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PROSPECTUS  
14 MAY 2016

# THREADNEEDLE UK PROPERTY AUTHORISED INVESTMENT FUND

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**Important: if you are in any doubt about the contents of this Prospectus you should consult your financial adviser.**

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

Threadneedle Investment Services Limited, the Authorised Corporate Director of the Company (the 'ACD'), is the person responsible for the information contained in this Prospectus. To the best of its knowledge and belief (having taken reasonable care to ensure that it is the case) the information contained in it does not contain any untrue or misleading statement or omit any matters required by the FCA Rules to be included in it. Threadneedle Investment Services Limited accepts responsibility accordingly.

**Prospectus of Threadneedle UK Property Authorised Investment Fund**

(An open-ended investment company with variable capital incorporated with limited liability and registered in England and Wales under registered number IC000976)

This document constitutes the Prospectus for Threadneedle UK Property Authorised Investment Fund (the 'Company'), which has been prepared in accordance with the FCA Rules. The Company is also subject to the OEIC Regulations. The Instrument of Incorporation of the Company is registered with the Financial Conduct Authority (the 'FCA').

This Prospectus is dated, and is valid as at, 14 May 2016.

Copies of this Prospectus have been sent to the FCA and the Depositary.

No person has been authorised by the Company or the ACD to give any information or to make any representations in connection with the offering of Shares other than those contained in the Prospectus and, if given or made, such information or representations must not be relied on as having been made by the Company or the ACD. 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 the Prospectus.

The distribution of this Prospectus and the offering of Shares in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Company and the ACD to inform themselves about and to observe any such restrictions. This Prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

Potential investors should not treat the contents of this Prospectus as advice relating to legal, taxation, investment or any other matters and are recommended to 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 has been approved for the purpose of section 21 of the Financial Services and Markets Act 2000 (the 'Act') by the ACD.

This Prospectus is based on information, law and practice at the date of the Prospectus. The Company shall not be bound by an out of date Prospectus when it has issued a new Prospectus or addendum and investors should check with the ACD that this is the most recently published Prospectus.

Copies of this Prospectus can be provided in large print or electronic format.

Shares in the Company are not available for offer or sale in any state in the United States, or to persons (including companies, partnerships, trusts or other entities) who are 'US Persons', nor may Shares be owned or otherwise held by such persons. Accordingly, this Prospectus may not be distributed in the United States or to a US Person. The ACD reserves the right to give notice to any Shareholder that is or that subsequently becomes incorporated in the United States or to a US Person to (i) transfer the Shares to a person that is not a US Person or (ii) request a redemption or cancellation of the Shares and the ACD may redeem or cancel the Shares if the Shareholder fails to make such transfer or request within 30 days of that notice provided by the ACD.

## Definitions

'Accumulation Shares' means Shares (of whatever Class) in the Company as may be in issue from time to time in respect of which income allocated to them is credited periodically to capital pursuant to the FCA Rules

'ACD' means Threadneedle Investment Services Limited, the authorised corporate director of the Company

'AIFM' means the legal person appointed on behalf of the Company, which (through this appointment) is responsible for managing the Company in accordance with the AIFM Directive and The Alternative Investment Fund Managers Regulations 2013, which at the date of this Prospectus is the ACD

'AIFM Directive' means the Alternative Investment Fund Managers Directive 2011/61/EU of the European Parliament and Council of 8 June 2011 as amended from time to time

'Approved Bank' means one of certain institutions as defined in the glossary to the FCA Handbook

'Body Corporate' means a body corporate incorporated in any jurisdiction (including the UK) or any entity treated as a body corporate for tax purposes in any jurisdiction with which the UK has any form of double tax treaty or other agreement to relieve double tax which has effect under the UK's tax legislation by Order of Council or under such a treaty or other agreement

'Business Day' means a Dealing Day

'Class' or 'Classes' means, in relation to Shares (according to the context), a particular class or classes of Share related to the Company or all of the Shares related to the Company

'Class F' means Shares that have been designated specifically for investment by the Feeder Fund and which are available only for investment by it

'COLL' means the appropriate chapter or rule in the FCA Rules

'COLL Sourcebook' means the Collective Investment Schemes Sourcebook issued by the FCA as amended from time to time

'Company' means Threadneedle UK Property Authorised Investment Fund

'Custodian' means Citibank N.A.

'Dealing Day' means Monday to Friday excluding public and bank holidays in England and Wales and other days at the ACD's discretion

'Depository' means Citibank Europe plc, UK Branch, the depository of the Company

'EEA State' means a member state of the European Union and any other state which is within the European Economic Area

'Eligible Institution' means one of certain credit institutions as defined in the glossary to the FCA Handbook

'Eligible Shareholder' means a Shareholder or potential Shareholder who is eligible to invest in the appropriate Class

'EPM' or 'Efficient Portfolio Management' means the use of techniques and instruments which relate to transferable securities and approved money-market instruments and which fulfil the following criteria:

- (a) they are economically appropriate in that they are realised in a cost effective way; and
- (b) they are entered into for one or more of the following specific aims:
  - (i) reduction of risk;
  - (ii) reduction of cost;
  - (iii) generation of additional capital or income for the scheme with a risk level which is consistent with the risk profile of the scheme and the risk diversification rules laid down in COLL

'Feeder Fund' means Threadneedle UK Property Authorised Trust, which is the feeder fund for the Company

'Fraction' means a smaller denomination Share (on the basis that ten-thousand smaller denomination Shares make one larger denomination Share)

'FCA' means the Financial Conduct Authority or any successor organisation

'FCA Handbook' means the FCA Handbook of Rules and Guidance, as amended from time to time

'FCA Rules' means the rules contained in the COLL Sourcebook and the Investment Funds Sourcebook, as amended, published as part of the FCA Handbook which shall, for the avoidance of doubt, not include guidance or evidential requirements contained in those Sourcebooks

'Gross Accumulation Shares' means Accumulation Shares which are Gross Paying Shares

'Gross Paying Shares' means Shares (of whatever Class) in the Company as may be in issue from time to time and in respect of which income allocated thereto is credited periodically to capital (in the case of Accumulation Shares) or distributed periodically to their holders (in the case of Income Shares) in either case in accordance with relevant tax law without any tax being deducted or accounted for by the Company

'Income Shares' means Shares (of whatever Class) in the Company as may be in issue from time to time in respect of which income allocated thereto is distributed periodically to the holders pursuant to the FCA Rules

'Investment Manager' means Threadneedle Asset Management Limited, the investment manager to the ACD

'Net Accumulation Shares' means Accumulation Shares which are Net Paying Shares

'Net Asset Value' or 'NAV' means the value of the Scheme Property of the Company less the liabilities of the Company as calculated in accordance with the Company's Instrument of Incorporation

'Net Income Shares' means Income Shares which are Net Paying Shares

'Net Paying Shares' means Shares (of whatever Class) in the Company as may be in issue from time to time and in respect of which income allocated thereto is credited periodically to capital (in the case of Accumulation Shares) or distributed periodically to the holders (in the case of Income Shares) in either case in accordance with relevant tax law net of any tax deducted or accounted for by the Company

'Non-UCITS Retail Scheme' or 'NURS' means a scheme which is not construed in accordance with the UCITS Directive (a European directive relating to undertakings for collective investments in transferable securities which has been adopted in the UK) but which is authorised by the FCA and which is available to retail investors

'OEIC Regulations' means The Open-Ended Investment Companies Regulations 2001, as amended from time to time

'PAIF' means an open-ended investment company or a sub-fund thereof which is a Property Authorised Investment Fund, as defined in Part 4A of the PAIF Tax Regulations and the Glossary to the FCA Handbook. At the date of this Prospectus, Threadneedle UK Property Authorised Investment Fund qualifies as a PAIF

'PAIF Tax Regulations' means the Authorised Investment Funds (Tax) Regulations 2006 (SI 2006/964), as amended from time to time

'Property' means all of the following terms that are used in the FCA Handbook or in the industry: 'property', 'real property', 'real estate' and 'immovables'

'Property Investment Business' means property investment business as defined in the PAIF Tax Regulations and summarised in Appendix IV

'Scheme Property' means the property of the Company required under the FCA Rules to be given for safe-keeping to the Depository

'Share' or 'Shares' means a share or shares in the Company (including larger denomination Shares and Fractions)

'Shareholder' means a holder for the time being of the Shares

'Special Valuation Point' is the point at which the ACD carries out a valuation of the property of the Company for the purposes set out in section 7.6. The Special Valuation Point is 12.02 p.m. UK time on a Dealing Day with agreement of the Depository. Details of the Special Valuation Point will be available by the ACD on request.

'Standing Independent Valuer' means CBRE Limited or such other party appointed by the ACD from time to time

'Switch' means the exchange of Shares of one Class for Shares of another Class

'US Person' means a US citizen or resident individual, a partnership or corporation organised in the United States or under the laws of the United States or any State thereof, a trust if (i) a court within the United States would have authority under applicable law to render orders or judgments concerning substantially all issues regarding administration of the trust, and (ii) one or more US persons has the authority to control all substantial decisions of the trust, or an estate of a decedent that is a citizen or resident of the United States. This definition shall be interpreted in accordance with sections 1471 to 1474 of the US Internal Revenue Code of 1986

'Valuation Point' is the point, whether on a periodic basis or for a particular valuation, decided by the ACD, at which the ACD carries out a valuation of the property of the Company (as the case may be) for the purpose of determining the price at which Shares of a Class may be issued, cancelled, sold or redeemed. The current Valuation Point in relation to all Classes is 12 noon UK time on each Dealing Day. There is also a Special Valuation Point, details of which are provided at section 7.6 Therefore if a request is received after the Valuation Point on a Dealing Day it will be dealt with at a price determined at the next Valuation Point

Further details and explanations appear later in this document. Unless otherwise expressly provided, terms in this Prospectus have the meanings used in the FCA Rules.

## 1. Details of the Company

- 1.1 THREADNEEDLE UK PROPERTY AUTHORISED INVESTMENT FUND is an open-ended investment company with variable capital incorporated in England and Wales under registered number IC000976 and authorised by the FCA with effect from 11 October 2013.
- 1.2 The Company is a non-UCITS retail scheme for the purposes of the FCA Rules, an alternative investment fund for the purposes of the AIFM Directive, and a standalone company for the purposes of the OEIC Regulations. At the date of this Prospectus, the Company qualifies as a PAIF.
- 1.3 Shareholders of the Company are not liable for the debts of the Company.
- 1.4 Head Office: Cannon Place, 78 Cannon Street, London EC4N 6AG.
- 1.5 Address for Service: 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.
- 1.6 Base Currency: The base currency of the Company is pounds sterling. Each Class is designated in pounds sterling.
- 1.7 Share Capital: Maximum £100,000,000,000  
Minimum £100
- 1.8 Shares in the Company have no par value. The Company issues and redeems Shares in each of its available Classes at a price related to the relevant NAV.

## 2. The structure of the Company

- 2.1 The Company is a standalone non-UCITS retail scheme (NURS). The Company will be managed so that it is a PAIF.
- 2.2 The assets of the Company will be invested in accordance with the investment objective and investment policy of the Company, set out below. Investment of the assets of the Company must comply with the COLL Sourcebook.
- 2.3 A detailed statement of the general investment and borrowing restrictions in respect of the Company is set out in Appendix IV. The eligible securities markets and eligible derivatives markets on which the Company may invest are set out in Appendix II.
- 2.4 Where any changes are proposed to be made to the Company the ACD will assess whether the change is

fundamental, significant or notifiable in accordance with COLL 4.3.R. If the change is regarded as fundamental, Shareholder approval will be required. If the change is regarded as significant, at least 60 days' prior written notice will be given to relevant Shareholders. If the change is regarded as notifiable, relevant Shareholders will receive suitable notice of the change.

- 2.5 This Company will be managed so as to be eligible as an ISA investment for the purposes of the Individual Savings Account Regulations 1998 (as amended from time to time).

## 3. Share Classes

- 3.1 Several Classes of Share may be issued in respect of the Company. The Classes of Share presently available are contained in Appendix III. Subject to compliance with the OEIC Regulations and the FCA Rules, the ACD may create new Classes of Share.
- 3.2 The Company may make available Net Income Shares, Gross Income Shares, Net Accumulation Shares and Gross Accumulation Shares. The types of Share presently available are set out in Appendix III.
- 3.3 Holders of Net Income Shares and Gross Income Shares are entitled to be paid the income attributed to such Shares on the relevant interim and annual allocation dates.
- 3.4 Holders of Net Accumulation Shares and Gross Accumulation Shares are not entitled to be paid the income attributable to such Shares, but that income is automatically transferred to (and retained as part of) the capital assets of the Company on the relevant interim and/or annual allocation dates. The price of Net Accumulation Shares and Gross Accumulation Shares increases to reflect this.
- 3.5 The Classes attract different charges and expenses so monies may be deducted from Classes in unequal proportions. In these circumstances the proportionate interests of the Classes within the Company will be adjusted accordingly. Typically, Class 1 Shares are available to retail investors and Class 2 Shares and Class F Shares are available to non-retail investors.
- 3.6 There is a Class of Share, Class F, which is only available to the Feeder Fund. Class F Shares will be issued to the Feeder Fund at the issue price and redeemed at the cancellation price. Class F Shares are Gross Accumulation Shares. The Feeder Fund, however, has both accumulation and income unit classes. Its manager therefore intends to realise Shares in Class F to obtain the cash required to make the income payments to income class unitholders and to meet tax and expenses of the

Feeder Fund. In these circumstances Class F Shares will be redeemed at the cancellation price established at the Special Valuation Point. Further detail in relation to this is provided at section 7.6 of this Prospectus.

- 3.7 Shareholders are entitled (subject to certain restrictions) to Switch all or part of their Shares in a Class for Shares in another Class for which they are eligible. Details of this switching facility and the restrictions are set out in the section 8.4, 'Switching' under 'Buying, selling and switching Shares'.
- 3.8 The ACD may, at any time in the future, decide to limit the issue of Shares in respect of the Company or one or more particular Share Classes if the ACD is of the opinion that it is appropriate to do so. The ACD will notify Shareholders if it makes such a determination, setting out the reasons for so limiting the capacity of the Company or Share Class. The reasons may include situations where, for example, the ACD considers that substantially all of the subscriptions relating to a Dealing Day, if accepted, could not be efficiently invested; could not be invested without compromising the investment objectives and policies of the Company; or might materially prejudice existing Shareholders' interests.

## 4. Investment Objective, Policy and other Details of the Company

### 4.1 Investment Objective

- 4.1.1 It is intended that the Company be a PAIF at all times and so its investment objective is to carry on Property Investment Business and to manage cash raised from investors for investment in the Property Investment Business as further described below. HM Revenue & Customs has confirmed to the ACD that the Company meets the requirements to qualify as a PAIF under regulation 690 of the PAIF Tax Regulations.
- 4.1.2 The objective of the Company is to obtain a total return based on income and capital appreciation predominantly through investment in certain kinds of real estate, property-related securities, government and public securities and units in collective investment schemes.

### 4.2 Investment Policy

- 4.2.1 Where the investment policy of the Company contains the word 'primarily', in the description of its investment policy, the Company will invest not less than two-thirds of the value of the property in the specified kind of assets.

- 4.2.2 The Company will invest primarily in UK commercial real estate. It may also invest in US or Continental European real estate, property-related securities, property investment companies, collective investment schemes (including other collective investment schemes managed, advised or operated by the ACD or its associates), cash and near cash, warrants, deposits and money market instruments. Derivatives may be used for investment purposes on the giving of 60 days' notice to Shareholders. At the date of this Prospectus derivatives are used for efficient portfolio management purposes only.
- 4.2.3 By way of further explanation of how the ACD proposes to implement this policy, it is expected that the Company will be invested in:
- 4.2.3.1 Property that qualifies as approved immovables for the purposes of the FCA Handbook in the United Kingdom, but the ACD may consider it appropriate to invest in real estate in other countries permitted by the FCA Handbook and listed in Appendix I. The Company may invest up to 100% of its assets in Property that qualifies as approved immovables for the purposes of the FCA Handbook;
- 4.2.3.2 transferable securities, with an emphasis on property-related securities. The Company may, subject to the PAIF Tax Regulations, hold up to 100% of its assets in transferable securities that are approved securities as defined in the FCA Handbook, and up to 20% in transferable securities that are non-approved;
- 4.2.3.3 government and other public securities. The Company may invest up to 35% of its assets in government and public securities (increased, subject to the PAIF Tax regulations, to 100% for certain types of securities);
- 4.2.3.4 units in regulated and unregulated collective investment schemes (which may include unauthorised property unit trusts) up to 15% of its assets; and

4.2.3.5 unregulated collective investment schemes (which may include unauthorised property unit trusts) together with investments in non-approved transferable securities up to 20% of its assets.

4.2.4 Further to paragraph 4.2.2 above, the ACD intends to invest primarily in real estate assets located in the UK. In the event that the ACD decides to make a significant investment in real estate assets located outside of the UK, the ACD will give notice of this fact to Shareholders in the next short report of the Company or otherwise in writing.

4.2.5 The Company, subject to the PAIF Tax Regulations, may also invest in such other investments as the ACD deems appropriate, including warrants, money market instruments, derivatives and forward transactions and deposits, but subject always to the FCA Handbook.

4.2.6 The investment policy of the Company means that it may be appropriate for the Company to hold cash or near cash. This will only occur where the ACD reasonably regards it as necessary to enable the pursuit of the Company's objective, redemption of Shares, efficient management of the Company in accordance with its objective, or for purposes ancillary to its objective.

4.2.7 The Company may use property derivative instruments in accordance with the FCA Handbook. It is currently intended that such use will be for hedging purposes using efficient portfolio management style techniques. It is not envisaged that the risk profile of the Company will be affected by the use of such instruments. The use of such derivative instruments will not contravene the investment objective or any relevant investment limits.

4.2.8 A detailed description of the types of assets the Company may invest in and the limitations on the extent to which the Company may invest is set out in Appendix IV.

#### 4.3 Investor Profile

The Company may be suitable for investors with a medium to long term investment horizon (i.e. 5-7+ years) seeking growth and income in the property market who are prepared to tolerate large price fluctuations. If investors are

uncertain if the Company is suitable for them, they are advised to contact a financial adviser.

#### 4.4 Risk Factors

Investors should note the 'Risk Factors' in section 19 of this Prospectus in terms of risks applicable to investing in the Company. The key specific risks associated with investing in the Company are set out below.

4.4.1 **Investment Risk:** The value of investments can fall as well as rise and investors might not get back the sum originally invested, especially if investments are not held for the long term.

4.4.2 **PAIF status:** The Company benefits from beneficial tax status as it is run as a PAIF. It is possible that the tax treatment of the Company may change or it may lose its PAIF status. Any change may affect the performance of the Trust and/or the amount you receive back on your investment.

4.4.3 **Property Liquidity Risk:** The Company invests in assets that are not always readily saleable without suffering a discount to fair value. The Company may have to lower the selling price, sell other investments or forego another, more appealing investment opportunity.

4.4.4 **Property Valuation Risk:** Assets of the Company are difficult to value accurately as a result of their nature and consequently valuations are estimates and are subject to uncertainty. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales price of those assets even where a sale occurs shortly after the valuation date.

4.4.5 **Property Market Risk:** The performance of the Company would be adversely affected by a downturn in the property market in terms of capital value or a weakening of rental yields.

4.4.6 **Uninvested Cash Risk:** Due to the illiquid nature of property and the time it can take to buy or sell assets, under normal circumstances up to 20% of the Fund's assets may be held as cash deposits. In exceptional circumstances, the level of cash held by the fund may be significantly higher. Holding high levels of cash will have an impact on the performance of the fund and its distributable income until the excess cash is invested in property assets.

4.4.7 **Volatility Risk:** The Fund may exhibit significant price volatility.

Potential investors should note that capital is at risk and submissions for Shares should be made with a medium to long term investment horizon, although there is no guarantee that the Company will achieve a positive return over that specific, or any, time period.

## 5. Buying, selling and switching Shares

### 5.1 Initial Offer

Shares in the Company will be first issued on the effective date of the conversion by scheme of arrangement of the Threadneedle UK Property Trust into the Company. Shares in the Company will subsequently be available for investment on the first Dealing Day following the conversion which is anticipated to be 14 May 2016.

### 5.2 General

5.2.1 The dealing office of the ACD is open from at least 8 a.m. until at least 6 pm UK time on each Dealing Day to receive requests for the issue, redemption and switching of Shares.

5.2.2 Prices for all Share Classes are calculated every Dealing Day at 12 noon UK time. Shares in the Company that are not bought or sold before 12 noon will obtain the price calculated. At the 12 noon Valuation Point. Shares that are bought or sold after 12 noon will obtain the price calculated at 12 noon on the next Dealing Day.

5.2.3 At the Special Valuation Point, there is a cut-off time of 12 noon UK time on that Dealing Day to receive dealing requests to be dealt with at the price calculated at that Special Valuation Point. It is envisaged that the prices calculated at the Special Valuation Point and the Valuation Point on the same Dealing Day will only differ where the dealing requests received at the Special Valuation Point solely relate to either requests by the Feeder Fund to cancel Class F shares for the purpose set out in section 3.6 above or switches between the Company and the Feeder Fund as set out in sections 5.5.10.2.1 and 5.5.7.

5.2.4 Dealing requests received from the Feeder Fund on a Dealing Day after the 12 noon Valuation Point (or Special Valuation Point where applicable) but before 11.59 a.m. on the following Dealing Day may still be accepted by the ACD

and dealt with at the price calculated on that Dealing Day.

5.2.5 It should be noted that should the Company introduce limited issue arrangements, restrictions will apply for new subscriptions into the Company. In this event, details will be set out in the section applicable to Limited Issue in the section with the heading "Shares". Currently the Company is not a limited issue company.

5.2.6 In order to assist Shareholders in complying with their legal and regulatory obligations including complying with the FCA's Retail Distribution Review a Shareholder may convert (as opposed to Switch) shares of one Class of any Fund for shares in another class of the same Fund at the absolute discretion of the ACD.

