market only)
	Citibank N.A.  (for Shanghai – Hong Kong Stock Connect market only)
	The Hongkong and Shanghai Banking Corporation Limited (for Shanghai – Hong Kong Stock Connect market only)
	Standard Chartered Bank (Hong Kong) Limited  (for Shanghai – Hong Kong Stock Connect market)
<b>Colombia</b>	Cititrust Colombia S.A. Sociedad Fiduciaria
<b>Costa Rica</b>	Banco BCT S.A.
<b>Croatia</b>	Privredna Banka Zagreb d.d.
	Zagrebacka Banka d.d.
<b>Cyprus</b>	BNP Paribas Securities Services, S.C.A., Greece (operating through its Athens branch)
<b>Czech Republic</b>	Československá obchodní banka, a.s.
	UniCredit Bank Czech Republic and Slovakia, a.s.
<b>Denmark</b>	Nordea Bank AB (publ), Sweden (operating through its subsidiary, Nordea Bank Danmark A/S)
	Skandinaviska Enskilda Banken AB (publ), Sweden (operating through its Copenhagen branch)
<b>Egypt</b>	HSBC Bank Egypt S.A.E. (as delegate of The Hongkong and Shanghai Banking Corporation Limited)
<b>Estonia</b>	AS SEB Pank

<b>Finland</b>	Nordea Bank AB (publ), Sweden (operating through its subsidiary, Nordea Bank Finland Plc.)
	Skandinaviska Enskilda Banken AB (publ), Sweden (operating through its Helsinki branch)
<b>France</b>	Deutsche Bank AG, Netherlands (operating through its Amsterdam branch with support from its Paris branch)
<b>Republic of Georgia</b>	JSC Bank of Georgia
<b>Germany</b>	State Street Bank GmbH
	Deutsche Bank AG
<b>Ghana</b>	Standard Chartered Bank Ghana Limited
<b>Greece</b>	BNP Paribas Securities Services, S.C.A.
<b>Guinea-Bissau</b>	via Standard Chartered Bank Côte d'Ivoire S.A., Abidjan, Ivory Coast
<b>Hong Kong</b>	Standard Chartered Bank (Hong Kong) Limited
<b>Hungary</b>	Citibank Europe plc Magyarországi Fióktelepe
	UniCredit Bank Hungary Zrt.
<b>Iceland</b>	Landsbankinn hf.
<b>India</b>	Deutsche Bank AG
	The Hongkong and Shanghai Banking Corporation Limited
<b>Indonesia</b>	Deutsche Bank AG
<b>Ireland</b>	State Street Bank and Trust Company, United Kingdom branch
<b>Israel</b>	Bank Hapoalim B.M.
<b>Italy</b>	Deutsche Bank S.p.A.
	Intesa Sanpaolo S.p.A.
<b>Ivory Coast</b>	Standard Chartered Bank Côte d'Ivoire S.A.
<b>Jamaica</b>	Scotia Investments Jamaica Limited
<b>Japan</b>	Mizuho Bank, Limited

	The Hongkong and Shanghai Banking Corporation Limited
<b>Jordan</b>	Standard Chartered Bank
<b>Kazakhstan</b>	JSC Citibank Kazakhstan
<b>Kenya</b>	Standard Chartered Bank Kenya Limited
<b>Republic of Korea</b>	Deutsche Bank AG
	The Hongkong and Shanghai Banking Corporation Limited
<b>Kuwait</b>	HSBC Bank Middle East Limited (as delegate of The Hongkong and Shanghai Banking Corporation Limited)
<b>Latvia</b>	AS SEB banka
<b>Lithuania</b>	AB SEB bankas
<b>Luxembourg</b>	Clearstream Banking S.A. Luxembourg.
<b>Malawi</b>	Standard Bank Limited
<b>Malaysia</b>	Deutsche Bank (Malaysia) Berhad
	Standard Chartered Bank Malaysia Berhad
<b>Mali</b>	via Standard Chartered Bank Côte d'Ivoire S.A., Abidjan, Ivory Coast
<b>Mauritius</b>	The Hongkong and Shanghai Banking Corporation Limited
<b>Mexico</b>	Banco Nacional de México, S.A.
<b>Morocco</b>	Citibank Maghreb
<b>Namibia</b>	Standard Bank Namibia Limited
<b>Netherlands</b>	Deutsche Bank AG
<b>New Zealand</b>	The Hongkong and Shanghai Banking Corporation Limited
<b>Niger</b>	via Standard Chartered Bank Côte d'Ivoire S.A., Abidjan, Ivory Coast
<b>Nigeria</b>	Stanbic IBTC Bank Plc.
<b>Norway</b>	Nordea Bank AB (publ), Sweden (operating through its subsidiary, Nordea Bank Norge ASA)