### 5.3 Minimum subscriptions and Holdings

5.3.1 Details of the minimum subscriptions and holdings are set out in Appendix III. These minimum amounts may be waived at the ACD's discretion. If a holding is below the minimum holding the ACD has the discretion to effect a redemption of the entire holding.

5.3.2 The minimum holding requirements will not be treated as being breached if the value of Shares held falls below the relevant minimum solely as a result of a fall in the price of Shares.

### 5.4 Client money

5.4.1 The ACD does not treat monies received for the issuance of units or monies payable to the investor upon redemption as client money as long as: (i) in relation to monies for the issuance of units, the ACD has paid the subscription monies in exchange for units to the Depositary by the close of business on the day following receipt of monies from the investor; or (ii) in relation to proceeds from a redemption, paid the redemption monies to the investor within four business days of receipt by the ACD of the fully authorised form of renunciation (or other sufficient instruction) and in any event by the close of business on the day following receipt of the monies from the Depositary.

5.4.2 In the event that the above time limits are not met by the ACD, the ACD will treat the relevant sum received with respect to subscriptions and redemptions as client money as defined under the

FCA Rules. This means that the money is held in an account separate from that the ACD uses to hold its own money. The ACD will not calculate or pay to the investor any interest that might arise on those monies.

## 5.5 Buying Shares

### 5.5.1 Procedure for buying Shares

5.5.1.1 Shares can be bought by:

- (i) calling the ACD (followed by written confirmation);
- (ii) sending an instruction to the ACD by fax; or
- (iii) sending an instruction by post to the ACD.

5.5.1.2 Contact details can be found in the section of this Prospectus with the heading "Directory" (ACD Client Services Details).

5.5.1.3 Any initial purchase of Shares must be accompanied by a completed application form, which can be obtained from the ACD. Completed forms should be sent by fax or by post to the ACD. Subsequent investments can be made by telephone, but still require written confirmation. Unless the ACD receives instructions to the contrary, all deals will be processed on receipt and payment immediately becoming due.

5.5.1.4 Settlement is the relevant Dealing Day plus four business days. As part of its credit control policy, the ACD reserves the right to cancel any contract without notice where payment has not been received by the relevant settlement date and will be entitled to recover any losses incurred, as well as interest.

5.5.1.5 The ACD has the right to reject any application for Shares in whole or part, provided it has reasonable grounds for doing so. If the ACD exercises this right, the ACD will return any money sent, or the balance of such monies to the applicant, at the applicant's risk.

5.5.1.6 In the event of a large deal (meaning a subscription for not less than £15,000) the ACD may re-price Shares in accordance with the FCA handbook. The revised price will be more than the published offer price but will not be more than the maximum permitted offer price.

5.5.1.7 Investors dealing through third parties should note that a fund platform or similar nominee service may aggregate its deals such that the total transaction received by the Manager is greater than £15,000, even if the individual investor's deal is not.

5.5.1.8 The decision to re-price a large deal will depend upon whether there are net subscriptions from the same Share class on that dealing day. If so, the ACD will proceed to determine whether the size of the deal exceeds the ACD's current tolerance policy.

### 5.5.2 Documents the purchaser will receive:

5.5.2.1 A contract note giving details of the Shares purchased and the price obtained will be issued by the end of the business day following the later of (i) receipt of the application to purchase Shares or (ii) the Valuation Point by reference to which the purchase price is determined, together with a notice of the applicant's right to cancel (where appropriate).

5.5.2.2 Share certificates will not be issued in respect of Shares. Ownership of Shares will be evidenced by an entry on the Trust's register of Shareholders. Statements in respect of periodic distributions will show the number of Shares held or accumulated by the Shareholder. Individual statements of a Shareholder's (or, when Shares are jointly held, the first-named holder's) Shares will also be issued at any time on request by the registered Shareholder.

- 5.5.3 **Bodies Corporate and Nominees Acquiring Shares in the Company**
- 5.5.3.1 The ACD permits investment in the Company by Bodies Corporate investing on their own account but only in accordance with the following conditions. Bodies Corporate which do not meet the following conditions can only invest indirectly through the Feeder Fund:
- 5.5.3.2 *Certificate required whenever Shares are registered in a corporate name:* No Body Corporate may acquire Shares (whether as beneficial owner or otherwise) unless it certifies that it holds:
- 5.5.3.2.1 all the Shares as beneficial owner;
- 5.5.3.2.2 all the Shares for one or more persons who are not Bodies Corporate; or
- 5.5.3.2.3 some or all of the Shares on behalf of one or more other Bodies Corporate.
- 5.5.3.3 If 5.5.3.3.3 applies, the nominee must further certify that:
- 5.5.3.3.1 its own interest (if any) is less than 10% of the NAV of the Company;
- 5.5.3.3.2 the interest of each beneficial owner which is a Body Corporate for which it holds Shares is less than 10% of the NAV of the Company; and
- 5.5.3.3.3 each of the other Bodies Corporate has given the undertakings described in 5.5.3.7 below.
- 5.5.3.4 Undertaking required from any corporate nominee.
- 5.5.3.5 Any Body Corporate that acquires Shares and holds them otherwise than as beneficial owner must undertake to disclose to the ACD the names and
- 5.5.3.6 Undertaking regarding size of holding required from any corporate owner.
- 5.5.3.7 Any Body Corporate that acquires Shares as beneficial owner or other form of participant as defined in the PAIF Tax Regulations, (whether the Shares are registered in its name or the name of a nominee or other person) must give the following undertakings:
- 5.5.3.7.1 not to acquire 10% or more of the NAV of the Company; and
- 5.5.3.7.2 on becoming aware that it has acquired 10% or more of the NAV of the Company, to reduce its holding of that NAV below 10%.
- 5.5.3.8 Any Body Corporate that acquires Shares and holds them otherwise than as beneficial owner must undertake to disclose to the ACD the names and Shareholding of each Body Corporate on whose behalf it is holding Shares (if any).
- 5.5.3.9 The ACD's policy, in order to protect investors, is to work with a 9.5% tolerance limit as set out below. In the event that a Body Corporate is close to reaching the 9.5% investment limit but wishes to remain invested in the Company, it should contact the ACD with a view to switching some or all of its Shares in the Company for units in the Feeder Fund. In the event that a Body Corporate reaches approximately 9.5% of the NAV the ACD may, in its absolute discretion, transfer the excess of their Shareholding into the Feeder Fund or compulsorily redeem the excess in each case as described below. Typically the ACD will reduce the Body Corporate's holdings to 7% of the NAV as set out in section 5.5.9 below.
- 5.5.4 **Selling Shares**

- 5.5.4.1 Every Shareholder has the right to require that his Shares be redeemed on any Dealing Day.
- 5.5.4.2 Part of a Shareholder's holding may be redeemed but the ACD reserves the right to refuse a redemption request if the value of the Shares to be redeemed is less than £500 in respect of Class 1, less than £25,000 in respect of Class 2 and less than £1,000,000 in respect of Class F. Where the value of Shares held by a Shareholder will be less than the minimum value of Shares for the Trust set out in section 5.3.1 above, the ACD may require that the Shareholder redeems their full holding.
- 5.5.4.3 Requests to redeem Shares may be made by:
- (i) calling the ACD (followed by written confirmation);
  - (ii) sending an instruction to the ACD by fax; or
  - (iii) sending an instruction by post to the ACD.
- 5.5.4.4 Contact details can be found in the section of this Prospectus with the heading "Directory" (Client Services Details).
- 5.5.4.5 The ACD will make an electronic fund transfer in payment for Shares within four business days of receiving instructions to redeem or the later of (a) receipt by the ACD of the form of renunciation (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 appropriate evidence of title and (b) the Valuation Point following receipt by the ACD of the request to redeem. The ACD will only issue a cheque in payment for Shares upon request.
- 5.5.4.6 Where the total consideration for the transaction would include a fraction of one penny it will be rounded up or down to the nearest penny.
- 5.5.4.7 In the event of a large deal (meaning a redemption for not less than £15,000) the ACD may re-price Shares in accordance with the FCA Handbook. The revised price will be less than the published "bid" price but will not be lower than the cancellation price.
- 5.5.4.8 Investors dealing through third parties should note that a fund platform or similar nominee service may aggregate its deals such that the total transaction received by the ACD is greater than £15,000, even if the individual investor's deal is not.
- 5.5.4.9 The decision to re-price a large deal will depend upon whether there are net redemptions from the same Share class on that dealing day. If so, the ACD will proceed to determine whether the size of the deal exceeds the ACD's current tolerance policy.
- 5.5.5 **Documents the seller will receive:**
- 5.5.5.1 A contract note setting out the number and price of Shares sold will be sent to the selling Shareholder (to the first-named, in the case of joint Shareholders) together (if sufficient written instructions have not already been given) with a form of renunciation for completion and execution by the Shareholder(s) by no later than the end of the business day following the later of the request to redeem Shares or the Valuation Point by reference to which the redemption price is determined.
- 5.5.5.2 Neither the Depositary, the ACD nor the Registrar is required to make payment in respect of a redemption of Shares where the money due on the earlier issue of those Shares has not yet been received or where the Registrar considers it necessary to carry out or complete identification procedures in relation to the holder or another person pursuant to a statutory, regulatory or European Community obligation.

## 5.5.6 Switching between Share Classes in the Company

5.5.6.1 A Shareholder may at any time Switch all or some of his Shares of one Class or Fund ('Original Shares') for Shares of another Class or Fund ('New Shares') provided they meet the eligibility criteria for the New Shares. The number of New Shares issued will be determined by reference to the respective prices of New Shares and Original Shares at the Valuation Point applicable at the time the Original Shares are repurchased and the New Shares are issued. Switching may be effected by:

- (i) calling the ACD (followed by written confirmation);
- (ii) sending an instruction to the ACD by fax; or
- (iii) sending an instruction by post to the ACD.

5.5.6.2 Contact details can be found in the section of the Prospectus with the heading "Directory" (ACD Client Services Details).

5.5.6.3 A holder of Shares may at any time Switch all or some of his Shares of one Class ('Original Shares') for Shares of another Class ('New Shares'), so long as the holder is eligible to invest in the New Shares. The number of New Shares issued will be determined by reference to the respective prices of New Shares and Original Shares at the Valuation Point applicable at the time the Original Shares are repurchased and the New Shares are issued. Switching may be effected either by telephone (with written confirmation), by fax or in writing to the ACD's Client Services Department at the contact details provided in the Directory and the Shareholder(s) may be required to complete a switching form.

5.5.6.4 Please note that calls may be recorded.

5.5.6.5 There is currently no fee on a Switch between Classes.

5.5.6.6 If the Switch 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 Class concerned, the ACD may, if it thinks fit, convert the whole of the applicant's holding of Original Shares to New Shares or refuse to effect any Switch of the Original Shares. No Switch will be made during any period when the right of Shareholders to require the redemption of their Shares is suspended. The general provisions on procedures relating to redemption will apply equally to a Switch. A duly completed switching form must be received by the ACD before the Valuation Point on a Dealing Day 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. Switching requests received after a Valuation Point will be held over until the next Dealing Day.

5.5.6.7 The ACD may adjust the number of New Shares to be issued to reflect the imposition of any switching fee together with any other charges or levies in respect of the issue or sale of the New Shares or repurchase or cancellation of the Original Shares as may be permitted pursuant to the FCA Rules.

5.5.6.8 A Switch of Shares in one Class for Shares in any other Class should not have UK tax implications for Shareholders but please refer to the section of this with the heading "Taxation" for further information concerning taxation.

5.5.6.9 A Shareholder who Switches Shares in one Class for Shares in any other Class will not be given a right by law to withdraw from or cancel the transaction.

## 5.5.7 Switching between the Company and the Feeder Fund

5.5.7.1 The ACD is aware that certain holders who are eligible to invest in the Company are unable to do so for administrative reasons and at present invest through the Feeder Fund.

When such investors are in a position to invest directly in the Company, such holders may be able to switch their holdings of units in the Feeder Fund for Shares in the Company at the discretion of the ACD. The ACD intends to facilitate switching between the Feeder Fund and the Company every three months, shortly after the ex-distribution date for the Feeder Fund. Eligible investors using these switching arrangements would benefit from income and capital gains tax advantages. The switch would take place when there is little accrued income in the Company to avoid income tax consequences and it would be with the agreement of the manager of the Feeder Fund/ACD so that the disposal would qualify for capital gains tax rollover relief. The new Shares issued to the investors would therefore have the same acquisition cost and acquisition date for capital gains tax purposes as their original holding of units in the Feeder Fund. These rights are additional to the compulsory switching rights contained in paragraph 5.5 above.

5.5.7.2 Units will be redeemed in the Feeder Fund at the bid price (calculated at a special valuation point of the Trust) and Shares in the Company will be issued at the bid price (which may be calculated at the Special Valuation Point as explained at section 7.6 below).

5.5.7.3 Switching may be effected by fax or in writing to the manager of the Feeder Fund's/ACD's Client Services Department at the contact details provided in the Directory. Shareholders will be required to complete a switching form.

#### 5.5.8 Dealing charges

5.5.8.1 The ACD may impose charges for the issue, redemptions and switching of Shares in the Company. Details of such fees are set out in the section with the heading "Fees and Expenses".

5.5.8.2 The initial charge is payable to the ACD and may be used to remunerate intermediaries. To the extent permitted by the FCA Rules, the ACD may agree to waive or reduce the initial charge at its discretion in respect of a subscription by any person, including a holder of Shares in any other collective investment scheme operated by the ACD, where such subscription is at or about the same time as the redemption of Shares or Shares (or other interests) in that other collective investment scheme and thereby represents a 'Switch' to the Fund.

#### 5.5.9 Restrictions and compulsory transfer and redemption

5.5.9.1 The ACD works to a 9.5% limit to provide a tolerance to safeguard the position of the Company. If the shareholder acquires 9.5% or more of the net asset value of the Company, the ACD will move part or all of the entire holding to the Trust. As set out in the Prospectus of the Company, this movement to the Trust will be effected through a switch of affected shares in the Company in exchange for the issue of Shares in the Trust. The issue of Shares in the Trust may, at the discretion of the ACD, be carried out at a bid price to minimise dealing spread. The issue price of Shares for the purpose of that switch may be calculated at the Special Valuation Point.

5.5.9.2 The ACD may from time to time impose such restrictions as it may think necessary for the purpose of ensuring that Shares are not directly or indirectly acquired or held by any person in breach of any law or governmental rule or regulation (or any interpretation of a law or governmental rule or regulation by a competent authority or entity with equivalent status) of any country or territory, or which would (or would if other Shares were acquired or held in like circumstances) result in the Trust incurring any liability to taxation which the Trust is not able to recoup itself 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.

- 5.5.9.3 If Shares ('affected Shares') are directly or indirectly owned, acquired or controlled in any of the circumstances described above, or if the ACD believes this to be the case, the ACD may give notice to the holder(s) of the affected Shares requiring (1) the transfer of such Shares to a person who is qualified or entitled to own them without causing any of the adverse consequences outlined above or (2) that a request in writing be given for the redemption or cancellation of such Shares in accordance with the FCA Rules. If the recipient of such a notice does not within 30 days after the date of receipt of such notice so transfer his affected Shares to a person qualified to own them without causing any of the adverse consequences outlined above, or establish to the satisfaction of the ACD (whose judgement is final and binding) that he or the beneficial owner is qualified and entitled to own the affected Shares without causing any of the adverse consequences outlined above, the ACD will compulsorily redeem the affected Shares having relied on the failure to respond to the notice as a request in writing to redeem or cancel all of the affected Shares pursuant to the FCA Rules and from that date, such person will no longer be the beneficial owner of the Shares.
- 5.5.9.4 A person who becomes aware that he has directly or indirectly acquired or holds affected Shares in a manner that may cause one of the adverse consequences outlined above, shall forthwith, unless he has received a notice from the ACD as aforesaid, either forthwith transfer all his affected Shares to a person qualified to own them without causing any of the adverse consequences outlined above or give a request in writing for the redemption or cancellation of all his affected Shares pursuant to the FCA Rules.
- 5.5.9.5 For the avoidance of doubt, and by way of example only, the rights afforded to the ACD as set out above apply in the event that a person that holds Shares (beneficially or otherwise) is, or is reasonably believed by the ACD to be, a 'US Person' at any time during the life of the investment. Accordingly, the ACD reserves the right to give notice to such Shareholders to request a transfer of the Shares, or the redemption or cancellation of the Shares. The ACD further reserves the right to compulsorily redeem such Shares 30 days after giving notice to the Shareholder that he is required to transfer or redeem or cancel the Shares.
- 5.5.10 Bodies Corporate holding Shares in the Company**
- 5.5.10.1 In accordance with the PAIF Tax Regulations, no Body Corporate may be beneficially entitled directly or indirectly to 10% or more of the Net Asset Value of the Company. See also section 5.3 regarding corporate holders.
- 5.5.10.2 In accordance with Threadneedle's policy as set out in section 5.3, if a Body Corporate should be or become beneficially entitled directly or indirectly to 9.5% or more of the Net Asset Value in the Company or the ACD reasonably believes this to be the case, then the ACD will if practical immediately notify the Body Corporate and:
- 5.5.10.2.1 the Body Corporate will be deemed to have given a written request for the switching into the Feeder Fund, at the absolute discretion of the ACD, of either (i) its entire Shareholding in the Company or (ii) that proportion of the Shares in the Company representing a holding of 9.5% or more of the Net Asset Value of

the Company (an "Excessive Holding") (or the proportion the ACD reasonably believes to be an Excessive Holding). In such circumstances, the redemption of Shares in the Company as part of such a switch may constitute a disposal of Shares for the purposes of UK capital gains tax. Shares in the Company will be redeemed at the bid price (which may be calculated at the Special Valuation Point as explained at section 7.6 below) and units of the appropriate class in the Feeder Fund will be issued at the bid price (which may be calculated at a special valuation point in the Feeder Fund) with all reasonable speed. This would normally be at the next Valuation Point or next Special Valuation Point where applicable; or

5.5.10.2.2 the ACD may, at its discretion, treat the Body Corporate as having given a written request for the redemption of that proportion of the Shares in the Company representing the Excessive Holding (or the proportion it reasonably believes to be an Excessive Holding).

5.5.10.3 Where the ACD becomes aware that a Body Corporate holds 9.5% or more of the Net Asset Value of the Company, it will notify the Body Corporate of that fact and not pay any income distribution to the Body Corporate.

5.5.10.4 Furthermore, in the event that the ACD reasonably considers that a Body Corporate holds more than 9.5% of the Net Asset Value of the

Company the ACD is entitled to delay any redemption or cancellation of Shares if the ACD reasonably considers such action to be necessary in order to enable an orderly reduction of the holding below 9.5%, and if it is in the interests of Shareholders as a whole.

#### 5.5.11 In Specie Redemptions

5.5.11.1 Where a Shareholder requests redemption of Shares whose value in aggregate exceeds 5% of the total Net Asset Value of the Company on the next Valuation Point after the request is received by the ACD (calculated by reference to their current price net of any initial charge), the ACD at its discretion may, by serving a notice of election on the Shareholder not later than the close of business on the second business day following the day of receipt of the request, elect that the Shareholder shall not be paid the redemption price of his or her Shares but instead there shall be a transfer to that holder of assets of the Company having the appropriate value. Where such a notice is so served on a Shareholder, the Shareholder may serve a further notice on the ACD not later than the close of business on the third business day following the day of receipt by the Shareholder of the first mentioned notice requiring the ACD, instead of arranging for a transfer of assets, to arrange for a sale of those assets and the payment to the Shareholder of the net proceeds of that sale. For the avoidance of doubt the ACD may in its discretion agree to allow, if the Shareholder requests, an in specie redemption with a Shareholder whose units represent more or less than 5% in value of the Company.

5.5.11.2 The selection of assets to be transferred (or sold) is made by the ACD in consultation with the Depositary, with a view to achieving no more advantage or disadvantage to the Shareholder requesting

- redemption of his or her Shares than to continuing Shareholders.
- 5.5.11.3 The Company may retain out of the assets to be transferred (or the proceeds of sale) assets or cash of value or amount (1) in respect of any applicable exit charge on the redemption of the Shares, and (2) as a provision against any stamp duty reserve tax which may be payable in relation to the cancellation of the units (see under 'Stamp Duty Reserve Tax' in the section of this Prospectus with the heading "Taxation". It should be noted that the Shareholder may also be liable to variable rates of stamp duty land tax or other stamp tax on each transfer of UK assets received.
- 5.5.11.4 The ACD may, by special arrangement and at its discretion (but subject always to the requirements set out in the COLL Sourcebook), agree to arrange for the issue of Shares in exchange for assets other than cash but only if the Depositary is satisfied that acquisition of the assets in exchange for the number of Shares to be created is not likely to result in any material prejudice to the interests of holders or potential holders of Shares in the Company.
- 5.5.12 Deferred Redemptions**
- The ACD may introduce provisions allowing it, in times of high redemptions, where requested redemptions exceed 2% of a Fund's value, to protect the interests of continuing Shareholders, the ACD may defer redemptions at a particular Valuation Point on a Dealing Day, to the Valuation Point on the next Dealing Day. This will allow the ACD to match the sale of Scheme Property to the level of redemptions, and should reduce the impact of dilution on a Fund. Subject to sufficient liquidity being raised at the next Valuation Point all deals relating to the earlier Valuation Point will be completed before those relating to the later Valuation Point are considered. The ACD will provide notice of the introduction of this provision and its effective date in accordance with FCA Rules.
- 5.5.13 Suspension of Dealing in the Company**
- 5.5.13.1 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 the Company where, due to exceptional circumstances, it is in the interests of all the Shareholders in the Company.
- 5.5.13.2 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 or the Depositary (as appropriate) will immediately inform the FCA of the suspension and the reasons for it and will follow this up as soon as practicable with written confirmation of the suspension and the reasons for it to the FCA.
- 5.5.13.3 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 out further information about the suspensions.
- 5.5.13.4 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.
- 5.5.13.5 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.
- 5.5.13.6 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.

#### 5.5.14 Liquidity risk management

5.5.14.1 The Company is managed so that its liquidity profile is aligned with the requirement in relation to the Company to meet redemption requests from Shareholders on each Dealing Day. In normal circumstances, redemption requests will be processed as set out in the section of this Prospectus with the heading "Selling Shares".

5.5.14.2 The ACD has tools to deal with temporary liquidity constraints in relation to the Company. The Company may (i) borrow cash to meet redemptions within the limits in Appendix IV; (ii) apply the deferral of redemptions provisions in the section of this prospectus with the heading "Deferred Redemption" or (iii) apply the in specie redemption provisions in the section with the heading "In Specie Redemptions".

5.5.14.3 To manage and monitor liquidity risk, the ACD maintains liquidity risk management policies and procedures. The liquidity risk management policies and procedures include the management, implementation and maintaining of appropriate liquidity limits for the Company and periodic stress testing of the liquidity risk of the Company under both normal and exceptional liquidity conditions to ensure that anticipated redemption requests can be met.

5.5.14.4 If the Company's policy for managing liquidity should change, this will be set out in the annual report or will otherwise be appropriately notified to Shareholders.

#### 5.6 Money Laundering

5.6.1 Deals in Shares and deals otherwise in connection with the Company will be

covered by United Kingdom statutory and other requirements, including but not limited to the Criminal Justice Act 2003, the Proceeds of Crime Act 2002, the Money Laundering Regulations 2007, the Terrorism Act 2000, the relevant regulations made by the FCA and the Guidance Notes for The Financial Sector, as amended from time to time (the 'UK Money Laundering and Countering the Financing of Terrorism Requirements'), and investors may be asked to assist the ACD in its efforts to ensure compliance by the Company and the ACD with the UK Money Laundering and Countering the Financing of Terrorism Requirements.

5.6.2 Until satisfactory proof of identity is provided (as stipulated by the UK Money Laundering and Countering the Financing of Terrorism Requirements) the ACD reserves the right to refuse to sell Shares or to delay processing and/or withhold any payments due to investors in respect of their investment and to discontinue any deals it is conducting on behalf of those investors.

#### 5.7 Market Timing and Late Trading

The repeated purchasing and selling of Shares in response to short-term market fluctuations is known as 'market timing'. The processing of subscriptions after the dealing cut off time and/or Valuation Point is known as 'late trading'. Shares in the Company are not intended for market timing or late trading. The ACD has a policy in relation to market timing and late trading. As part of its policy, the ACD may refuse to accept an application for Shares from persons that they reasonably believe are engaged in market timing or late trading and the ACD will actively monitor trading patterns to assist it in maintaining the stability and integrity of the prices of Shares.

### 6. Fees and Expenses

#### 6.1 General

The ACD will give prior written notice to the Shareholders for a time period in accordance with the FCA Rules before any increase to the annual management fees set out below and the ACD will make available a Prospectus to reflect the increased rates.

#### 6.2 Fees taken from the Company

- 6.2.1 The fees, costs and expenses relating to the authorisation and incorporation and establishment of the Company, the offer of Shares, the preparation and printing of this Prospectus and the fees of the professional advisers to the Company in connection with the offer will be borne by the Company.
- 6.2.2 All fees, costs, charges or expenses payable by a Shareholder or out of the property of the Company are set out in this section. The Company may, so far as the COLL Sourcebook allows, also pay out of the property of the Company all relevant fees, costs, charges and expenses incurred by the Company, which may include the following:
- 6.2.2.1 the fees, charges and expenses payable by the ACD (which will include the fees and expenses payable to the Investment Manager (and their respective delegates);
- 6.2.2.2 the fees, charges and expenses payable to the Depositary and the Custodian and any sub-custodians;
- 6.2.2.3 the fees, charges and expenses payable to the Standing Independent Valuer;
- 6.2.2.4 expenses incurred in acquiring, registering and disposing of investments generally;
- 6.2.2.5 all legal and conveyancing costs;
- 6.2.2.6 all letting and planning costs;
- 6.2.2.7 any fees payable to HM Land Registry in connection with registration of title to immovable property, first registration of title (whether or not compulsory) or otherwise;
- 6.2.2.8 the cost of searches at the Land Charges Registry;
- 6.2.2.9 the cost of any local authority and local land charges searches and any other searches, including the cost of unofficial searches carried out by agents at the ACD's request;
- 6.2.2.10 the costs and disbursements of legal advisers instructed by the ACD, the Depositary, the Investment Manager, in connection with immovable property transactions to which the ACD in the name of the Company is party;
- 6.2.2.11 insurance premiums payable in respect of all immovable property investments held by the Depositary on behalf of the Company (to the extent that these are not the responsibility of, or cannot be recovered from, any or all of the tenants for the time being of such Investments);
- 6.2.2.12 the fees and expenses of legal advisers and other agents and expenses generally incurred in connection with:
- 6.2.2.12.1 proceedings of any sort brought to prove or protect the Company's title to and/or right over any immovable property;
- 6.2.2.12.2 carrying out repairs to any immovable property that is not occupied for the time being, or where the tenants for the time being refuse or are not for any reason obliged to carry out such repairs;
- 6.2.2.12.3 all costs involved in managing any immovable property, including but not limited to, all maintenance costs, refurbishment costs and development costs;
- 6.2.2.12.4 all fees, costs and expenses incurred in relation to any proposed acquisition or sale of immovable property which does not for whatever reason complete;

6.2.2.12.5	all costs and expenses incurred by or approved by the Investment Manager, in respect of the Company's activities;	relevant tenant is not obliged to pay these under his lease;
6.2.2.12.6	service on any tenant of a notice under section 146 Law of Property Act 1925, including preparation where appropriate of a schedule of dilapidations and court proceedings against such tenant for forfeiture of his lease and/or possession of the premises;	6.2.2.12.11 the cost of negotiating and preparing licences to assign the lease of, or carry out alterations to, part or all of any immovable property held by the Company, where this is not payable by the relevant tenant;
6.2.2.12.7	proceedings for arrears of rent, service charge, insurance or any other sums due from tenants;	6.2.2.12.12 any costs or expenses properly payable by a tenant of part or all of any immovable property held by the Company, where he has defaulted, or where the ACD or Investment Adviser consider that it is in the interests of Shareholders to meet such costs or expenses (whether or not the Company, sues for reimbursement);
6.2.2.12.8	service of notices under the Landlord and Tenant Act 1954 terminating business tenancies, subsequent court proceedings, and any compensation payable to tenants for disturbance as a result of successful termination of business tenancies;	6.2.2.13 the fees and expenses of the auditors of the Company;
6.2.2.12.9	service of rent review notices, negotiation of rent reviews (including, without limitation the remuneration of agents appointed to carry out any such negotiation), and any related court proceedings	6.2.2.14 the costs of convening and holding Shareholder meetings (including meetings of Shareholders in any particular Class);
6.2.2.12.10	the fees and expenses of any arbitrator or expert appointed to settle any dispute to which the ACD is party in the name of the Company, wherever the	6.2.2.15 costs incurred in taking out and maintaining any insurance policy in relation to the Company and/or its Directors;
		6.2.2.16 expenses incurred in company secretarial duties, including the cost of minute books and other documentation required to be maintained by the Company;
		6.2.2.17 tax and duties payable by the Company;
		6.2.2.18 interest on and charges incurred in borrowings including charges incurred in terminating such borrowings or in

	negotiating or varying the terms of such borrowings;		marketing the Shares in such territory, including any translation costs; and
6.2.2.19	any amount payable by the Company under any indemnity provisions contained in the Instrument of Incorporation or any agreement with any functionary of the Company;	6.2.2.27	royalties, licensing fees and other like payments in relation to the use of intellectual property.
6.2.2.20	fees of the FCA under the Financial Services and Markets Act 2000 and the corresponding periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which Shares are or may lawfully be marketed;	6.2.2.28	broker's commission, fiscal charges and other disbursements which are:
		6.2.2.28.1	necessary to be incurred in effecting transactions for the Company; and
		6.2.2.28.2	normally shown in contract notes, confirmation notes and difference accounts as appropriate; and
6.2.2.21	any payments otherwise due by virtue of changes to the Regulations;	6.2.2.29	taxation and duties payable in respect of the property of the Company, the Instrument of Incorporation or the issue of Shares and any stamp duty reserve tax charged;
6.2.2.22	costs (apart from promotional payments) in respect of communications with investors;	6.2.2.30	any payments otherwise due by virtue of COLL;
6.2.2.23	fees of any paying agents, representative agents or other agents of the Company or the ACD;	6.2.2.31	all other costs and expenses of the Company (including in respect of the management of immovable property); and
6.2.2.24	any costs in modifying the ACD Agreement and any other relevant document required under the Regulations;	6.2.2.32	any VAT payable on any of the above charges and expenses.
6.2.2.25	the fees of any stock-lending agent and the fees of the ACD for arranging any stock-lending, subject to giving Shareholders 60 days' prior written notice of the details of these fees;	6.2.3	It is not currently proposed to seek a listing for the Shares on any stock exchange, but if a listing is sought in the future the fees connected with the listing will be payable by the Company.
6.2.2.26	all fees and expenses incurred in relation to the addition and internal organisation of any new funds, the listing of Shares on any stock exchange, any offer of Shares (including the preparation, translation, printing and distribution of any prospectus (apart from the costs and expenses of distributing any simplified prospectus) and listing documents) and the creation, conversion and cancellation of Shares and any costs and expenses incurred in registering, having recognised or going through any other process in relation to the Company in any territory outside the UK for the purpose of	6.2.4	Expenses are allocated between capital and income in accordance with the COLL Sourcebook. In particular, the fees of the ACD are charged to capital and not Income.
		6.2.5	Exceptionally, the ACD may pay out of the Scheme Property any liabilities arising on the unitisation, amalgamation or reconstruction of the Company.
		<b>6.3</b>	<b>Charges payable to the ACD</b>
		6.3.1	The ACD or companies in its group will pay, on behalf of the Company, the following ongoing registration and general expenses:

- 6.3.1.1 fees and expenses in respect of establishing and maintaining the register of Shareholders and related functions including the fees of the registrar;
- 6.3.1.2 expenses incurred in distributing income to Shareholders;
- 6.3.1.3 fees in respect of the publication and circulation of details of the NAV and prices;
- 6.3.2 the fees and expenses of tax, legal and other professional advisers of the Company;
- 6.3.3 the costs of convening and holding Shareholder meetings;
- 6.3.4 the costs of printing and distributing contract notes, reports, accounts and this Prospectus, any Key Investor Information Document or similar document, the Instrument of Incorporation and any costs incurred as a result of preparing, modifying and updating the Prospectus, any Key Investor Information Document or similar document, the Instrument of Incorporation and any other related administrative expense; and
- 6.3.5 the fees connected with any listing of Shares if applicable.
- 6.4 In return for paying or satisfying (i)-(vii), the ACD currently collects from the Company the Registrar's Fee as set out in Appendix III. Such a charge provides greater transparency for investors and certainty as to the level of such costs that they will bear as well as providing for simpler administration. The ACD will give written notice to the Shareholders in a time period in accordance with the FCA Rules before any increase to the rates specified for the Registrar's Fee in Appendix III and the ACD will make available a Prospectus to reflect the increased rates. At any particular time the actual amount of ongoing registration and general expenses listed in (i)-(vii) above may be more or less than ACD collects from the Company, however, the ACD is under no obligation to account to the Depositary or the Shareholders for any surplus it retains in relation to the payment it receives.
- 6.5 Value Added Tax is payable on these charges where appropriate. Expenses are allocated between capital and income in accordance with the FCA Rules.
- 6.6 **Annual Management Charge**
- 6.7 **Investment Manager**
- 6.7.1 All fees of the Investment Manager are payable by the ACD and are not charged directly to the Company. While no commission is payable to the Investment Manager for any investment deal done or which could be done on behalf of the Company, the Investment Manager may receive other payments for ancillary services rendered including commission which may be payable in respect of arranging reinstatement and loss of rent insurance together with other forms of insurance.
- 6.7.2 The ACD will give prior written notice to the Shareholders in accordance with the FCA Rules before any increase to the annual management charges and the ACD will make available a Prospectus to reflect the increased charges.
- 6.7.3 The ACD is also entitled to all reasonable, properly vouched, out of pocket expenses incurred in the performance of its duties, including stamp duty and stamp duty reserve tax on transactions in Shares.
- 6.7.4 The ACD may not introduce a new category of remuneration for its services to be paid out of the Scheme Property of the Company without obtaining prior approval of the Shareholders by way of resolution. Additionally, no increase to a current rate or amount of remuneration payable to the ACD or an associate (as defined in the FCA Rules) out of the Scheme Property of the Company or any material change to any other type of payment out of the Scheme Property of the Company can be implemented without the ACD giving prior written notification of not less than 60 days to the Shareholders.
- 6.8 **Depositary's Fee**
- 6.8.1 The Depositary's remuneration, which is payable out of the assets of the Company, is a periodic charge at such annual percentage rate of 0.008%
- For Class 1 Shares, the current periodic management charge is 1.5% per annum of the net asset value of the Shares. For Class 2 Shares, the current periodic management charge is 0.75% per annum of the net asset value of the Shares. These periodic charges are payable out of the Company's assets together with any Value Added Tax on these charges where applicable. The fees of all Share classes are calculated with reference to the previous days NAV of the Company plus or minus the sales and redemptions on that day. There is no annual management charge for Class F Shares.

being paid on the same basis as the ACD's annual management charge.

6.8.2 The ACD will notify the Shareholders in writing not less than 60 days prior to any material increase to the rates set out above.

6.8.3 The Depositary is also entitled to receive out of the property of the Company remuneration for performing or arranging for the performance of such functions as the ACD and the Depositary may from time to time agree, being functions conferred on the Depositary by the Instrument of Incorporation or the FCA Rules. The Depositary's remuneration under this paragraph shall accrue when the relevant transaction or other dealing is effected and shall be paid in arrears on the next following date on which payment of the Depositary's periodic charge is to be made or as soon as practicable thereafter. Currently the Depositary does not receive any remuneration under this paragraph.

## 6.9 Depositary's Expenses

6.9.1 In addition to the remuneration referred to above, the Depositary is entitled to receive reimbursement for expenses properly incurred by it in the discharge of its duties or exercising any of the powers conferred upon it in relation to the Company, subject to approval by the ACD.

6.9.2 The Depositary has appointed Citibank N.A. as the Custodian of the property of the Company and is entitled to receive reimbursement of the Custodian's fees as an expense of the Company. The Custodian's remuneration for acting as Custodian in respect of assets other than UK property is calculated at an ad valorem rate determined by the territory or country in which the assets of the Company are held. Currently, the lowest rate is 0.002% and the highest rate is 0.40%. In addition, the Custodian makes a transaction charge determined by the territory or country in which the transaction is effected. Currently, these transaction charges range from £3 to £65 per transaction. The Custodian charges a custody fee for UK property at a rate of £100 per annum per holding.

6.9.3 Any material increase to the Custodian's charges set out above will be subject to the agreement of the Depositary and the ACD, and the ACD will notify Shareholders in writing before making any material increase to the rates set out above, in accordance with the FCA Rules.

6.9.4 The Depositary is also entitled to be reimbursed out of the property of the Company in respect of remuneration charged by the Custodian for such services as the ACD, the Depositary and the Custodian may from time to time agree, being services delegated to the Custodian by the Depositary in performing or arranging for the performance of the functions conferred on the Depositary by the Instrument of Incorporation or the FCA Rules. Remuneration charged under this paragraph shall accrue when the relevant transaction or other dealing is effected and shall be paid in arrears. Currently, the Custodian does not receive any remuneration under this paragraph.

6.9.5 The following further expenses may also be paid out of the property of the Company:

6.9.5.1 all charges imposed by, and any expenses of, any agents appointed by the Depositary to assist in the discharge of its duties;

6.9.5.2 all charges and expenses incurred in connection with the collection and distribution of income;

6.9.5.3 all charges and expenses incurred in relation to the preparation of the Depositary's annual report to Shareholders;

6.9.5.4 all charges and expenses incurred in relation to stock lending, if any.

6.9.5.5 Value Added Tax at the prevailing rate may be payable in addition to the Depositary's remuneration, the Custodian's remuneration and the above expenses.

6.9.6 In addition, all Property forming part of the Company's assets will be insured, up to its reinstatement value, against all risks of physical loss or damage and loss of rent, including where such loss or damage is caused by terrorism (provided cover is available in the UK insurance market), and the costs of such insurance shall be charged to the Trust.

## 6.10 Stock Lending

6.10.1 The Company may engage in stocklending arrangements with the Custodian, acting as stocklending agent on behalf of the Depositary.

Under an agreement between the Company, the Depositary, the Investment Manager and the Custodian, the Custodian is entitled to a payment for providing stocklending services to the Company. The fee payable to the Custodian is calculated as a percentage of the gross income from stocklending and will be 12.5% of the income generated by the stocklending activity. The remaining amount of income that is generated by virtue of the stocklending activity is then applied to the Scheme Property of the Company being 87.5%.

6.10.2 Further detail on stock lending is set out in Appendix IV.

#### 6.11 Charges to Capital

The annual management charge and fees and expenses of the Depositary referred to above may be taken out of the income or the capital of the Company. In particular, such fees and expenses may be charged to capital in order to manage the level of income paid and/or available to Shareholders. Please refer to the section of this Prospectus with the heading "Risk Factors" for further information.

#### 6.12 Initial Charge

6.12.1 The initial charges vary depending on the Class of Share. The current initial charges are set out below:

Share Class	Initial Charge
Class 1	5% of the gross amount invested
Class 2	0% of the gross amount invested
Class F	0% of the gross amount invested

6.12.2 The ACD will give written notice to the affected Shareholders not less than 60 days before implementing any increase to the rates of the initial charge set out above, and will make available a Prospectus to reflect the increased rate of the initial charge.

6.12.3 The initial charge is payable to the ACD and may be used to remunerate certain eligible intermediaries. To the extent permitted by the FCA Rules, the ACD may agree to waive or reduce the initial charge at its discretion, in respect of a subscription by any person, including a holder of Shares in any other collective

investment scheme operated by the ACD, where such subscription is at or about the same time as the redemption of units or Shares (or other interests) in that other collective investment scheme and thereby represents a 'Switch' to the Company.

#### 6.13 Redemption Charge

6.13.1 The ACD may make a charge on the redemption of Shares. At present no redemption charge is levied by the ACD on the redemption of Shares. Shares issued while this Prospectus is in force will not be subject to any redemption charge in the future.

6.13.2 A redemption charge can only be introduced by the ACD in accordance with the requirements of the FCA Rules.

#### 6.14 Switching Fee:

There is currently no fee charged on a Switch from one Class to another Class. The introduction by the ACD of a fee on a Switch from one Class to another Class would need to comply with the requirements of the FCA Rules.

## 7. Valuation of the Company

### 7.1 General

7.1.1 Valuations are made at each Valuation Point for the purpose of determining the price at which Shares in the Company may be purchased or redeemed. In addition, there is also a Special Valuation Point. This is intended to apply only for determining the price at which Class F Shares may be redeemed for the purposes set out in section 3.6 and the prices for switches between the Company and the Feeder Fund as set out in sections 8.5 and 9 above.

7.1.2 The calculation of prices of Shares commences at or about the Valuation Point on each Dealing Day. The ACD may carry out additional valuations in accordance with the COLL Sourcebook if it considers it desirable to do so. Valuations will not be made during a period of suspension of dealings. The ACD is required to notify Share prices to the Depositary on completion of a valuation.

7.1.3 Valuations may be carried out for effecting a scheme of amalgamation or reconstruction, which do not create a Valuation Point for the purposes

of dealing. Where permitted and subject to the FCA Rules, the ACD may, in certain circumstances (for example where a significant event has occurred since the closure of a market) substitute a price with a more appropriate price which in its opinion reflects a fair and reasonable price for that investment.

an alternative standing independent valuer to act on its behalf in relation to that particular transaction only.

7.1.4 The assets of the Company are valued on the following basis in accordance with the NAV determination provisions of the Company's Instrument of Incorporation, as set out in Appendix VI hereto:

7.1.5 A request for dealing in Shares must be received by the Valuation Point on a particular Dealing Day for the relevant Class in order to be processed on that Dealing Day. A dealing request received after this time will be held over and processed on the next Dealing Day for the relevant Class using the price as at the Valuation Point on that next Dealing Day.

## 7.2 Calculation of the Net Asset Value

The value of the property of the Company will be the value of its assets less the value of its liabilities determined in accordance with the provisions set out in Appendix VI.

## 7.3 Valuation of Immovable Property

7.3.1 The Standing Independent Valuer is responsible for valuing the immovables directly or indirectly held by the Company on the basis of a full valuation with physical inspection (including where the immovable is or includes a building, internal inspection) at least once a year. The Standing Independent Valuer also values each immovable on the basis of a review of the last full valuation at least once a month. The figure arrived at under that valuation is used as part of the valuation of the Scheme Property calculated on each Business Day for the following month. Any valuation by the Standing Independent Valuer shall be made in accordance with Valuation Standard 2.3 of the RICS Valuation Standards (The Red Book) (8th Edition published April 2012), as updated from time to time, or in the case of overseas Property (if any) on an appropriate basis in accordance with COLL.

7.3.2 Where the appointed Standing Independent Valuer is acting as a connected party to a purchase transaction being carried out by the Company, the Company will, as required, appoint

## 7.4 Fair Value Pricing

7.4.1 Where the ACD has reasonable grounds to believe that:

- 7.4.1.1 no reliable price exists for a security (including a unit/share in a collective investment scheme) at a Valuation Point; or
- 7.4.1.2 the most recent price available does not reflect the ACD's best estimate of the value of the security (including a unit/share in a collective investment scheme) at the Valuation Point,

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

7.4.2 The circumstances which may give rise to a fair value price being used include:

- 7.4.2.1 market movements above a pre-set trigger level in other correlated open markets;
- 7.4.2.2 war, natural disaster, terrorism;
- 7.4.2.3 government actions or political instability;
- 7.4.2.4 currency realignment or devaluation;
- 7.4.2.5 changes in interest rates;
- 7.4.2.6 corporate activity;
- 7.4.2.7 credit default or distress; or
- 7.4.2.8 litigation.