	Skandinaviska Enskilda Banken AB (publ), Sweden (operating through its Oslo branch)
<b>Oman</b>	HSBC Bank Oman S.A.O.G. (as delegate of The Hongkong and Shanghai Banking Corporation Limited)
<b>Pakistan</b>	Deutsche Bank AG
<b>Peru</b>	Citibank del Perú, S.A.
<b>Philippines</b>	Deutsche Bank AG
<b>Poland</b>	Bank Handlowy w Warszawie S.A.
	Bank Polska Kasa Opieki S.A
<b>Portugal</b>	Deutsche Bank AG, Netherlands (operating through its Amsterdam branch with support from its Lisbon branch)
<b>Puerto Rico</b>	Citibank N.A.
<b>Qatar</b>	HSBC Bank Middle East Limited (as delegate of The Hongkong and Shanghai Banking Corporation Limited)
<b>Romania</b>	Citibank Europe plc, Dublin – Romania Branch
<b>Russia</b>	AO Citibank
<b>Saudi Arabia</b>	HSBC Saudi Arabia Limited (as delegate of The Hongkong and Shanghai Banking Corporation Limited)
<b>Senegal</b>	via Standard Chartered Bank Côte d'Ivoire S.A., Abidjan, Ivory Coast
<b>Serbia</b>	UniCredit Bank Serbia JSC
<b>Singapore</b>	Citibank N.A.
	United Overseas Bank Limited
<b>Slovak Republic</b>	UniCredit Bank Czech Republic and Slovakia, a.s.
<b>Slovenia</b>	UniCredit Banka Slovenija d.d.
<b>South Africa</b>	FirstRand Bank Limited
	Standard Bank of South Africa Limited

<b>Spain</b>	Deutsche Bank S.A.E.
<b>Sri Lanka</b>	The Hongkong and Shanghai Banking Corporation Limited
<b>Republic of Srpska</b>	UniCredit Bank d.d.
<b>Swaziland</b>	Standard Bank Swaziland Limited
<b>Sweden</b>	Nordea Bank AB (publ)
	Skandinaviska Enskilda Banken AB (publ)
<b>Switzerland</b>	Credit Suisse AG
	UBS Switzerland AG
<b>Taiwan - R.O.C.</b>	Deutsche Bank AG
	Standard Chartered Bank (Taiwan) Limited
<b>Tanzania</b>	Standard Chartered Bank (Tanzania) Limited
<b>Thailand</b>	Standard Chartered Bank (Thai) Public Company Limited
<b>Togo</b>	via Standard Chartered Bank Côte d'Ivoire S.A., Abidjan, Ivory Coast
<b>Tunisia</b>	Union Internationale de Banques
<b>Turkey</b>	Citibank, A.Ş.
	Deutsche Bank A.Ş.
<b>Uganda</b>	Standard Chartered Bank Uganda Limited
<b>Ukraine</b>	PJSC Citibank
<b>United Arab Emirates Dubai Financial Market</b>	HSBC Bank Middle East Limited (as delegate of The Hongkong and Shanghai Banking Corporation Limited)
<b>United Arab Emirates Dubai International Financial Center</b>	HSBC Bank Middle East Limited (as delegate of The Hongkong and Shanghai Banking Corporation Limited)

<b>United Arab Emirates Abu Dhabi</b>	HSBC Bank Middle East Limited (as delegate of The Hongkong and Shanghai Banking Corporation Limited)
<b>United Kingdom</b>	State Street Bank and Trust Company, United Kingdom branch
<b>Uruguay</b>	Banco Itaú Uruguay S.A.
<b>United States</b>	State Street Bank and Trust Company, Boston
<b>Vietnam</b>	HSBC Bank (Vietnam) Limited (as delegate of The Hongkong and Shanghai Banking Corporation Limited)
<b>Zambia</b>	Standard Chartered Bank Zambia Plc.
<b>Zimbabwe</b>	Stanbic Bank Zimbabwe Limited (as delegate of Standard Bank of South Africa Limited)