7.4.3 Even if the Valuation Point is set during the time other markets are open for trading, other scenarios might include:

- 7.4.3.1 failure of a pricing provider;
- 7.4.3.2 closure or failure of a market;
- 7.4.3.3 volatile or 'fast' markets;

7.4.3.4 markets closed over national holidays;

7.4.3.5 stale or unreliable prices;

7.4.3.6 listings, suspensions or de-listings.

is then higher than the minimum required under FCA Rules.

7.5.9 Conversely, on a "bid" basis, the bid price is set to the minimum permitted by FCA Rules, and the actual spread added to calculate the published offer price. The offer price is then lower than the maximum permitted by FCA Rules.

## 7.5 Price per Share in each Class in the Company

7.5.1 Except in the circumstances set out in sections 4.6, 8.5.2 and 9, the prices of Shares are calculated as set out below and subject to the additional provisions relating to the Special Valuation Point described at section 7.6 below.

7.5.10 An "offer" basis is likely to apply when the Company is expanding and a "bid" basis when the Company is contracting. The ACD reserves the right to change the basis depending on the daily net flows, in order to protect remaining Shareholders.

7.5.2 The Company deals on a forward price basis, that is at the price for a Share in the Company at the next Valuation Point following receipt of a request to issue or redeem Shares.

7.5.11 When on a "bid" basis, the ACD reserves the right to price on the basis of the maximum permitted offer price and not the published offer price for any deal transactions of £15,000 or more ("large deal").

7.5.3 The Company operates on the basis of "dual pricing". This means that there are different prices for the sale of Shares to investors and the redemption of Shares by investors.

7.5.12 For indicative purposes and based upon current maximum spread, the impact of a price revision from the published "offer" price to the maximum permitted offer price would be c. 5.7% for Class 1 Shares and Class 2 Shares. For the Threadneedle UK Property Trust, which it is expected will convert into the Threadneedle UK Property Authorised Investment Fund on 14 May 2016, the Manager did not re-price any such deals during 2015.

7.5.4 The maximum price at which Shares may be sold to an investor ("issue price") is established by valuing the assets on the basis of the costs of acquiring those assets divided by the number of Shares in existence and adding on any initial charge.

7.5.13 When on an "offer" basis, the ACD also reserves the right to impose the minimum bid price (cancellation price) instead of the published bid price for any large deal transaction.

7.5.5 The minimum price at which Shares may be sold back to the ACD ("cancellation price") is calculated by valuing the assets on the basis of the amount that would be received if they were sold, and dividing the result by the number of Shares in existence.

7.5.14 For indicative purposes, and based upon current maximum spread, the impact of a price revision from published bid price to cancellation price would be c.5.3% for Class 1 Shares and Class 2 Shares. The Threadneedle UK Property Trust, which it is expected will convert into the Threadneedle UK Property Authorised Investment Fund on 14 May 2016, re-priced large deals of this nature on 33 occasions during 2015.

7.5.6 The difference between the issue price and the cancellation price is known as the "maximum spread". The actual spread (sometimes referred to as the dealing spread) that is applied by the ACD may, however, be less than the maximum spread.

7.5.7 If the actual spread is less than the maximum spread, the ACD is permitted under the FCA Rules, to choose to price the Company on either an "offer" or "bid" basis depending on the prevailing circumstances.

7.5.15 The ACD's decision to re-price a large deal will depend upon whether there are net redemptions or net subscriptions from the same share class on that Dealing Day. If so, the ACD will proceed to determine whether the size of the deal exceeds the ACD's current tolerance policy.

7.5.8 When the Company is on an "offer" basis, the offer price is set to the maximum permitted under the FCA Rules, and the actual spread deducted to calculate the published bid price. This bid price

7.5.16 Investors dealing through third parties should note that a fund platform or similar nominee service may aggregate its deals such that the total transaction received by the ACD is greater than £15,000, even if the individual investor's deal is not.

7.5.17 The price of a Share is calculated (to at least four significant figures) by:

7.5.17.1 taking the value of the Company attributable to the relevant Class at the next valuation of the Company; and

7.5.17.2 dividing the result by the number of Shares of the relevant Class in the Company in issue immediately before the valuation concerned.

7.5.17.3 Investors should note that the costs of dealing in real property are significantly higher than those normally associated with equities and bonds, and as such the spread on the Company's portfolio is likely to be in excess of 6% in addition to any initial charge.

## 7.6 Special Valuation Point

7.6.1 There may be an additional valuation point, the Special Valuation Point, on certain Dealing Days with agreement of the Depositary. The Special Valuation Point is intended for determining (i) the prices of Shares to be cancelled or issued as the case may be for switches between the Company and the Feeder Fund on agreement with the ACD; and (ii) the cancellation price at which Class F Shares may be redeemed by the Feeder Fund in order to realise cash for meeting income distribution payments and/or tax and expenses of the Feeder Fund. It is envisaged that there may be a Special Valuation Point on the Dealing Day following each accounting date (or shortly thereafter) for the purposes of facilitating agreed switches and otherwise on such other Dealing Days as the ACD considers necessary. Shareholders can enquire when the next Special Valuation Point is by contacting the ACD.

7.6.2 Prices at the Special Valuation Point will be established in accordance with the provisions of Appendix VI, subject to certain adjustments. These adjustments are so that the prices established reflect that there should be no underlying transactions involving the sale of

assets by the Company when processing switches between the Company and the Feeder Fund and when cancelling Class F Shares to realise cash for the Feeder Fund for operational and income distribution purposes.

7.6.3 Accordingly, it is intended that dilution related costs and expenses will not be applied when valuing the assets of the Company at the Special Valuation Point and any dual priced assets held in the Company will be valued at a mid price. This is subject to the ACD and Depositary being satisfied that there is no unfair prejudice for ongoing Shareholders. It is envisaged that no adjustment will be made in relation to the calculation of the prices of Shares in accordance with the provisions in Appendix IV where requests are received at a Special Valuation Point for other Classes other than solely relating to deals falling within (i) and/or (ii) above.

## 8. Risk Factors

8.1 Potential investors should consider the following risk factors before investing in the Company. Please also note that the most significant risk factors applicable to the Company are set out in section 5.3 of the Prospectus.

### 8.1.1 General

The investments of the Company are subject to normal market fluctuations and other risks inherent in investing in Property and other assets. There can be no assurance that any appreciation in value of investments will occur. The value of investments and the income derived from them may fall as well as rise and investors should note that no form of guarantee with respect to investment performance and no form of capital protection will apply. Past performance is not indicative of future performance. There is no assurance that the investment objective of the Company will actually be achieved.

### 8.1.2 Shareholder Concentration Risk

A Company with a high shareholder concentration may have compounded funding liquidity risks

### 8.1.3 Liquidity Risk

	<p>In extreme market conditions it may be difficult for the Company to realise an investment at short notice without suffering a discount to market value. In such circumstances the investor may suffer a delay in realising his investment or may incur a dilution adjustment.</p>	
	<p>Dealings in the Company may be limited due to issues of capacity or deferred due to high redemption levels. Large subscriptions may not be invested quickly resulting in the Company holding cash.</p>	<p>8.1.6 <b>Regulatory Risk</b></p> <p>The Company is resident in the United Kingdom and non-United Kingdom investors should note that the regulatory protections provided by the regulatory authorities in their country of domicile may not apply. Investors should consult their financial advisers for further information in this area.</p>
<p>8.1.4</p>	<p><b>Property Investment Risk</b></p>	<p>8.1.7 <b>Taxation</b></p>
	<p>Investments in Property are relatively illiquid and more difficult to realise than equities or bonds.</p>	<p>The Company benefits from a beneficial tax status as it qualifies as a PAIF. It is possible that the tax treatment of the Company may change or the beneficial PAIF status may be lost. Any change may impact the performance of the Company and/or the amount you receive back on your investment.</p>
	<p>Property and Property-related assets are inherently difficult to value due to the individual nature of each Property. As a result, valuations are subject to uncertainty and are a matter of an independent valuer's opinion. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales price even where a sale occurs shortly after the valuation date.</p>	<p>8.1.8 <b>Effect of Initial Charge</b></p>
	<p>The performance of the Company would be adversely affected by a downturn in the Property market in terms of capital value or a weakening of rental yields.</p>	<p>Where an initial charge is imposed, an investor who realises his Shares after a short period may not (even in the absence of a fall in the value of the relevant investments) realise the amount originally invested. Therefore, the Shares should be viewed as a medium to long-term investment.</p>
	<p>Commercial Property values are affected by factors such as the level of interest rates, economic growth, fluctuations in Property yields and tenant default. In the event of a default by an occupational tenant, there will be a rental shortfall and additional costs including legal expenses are likely to be incurred in maintaining, insuring and re-letting the Property.</p>	<p>8.1.9 <b>Suspension of Dealings in Shares</b></p>
	<p>Certain significant expenses, such as operating expenses, must be met by the owner even if the Property is vacant.</p>	<p>Investors are reminded that in certain circumstances their right to request the Company to redeem Shares may be suspended (see under the section of this prospectus with the heading 'Suspension of dealing in the Company' in the section 'Buying, selling and switching Shares').</p>
<p>8.1.5</p>	<p><b>Risk to Capital Growth</b></p>	<p>8.1.10 <b>Redemption demands</b></p>
	<p>All or part of the ACD's fee and the transaction charges for the underlying assets of the Company will, and other fees and expenses of the Company, may be charged against capital instead of against income. The Company will charge such fees and expenses to capital in order to manage the level of income paid and/or</p>	<p>Property funds, such as the Company, can be subject to redemption demands at times when performance is comparatively low. At such times, performance may be adversely affected by the sale of properties to meet redemption demands. If the Company is adversely affected in this way, this would have a corresponding impact on the value of the Shares in the Company.</p>
		<p>8.1.11 <b>Investment Objectives</b></p>

Investors should be aware of the investment policy of the Company as this states that it may invest in real estate assets located outside the United Kingdom, albeit that this is not its primary objective. These other markets may act with more or less volatility than the core investment area and performance will be in part dependent on these investments. Investors should ensure (prior to any investment being made) that they are satisfied with the risk profile of the overall objectives disclosed.

#### 8.1.12 Investments in Collective Investment Schemes

The Company may invest in other collective investment schemes. Investment decisions of such underlying collective investment schemes are made at the level of such collective investment schemes. There can be no assurance that the selection of the managers of the underlying collective investment schemes will result in an effective diversification of investment styles and that positions taken by the underlying collective investment schemes will always be consistent. The underlying collective investment schemes may not be subject to the supervision of the FCA and may be less regulated, custody and audit rules may notably differ. The valuations of the assets of the underlying collective investment schemes may not be verified by an independent third party on a regular or timely basis.

Both the Company and the underlying collective investment schemes will have costs and impose fees and commissions, which will cause a higher level of fees than if the investors invested directly in the underlying collective investment schemes. However, when the Company invests in units/shares of other collective investment schemes that are managed, either directly or by delegation, by the Investment Manager or by any other company with which the Investment Manager is linked by common management or control, or by a substantial direct or indirect holding, the Investment Manager or other company may not charge subscription or redemption fees on account of the Company's investment in the units of such other collective investment schemes.

Some underlying collective investment schemes may invest in assets that are not readily realisable or may be hard to value. The value of

these assets is a matter of the relevant valuation agent's policy and the true value may not be recognised until the asset is sold. This may be an ongoing risk for collective investment schemes investing in property, but could also include other asset classes in extreme market conditions. There may be occasions where these collective investment schemes restrict redemptions and as such the Company may not be able to liquidate a position in such collective investment schemes. In a falling market this may result in losses to the Company.

The Company may invest up to 20% of its assets in the aggregate of unregulated collective investments schemes and non-approved transferable securities. Investors should be aware that an investment in an unregulated collective investment scheme may not provide a level of investor protection equivalent to schemes authorised by the FCA and subject to the FCA Handbook.

#### 8.1.13 Investments in Derivatives and Forward Transactions and the Use of EPM

**The FCA Rules for 'NURS Schemes' permit the use of derivatives and forward transactions for both EPM and investment purposes (including short-selling and leverage).** Investors should consider potential exposure to derivatives in the context of all their investments.

The Investment Manager maintains a 'Risk Management Policy' in respect of the measurement and monitoring of risks attached to financial derivative instrument positions entered into by the Company. This policy document has been sent to the Depositary and to the FCA and is available upon request. The use of the Risk Management Policy does not guarantee that the derivative strategies will work in every instance.

Derivative instruments, including but not limited to swaps, futures, and certain FX contracts, are subject to new regulations such as EMIR, MIFID II and similar regulatory regimes in the U.S., Asia, and other global jurisdictions. The implementation of such regulations, including new requirements requiring mandatory clearing and margining, may increase the overall costs to the Company of entering into and maintaining such derivative instruments and may impact the Company's returns or the ability of the Manager to achieve

their investment objectives. Global regulation of derivative instruments is a rapidly-changing area and, as such, the full effects of present or future legislation or regulations in this area are not known, but could be substantial and adverse.

The Company is permitted by the FCA Rules to use derivatives for both investment purposes and the purposes of EPM. The aim of any derivative or forward is to assist the Manager in meeting the investment objectives of the Company by reducing risk and/or reducing cost and/or generating additional income or capital with a level of risk which is consistent with the risk profile of the Company and the risk diversification rules within which it operates. The use of derivatives or forwards for the purposes of EPM will not materially alter the risk profile of the Company. At the date of this Prospectus the Company intends to use derivatives for the purpose of EPM. It may use them for investment purposes on the giving of 60 days' notice to Shareholders.

#### 8.1.13.1 Use of derivatives and forward transactions for EPM purposes

**The use of derivatives and forward transactions for the purposes of EPM will not materially alter the risk profile of the Company.**

EPM is used by the Company to reduce risk and/or costs in the Company and to produce additional capital or income in the Company. The Company may use derivatives, borrowing, cash holding and stock lending for EPM. It is not intended that using derivatives for efficient portfolio management will increase the volatility of the Company.

In adverse situations, however, the Company's use of derivatives may become ineffective in EPM (which includes hedging) and the Company may suffer significant loss as a result. The Company's ability to use EPM strategies may be limited by market conditions, regulatory limits and tax considerations.

When making use of EPM techniques, the Investment Manager may use one or more separate counterparties to undertake transactions on behalf of the Company. The Company may be required to pledge or transfer collateral paid from within the assets of the Company to secure such

contracts entered into for efficient portfolio management including in relation to derivatives and stocklending. There may be a risk that a counterparty will wholly or partially fail to honour their contractual arrangements under the arrangement with regard to the return of collateral and any other payments due to the Company. The ACD measures the creditworthiness of counterparties as part of the risk management process. A counterparty may be an associate of the ACD or the Investment Manager, which may give rise to a conflict of interest. For further details on the ACD's conflicts of interest policy please contact the ACD.

The ACD, the Investment Manager or the Company will not be liable for their failure to implement an EPM strategy so long as they have acted reasonably and in accordance with the FCA rules.

The use of derivatives for EPM does however allow the Trust does however allow the Company to manage various risks including the following: default risk, market risk, interest rate or duration risk, currency risk and curve risk. A brief description of the ACD's interpretation of each of these risks is set out below.

- Default risk is the risk that the issuer fails to pay.
- Market risk is the risk that general market conditions impact the price of the assets owned by the Company.
- Interest rate or duration risk is the risk that the price of a bond is sensitive to a change in its yield. It should be noted that the Investment Manager may use individual derivative transactions (for example, an interest rate swap) to manage these risks or a combination of derivatives designed to act in combination with one another (for example, long and short bond futures used collectively) as a means of managing these risks and/or changing the interest rate or duration risk (for example, such as to effect the change from interest rate risk/duration risk in one country back to another).
- Currency risk is the risk that can arise when assets are denominated in a

currency that is not the base currency of the Company.

- Curve risk recognises that the shape of both the credit yield curve and maturity yield curve can change significantly over time.

In addition, the FCA Rules permit the ACD to use certain techniques when investing in derivatives in order to manage the Company's exposure to particular counterparties and in relation to the use of collateral, to reduce overall exposure to OTC derivatives; for example the Company may take collateral from counterparties with whom they have an OTC derivative position and use that collateral to net off against the exposure they have to the counterparty under that OTC derivative position, for the purposes of complying with counterparty spread limits.

The AIFM Directive and associated guidance on how leverage is to be calculated means that some derivative trades classified as EPM may create leverage under the commitment approach. The maximum amount is 120% of the NAV using the gross method and 110% using the commitment approach. For all derivative trades made for EPM, the ACD will mitigate the leverage by holding appropriate assets to cover the derivative exposure so that there is no material impact to the risk profile of the Company.

#### 8.1.14 Credit Risk

The value of the Company may be adversely affected if any of the institutions in which the cash is invested or deposited suffers insolvency or other financial difficulties.

#### 8.1.15 Compulsory Switch to the Feeder Fund

Further to paragraph 5.5, the ACD may be required under the PAIF Tax Regulations to redeem certain Shares in the Company in which case it would invest the proceeds in the Feeder Fund. Such a transaction would constitute a disposal of Shares for the purposes of UK capital gains tax.

#### 8.1.16 Exchange Traded Funds

The Company may invest in exchange traded funds. Exchange traded funds represent a basket of securities that may be traded on an exchange

and may not necessarily trade at the net asset value of their underlying holdings. As a result they may trade at a price that is above or below the value of the underlying portfolio.

## 9. Management and Administration

### 9.1 The Authorised Corporate Director

- 9.1.1 The ACD of the Company is Threadneedle Investment Services Limited which is a private company limited by shares incorporated in England and Wales under the Companies Act 1985 on 26 January 1999.
- 9.1.2 The issued and paid up share capital of the ACD is £17.02 million.
- 9.1.3 The ACD is responsible for managing and administering the Company's affairs in compliance with the FCA Rules.
- 9.1.4 The ultimate holding company of the ACD is Ameriprise Financial, Inc., a corporation incorporated in Delaware, USA.

### 9.2 Registered Office and Head Office: Cannon Place, 78 Cannon Street, London EC4N 6AG.

### 9.3 Terms of Appointment

- 9.3.1 The ACD Agreement provides that the appointment of the ACD is for an initial period of three years and thereafter may be terminated upon 12 months' written notice by either the ACD or the Company, although in certain circumstances the agreement may be terminated forthwith by notice in writing by the ACD to the Company or the Depositary, or by the Depositary or the Company to the ACD. Termination cannot take effect until the FCA has approved the change of the ACD.
- 9.3.2 The ACD is entitled to its pro rata fees and expenses to the date of termination and any additional expenses necessarily realised in settling or realising any outstanding obligations. No compensation for loss of office is provided for in the agreement. The ACD Agreement provides indemnities to the ACD other than for matters arising by reason of its negligence, default, breach of duty or breach of trust in the performance of its duties and obligations.

9.3.3 The ACD is under no obligation to account to the Depositary or the Shareholders for any profit it makes on the issue or re-issue of Shares or cancellation of Shares, which it has redeemed. The fees to which the ACD is entitled are set out in the section of this Prospectus with the heading "Charges payable to the ACD".

9.3.4 The ACD also acts as authorised corporate director of Threadneedle Investment Funds ICVC, Threadneedle Investment Funds II ICVC, Threadneedle Investment Funds III ICVC, Threadneedle Investment Funds IV ICVC, Threadneedle Opportunity Investment Funds ICVC, Threadneedle Portfolio Advantage Funds ICVC, Threadneedle Focus Investment Funds ICVC and Threadneedle Specialist Investment Funds ICVC and as authorised fund manager in respect of the following authorised unit trusts:

- Threadneedle UK Property Authorised Trust
- Threadneedle Defensive Equity and Bond Fund
- Threadneedle Defensive Fund
- Threadneedle Equity and Bond Fund
- Threadneedle Global Equity and Bond Fund
- Threadneedle Global Equity Fund
- Threadneedle Managed Income Fund
- Threadneedle Navigator Adventurous Managed Trust
- Threadneedle Navigator Balanced Managed Trust
- Threadneedle Navigator Cautious Managed Trust
- Threadneedle Navigator Growth Managed Trust
- Threadneedle Navigator Growth Trust
- Threadneedle Navigator Income Trust
- Threadneedle Navigator UK Index Tracker Trust

9.3.5 The directors of the ACD are Mr. Tim Gillbanks, Mr. Don Jordison, Ms. Kath Cates (non-executive director) and Ms. Ann Roughead (non-executive director). The directors act as directors of companies other than the ACD (including companies that are within the same group of companies as the ACD) but do not engage in business activities that are not connected with the Company that would be 'significant' to the Company's business in terms of the FCA Rules.

9.3.6 Third party administrative functions, such as customer applications and record keeping, dealing with subscriptions, switching, withdrawals and terminations, and all communication centre activity in relation to the Company, have been delegated by the ACD to International Financial Data Services (UK) Limited ('IFDS').

9.3.7 The Company may (subject to 60 days' notice being given to Shareholders) engage in stock lending arrangements with the Custodian, Citibank N.A., acting as stock lending agent on behalf of the Depositary.

9.3.8 The ACD will satisfy itself on an ongoing basis that IFDS and Citibank N.A. are competent to carry out these functions and associated responsibilities.

#### 9.4 The Depositary

9.4.1 Citibank Europe plc, UK Branch is the depositary of the Company. The Depositary is responsible for the safekeeping of all the Scheme Property of the Company and has a duty to take reasonable care to ensure that the Company is managed in accordance with the provisions of the FCA Rules relating to the pricing of, and dealing in, Shares and relating to the income of the Funds.

9.4.2 Citibank Europe plc is a public limited company that is domiciled in Ireland, with registered number 132781, and whose registered office is at 1 North Wall Quay, Dublin 1.

9.4.3 The Depositary is authorised by the Central Bank of Ireland and authorised and regulated by the Financial Conduct Authority and the Prudential Regulatory Authority in the United Kingdom in relation to the provision of depositary services.

9.4.4 Pursuant to a restructuring event which took place under Directive 2005/56/EC on 1 January 2016, all contractual obligations of Citibank International Limited (as former depositary) were transferred by operation of law to the Depositary and as such the agreement effective from 21 January 2015 between the Company, the ACD and the Depositary has been automatically transferred to the Depositary.

9.4.5 **Head Office and Registered Office:** Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB

- 9.4.6 **Ultimate Holding Company:** Citigroup Inc., a company which is incorporated in New York, USA.
- 9.4.7 **Principal Business Activity:** Banking including acting as trustee and depositary of regulated collective investment schemes.
- 9.4.8 **Terms of Appointment:**
- 9.4.8.1 Subject to the FCA Rules the Depositary has full power under the Depositary Agreement to delegate (and authorise its delegate to sub-delegate) any part of its duties as Depositary. It has delegated custody services to Citibank N.A.
- 9.4.8.2 The Depositary Agreement may be terminated on 180 days' written notice by the Depositary or the Company.
- 9.4.8.3 The Depositary Agreement provides indemnities to the Depositary (except in respect of its failure to exercise due care and diligence) and (to the extent permitted by the OEIC Regulations and the FCA Rules) exempts it from liability for special, indirect or consequential loss or damage.
- 9.4.8.4 The fees to which the Depositary is entitled are set out in the section with the heading 'Depositary's fee'.
- 9.5 **The Investment Manager**
- 9.5.1 The ACD has appointed Threadneedle Asset Management Limited to provide investment management and advisory services to the ACD. Threadneedle Asset Management Limited is authorised and regulated by the FCA under the Financial Services and Markets Act 2000 to carry on regulated activities in the UK.
- 9.5.2 The Investment Manager was appointed by an agreement effective 15 July 2014 between the ACD and the Investment Manager.
- 9.5.3 The Investment Management Agreement may be terminated on 12 months' written notice by the Investment Manager or the ACD. It may also be terminated by the Company or the ACD with immediate effect if this is in the best interests of the Unitholders.
- 9.5.4 Subject to the overall policies, directions and control of the ACD, all relevant laws and regulations (including the FCA Rules), this Prospectus, the Instrument of Incorporation and all proper directions of the Depositary, the Investment Manager has complete discretion to take all day-to-day portfolio management decisions and to deal in investments in relation to the portfolio management of the Company, without prior reference to the ACD.
- 9.5.5 Under the Investment Management Agreement the ACD provides indemnities to the Investment ACD (except in the case of any matter arising as a direct result of its fraud, negligence, default or bad faith). The ACD may be entitled under the indemnities in the ACD Agreement to recover from the Company amounts paid by the ACD under the indemnities in the Investment Management Agreement.
- 9.5.6 The Investment Manager also acts as the Investment Manager of Threadneedle Focus Investment Funds ICVC, Threadneedle Investment Funds ICVC, Threadneedle Investment Funds II ICVC, Threadneedle Investment Funds III ICVC, Threadneedle Portfolio Advantage Funds ICVC, Threadneedle Opportunity Investment Funds ICVC and Threadneedle Specialist Investment Funds ICVC and a number of other collective investment schemes and segregated accounts.
- 9.5.7 Threadneedle Asset Management Limited is in the same group of companies as the ACD. Its registered office is Cannon Place, 78 Cannon Street, London EC4N 6AG. The principal activity of the Investment Adviser is acting as an investment manager and adviser.
- 9.6 **Standing Independent Valuer**
- 9.6.1 In relation to the immovable property held by the Company, the ACD has appointed CBRE Limited as the Standing Independent Valuer.
- 9.6.2 The Standing Independent Valuer was appointed by an agreement effective 2 May 2015 between the ACD and the Standing Independent Valuer (the 'Property Valuation Agreement'). Under the terms of the Property Valuation Agreement, the Standing Independent Valuer must carry out its obligations under the agreement in accordance with the applicable provisions of COLL.

- 9.6.3 The Property Valuation Agreement may be terminated by either party for insolvency of the other party, and by the ACD at any time if the Standing Independent Valuer fails to attain service levels or remedy a material breach of agreement.
- 9.6.4 No valuer will be treated as independent for the purposes of valuing property if, at any time during the preceding 12 months, that independent valuer has received a fee, or any other commercial benefit, whether from the Company or otherwise, in connection with any transaction entered into by the Company in relation to that property. No person shall qualify for appointment as standing independent valuer unless it is either a body corporate or a partnership.
- 9.6.5 The Standing Independent Valuer will receive a fee from the Scheme Property in respect of valuing immovables to be acquired by the Company as well as a separately calculated fee from Scheme Property in respect of on-going valuations of immovables already held. Total fees charged by the Standing Independent Valuer under these arrangements are not anticipated to exceed 0.075% per annum of the gross asset value of the immovables held within the Company (including/ plus VAT thereon as applicable).

## 9.7 Auditor

The auditor of the Company is PricewaterhouseCoopers LLP. The auditor is responsible for auditing the annual accounts of the Company and expressing an opinion on certain matters relating to the Company in the annual report including whether its accounts have been prepared in accordance with applicable accounting standards, the FCA Rules and the Instrument of Incorporation.

## 9.8 Legal Advisers

The Company is advised by Eversheds LLP.

## 10. Instrument of Incorporation

- 10.1 The Instrument of Incorporation may be amended by resolution of the ACD to the extent permitted by the FCA Rules.
- 10.2 In the event of any conflict arising between any provision of the Instrument of Incorporation and either the OEIC Regulations or the FCA Rules, the OEIC Regulations and the FCA Rules will prevail.

- 10.3 The Instrument of Incorporation of the Company (which is available for inspection at the ACD's offices at Cannon Place, 78 Cannon Street, London EC4N 6AG) contains, inter alia, provisions to the following effect:

### 10.3.1 Share Capital

- 10.3.2 The Company may from time to time issue Shares of different Classes, and the ACD may by resolution from time to time create additional Classes (whether or not falling within one of the Classes in existence on incorporation).
- 10.3.3 The special rights attaching to a Class are not (unless otherwise expressly provided by the conditions of issue of such Shares) deemed to be varied by:
- 10.3.3.1 the creation, allotment or issue of further Shares of any Class ranking *pari passu* with them;
  - 10.3.3.2 the Switch of Shares of any Class into Shares of another Class; or
  - 10.3.3.3 the creation, allotment, issue or redemption of Shares of another Class, provided that the interests of that other Class represent fairly the financial contributions and benefits of Shareholders of that Class.

### 10.3.4 Transfer of Shares

- 10.3.5 All transfers of registered Shares must be effected by transfer in writing in any usual or common form or in any other form as may be approved by the ACD.
- 10.3.6 No instrument of transfer may be given in respect of more than one Class.
- 10.3.7 In the case of a transfer to joint holders, the number of joint holders to whom a Share is to be transferred may not exceed four.

### 10.3.8 Income

- 10.3.9 The following provisions apply in respect of Shares in issue in the Company:
- 10.3.9.1 An allocation of income (whether annual or interim) to be made in

- respect of each Share issued by the Company or sold by the ACD during the accounting period in respect of which that income allocation is made shall be of the same amount as the allocation to be made in respect of the other Shares of the same Class but shall where appropriate include a capital sum ('income equalisation') representing the ACD's best estimate of the amount of income included in the price of that Share, being either the actual amount of income included in the issue price of that Share or an amount arrived at by taking the aggregate of the amounts of income included in the price in respect of Shares of that Class issued or sold to Shareholders in the annual or interim accounting period in question and dividing that aggregate amount by the number of such Shares and applying the resultant average to each of the Shares in question.
- 10.3.9.2 Each allocation of income made at a time when more than one Class is in issue shall be done by reference to the relevant holders' proportionate interests in the Scheme Property in question. These will be ascertained for each Class as follows:
- 10.3.10 A notional account will be maintained for each Class. Each account will be referred to as a 'Proportion Account'.
- 10.3.11 The word 'proportion' in this context means the proportion, which the balance on a Proportion Account at the relevant time bears to the balance on all the Proportion Accounts at that time. The proportionate interest of a Class of Share in the assets and income of the Company is its 'proportion'.
- 10.3.12 There will be credited to a Proportion Account:
- 10.3.12.1 The subscription money (excluding any initial charges) for the issue of Shares of the relevant Class;
- 10.3.12.2 that Class's proportion of the amount by which the NAV exceeds the total subscription money for all Shares in the Company;
- 10.3.12.3 that Class's proportion of the Company's income received and receivable; and
- 10.3.12.4 any notional tax benefit under section 37.3.2.5 below.
- 10.3.13 There will be debited to a Proportion Account:
- 10.3.13.1 the redemption payment for the cancellation of Shares of the relevant Class;
- 10.3.13.2 the Class's proportion of the amount by which the NAV falls short of the total subscription money for all Shares in the Company;
- 10.3.13.3 all distributions of income (including equalisation) made to Shareholders of that Class;
- 10.3.13.4 all costs, charges and expenses incurred solely in respect of that Class;
- 10.3.13.5 that Class's share of the costs, charges and expenses incurred in respect of that Class and one or more other Classes in the Company, but not in respect of the Company as a whole;
- 10.3.13.6 that Class's proportion of the costs, charges and expenses incurred in respect of or attributable to the Company as a whole; and
- 10.3.13.7 any notional tax liability under section 37.3.2.5 below.
- 10.3.14 Tax liabilities and tax benefits are assessed by HM Revenue & Customs on the Company as a whole. Any Company tax liability or benefit will be allocated between Classes on a just and reasonable basis so as not to materially prejudice any Class. The allocation will be carried out by the ACD in consultation with the auditors.

- 10.3.15 The Proportion Accounts are memorandum accounts maintained for the purpose of calculating proportions. They do not represent debts from the Company to Shareholders or the other way round.
- 10.3.16 Each credit and debit to a Proportion Account shall be allocated to that account on the basis of that Class's proportion immediately before the allocation. All such adjustments shall be made as are necessary, to ensure that on no occasion on which the proportions are ascertained is any amount counted more than once.
- 10.3.17 When Shares are issued thereafter each such Share shall represent the same proportionate interest in the Scheme Property of the Company as each other Share of the same category and Class then in issue in respect of the Company.
- 10.3.18 Number of Directors**
- Unless otherwise determined by an extraordinary resolution of Shareholders the number of directors shall not at any time exceed one.
- 10.3.19 Removal of ACD**
- The Company may by ordinary resolution remove the ACD before the expiration of its period of office, notwithstanding anything in the Instrument of Incorporation or in any agreement between the Company and the ACD, but the removal will not take effect until the FCA have approved it and a new ACD approved by the FCA has been appointed.
- 10.3.20 Proceedings at General Meetings**
- 10.3.21 The duly authorised representative of the Depositary will nominate the chairman at general meetings. If the nominated chairman is not present within a reasonable time after the time appointed for holding the meeting and willing to act as the chairman, the Shareholders present may choose one of their number to be chairman of the meeting.
- 10.3.22 The chairman of any meeting may with the consent of the meeting adjourn the meeting from time to time (or without date) and from place to place, and if he is directed by the meeting to adjourn he must do so. No business can be transacted at an adjourned meeting which might not lawfully have been transacted at the meeting from which the adjournment took place.
- 10.3.23 The Shareholders have rights under the FCA Rules to demand a poll. In addition to these, a poll may be demanded by the chairman of the meeting or by the ACD on any resolution put to the vote of a general meeting.
- 10.3.24 Unless a poll is required, a declaration by the chairman that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book or computer record of proceedings shall be conclusive evidence of that fact. If a poll is required, it shall be taken in such manner as the chairman may direct.
- 10.3.25 The chairman may take any action he considers appropriate for, for example, the safety of people attending a general meeting, the proper and orderly conduct of the general meeting or in order to reflect the wishes of the majority.
- 10.3.26 Corporations Acting by Representatives**
- 10.3.27 Any corporation which is a Shareholder may by resolution of its directors or other governing body and in respect of any Share or Shares of which it is the holder authorise such individual as it thinks fit to act as its representative at any general meeting of the Shareholders or of any Class meeting. The individual so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise in respect of such Share or Shares if it were an individual Shareholder.
- 10.3.28 Any corporation which is a director of the Company may by resolution of its directors or other governing body authorise such individual as it thinks fit to act as its representative at any general meeting of the Shareholders, or of any Class meeting of the directors. The person so authorised shall be entitled to exercise the same powers at such meeting on behalf of such corporation as the corporation could exercise if it were an individual director.
- 10.3.29 Indemnity**
- The Instrument of Incorporation contains provisions indemnifying every director, other officer and auditor against liability in certain circumstances otherwise than in respect of

negligence, default, breach of duty or breach of trust, and indemnifying the Depositary against liability in certain circumstances otherwise than in respect of failure to exercise due care and diligence.

properly authorised in that regard, has one vote.

### 10.3.30 Shareholder Meetings and Voting Rights

#### 10.3.30.1 Annual General Meeting

The Company does not hold annual general meetings.

10.3.30.4.2 On a poll vote, a Shareholder may vote either in person or by proxy. The voting rights attaching to each Share are such proportion of the voting rights attached to all the Shares in issue that the price of the Share bears to the aggregate price(s) of all the Shares in issue at a date selected by the ACD which is a reasonable time before the notice of meeting is sent out.

#### 10.3.30.2 Requisitions of Meetings

The ACD may requisition a general meeting at any time. Shareholders may also requisition a general meeting of the Company. A requisition by Shareholders must state the objects of the meeting, be dated, be signed by Shareholders who, at the date of the requisition, are registered as holding not less than one-tenth in value of all Shares then in issue and the requisition must be deposited at the head office of the Company. The ACD must convene a general meeting no later than eight weeks after receipt of such requisition.

10.3.30.4.3 A Shareholder entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.

10.3.30.4.4 Except where the FCA Rules or the Instrument of Incorporation of the Company require an extraordinary resolution (which needs 75% of the votes cast at the meeting to be in favour if the resolution is to be passed) any resolution required by the FCA Rules will be passed by a simple majority of the votes validly cast for and against the resolution.

#### 10.3.30.3 Notice and Quorum

Shareholders will receive at least 14 days' written notice of a Shareholder's meeting and are entitled to be counted in the quorum and vote at such meeting either in person or by proxy or in the case of a body corporate by a duly authorised representative. The quorum for a meeting is two Shareholders, present in person or by proxy. The quorum for an adjourned meeting is one Shareholder present in person or by proxy or in the case of a body corporate by a duly authorised representative. Notices of meetings and adjourned meetings will be sent to Shareholders at their registered address.

10.3.30.4.5 The ACD may not be counted in the quorum for a meeting and neither the ACD nor any associate (as defined in the FCA Rules) of the ACD is entitled to vote at any meeting of the Company except in respect of Shares which the ACD or associate holds on behalf of or jointly with a person who, if the registered Shareholder, would be entitled to vote and from whom the ACD or associate has received voting instructions.

#### 10.3.30.4 Voting Rights

10.3.30.4.1 At a meeting of Shareholders, on a show of hands every Shareholder who (being an individual) is present in person or (being a corporation) is present by its representative

10.3.30.4.6 Where a resolution (including an extraordinary resolution) is required to be conducted at a Shareholder meeting, but every Shareholder would be prohibited from voting under COLL 4.4.8R(4), the resolution may, with the prior written agreement of the Depositary to the process, instead be passed with the written consent of Shareholders

representing 50% or more of, for an extraordinary resolution or, for an extraordinary resolution 75% or more of the Shares in issue.

10.3.30.4.7 'Shareholders' in this context means Shareholders on the register a reasonable time before the notice of the relevant meeting is sent out (to be determined by the ACD and set out in the notice of meeting) but excludes holders who are known to the ACD not to be Shareholders at the time of the meeting.

10.3.30.5 **Class Meetings**

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

10.3.30.6 **Variation of Class Rights**

The rights attached to a Class may be varied on 60 days' notice to Shareholders.

from tax. Any dividend income it receives from United Kingdom companies or, in general, from non-United Kingdom companies will also be exempt from tax. It would, however, be subject to tax in the unlikely event that there should be a net balance of other income, which will generally consist of interest but could include other property income, less deductible expenses and the gross amount of any PAIF interest distributions made, or a tax charge otherwise arises.

11.2.3 The Company's distributions will be split into three streams for United Kingdom tax purposes:

11.2.3.1 property income distributions, representing income from its Property Investment Business;

11.2.3.2 PAIF dividend distributions, representing any dividends received by it; and

11.2.3.3 PAIF interest distributions, representing the net amount of all other income received.

11.2.4 The Company will be managed so as to be eligible as an ISA investment.

11.3 **UK Shareholders**

The following summary applies to holders of Shares who are resident in the UK for tax purposes and who hold Shares as investments.

11.4 **Shareholders' Income**

11.4.1 **Individual Shareholders:**

**Withholding tax**

Property income distributions and PAIF interest distributions will be made to Shareholders subject to deduction of tax at 20% for investors who do not have an automatic right to gross distribution or have not certified that they are entitled to gross distributions under prevailing UK tax legislation. The ACD reserves the right to acquire further attestations of the right to gross distributions should changes in legislation or regulation require it to ensure the continuation of gross distributions.

UK tax exempt individual investors will be able to reclaim from HM Revenue & Customs the basic rate income tax withheld on the payment of

## 11. Taxation

### 11.1 General

The information given under this heading does not constitute legal or tax advice and prospective investors should consult their own professional advisers as to the implications of subscribing for, purchasing, holding, switching or disposing of Shares under the laws of the jurisdiction in which they may be subject to tax. The following is based on law and practice as at the date of this Prospectus and may be subject to change.

### 11.2 The Company

11.2.1 The Company is generally exempt from United Kingdom tax on capital gains realised on the disposal of its investments (including interest-paying securities and derivatives contracts).

11.2.2 The Company qualifies as a PAIF for tax purposes. Accordingly, the income generated by its Property Investment Business will be exempt

property income distributions and PAIF interest distributions

#### Property Income Distributions (“PIDs”)

Individual resident in the UK for tax purposes and within the charge to income tax will receive PIDs net of basic rate tax at 20%. Basic rate tax payers will have no further liability to tax on the PID. Higher rate and additional rate tax payers will have further tax to pay on the gross PID (40% and 45% respectively) but both will receive credit for tax deducted at source.

#### PAIF Interest Distributions

Basic rate income tax at 20% will be deducted at source from PAIF interest distributions. From 6 April 2016, a new personal savings allowance will be introduced. UK tax resident individuals whose income is within the basic rate band will be able to earn the first £1,000 of savings income tax-free. Higher rate tax payers will be able to earn the first £500 savings income with no tax payable. Basic rate and higher rate tax payers whose total savings income is within the annual personal savings allowance can reclaim the tax withheld from the HM Revenue & Customs.

PAIF interest distributions received in excess of the annual personal savings allowance will be taxed at the marginal rate of the individual investor.

#### PAIF Dividend Distributions

From 6 April 2016, the 10% dividend tax credit will be abolished. Instead a new dividend tax allowance of £5,000 a year will be introduced where individual investors will receive the first £5,000 of dividend income free from income tax. For dividend income received in excess of £5,000 dividend tax allowance, including the dividend income from the Company, Shareholders who are UK resident individuals within the basic rate band will be liable to income tax at a rate of 7.5%. Higher rate and additional rate tax payers will be liable to income tax at 32.5% and 38.1% accordingly on dividend income received in excess of £5,000 dividend tax allowance.

### 11.4.2 Corporate Shareholders

#### Property Income Distributions (“PIDs”)

PIDs are generally paid to corporation tax payers without the deduction of tax at source and taxed as profits of a property business.

#### PAIF Interest Distributions

PAIF interest distributions are also generally paid gross to corporation taxpayers, and are taxed as yearly interest in their hands.

#### PAIF Dividend Distributions

PAIF dividend distributions are treated in the same way as dividends paid by United Kingdom companies, and are therefore exempt from corporation tax. Corporate streaming rules which apply commonly to authorised investment funds' distributions do not apply to PAIF dividend distributions.

11.4.3 **Tax-exempt Shareholders:** Tax-exempt investors such as local authorities, charities, pension schemes and ISA managers may be paid gross property income distributions and PAIF interest distributions and accumulations. However the ACD (or its nominee) will need to be satisfied that the recipient is the beneficial owner and that it is entitled to be paid gross property income distributions and gross interest distributions and/or accumulations. The ACD may require a suitable indemnity from the recipient before a gross payment can be made. Otherwise, Shareholders who are exempt from tax on income will be able to reclaim from HM Revenue & Customs the basic rate income tax withheld on the payment of property income distributions and PAIF interest distributions.

11.4.4 **For all income allocations:** A tax voucher showing the amount of the income distributed or deemed to be distributed (in the case of accumulation shares) to the Shareholder and the tax deducted will be sent to Shareholders at the time of a distribution.

### 11.5 Income Equalisation

When the first income distribution is received it may include an amount known as equalisation. The amount representing the income equalisation in the Share's price is a return of capital and is not taxable in the hands of Shareholders. This amount should be deducted from the cost of Shares in computing capital gains realised on their disposal.

### 11.6 Capital Gains Tax

11.6.1 Shareholders who are resident in the UK for tax purposes may be liable to capital gains tax or, if companies, corporation tax on chargeable gains ('CGT'). The redemption, sale, switching or

transfer of Shares, being chargeable assets, may constitute a disposal or part disposal for the purposes of UK CGT. For individuals there is an annual exempt amount (for the 2016-2017 tax year of £11,100). From 6 April 2016 for basic rate taxpayers the rate of 10% is applied to all chargeable gains in excess of the annual exempt amount. For higher rate and additional rate taxpayers a rate of 20% is applied to all chargeable gains in excess of the annual exempt amount. For a corporate Shareholder indexation relief will be allowed as a deduction from the gain calculated by reference to the period the asset was held and its initial cost.

- 11.6.2 Special rules apply to life insurance companies and dealers in securities holding investments in authorised investment funds. Individuals who are not resident in the UK may also be liable to UK tax on capital gains under anti-avoidance legislation.