## Appendix 5 – Data Protection Notification

- a) In accordance with United Kingdom data protection laws, including the Data Protection Act 1998 (as amended from time to time), the General Data Protection Regulation (EU) 2016/679 and all applicable laws (together, the “**Data Protection Laws**”), the Company, acting as “data controller” within the meaning of the Data Protection Laws, hereby informs prospective investors and holders of shares in the Company (together, “**Shareholders**”, and each a “**Shareholder**”) that personal data provided by each Shareholder to the Company (“**Personal Data**”, as defined in paragraph (b), below) may be collected, recorded, stored, adapted, transferred or otherwise processed, by electronic means or otherwise, for the following purposes (each a “**Processing Purpose**”):
- 1) to enable and process the subscription and redemption of Shares in the Company by investors, including (without limitation) the facilitation and processing of payments by and to the Company (including the payment of subscription monies and redemption proceeds, the payment of fees by and to Shareholders and the payment of distributions on Shares), and generally to enable and give effect to the participation of investors in the Company;
  - 2) to enable an account to be maintained of all payments referenced in subparagraph (1), above;
  - 3) to enable the maintaining of a register of Shareholders in accordance with applicable laws;
  - 4) to carry out or to facilitate the carrying out with respect to Shareholders of credit, money laundering, due diligence and conflict checks for the purposes of fraud, money-laundering, financial crime prevention and tax identification laws (including FATCA and CRS (as defined in this Prospectus) and applicable anti-money laundering laws), and generally to enable the Company to comply with its legal obligations arising in connection therewith;
  - 5) to enable the Company to perform controls in respect of late trading and market timing practices;
  - 6) to facilitate the provision to the Company of services by the service providers referenced in this Prospectus, including (without limitation) the authorisation or confirmation of billing transactions and payments by and to the Company;
  - 7) to facilitate the operational support and development necessary to the Company’s investment objectives and strategies with respect to its Sub-Funds, including (without limitation) the Company’s risk management processes, and the evaluation of services provided to the Company by third-party service providers;

- 8) in relation to any litigation, disputes or contentious matter in which the Company is involved;
- 9) to comply with legal and regulatory requests made to the Company anywhere in the world;
- 10) to facilitate reporting, including (without limitation) transaction reporting to, and audits by, national and international regulatory, enforcement or exchange bodies, and tax authorities, including Her Majesty's Revenue and Customs in the United Kingdom (the "**UK Tax Authority**") and the compliance by the Company with court orders associated therewith;
- 11) for the Monitoring Purposes defined and specified in Section (e) below; and
- 12) for direct marketing purposes specified in Section (g) below.

The Company may not collect Personal Data without a valid legal ground. Accordingly, the Company will only process and use Personal Data:

- a) if necessary to enter into, to execute or to carry out a contract with each Shareholder for the services or products required by the Shareholder (as described in Processing Purposes 1 to 3 inclusive, above);
  - b) if necessary for the Company's legitimate interests, provided in each case that such interests are not overridden by the privacy interests of impacted individuals. The Company's legitimate interests are described in the Processing Purposes 1 to 12 inclusive, above;
  - c) to exercise and defend the Company's legal rights anywhere in the world as described in Processing Purpose 8 above; and
  - d) if necessary to comply with legal obligations, (including any legal or regulatory guidance, codes or opinions), applicable to the Company anywhere in the world as described in Processing Purposes 4, 9 and 10 above.
- b) "**Personal Data**" includes data that is personal to a Shareholder (whether a Shareholder is a natural or a legal person) and which the Company obtains directly from a Shareholder and/or indirectly from a data processor, such as personal details (including, at a minimum, a Shareholder's name, legal organization, country of residence, address and contact details) and financial account information. Some of this information will be publicly accessible.

Under certain conditions set out under the Data Protection Laws, a Shareholder shall have the right:

- (i) to access to his/her/its Personal Data;
- (ii) to correct or amend his/her/its Personal Data when such Personal Data is inaccurate or incomplete;
- (iii) to object to the processing of his/her/its Personal Data, in certain circumstances;

- (iv) to refuse at his/her/its own discretion to provide his/her/its Personal Data to the Company;
- (v) to request the erasure of his/her/its Personal Data; and
- (vi) to request the portability of his/her/its Personal Data in accordance with the Data Protection Laws.

Shareholders should note in particular that a refusal to provide Personal Data to the Company may result in the Company being required to reject an application for Shares in the Company.