#### 11.7 Inheritance tax ('IHT')

Investors are potentially subject to UK inheritance tax on their investment in the Company.

#### 11.8 Foreign Account Tax Compliance

- 11.8.1 Pursuant to U.S. withholding provisions commonly referred to as the Foreign Account Tax Compliance Act 2010 ("FATCA"), a Foreign Financial Institution ("FFI") is under an obligation to broadly collect and provide information regarding US account holders (which includes certain equity and debt holders as well as certain account holders that are non US entities with US owners). An FFI is a non-US entity that either i) accepts deposits in the ordinary course of business or ii) holds financial assets for the account of others as a substantial portion of its business or iii) is engaged primarily in the business of investing or trading in securities or partnership interests or iv) is an insurance company or a holding company that is a member of an expanded affiliated group where the insurance company or holding company is obligated to make payments with respect to a cash value insurance or annuity contract or v) is an entity that is a holding company or treasury centre that is part of an expanded affiliated group that includes a depository institution, custodial institution, investment entity or is formed in connection with or availed by a collective investment vehicle or any similar investment

vehicle established with an investment strategy of investing, reinvesting or trading in financial assets.

- 11.8.2 The FATCA legislation imposes a withholding tax of 30% on withholdable payments and in the future on foreign passthru payments made to a non-US entity that are not an FFI unless such entity provides the withholding agent with certification identifying the substantial US owners of the entity, which includes any US Person who directly or indirectly owns a percentage (depending on jurisdiction) of the entity, or an exception applies. In order to avoid incurring withholding tax on withholdable payments, certain information regarding the direct and indirect investors in the Company will need to be disclosed.

- 11.8.3 Please note that the ACD has determined that US Persons are not permitted to own Shares in the Company.

#### 11.9 Automatic exchange of information

The Common Reporting Standard ('CRS') which will come into effect in stages, starting from 1 January 2016, was developed by the Organisation for Economic Co-operation and Development ('OECD'). The CRS has been adopted in the UK by The International Tax Compliance Regulations 2015, and may require the Company to report account holder information to HMRC about its Shareholders. HMRC will in turn pass this information onto the competent authorities with which it has an agreement.

In addition, the UK has entered into tax information sharing agreements with its Crown dependent and Overseas Territories (Anguilla, Bermuda, British Virgin Islands, Cayman Islands, Guernsey, Isle of Man, Gibraltar, Jersey, Montserrat, and Turks and Caicos). As a result of these agreements the Company will be required to report information about their Shareholders resident in these territories to HMRC, who will then provide it to the relevant tax authorities.

#### 11.10 Stamp duty reserve tax

The stamp duty reserve tax (SDRT) charge on UK unit trusts and open-ended investment companies (OEICs) has been abolished with effect from 30 March 2014. A principal SDRT charge of 0.5% has been retained to be made on the value of non-pro rata in specie redemptions.

## 12. Winding up of the Company

- 12.1 The Company will not be wound up except as an unregistered company under Part V of the Insolvency Act 1986 or under the FCA Rules.
- 12.2 Where the Company is to be wound up under the FCA Rules, such winding up may only be commenced following approval by the FCA. The FCA may only give such approval if the ACD provides a statement (following an investigation into the affairs of the Company) either that the Company will be able to meet its liabilities within 12 months of the date of the statement or that the Company will be unable to do so. The Company may not be wound up under the FCA Rules if there is a vacancy in the position of ACD at the relevant time.
- 12.3 The Company may be wound up under the FCA Rules if:
- 12.3.1 an extraordinary resolution to that effect is passed by Shareholders; or
- 12.3.2 the period (if any) fixed for the duration of the Company by the Instrument of Incorporation expires, or the event (if any) occurs on the occurrence of which the Instrument of Incorporation provides that the Company is to be wound up (for example, if the share capital of the Company is below its prescribed minimum, or if a change in the laws or regulations of any country means that, in the ACD's opinion, it is desirable to terminate the Company); or
- 12.3.3 on the date of effect 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;
- 12.3.4 on the effective date of a duly approved scheme of arrangement which is to result in the ICVC ceasing to hold any scheme property.
- 12.4 On the occurrence of any of the above:
- 12.4.1 COLL 5 relating to 'Investment and Borrowing Powers', COLL 6.2 relating to 'Dealing' and COLL 6.3 relating to 'Valuation and Pricing' will cease to apply to the Company;
- 12.4.2 the Company will cease to issue and cancel Shares in the Company and the ACD shall cease to sell or redeem Shares or arrange for the Company to issue or cancel them for the Company except in respect of the final cancellation as required under the FCA Rules;
- 12.4.3 no transfer of a Share shall be registered and no other change to the register shall be made without the sanction of the ACD;
- 12.4.4 where the Company is being wound up, the Company shall cease to carry on its business except in so far as it is beneficial for the winding up of the Company;
- 12.4.5 the corporate status and powers of the Company and, subject to the provisions of 13.5.1 to 13.5.4 above, the powers of the ACD shall remain until the Company is dissolved.
- 12.5 The ACD shall, as soon as practicable after the Company falls to be wound up, realise the assets and meet the liabilities of the Company and, after paying out or retaining adequate provision for all liabilities properly payable and retaining provision for the costs of winding up, arrange for the Depository to make one or more interim distributions out of the proceeds to Shareholders proportionately to their rights to participate in the Scheme Property of the Company. When the ACD has caused all of the Scheme Property to be realised and all of the liabilities of the Company to be realised, the ACD shall arrange for the Depository to also make a final distribution to Shareholders on or prior to the date on which the final account is sent to Shareholders of any balance remaining in proportion to their holdings in the Company.
- 12.6 As soon as reasonably practicable after completion of the winding up of the Company, the Depository shall notify the FCA that it has done so. At the same time the ACD or the Depository will request the FCA to revoke the authorisation order of the Company.
- 12.7 On completion of a winding up of the Company, the Company will be dissolved and any money (including unclaimed distributions) standing to the account of the Company, will be paid into court within one month of dissolution.
- 12.8 Following the completion of a winding up of the Company, the ACD must prepare a final account showing how the winding up took place and how the Scheme Property was distributed. The auditors of the Company shall make a report in respect of the final account stating their opinion as to whether the final account has been properly prepared. This final account and the auditors' report must be sent to the FCA and to each Shareholder within two months of the termination of the winding up.

## 13. General Information

### 13.1 Publication of Prices

13.1.1 The prices of the Shares will be published daily electronically on [www.columbiathreadneedle.com](http://www.columbiathreadneedle.com) or can be obtained by telephone on 0800 953 01341. Prices established at the last Special Valuation Point are available on request from the ACD. Investors will be informed in accordance with the FCA Rules of any change in the method of publication of prices.

### 13.2 Pricing Basis

13.2.1 The ACD deals on a forward pricing basis. A forward price is the price calculated at the next Valuation Point after the purchase or redemption is deemed to be accepted by the ACD.

13.2.2 As the ACD deals on a forward pricing basis, the price that is available will not necessarily be the same as the price at which investors can currently deal. The ACD may also, at its sole discretion, decide to publish certain unit prices in other third party websites or publications but the ACD does not accept responsibility for the accuracy of the prices published in, or for the failure to publish prices by such sources for reasons beyond the control of the ACD.

### 13.3 Accounting periods

The annual accounting period of the Company ends each year on 15 May (the 'Accounting Reference Date'). The half-yearly accounting period will end on 15 November. The first annual accounting period of the Company will end on 15 May 2017.

### 13.4 Annual Report and financial statements

Annual long report and financial statements of the Company will be made available and published within four months of the close of each annual accounting period and half-yearly long report and financial statements will be published within two months of the close of the half yearly accounting period. Within the timeframes noted above, the ACD will send the short report which details performance and activities over the accounting period to each Shareholder (or to the first named holder in respect of joint shareholders) that is entered in or that is entitled to be entered in the register of Shareholders at the close of business on the last day of the relevant accounting period, and otherwise upon a Shareholder's request.

### 13.5 Income Distributions

13.5.1 No distributions of income will be made in respect of Gross Accumulation Shares and/or Net Accumulation Shares. Allocation of income to holders of Accumulation Shares will be transferred to the capital property of the relevant Class at the end of each accounting period and reflected in the value of those Shares.

13.5.2 For Income Shares the income allocation dates are 15 July (annual) 15 October, 15 January and 15 April of each year. Income distributions are made on a quarterly basis.

13.5.3 The amount available for allocation in any accounting period is calculated by taking the aggregate of the income received or receivable in respect of that period, and deducting the charges and expenses paid or payable out of income in respect of that accounting period. The ACD then makes such other adjustments as it considers appropriate (and after consulting the auditors as appropriate) in relation to taxation, income equalisation, income unlikely to be received within 12 months following the relevant income allocation date, income which should not be accounted for on an accrual basis because of lack of information as to how it accrues, transfers between the income and capital account and any other adjustments (including for amortisation) which the ACD considers appropriate after consulting the auditors.

13.5.4 Any distribution payment which remains unclaimed after a period of six years from the date of payment, will be forfeited and will be transferred to and become part of the Company's capital property. Thereafter, neither the Shareholder nor any successor will have any right to it except as part of the capital property.

### 13.6 Genuine Diversity of Ownership

Shares in the Company are and will continue to be widely available. The intended categories of investors are retail and institutional investors. Shares in the Company are and will continue to be marketed and made available widely to reach the intended categories of investors and in a manner appropriate to attract those categories of investors.

### 13.7 Register of Shareholders

The ACD acts as registrar to the Company and has delegated to IFDS the responsibility of maintaining the register of Shareholders at its offices at IFDS House, St Nicholas Lane, Basildon, Essex SS15 5FS. The registrar

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<sup>1</sup> Please note that calls may be recorded.

may be inspected at that address during normal business hours by any Shareholder or any Shareholder's duly authorised agent.

### 13.8 Conflicts of Interest

- 13.8.1 The ACD, the Investment Manager and other companies within the group of companies to which they belong may, from time to time, act as the investment manager or adviser to other funds or sub-funds which follow similar investment objectives to the Company. It is therefore possible that the ACD and/or the Investment Manager may in the course of their business have potential conflicts of interest with the Company.
- 13.8.2 Each of the ACD and the Investment Manager will, however, have regard in such event to its obligations under the ACD Agreement and the Investment Management Agreement respectively and, in particular, to its obligation to act in the best interests of the Company so far as practicable, having regard to its obligations to other clients when undertaking any investment where potential conflicts of interest may arise. Where a conflict of interest cannot be avoided, the ACD will ensure that the Company and the other funds it manages are treated fairly.
- 13.8.3 The ACD acknowledges that there may be some situations where the organisational or administrative arrangements in place for the management of conflicts of interest 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 an appropriate format, ordinarily this will be in the Report and Accounts of the Company.
- 13.8.4 The Investment Manager may, subject to the investment policy of the Company, invest the assets in other funds, sub-funds or other entities managed or advised by the Investment Manager and/or any of its associated companies. The Investment Manager might earn fees from such a scheme but the Investment Manager will invest the Company's assets in such a scheme only if the Investment Manager believes to do so is in the Company's best interest even taking into account such scheme's fees.
- 13.8.5 The Depositary may act as the depositary of other companies.

- 13.8.6 Citibank N.A. has been appointed by the Depositary to act as Custodian of the property of the Company and also carries out the performance of certain investment operations functions delegated to it by the Investment Manager. It is therefore possible that a conflict of interest could arise in the course of business. Citibank N.A. will manage such conflict having regard to the FCA Handbook and its duties to the Depositary and the Investment Manager. J. P Morgan Bank N.A. carries out derivative collateral management and will manage any conflict which might arise having regard to the FCA Handbook and its duties to the Depositary and the Investment Manager.

### 13.9 Exercise of Voting Rights

The ACD has a strategy for determining when and how voting rights attached to ownership of Scheme Property are to be exercised for the benefit of the Company. A summary of this strategy is available on the ACD's website at [www.columbiathreadneedle.com](http://www.columbiathreadneedle.com). Details of the actions taken on the basis of this strategy in relation to the Company are available by writing to the ACD at Client Services Department IFDS House, St Nicholas Lane, Basildon, Essex SS15 5FS.

### 13.10 Best Execution

The ACD's best execution policy sets out the basis upon which the ACD will effect transactions and place orders in relation to the Company whilst complying with its obligations under the FCA Handbook to obtain the best possible result for the Company. Details of the best execution policy are available from the ACD on request and on the ACD's website at [www.columbiathreadneedle.com](http://www.columbiathreadneedle.com).

### 13.11 Controversial Weapons

The UN Convention on Cluster Munitions came into force on 1 August 2010. This Convention prohibits all use, stockpiling, production and transfer of controversial weapons. The Manager and the Investment Manager acknowledge the importance of the Convention and the Investment Manager actively screens companies for evidence of their corporate involvement, in controversial weapons that includes but is not limited to anti-personnel mines, cluster munitions, biochemical weapons and depleted uranium ammunition and armour. Where a company is verified to undertake such activities, the Investment Manager's policy is not to invest in the securities issued by that company however it reserves the right to take short positions on such securities.

### 13.12 Responsible investment

In discharging its obligations, the Manager will have regard, as appropriate, to its policies on and the Principles for Responsible Investment (PRI) and the UK Stewardship Code.

### 13.13 Risk Management

Upon request, the ACD will provide further information relating to the quantitative limits applying in the risk management of the Company and the methods used.

### 13.14 Documents of the Company

The following documents may be inspected free of charge between 9.30 a.m. and 4.30 p.m. (UK time) on every business day at the offices of the ACD at Cannon Place, 78 Cannon Street, London EC4N 6AG:

- the most recent annual and quarterly reports of the Company;
- the Instrument of Incorporation (and any amending document);
- the Risk Management Policy; and
- the material contracts referred to below.

Shareholders may obtain copies of the above documents from that address.

### 13.15 Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, has been entered into by the Company and is, or may be, material:

- the agreement dated 15 July 2014, as amended, between the Company and the ACD;
- the agreement effective 21 January 2015 between the Company and the Depositary; and
- the agreement dated effective 2 May 2015 between the Company and the Standing Independent Valuer Agreement.

Brief summaries of the ACD Agreement, the Depositary Agreement and the Standing Independent Value Agreement are provided in the section with the heading "Management and administration".

### 13.16 Privacy Statement

#### 13.16.1 Your Data Controller

For the purposes of the UK Data Protection Act 1998, the data controller in respect of any personal information provided is Threadneedle Investment Services Limited. In this privacy statement 'we', 'us' and 'our' means Threadneedle Investment Services Limited.

#### 13.16.2 Uses made of your personal information

The personal information that you provide to us will be used for a number of different purposes including: to manage and administer your account; to offer you investment products and services (except where you have asked us not to do so) and to help us develop new ones; to contact you with details of changes to the products you have bought; for internal analysis and research; to comply with legal or regulatory requirements; and to identify you when you contact us. We may use external third parties to process your personal information on our behalf in accordance with these purposes.

#### 13.16.3 Sharing of your personal information

Where you have notified us of your adviser, the personal information provided may be shared with such adviser. You must notify us in writing if you no longer wish us to share your personal information with your adviser or of any change to your adviser. Your adviser should have its own arrangements with you about its use of your personal information. The personal information provided may also be shared with other organisations in order for us to comply with any legal or regulatory requirements. In addition, we may share your personal information with the companies within the Threadneedle group for the purposes set out in this privacy statement.

#### 13.16.4 Business Changes

If we or the Threadneedle group undergoes a group reorganisation or is sold to a third party, the personal information provided to us may be transferred to that reorganised entity or third party and used for the purposes stated above.

#### 13.16.5 Overseas Transfers

We may transfer your personal information to countries located outside of the European Economic Area (the EEA), this may happen when

our servers, suppliers and/or, service providers are based outside of the EEA. The data protection laws and other laws of these countries may not be as comprehensive as those that apply within the EEA – in these instances we will take steps to ensure that your privacy rights are respected. Details of the countries relevant to you will be provided upon request.

#### 13.16.6 Access to/correction of your information

With limited exceptions, you have the right to ask for a copy of the information that we hold on you. There may be a charge for this (if a charge is permitted). If any of the information that we hold about you is wrong, please tell us and we will put it right. You can write to us at Threadneedle Investment Services Limited, IFDS House, St Nicholas Lane, Basildon, Essex SS15 5FS.

### 13.17 Additional Information

13.17.1 The FCA Rules contain provisions on conflicts 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, an associate of the Depositary, any investment manager and any associate of any investment manager.

13.17.2 These provisions, among other things, enable an affected person to sell or deal in the sale of property to the Company or Depositary for the account of the Company; vest property in the Company or the Depositary against the issue of Shares in the Company; purchase property from the Company (or the Depositary acting for the account of the Company); enter into a stock lending 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 FCA 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 holders of Shares or any of them for any benefits or profits thereby made or derived.

13.17.3 Investment of the property of the Company 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.

### 13.18 Notice to Shareholders

13.18.1 In the event that the ACD is required to give notice to Shareholders for any reason, or otherwise chooses to do so, such notice will normally be given in writing. Alternatively, and to the extent permitted by the FCA Rules, notice to Shareholders may be made by way of publishing the information on [www.columbiathreadneedle.com](http://www.columbiathreadneedle.com), or by including the information in a mailing to the Shareholders such as the Company's annual report and accounts. Any document served on Shareholders by the ACD will be served to the current address of the Shareholder with reference to the records of the ACD.

13.18.2 Any document or notice to be served by a Shareholder on the ACD or the Company may be served at the head office of the Company.

### 13.19 Changes to the Company

13.19.1 Where any changes are proposed to be made to the Company the ACD will assess whether the change is fundamental, significant or notifiable in accordance with COLL 4.3 of the FCA Rules. Some changes will not be fundamental, significant or notifiable, but those which do fall within these categories will be submitted to the FCA for approval. Changes to the Company's investment objective, policy or strategy will usually be significant or fundamental, unless those changes are only for the purposes of clarification and do not result in any change in how the Company is managed.

13.19.2 If the change is regarded as fundamental, Shareholder approval will be required. If a change requires Shareholder approval, this will mean that Shareholders will need to approve the change at a meeting. The procedure for Shareholder meetings is described above at the section with the heading "Shareholder Meetings and Voting Rights".

13.19.3 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 pre or post event notice of the change.

**13.20 Information available to Shareholders**

- in accordance with its objective, investment policy and risk profile;
- 13.20.1 The following information will be made available to Shareholders as part of their periodic reporting:
- 13.20.1.1 the percentage of the Company's assets which will be subject to special arrangements arising from their illiquid nature, including an overview of any special arrangements in place, the valuation methodology applied to assets which are subject to such arrangements, and how management and performance fees will apply to these assets;
  - 13.20.1.2 the current risk profile of the Fund and information on the risk management systems used by the ACD to manage those risks;
  - 13.20.1.3 the total amount of leverage employed by the Company calculated in accordance with the gross and commitment methods; and
  - 13.20.1.4 any material changes to the information above.
- 13.20.2 It is intended that Shareholders will be notified appropriately of any material changes to the liquidity management systems and procedures such as the suspension of redemptions, the deferral of redemptions or similar special liquidity arrangements. It is intended that any changes to the maximum level of leverage that the Company may employ will be provided to Shareholders without undue delay.
- 13.20.3 Such information will, at a minimum, be disclosed in the annual report for the Company.

- 13.21.1.3 ensuring that the interests of any group of investors are not placed above the interests of any other group of investors;
- 13.21.1.4 ensuring that fair, correct and transparent pricing models and valuation systems are used for the Company;
- 13.21.1.5 preventing undue costs being charged to the Company and investors;
- 13.21.1.6 taking all reasonable steps to avoid conflicts of interest and, when they cannot be avoided, identifying, managing, monitoring and, where applicable, disclosing those conflicts of interest to prevent them from adversely affecting the interests of investors;
- 13.21.1.7 recognising and dealing with complaints fairly.

13.21.2 From time to time, the ACD may afford preferential terms of investment to certain groups or types of investor. In assessing whether any such terms are afforded, the ACD will ensure that any such concession is not inconsistent with its obligations to act in the overall best interests of Shareholders. In particular, the ACD may exercise its discretion to waive the initial charge or investment minima in a Class for investors that are investing sufficiently large amounts, either initially or are anticipated to do so over time. The ACD may also have agreements in place with certain types of investors that result in them paying a reduced annual management charge.

**13.21 Fair treatment of investors**

- 13.21.1 Procedures, arrangements and policies have been put in place by the ACD to ensure compliance with the principles of fair treatment of investors. The principles of treating investors fairly include, but are not limited to:
- 13.21.1.1 acting in the best interests of the Company and of the investors;
  - 13.21.1.2 executing the investment decisions taken for the account of the Company

13.21.3 The types of investors that might obtain such concessions would typically include platform service providers, distributors and institutional investors (including fund of fund investors and life companies investing as fund-link investors).

**13.22 Shareholders' rights**

13.22.1 Shareholders are entitled to participate in the Company on the basis set out in the Prospectus (as amended from time to time). The sections of this prospectus with the headings "Complaints",

"Instrument of Incorporation", "Shareholder Meetings and Voting Rights" and "Notice to Shareholders" set out important rights about Shareholders' participation in the Company.

13.22.2 Shareholders may have no direct rights against the service providers to the Company.

13.22.3 Shareholders may be able to take action if the contents of this Prospectus are inaccurate or incomplete.

13.22.4 Shareholders have statutory and other legal rights including the right to complain and which may include the right to cancel an order or seek compensation.

13.22.5 Shareholders that are concerned about their rights in respect of the Company should seek legal advice.

### 13.23 Professional liability risks

The ACD covers potential professional liability risks arising from its activities as AIFM for the Company through a combination of professional liability insurance covering liability risks arising from professional negligence and its own additional funds.

### 13.24 Complaints

Complaints may be referred to the ACD Client Services using the contact details provided in the Directory. A copy of the ACD's 'Complaint Handling Procedure' is available upon request. Complaints may also be referred to the Financial Ombudsman Service which is based at South Quay Plaza, 183 Marsh Wall, London E14 9SR.

### 13.25 Governing law and jurisdiction

Subject to any contrary mandatory law on jurisdiction, the ACD treats a Shareholder's participation in the Company as being governed by the laws of England and Wales. The English courts shall have exclusive jurisdiction to settle any disputes or claims which may arise out of, or in connection with, a Shareholder's participation in the Company.



## Appendix I

### Countries in which the Company may invest in Property

Subject to its investment objectives and policy and the restrictions (and its intention to invest primarily in the UK), the Company may invest in Property in the following countries:

Austria  
Belgium  
Bulgaria  
Croatia  
Cyprus  
Czech Republic  
Denmark  
Estonia  
Finland  
France  
Germany  
Greece  
Hungary  
Iceland  
Ireland  
Italy  
Latvia  
Liechtenstein  
Lithuania  
Luxembourg  
Malta  
Netherlands  
Norway  
Poland  
Portugal  
Romania  
Slovak Republic  
Slovenia  
Spain  
Sweden  
Switzerland  
United Kingdom  
United States of America

## Appendix II

### Eligible Securities Markets and Eligible Derivative Markets

Subject to its investment objectives and policy, the Company may deal through securities markets established in member States of the European Economic Area on which transferable securities admitted to official listing in the EEA State are dealt in or traded.

Set out below are the additional securities and derivative markets through which the Company may invest or deal (subject to the Company's respective investment objective and policy) when dealing in approved securities.

<b>Australia</b>	The Australian Stock Exchange Ltd
<b>Canada</b>	The Montreal Stock Exchange, The Toronto Stock Exchange and The Canadian Ventures Exchange (CDN X)
<b>Hong Kong</b>	The Hong Kong Exchanges
<b>Japan</b>	The Tokyo Stock Exchange, The Osaka Securities Exchange, The Nagoya Stock Exchange, NASDAQ Japan, The Sapporo Stock Exchange, JASDAQ OTC
<b>Mexico</b>	The Mexican Stock Exchange
<b>Norway</b>	Oslo Stock Exchange
<b>Singapore</b>	The Singapore Exchange
<b>South Africa</b>	The JSE Securities Exchange
<b>Switzerland</b>	The SWX Swiss Exchange, International Securities Market Association
<b>Thailand</b>	The Stock Exchange of Thailand (SET)
<b>USA</b>	The New York Stock Exchange, The American Stock Exchange, The Chicago Stock Exchange, NASDAQ

### Eligible Derivatives Markets

Subject to its investment objectives and policy, the Company's investments may be dealt in or traded on derivatives markets established in member States of the European Economic Area on which transferable securities admitted to official listing in the Member State are dealt in or traded.

Set out below are the additional derivatives markets through which the Company's investments may be dealt in or traded on (subject to the Company's respective investment objective and policy) when dealing in approved securities.

American Stock Exchange, Australian Stock Exchange, Chicago Board of Trade, Chicago Board Options Exchange, Chicago Mercantile Exchange, Hong Kong Exchanges, JSE Securities Exchange, Kansas City Board of Trade, Korea Stock Exchange, OMLX, MEFF Renta Fija, MEFF Renta Variable, Montreal Stock Exchange, New York Futures Exchange, New York Mercantile Exchange, New York Stock Exchange, New Zealand Futures and Options Exchange, OM Stockholm AB, Osaka Securities Exchange, Pacific Stock Exchange, Philadelphia Board of Trade, Philadelphia Stock Exchange, Singapore Exchange, South Africa Futures Exchange (SAFEX), Sydney Futures Exchange, Tokyo Stock Exchange, Toronto Futures Exchange and Toronto Stock Exchange.

## Appendix III

### Share Classes

#### Class 1

Name	Gross Accumulation	Gross Income	Net Accumulation	Net Income
Currency	Sterling	Sterling	Sterling	Sterling
Annual Management Charge	1.5%	1.5%	1.5%	1.5%
Registrar's Fee	0.11%	0.11%	0.11%	0.11%
Initial Charge	5%	5%	5%	5%
Minimum Initial Investment	£1,000	£1,000	£1,000	£1,000
Minimum Top-Up	£1,000	£1,000	£1,000	£1,000
Minimum Holding	£500	£500	£500	£500

#### Class 2: Institutional

Name	Gross Accumulation	Gross Income	Net Accumulation	Net Income
Currency	Sterling	Sterling	Sterling	Sterling
Annual Management Charge	0.75%	0.75%	0.75%	0.75%
Registrar's Fee	0.035%	0.035%	0.035%	0.035%
Initial Charge	0%	0%	0%	0%
Minimum Initial Investment	£500,000	£500,000	£500,000	£500,000
Minimum Top-Up	£25,000	£25,000	£25,000	£25,000
Minimum Holding	£25,000	£25,000	£25,000	£25,000

Name	F-Class Gross Accumulation
Currency	Sterling
Asset Management Charge	0%
Registrar's Fee	0%
Initial Charge	0%
Minimum Initial Investment	£1,000,000
Minimum Top-Up	£1,000,000
Minimum Holding	£1,000,000

## Appendix IV

### Investment management and borrowing powers

1. **Investment Restrictions**
  - 1.1 The Scheme Property of the Company will be invested with the aim of achieving the investment objective of the Company, but subject to the limits set out in its investment policy, this Prospectus and Chapter 5 of the COLL Sourcebook ('COLL') as it applies to non-UCITS retail schemes and the relevant provisions of the PAIF Tax Regulations.
  - 1.2 It is intended that the Company be a PAIF at all times. Consequently, the net income of the Company deriving from Property Investment Business must be at least 60% of the Company's net income in each of the Company's accounting periods, and the value of the assets involved in Property Investment Business must be at least 60% of the value of the total value of the assets held by the Company at the end of each of the Company's accounting periods. For the purpose of this paragraph, net income means the amount falling to be dealt with under the heading 'net revenue/expenses before taxation' in the Company's statement of total return for the period.
  - 1.3 From time to time and in particular during periods of uncertain or volatile markets, the Investment Manager may choose to hold a substantial proportion of the property of the Company in money-market instruments and/or cash deposits, provided that the Company satisfies all those provisions in the PAIF Tax Regulations required for it to maintain its PAIF tax status.
  - 1.4 The ACD must ensure that taking account of the investment objective and policy of the Company, the property of the Company aims to provide a prudent spread of risk. Particular requirements as to this spread of risk are set out below.
  - 1.5 The provisions of paragraphs 8 and 9 below do not apply until 12 months (or 24 months in the case of spread requirements relating to Property at paragraph 2 below) after the later of the date of authorisation of the Company and the start of the Company's initial offer period, provided that paragraph 1.2 above is complied with.
2. **Cover**
  - 2.1 Where Chapter 5 of the FCA Rules allows a transaction to be entered into or an investment to be retained only if possible obligations arising out of the transaction or out of the retention would not cause the breach of any limits in Chapter 5 of the FCA Rules, it must be assumed that the maximum possible liability of the Company under any other of those Rules has also to be provided for.
  - 2.2 Where a Rule in Chapter 5 of the FCA Rules 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, the Company 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. **Investment in Immoveable Property**
  - 3.1 'Property Investment Business' is defined in the PAIF Tax Regulations at the time of this prospectus as property rental business (meaning property rental business within the meaning given by section 104 of the Finance Act 2006, and the property rental business of any intermediate holding vehicle), owning shares in UK real estate investment trusts (REITs), and shares or units in non-UK REITs.
  - 3.2 The Company may invest up to 100% in value of its Scheme Property in eligible immovables, both directly and indirectly, through transferable securities, collective investment schemes (including ETFs) and securities issued by intermediate property holding companies. All investments will be made in the manner described in the Investment Policy of the Company.
  - 3.3 Not more than 15% in value of the Company is to consist of any one immovable. Immovables adjacent to or in the vicinity of another immovable included in the Scheme Property, or another legal interest in an immovable which is already in the Scheme Property, shall be deemed to be one immovable provided, in the opinion of an appropriate valuer, the total value of both immovables would at least equal the sum of the price payable for the immovable and the existing value of the other immovable. The figure of 15% may be increased to 25% once the immovable has been included in the Scheme Property.
  - 3.4 Income received from any one group in an accounting period must not be attributable to immovables comprising (1) more than 25%; or (2) in the case of a government or public body, more than 35%, of the value of the Scheme Property.
  - 3.5 Not more than 20% in value of the Scheme Property is to consist of mortgaged immovables and any mortgage must not secure more than 100% of the valuation received from an appropriate valuer.
  - 3.6 The aggregate of any mortgages under paragraph 3.5, any borrowings under paragraph 22 and any transferable securities which are not approved securities must not at any time exceed 20% of the value of Scheme Property.
  - 3.7 The Company may invest up to 50% of its Scheme Property in immovables which are unoccupied and non-income producing or in the course of substantial development, redevelopment or refurbishment.

- 3.8 The Company may grant an option to a third party to buy an immovable in the Scheme Property provided the value of the relevant immovable does not exceed 20% of the value of the Scheme Property together with, where appropriate, the value of investments in (1) unregulated collective investment schemes; and (2) any transferable securities which are not approved securities.
- 3.9 Any furniture, fittings or other contents of any building may be regarded as part of the relevant immovable.
- 3.10 The ACD may undertake, where appropriate, property development and funding of such development to the extent permitted by COLL.
- 4. Eligible Immovables**
- 4.1 Subject to FCA approval and COLL 4.3, the Company may acquire land or a building which is situated in the United Kingdom but which is held in an offshore holding structure which is itself a permitted investment for the purposes of COLL 5.6.
- 4.2 The ACD must take reasonable care to determine that the title to the underlying immovable is a good marketable title.
- 4.3 The ACD must have received a report from an appropriate valuer which contains a valuation of the underlying immovable (with and without any relevant subsisting mortgage) and which states that in the appropriate valuer's opinion the immovable would, if acquired by the Company or the intermediate investment vehicle, be capable of being disposed of in a reasonable timeframe at that valuer's valuation;
- or
- the ACD must have received a report from an appropriate valuer stating that the immovable is adjacent to, or in the vicinity of another immovable included in the Company or is another legal interest in an immovable which is already included in the property of the Company, and that in the opinion of the appropriate valuer, the total value of both immovables would at least equal the sum of the price payable for the immovable and the existing value of the other immovable.
- 4.4 An immovable must be bought or be agreed by enforceable contract to be bought within six months after receipt of the report of the appropriate valuer. An immovable must not be bought, if it is apparent to the ACD that the report of the appropriate valuer could no longer reasonably be relied on. An immovable must not be bought at more than 105% of the valuation for the relevant immovable in the report of the appropriate valuer.
- 4.5 In circumstances where in a particular jurisdiction it is practical to sell the underlying immovable together with the holding vehicle, the valuations referred to above may be of the holding vehicle and the property as its asset.
- 4.6 An appropriate valuer must be a person who has knowledge of and experience in the valuation of immovables of the relevant kind in the relevant area. In addition, an appropriate valuer must be qualified to be a standing independent valuer of a non-UCITS retail scheme or be considered by the Standing Independent Valuer to hold an equivalent qualification. An appropriate valuer must also be independent of the ACD and the Depositary and must not have engaged himself or any of his Associates in relation to the finding of the immovable for the Company.
- 5. Transferable Securities**
- 5.1 A transferable security is an investment which is any of the following:
- 5.1.1 a share;
- 5.1.2 a debenture;
- 5.1.3 a government and public security;
- 5.1.4 a warrant; or
- 5.1.5 a certificate representing certain securities
- 5.2 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.
- 5.3 In applying paragraph 5.2 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.
- 5.4 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.
- 5.5 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. The Company may invest in an approved money-market instrument provided that:
- 5.5.1 the issue or the issuer is regulated for the purpose of protecting investors and savings; and
- 5.5.2 the instrument is issued or guaranteed in accordance with paragraphs 5.6 and 5.7.
- 5.6 The Company may invest in an approved money-market instrument if it is:
- 5.6.1 issued or guaranteed by any one of the following:

- 5.6.1.1 a central authority of an EEA State or, if the EEA State is a federal state, one of the members making up the federation;
- 5.6.1.2 a regional or local authority of an EEA State;
- 5.6.1.3 the European Central Bank or a central bank of an EEA State;
- 5.6.1.4 the European Union or the European Investment Bank;
- 5.6.1.5 a non-EEA State or, in the case of a federal state, one of the members making up the federation;
- 5.6.1.6 a public international body to which one or more EEA States belong; or
- 5.6.2 issued by a body, any securities of which are dealt in on an eligible market; or
- 5.6.3 issued or guaranteed by an establishment which is:
  - 5.6.3.1 subject to prudential supervision in accordance with criteria defined by Community law; or
  - 5.6.3.2 subject to and complies with prudential rules considered by the FCA to be at least as stringent as those laid down by Community law.
- 5.7 An establishment shall be considered to satisfy the requirement in paragraph 5.6.3.2 if it is subject to and complies with prudential rules, and fulfils one or more of the following criteria:
  - 5.7.1 it is located in the European Economic Area;
  - 5.7.2 it is located in an OECD country belonging to the Group of Ten;
  - 5.7.3 it has at least investment grade rating;
  - 5.7.4 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 Community law.
- 6. **Non-UCITS Retail Schemes – General**
- 6.1 Subject to its investment objective and policy of the Company, the Scheme Property must, and except where otherwise provided in COLL 5, consist of any one or more of:
  - 6.1.1 transferable securities;
  - 6.1.2 approved money market instruments;
  - 6.1.3 permitted derivatives and forward transactions;
  - 6.1.4 permitted deposits;
  - 6.1.5 units in permitted collective investment schemes; and
  - 6.1.6 permitted immovables.
- 6.2 Subject to paragraph 6.3, transferable securities and money market instruments held must be:
  - 6.2.1 admitted to or dealt in on an eligible market within paragraph 7; or
  - 6.2.2 recently issued transferable securities that satisfy the following requirements:
    - 6.2.2.1 the terms of issue include an undertaking that application will be made to be admitted to an eligible market; and
    - 6.2.2.2 such admission is secured within a year of issue; or
- 6.3 approved money market instruments not admitted to or dealt in on an eligible market that satisfy the requirements in paragraph 5.5.
- 6.4 Not more than 20% in value of the Scheme Property is to consist of:
  - 6.4.1 transferable securities which are not within paragraph 6.2; or (aggregated with the value of the Scheme Property which can be invested in unregulated collective investment schemes as set out in paragraph 9)
  - 6.4.2 money market instruments which are liquid and have a value which can be determined accurately at any time.
- 6.5 The requirements relating to spread of investments do not apply during any period in which it is not reasonably practical to comply, provided that the requirement to maintain prudent spread of risk is complied with.
- 6.6 It is not intended that the Company will invest directly in any tangible movable property or gold.
- 7. **Eligible Markets Regime: Purpose**
- 7.1 To protect investors the markets on which investments of the Company 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.
- 7.2 Where a market ceases to be eligible, investments on that market cease to be approved securities. The 10% restriction on investing in unapproved securities or in money market instruments applies, and

- exceeding this limit because a market ceases to be eligible will generally be regarded as beyond the control of the ACD.
- 7.3 A market is eligible for the purposes of the FCA Rules if it is:
- 7.3.1 a regulated market; or
- 7.3.2 a market in an EEA State which is regulated, operates regularly and is open to the public; or
- 7.3.3 any market within paragraph 7.4.
- 7.4 A market not falling within paragraphs 7.3.1 and 7.3.2 is eligible for the purposes of Chapter 5 of the FCA Rules if:
- 7.4.1 the ACD, after consultation with and notification to the Depositary (and any other directors of the Company), decides that market is appropriate for investment of, or dealing in, the Scheme Property;
- 7.4.2 the market is included in a list in the Prospectus; and
- 7.4.3 the Depositary has taken reasonable care to determine that:
- 7.4.3.1 adequate custody arrangements can be provided for the investment dealt in on that market; and
- 7.4.3.2 all reasonable steps have been taken by the ACD in deciding whether that market is eligible.
- 7.5 In paragraph 7.4.1, a market must not be considered appropriate unless it is regulated, operates regularly, is recognised as a market or exchange or as a self-regulating organisation by an overseas regulator, is open to the public, is adequately liquid and has adequate arrangements for unimpeded transmission of income and capital to or for the order of investors.
- 7.6 The eligible markets for the Company are set out in Appendix I.
8. **Spread: General**
- 8.1 This paragraph 8 on spread does not apply to government and public securities.
- 8.2 Not more than 20% in value of the Scheme Property is to consist of deposits with a single body. In applying this limit of 20%, all uninvested cash comprising capital property that the Depositary holds should be included in calculating the total sum of the deposits held by it on behalf of the scheme.
- 8.3 Not more than 10% in value of the Scheme Property is to consist of transferable securities or money market instruments issued by any single body. This limit of 10% is raised to 25% in value of the Scheme Property in respect of covered bonds.
- 8.4 In applying paragraph 8.3 certificates representing certain securities are treated as equivalent to the underlying security.
- 8.5 The exposure to any one counterparty in an OTC derivative transaction must not exceed 10% in value of the Scheme Property.
- 8.6 Not more than 15% in value of the Scheme Property is to consist of units of any one collective investment scheme.
- 8.7 For the purposes of this paragraph 8, a single body is:
- 8.7.1 in relation to transferable securities and money market instruments, the person by whom they are issued; and
- 8.7.2 in relation to deposits, the person with whom they are placed.
9. **Spread: Government and Public Securities**
- 9.1 The restrictions in paragraph 8 do not apply to government and public securities. The restrictions in relation to such securities are set out below ('such securities').
- 9.2 Where no more than 35% in value of the Scheme Property is invested in such securities issued by any one body, there is no limit on the amount which may be invested in such securities or such securities or in any one issue.
- 9.3 The Company may invest more than 35% in value of the Scheme Property in such securities issued by any one body provided that:
- 9.3.1 the ACD has before any such investment is made consulted with the Depositary and as a result considers that the issuer of such securities is one which is appropriate in accordance with the investment objectives of the Company;
- 9.3.2 no more than 30% in value of the Scheme Property consists of such securities of any one issue;
- 9.3.3 the Scheme Property includes such securities issued by that or another issuer, of at least six different issues; and
- 9.3.4 the disclosures required by the FCA have been made.
- 9.4 The issuers in which the Company may invest over 35% of the Scheme Property are set out in Appendix V.
- 9.5 The Scheme Property may be invested in government and public securities issued by any individual state, local authority or public international body issuing such securities.
- 9.6 In relation to such securities:
- 9.6.1 issue, issuer and issuer include guarantee, guaranteed and guarantor; and

9.6.2 an issue differs from another if there is a difference as to repayment date, rate of interest, guarantor or other material terms of the issue.

## 10. Investment in Collective Investment Schemes

10.1 The Company's investment policy permits investment up to 15% of the Scheme Property in units of collective investment schemes.

10.2 The Company may invest in units in a collective investment scheme (a 'second scheme') provided that the investment is permitted under paragraphs 10.3 to 10.7.

10.3 The second scheme is a scheme which:

10.3.1 satisfies the conditions necessary for it to enjoy the rights conferred by the UCITS Directive; or

10.3.2 is a Non-UCITS Retail Scheme; or

10.3.3 is recognised under section 264 or 272 of the Financial Services and Markets Act 2000 (schemes constituted in other EEA states, schemes authorised in designated countries or territories and Individually recognised overseas schemes);

10.3.4 is constituted outside the United Kingdom and the investment and borrowing powers of which are the same or more restrictive than those of a Non-UCITS Retail Scheme; or

10.3.5 is a scheme not falling within paragraphs 10.3.1 to 10.3.4 and in respect of which no more than 20% in value of the Scheme Property (including any transferable securities which are not approved securities) is invested.

10.4 The second scheme is a scheme which operates on the principle of the prudent spread of risk;

10.5 The second scheme is a scheme which has terms which prohibit more than 15% in value of that scheme consisting of units in collective investment schemes;

10.6 The participants in the second scheme must be entitled to have their units redeemed in accordance with the scheme at a price related to the net value of the property to which the units relate and determined in accordance with the scheme.

10.7 Where the second scheme is an umbrella, the provisions in paragraph 8 and paragraphs 10.5 to 10.6 apply to each sub-fund as if it were a separate scheme.

10.8 Units in a collective investment scheme do not fall within the requirements of this paragraph 10 if that collective investment scheme is managed or operated by (or, if it is an OEIC, has as its

ACD) the ACD of the Company or by an associate of the ACD, unless the prospectus of the investing authorised fund clearly states that the property of that investing fund may include such units and the conditions in paragraph 10 are complied with.

10.9 In accordance with COLL 5.6.11R the Company may invest in or dispose of units in collective investment schemes managed or operated by (or, if it is an OEIC has as its authorised corporate director), the ACD or an associate of the ACD.

10.10 The Company must not invest in or dispose of units in another collective investment scheme (the second scheme), which is managed or operated by (or in the case of an OEIC has as its authorised corporate director), the ACD, or an associate of the ACD, unless:

10.10.1 there is no charge in respect of such investment or disposal; or

10.10.2 the ACD pays the Company by the close of business on the fourth business day following the date of the agreement to invest or dispose:

10.10.2.1 on investment, either:

(a) any amount by which the consideration paid by the Company 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

(b) 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; and

10.10.2.2 on disposal, the amount of 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.