Shareholders may exercise these rights by contacting the Company at [dataprotectionoffice@morganstanley.com](mailto:dataprotectionoffice@morganstanley.com). In addition to exercising these rights, Shareholders have a right to lodge a complaint in connection with matters concerning the processing and protection of Personal Data with the Company at [dataprotectionoffice@morganstanley.com](mailto:dataprotectionoffice@morganstanley.com), without prejudice to their ability to submit a complaint to the Information Commissioner's Office in the United Kingdom.

- c) For any Processing Purpose, the Company will share and delegate the processing of Personal Data, in accordance with the Data Protection Laws, to other parties, including its affiliates, the ACD and the Investment Manager, the Sub-Investment Manager, the Depositary, the Administrators, the Distributor and the Registrar, as well as other parties such as settlement agents, foreign banks or exchange or clearing houses, credit reference, fraud prevention and other similar agencies, and other financial institutions, together with parties to which the Company, the ACD and/or the Investment Manager may assign or novate Personal Data (each a "**Data Processor**", and together the "**Data Processors**").

A Data Processor may, subject to the approval of the Company, sub-delegate the processing of Personal Data (and, pursuant to such sub-delegation, the transfer thereof) to its parent company or organization, affiliates, branch offices or third party agents (together, the "**Delegates**").

Data Processors and Delegates may be located in countries outside of the European Economic Area (EEA) (which may include Malaysia, India, United States of America and Hong Kong), where data protection laws may not provide an adequate level of protection. In such cases the Data Processor, with the supervision of the Company, will ensure (i) that it has put in place appropriate data transfer mechanisms with the Company, and (ii) if applicable, that the Delegate has put in place appropriate data transfer mechanisms, in each case such as European Commission Standard Contractual Clauses. Shareholders can obtain a copy of the relevant data transfer mechanism that the Company has put in place by contacting the Company at [dataprotectionoffice@morganstanley.com](mailto:dataprotectionoffice@morganstanley.com).

The Company will disclose Personal Data to the UK Tax Authority, which in turn, acting as data controller, may disclose that Personal Data to foreign tax authorities.

- d) In compliance with the Data Protection Laws, the Company will retain Personal Data in an identifiable form in accordance with the Company's information management policy which establishes general standards and procedures regarding the retention, handling and disposal of Personal Data. Personal Data shall not be

retained for longer than is necessary with regard to the Processing Purposes, subject to any limitation periods imposed by law. Upon request, the Company will provide a Shareholder with more information on the exact retention periods applying to its Personal Data. The retention period may be extended in the sole discretion of the Company if the Company is required to preserve Personal Data in connection with litigation, regulatory investigations and legal proceedings.

- e) To the extent permitted by the Data Protection Laws, the Company and its affiliates (each acting as “data controller” within the meaning of the Data Protection Laws) will access, review, disclose, intercept, monitor and record (together, “**Monitoring**”) (i) verbal and electronic messaging and communications (for example, and without limitation, telephone, sms, instant message, email, Bloomberg and any other electronic or recordable communications) with a Shareholder or Shareholders’ agent (together, “**Communications**”), and (ii) a Shareholder’s use of technology owned, provided or made accessible by the Company and its affiliates, including (without limitation) systems that facilitate Communications with Shareholders, information processing, transmission, storage and access, including remote access (together, “**Systems**”).

The Company and its affiliates will subject Communications and Systems to Monitoring only for the following purposes (together, “**Monitoring Purposes**”):

1. to establish the existence of facts (e.g., keeping records of transactions);
2. to ascertain compliance with regulatory or self-regulatory practices or procedures which are applicable to the Company and/or its affiliates;
3. to ascertain or demonstrate standards which are achieved or ought to be achieved by persons using Systems, including compliance with any terms of use associated with Systems;
4. to prevent, detect or investigate crime, money laundering, fraud, financial crime and/or other breaches of applicable law;
5. to comply with applicable laws and regulations, any material contract and any applicable policies and procedures;
6. to safeguard against the loss, theft, unauthorised and unlawful collection, use, disclosure, destruction or other processing or misuse of confidential and proprietary information;
7. to prevent, detect or investigate unauthorised use of Systems and/or data (e.g., Monitoring to ensure compliance with the policies and procedures of the Company and/or its affiliates, including without limitation those relating to information security and cyber security);
8. to ensure the effective operation of Systems (including telephones, email and internet) systems;
9. for support and administration purposes;
10. to assist with investigations, complaints, regulatory requests, litigation, arbitration, mediation or requests from individuals; and

11. in particular, in the course of the operational support and development of the business of the Company and/or its affiliates, such as to evaluate the quality of customer service, and efficiency, cost and risk management purposes.

Monitoring will be conducted by the Company and/or its affiliates using various methods, including: (i) the use of "intelligent" automated monitoring tools; (ii) IT filtering tools which randomly review Systems; (iii) random monitoring of Systems, e.g. by authorised supervisors randomly joining on-going telephone calls on sales and trading floors; (iv) specific monitoring of Systems, e.g. in relation to investigations, regulatory requests, subject access requests, litigation, arbitration or mediation; (v) data tracking, aggregation and analysis tools that collect data from various sources to extrapolate linkages and/or detect behavioural patterns, interactions or preferences for analysis (including predictive analysis); and/or (vi) using other similar Monitoring technology that may become available from time to time.

The Company and/or its affiliates also use cookies and similar technologies to collect information about Shareholders as part of and/or in connection with services provided by them or in connection with any System owned or provided by them. By accessing or using services or a System, a Shareholder signifies his/her/its understanding that the Company and/or its affiliates will use such cookies and similar technologies as detailed in the Company's privacy policy, and that if the Shareholder chooses to reject such cookies, some or all parts of the services or the relevant System may not function properly or may not be accessible. To find out more about how the Company and/or its affiliates uses cookies and similar technologies, how the Company and/or its affiliates processes the information obtained through cookies, and how a Shareholder may reject cookies, see the Company's privacy policy at [www.morganstanley.com/privacy\\_pledge](http://www.morganstanley.com/privacy_pledge).

- f) Any documentation or records relating to the Monitoring of Systems shall be *prima facie* evidence of any instructions, orders or communications that have been subjected to Monitoring, and Shareholders agree that such records shall be admissible as such in any legal proceedings. Furthermore, Shareholders confirm that they will not use, file, or cite as a reason for objecting to the admission of such records as evidence in any legal proceedings either that the records are not originals, or are not in writing, or are documents produced by a computer. The Company and/or its affiliates will retain such records in accordance with its operational procedures which may change from time to time in its absolute discretion; however, such records shall not be held by the Company for longer than is necessary with regard to the Monitoring Purposes, subject to any limitation periods imposed by law. Shareholders are hereby informed that this record keeping should not be deemed to be a substitute for his/her/its own keeping of adequate records in accordance with any applicable rules or regulations to which he/she/it is subject.
- g) If there are any products or services that the Company and/or its affiliates believes may be of particular interest to a Shareholder, whether provided or sponsored by the Company and/or its affiliates, or by third party investment services providers (for example, a fund manager or insurance service provider not affiliated with the Company and/or its affiliates), the Company and/or its affiliates

may contact that Shareholder (by means which may include mail, email, sms and telephone), including outside standard working hours. When required by the Data Protection Laws, a Shareholder's prior consent will be requested before its Personal Data is used to make or facilitate direct marketing of this nature. If a Shareholder does not wish the Company and/or its affiliates to use its Personal Data in this way, or does not wish to provide Personal Data for such direct marketing purposes, the Shareholder may notify the Company and/or its affiliates at any time in accordance with section (b) above or as directed in any marketing materials that may be received by Shareholders. Please note that if a Shareholder does not wish to be contacted for such purposes, the Company and/or its affiliates may need or be required to limit the range of products and services which they will offer or be able to offer to that Shareholder, or may not be able to open an account for that Shareholder or continue their relationship with that Shareholder. In this respect, each Shareholder has a right to object to the use of his/her/its Personal Data for marketing purposes. This objection must be made in writing by letter addressed to the Company and/or its affiliates at 25 Cabot Square, Canary Wharf, London E14 4QA, United Kingdom, or at [cslux@morganstanley.com](mailto:cslux@morganstanley.com).

- h) Before providing the Company and/or its affiliates with access to, or permitting any access to, or permitting the processing of, Personal Data which contains any data regarding an individual in connection with this Prospectus, a Shareholder should ensure that: (i) the individual understands that the Shareholder will be providing their Personal Data to the Company and/or its affiliates; (ii) the individual has been provided with the information set out herein regarding the collection, use, processing, disclosure and overseas transfer of Personal Data, the use of Personal Data for direct marketing purposes, and the possibility of monitoring or recording of their or their agent's communications by the Company and/or its affiliates (in each case if permitted by the Data Protection Laws); (iii) if required, the individual has provided their consent to the processing by the Company and/or its affiliates of their Personal Data or that another legal basis to process Personal Data is satisfied; and (iv) the individual is aware of their data protection rights and how to exercise these.