10.11 In paragraph 10.10 to 10.10.2.2 above:

10.11.1 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 in accordance with the FCA rules, is to be treated as part of the price of the units and not as part of any charge; and

10.11.2 any 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.
11. **Investment in Warrants and Nil and Partly Paid Securities**
- 11.1 A transferable security 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 Company, at the time when payment is required, without contravening the rules in COLL 5.
- 11.2 Not more than 5% in value of the Company is to consist of warrants.
12. **Investment in Money Market Instruments**
- 12.1 The Company may invest in money market instruments, provided they are admitted to or dealt on an eligible market in accordance with paragraph 7.
- 12.2 Up to 20% of the Scheme Property of the Company may be invested in money market instruments which are not admitted to or dealt on an eligible market, provided they are liquid and have a value which can be determined accurately at any time. (This 20% limit is aggregated with the 20% limit on the ability of the Company to invest in unapproved transferable securities.)
13. **Use of Derivatives and Forward Transactions – General**
- 13.1 At the date of this Prospectus, the Investment Manager may employ derivatives solely for the purpose of the EPM. In the event it wishes to use them for investment purposes, 60 days' notice is required to be given to Shareholders.
- 13.2 The Company may utilise its Scheme Property to enter into transactions for the purposes of EPM. Permitted EPM transactions (excluding stock-lending arrangements) are transactions in derivatives e.g. to hedge against price or currency fluctuations, dealt with or traded on an eligible derivatives market; off-exchange options or contracts for differences resembling options; or synthetic futures in certain circumstances. The ACD must take reasonable care to ensure that the transaction is economically appropriate to the reduction of the relevant risks (whether in the price of investments, interest rates or exchange rates) or to the reduction of the relevant costs and/or to the generation of additional capital or income with an acceptably low level of risk. The exposure must be fully 'covered' by cash and/or other property sufficient to meet any obligation to pay or deliver that could arise.
- 13.3 Permitted transactions are those that the ACD reasonably regards as economically appropriate to EPM, that is:
- 13.3.1 Transactions undertaken to reduce risk or cost in terms of fluctuations in prices, interest rates or exchange rates where the ACD reasonably believes that the transaction will diminish a risk or cost of a kind or level which it is sensible to reduce; or
- 13.3.2 Transactions for the generation of additional capital growth or income for the Company by taking advantage of gains which the ACD reasonably believes are certain to be made (or certain, barring events which are not reasonably foreseeable) as a result of:
- 13.3.2.1 pricing imperfections in the market as regards the property which the Company holds or may hold; or
- 13.3.2.2 receiving a premium for the writing of a covered call option or a cash covered put option on property of the Company which the Company is willing to buy or sell at the exercise price; or
- 13.3.2.3 stocklending arrangements.
- 13.4 A permitted arrangement in this context may at any time be closed out.
- 13.5 Transactions may take the form of 'derivatives transactions' (that is, transactions in options, futures or contracts for differences) or forward currency transactions. A derivatives transaction must either be in a derivative which is traded or dealt in on an eligible derivatives market (and effected in accordance with the rules of that market), or be an off-exchange derivative which complies with the relevant conditions set out in the COLL Sourcebook, or be a 'synthetic future' (i.e. a composite derivative created out of two separate options). Forward currency transactions must be entered into with counterparties who satisfy the COLL Sourcebook. A permitted transaction may at any time be closed out.
- 13.6 A transaction in derivatives or a forward transaction must not be effected for the Company unless:
- 13.6.1 the transaction is of a kind specified in paragraph 14 (Permitted transactions (derivatives and forwards)); and
- 13.6.2 the transaction is covered, as required by paragraph 18 (Cover for transactions in derivatives and forward transactions).
- 13.7 Where the Company invests in derivatives, the exposure to the underlying assets must not exceed the limits in paragraphs 8 and 9 save as provided in paragraph 13.8.
- 13.8 Where a transferable security or money market instrument embeds a derivative, this must be taken into account for the purposes of calculating any limit in this paragraph.
- 13.9 Where the Company invests in an index based derivative, provided the relevant index falls within paragraph 13.10 below the underlying

constituents of the index do not have to be taken into account for the purposes of paragraphs 8 and 9.

- 13.10 The relaxation in paragraph 13.8 is subject to the ACD taking account of paragraphs 1.2 and 6.4.
- 13.11 The index must:
- 13.11.1 have a sufficiently diversified composition;
- 13.11.2 be a representative benchmark for the market to which it refers; and
- 13.11.3 be published in an appropriate manner.
- 14. Permitted Transactions (derivatives and forwards)**
- 14.1 A transaction in a derivative must be in an approved derivative or be one which complies with paragraph 17.
- 14.2 The underlying of a transaction in a derivative must consist of any one or more of the following to which the Company is dedicated:
- 14.2.1 transferable securities;
- 14.2.2 approved money market instruments permitted;
- 14.2.3 permitted deposits;
- 14.2.4 permitted derivatives and forward transactions;
- 14.2.5 permitted units in collective investment schemes; and
- 14.2.6 permitted immovables.
- 14.3 The exposure to the underlying must not exceed the limits in paragraphs 8 and 9.
- 14.4 A transaction in an approved derivative must be effected on or under the rules of an eligible derivatives market.
- 14.5 A transaction in a derivative must not cause the Company to diverge from its investment objectives as stated in the Instrument of Incorporation and the most recently published version of this Prospectus.
- 14.6 A transaction in a derivative must not be effected if the intended effect is to create the potential for an uncovered sale of transferable securities, money market instruments, units in collective investment schemes, or derivatives.
- 14.7 Any forward transaction must be with an Eligible Institution or an Approved Bank.
- 15. 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 Company may be entered into only if:
- 15.1 that property can be held for the account of the Company; and
- 15.2 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 FCA Rules.
- 16. Requirement to cover sales**
- 16.1 No agreement by or on behalf of the Company to dispose of property or rights may be made unless:
- 16.1.1 the obligation to make the disposal and any other similar obligation could immediately be honoured by the Company by delivery of property or the assignment (or, in Scotland, assignment) of rights; and
- 16.1.2 the property and rights in 16.1.1 above are owned by the Company at the time of the agreement.
- 16.2 The above paragraph does not apply to a deposit.
- 17. OTC Transactions in Derivatives**
- A transaction in an OTC derivative under paragraph 14 must be:
- 17.1 with an approved counterparty; a counterparty to a transaction in derivatives is approved only if the counterparty is:
- 17.1.1 an Eligible Institution or an Approved Bank; or
- 17.1.2 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;
- 17.2 on approved terms; the terms of the transaction in derivatives are approved only if, the ACD carries out:
- 17.2.1 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
- 17.2.2 can enter into one or more further transaction to sell, liquidate or close out that transaction at any time, at its fair value;
- 17.3 capable of valuation: a transaction in derivatives is capable of 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:

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

17.3.2 if the value in 17.3.1 is not available, on the basis of a pricing model which the ACD and the Depositary have agreed uses an adequate recognised methodology; and

17.4 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:

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

17.4.2 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.

17.5 For the purposes of paragraph 17.2.1 above, 'fair value' is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

## 18. Cover for transactions in derivatives and forward transactions

The ACD must ensure that the global exposure relating to derivatives and forwards transactions held does not exceed the net value of the Scheme Property.

## 19. Stock Lending

19.1 The Company, or the Depositary at the request of the Company, may only enter into a stock lending arrangement in accordance with this paragraph 19 if it reasonably appears to the Company to be appropriate to do so with a view to generating additional income for the Company with an acceptable degree of risk.

19.2 Briefly, such arrangements are those where the Company or the Depositary (acting as agent) transfers securities to a third party otherwise than by way of sale and the third party is to transfer those securities, or securities of the same type and amount, back 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 that the future transfer back of the securities may not be satisfactorily completed.

19.3 There is no limit on the value of the property of the Company which may be the subject of stock lending arrangements within this paragraph 19.

19.4 The Company currently engages in stock lending arrangements with the Custodian, acting as stock lending agent on behalf of the Depositary. For further information please refer to the section of this Prospectus with the heading 'Stock lending'.

19.5 Any stock lending arrangements engaged upon must always comply with the requirements of the Taxation of Chargeable Gains Act 1992. The transactions must also comply with the requirements of the FCA Rules and the formal guidance on Stock lending issued by the FCA as amended from time to time.

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

## 20. Investment in Deposits

The Company may invest in deposits only with an Approved Bank and which are repayable on demand or have the right to be withdrawn, and maturing in no more than 12 months.

## 21. Cash and Near Cash

21.1 Cash and near cash must not be retained in the Scheme Property except to the extent that this may reasonably be regarded as necessary in order to enable:

21.1.1 the pursuit of the Company's investment objectives; or

21.1.2 redemption of units; or

21.1.3 efficient management of the Company in accordance with its investment objectives; or

21.1.4 other purposes which may reasonably be regarded as ancillary to the investment objectives of the Company.

21.2 During the period of the initial offer the Scheme Property may consist of cash and near cash without limitation.

21.3 The investment policy of the Company may mean that at times it is appropriate not to be fully invested in immovable property and other investments but to hold cash or near cash in order to enable the pursuit of the Company's investment objectives subject at all times with complying with the statutory requirements of PAIF status. Investors should refer to the section of this Prospectus with the heading "Risk Factors".

## 22. General Power to Borrow

22.1 The Company may, in accordance with this paragraph 22, borrow money for the use of the Company on terms that the borrowing is to be repayable out of the Scheme Property. This power to borrow is subject to the obligation of the Company to comply with any restriction in the Instrument of Incorporation.

- 22.2 The Company may borrow under this paragraph ('General power to borrow') only from an Eligible Institution or an Approved Bank. applies, subject to compliance with any restriction in the Instrument of Incorporation.
- 22.3 The Company must not issue any debentures unless it acknowledges or creates a borrowing that complies with this paragraph and the paragraph below ('Borrowing limits').
23. **Borrowing Limits**
- 23.1 The ACD must ensure that the Company's borrowing does not, on any business day, exceed 10% of the value of the Scheme Property.
- 23.2 This paragraph 23 does not apply to 'back to back' borrowing.
24. **Restrictions on Lending of Money**
- 24.1 None of the money in the Scheme Property may be lent and, for the purposes of this prohibition, money is lent by the Company if it is paid to a person ('the payee') on the basis that it should be repaid, whether or not by the payee.
- 24.2 Acquiring a debenture is not lending for the purposes of this paragraph ('Restrictions on lending of money'); nor is the placing of money on deposit or in a current account.
- 24.3 This paragraph ('Restrictions on lending of money') does not prevent the Company from providing an officer of the Company with funds to meet expenditure to be incurred by him for the purposes of the Company (or for the purposes of enabling him properly to perform his duties as an officer of the Company) or from doing anything to enable an officer to avoid incurring such expenditure.
25. **Restrictions on Lending of Property Other Than Money**
- 25.1 The Scheme Property of the Company other than money must not be lent by way of deposit or otherwise.
- 25.2 Transactions permitted by paragraph 18 are not lending for the purposes of this paragraph ('Restrictions on lending of property other than money').
- 25.3 This paragraph ('Restrictions on lending of property other than money') does not prevent the Company or the Depositary at the request of the Company from lending, depositing, pledging or charging Scheme Property for margin requirements where transactions in derivatives or forward transactions are used for the account of the ACD in accordance with any other rule in Chapter 5 of COLL.
26. **General Power to Accept or Underwrite Placings**
- 26.1 Any power in Chapter 5 of COLL to invest in transferable securities may be used for the purpose of entering into transactions to which this paragraph ('General power to accept or underwrite placings') applies, subject to compliance with any restriction in the Instrument of Incorporation.
- 26.2 Subject to paragraph 26.3, this paragraph applies to any agreement or understanding which:
- 26.2.1 is an underwriting or sub-underwriting agreement; or
- 26.2.2 contemplates that securities will or may be issued or subscribed for or acquired for the account of the Company.
- 26.3 The above paragraph does not apply to:
- 26.3.1 an option; or
- 26.3.2 a purchase of a transferable security which confers a right to:
- 26.3.2.1 subscribe for or acquire a transferable security; or
- 26.3.2.2 convert one transferable security into another.
- 26.4 The exposure of the Company to agreements and understandings within paragraph 26.2 must, on any business day, be:
- 26.4.1 covered in accordance with the requirements of COLL 5.3.3R; and
- 26.4.2 such that, if all possible obligations arising under them had immediately to be met in full, there would be no breach of any limit in Chapter 5 of the FCA Rules.
27. **Guarantees and Indemnities**
- 27.1 Save for a modification by consent of COLL 5.6.22R(9) in respect of the Company, the Depositary for the account of the Company must not provide any guarantee or indemnity in respect of the obligations of any person.
- 27.2 The Depositary for the account of the Company, may provide a guarantee or indemnity in respect of any acquisition or holding of an immovable permitted under COLL 5.6.18R and 5.6.19R. The Depositary may in time be indemnified by the Company in accordance with paragraph 27.4.2 below.
- 27.3 None of the Scheme Property of the Company may be used to discharge any obligation arising under a guarantee or indemnity with respect to the obligation of any person.
- 27.4 Paragraphs 27.1 and 27.3 do not apply in respect of the Company to:
- 27.4.1 an indemnity falling within the provisions of regulation 62(3) (Exemptions from liability to be void) of the OEIC Regulations;

- 27.4.2 an indemnity (other than any provision in it which is void under regulation 62 of the OEIC Regulations) given to the Depository against any liability incurred by it as a consequence of the safekeeping of any of the Scheme Property by it or by anyone retained by it to assist it to perform its function of the safekeeping of the Scheme Property; and
- 27.4.3 an indemnity given to a person winding up a scheme if the indemnity is given for the purposes of arrangements by which the whole or part of the property of that scheme becomes the first property of the Company and the holders of units in that scheme become the first Shareholders in the Company.
28. **Leverage**
- 28.1 This section explains in what circumstances and how the ACD may use leverage in respect of the Company where the investment policy of the Company permits its use of leverage, the different leverage calculation methods and maximum level of leverage permitted.
- 28.2 Leverage when used in this prospectus means the following sources of leverage can be used when managing the Company:
- 28.2.1 cash borrowing, subject to the restrictions set out in paragraphs 22 ("General Power to Borrow") and 23 ("Borrowing Limits") of this Appendix;
- 28.2.2 financial derivative instruments and reinvestment of cash collateral in the context of securities lending, subject in each case to paragraphs 13 ("Use of Derivatives and Forward Transactions – General"), 14 ("Permitted Transactions (derivatives and forwards)", 15 ("Transactions for the Purchase of Property:"), 16 ("Requirement to cover sales"), 17 ("OTC Transactions in Derivatives"), 18 ("Cover for transactions in derivatives and forward transactions"), 22 ("General Power to Borrow") and 23 ("Borrowing Limits") of this Appendix.
- 28.3 The ACD is required to calculate and monitor the level of leverage of the Company, expressed as a ratio between the exposure of the Company and its Net Asset Value (Exposure/NAV), under both the gross method and the commitment method.
- 28.4 Under the gross method, the exposure of the Company is calculated as follows:
- 28.4.1 include the sum of all assets purchased, plus the absolute value of all liabilities;
- 28.4.2 exclude cash and cash equivalents which are highly liquid investments held in the base currency of the Company, that are readily convertible to a known amount of cash, are subject to an insignificant risk of change in value and provide a return no greater than the rate of a three month high quality bond;
- 28.4.3 derivative instruments are converted into the equivalent position in their underlying assets;
- 28.4.4 exclude cash borrowings that remain in cash or cash equivalents and where the amounts payable are known;
- 28.4.5 include exposures resulting from the reinvestment of cash borrowings, expressed as the higher of the market value of the investment realised or the total amount of cash borrowed; and
- 28.4.6 include positions within repurchase or reverse repurchase agreements and securities lending or borrowing or other similar arrangements.
- Under the commitment method, the exposure of the Company is calculated in the same way as under the gross method; however, where "hedging" offsets risk and "netting" eliminates risk, these values are not included.
- 28.5 The maximum level of leverage which the Company may employ, calculated in accordance with the gross and commitment methods, is stated in the section with the heading "Investments in Derivatives and Forward Transactions and the Use of EPM" at page 29 of this Prospectus.
- 28.6 In addition, the total amount of leverage employed by the Company will be disclosed in the annual report of the Company.

## Appendix V

List of issuers of Government and public securities in which the Company may invest

List of issuers of Government and public securities in which the Company may invest up to 100% of the Scheme Property of the Company. These are the only public bodies in which the Company may invest more than 35% of the assets of the Company.

Government and public securities issued by or on behalf of the Governments of the following states:

Australia  
Austria  
Belgium  
Canada  
Denmark  
Finland  
France  
Germany  
Greece  
Iceland  
Ireland  
Italy  
Japan  
Liechtenstein  
Luxembourg  
Netherlands  
New Zealand  
Northern Ireland  
Norway  
Portugal  
Spain  
Sweden  
Switzerland  
United Kingdom  
United States of America

### International Organisations

Asian Development Bank (ADB)  
Council of Europe Development Bank  
Deutsche Ausgleichsbank (DTA)  
Eurofima  
European Bank for Reconstruction and Development (EBRD)  
International Finance Corporation (IFC)  
Kreditanstalt Für Wiederaufbau (KfW)  
Nordic Investment Bank (NIB)

## Appendix VI

### Valuation Provisions

#### 1. General

- 1.1 The valuation of the property of the Company takes place as at the Valuation Point.
- 1.2 The valuation is in the Company's base currency.
- 1.3 Prices used are the most recent prices that can reasonably be obtained after the Valuation Point with a view to giving an accurate valuation as at that point.
- 1.4 A valuation is in two parts, one on an issue basis and one on a cancellation basis.
- 1.5 To convert to the base currency the value of property which would otherwise be valued in another currency the ACD will either:
  - 1.5.1 select a rate of exchange which represents the average of the highest and lowest rates quoted at the relevant time for conversion of that currency into base currency on the market on which the ACD would normally deal if it wished to make such a conversion; or
  - 1.5.2 invite the Depositary to agree that it is in the interests of Shareholders to select a different rate, and, if the Depositary so agrees, use that other rate.
- 1.6 The value of the Scheme Property shall be the value of its assets less the value of its liabilities determined in accordance with the following provisions.

#### 2. What is included in the Valuation

- 2.1 All of the Company's property is included, subject to adjustments arising as detailed in this Appendix, as at the Valuation Point.
- 2.2 If the Depositary has been instructed to issue or cancel Shares, the ACD will assume (unless the contrary is shown) that:
  - 2.2.1 the Depositary has done so;
  - 2.2.2 the Depositary has paid or been paid for them; and
  - 2.2.3 all consequential action required by this Appendix or by the Instrument has been taken.
- 2.3 If the Depositary has issued or cancelled Shares in the Company but consequential action (see paragraph 2.2 above) is outstanding, the ACD will assume that it has been taken.

- 2.4 If agreements for the unconditional sale or purchase of property in the Company are in existence but uncompleted, the ACD will assume:
  - 2.4.1 completion; and
  - 2.4.2 that all consequential action required by their terms has been taken.
- 2.5 Such unconditional agreements need not be taken into account if made shortly before the valuation takes place and, in the opinion of the ACD, their omission shall not materially affect the final net asset amount.
- 2.6 The ACD will not include in paragraph 2.3 above any agreement which is:
  - 2.6.1 a future or contract for differences which is not yet due to be performed; or
  - 2.6.2 an unexpired option written or purchased for the Company which has not yet been exercised.
- 2.7 The ACD will include in paragraph 2.3 any agreement the existence of which is, or could reasonably be expected to be, known to the ACD, assuming that all other persons in the ACD's employment take all reasonable steps to inform the ACD immediately of the making of any agreement.
- 2.8 If the underlying investment is real property and it is common practice in the jurisdiction in which it is situated to dispose of the real property together with a holding vehicle then the holding vehicle together with the real estate asset may be valued.

#### 3. Tax and Other Adjustments

- 3.1 The ACD will deduct an estimated amount for anticipated tax liabilities (on unrealised capital gains where the liabilities have accrued and are payable out of the property of the Company; on realised capital gains in respect of previously completed and current accounting periods and on income where liabilities have accrued) including (as applicable and without limitation) capital gains tax, income tax, corporation tax, value added tax, stamp duty and stamp duty reserve tax.
- 3.2 **The ACD will then deduct:**
  - 3.2.1 an estimated amount for any liabilities payable out of the Scheme Property and any value added or other tax on it (treating any periodic items as accruing from day to day);
  - 3.2.2 the principal amount of any outstanding borrowings whenever payable;
  - 3.2.3 any accrued but unpaid interest on borrowings;

- 3.2.4 the value of any option written (if the premium for writing the option has become part of the property of the Company); and
- 3.2.5 in the case of a margined contract, any amount reasonably anticipated to be paid by way of variation margin (that is the difference in price between the last settlement price, whether or not variation margin was then payable, and the price of the contract at the Valuation Point).
- 3.3 **The ACD will add an estimated amount for accrued claims for repayment of taxation levied:**
- 3.3.1 on capital (including capital gains); and
- 3.3.2 on income.
- 3.4 **The ACD will then add:**
- 3.4.1 any other credit due to be paid into the Scheme Property; and
- 3.4.2 in the case of a margined contract, any amount reasonably anticipated to be received by way of variation margin (that is the difference in price between the last settlement price, whether or not variation margin was then receivable, and the price of the contract at the Valuation Point).
4. **Valuation of the Property of the Company on an Issue Basis**
- 4.1 The valuation of Scheme Property for that part of the valuation which is on an issue basis is as follows:
- 4.2 Property which is not cash (or other assets dealt with in paragraphs 6 and 2.2) shall be valued as follows and the prices used shall (subject as follows) be the most recent prices which it is practicable to obtain:
- 4.3 **immovable property:**
- by a standing independent valuer (as defined in the glossary to the FCA Rules) appointed by the ACD with the approval of the Depository on the basis of an 'market value' as defined in Valuation Standard of the RICS Valuation Standards (The Red Book) (8th Edition published April 2012), as updated from time to time, on the basis of a full valuation with physical inspection (including, where the immovable is or includes a building, internal inspection), at least once a year; and
- 4.4 **on the basis of the last full valuation, at least once a month;**
- 4.5 **and in each case, plus any dealing costs (as defined below);**
- 4.5.1 units or shares in a collective investment scheme:
- 4.5.1.1 if a single price for buying and selling units or shares is quoted, at that price plus any dealing costs (as defined below), any preliminary charge payable by the Company on the purchase of the units or shares, and any dilution levy which would be added in the event of a purchase by the Company of the units or shares in question (except that, where the ACD, or an associate of the ACD, is also the manager or authorised corporate director of the collective investment scheme whose units or shares are held by the Company, the valuation must not include any preliminary charge payable in the event of a purchase by the Company of those units or shares); or
- 4.5.1.2 if separate buying (offer) and selling (bid) prices are quoted, at the buying price, less any expected discount plus any dealing costs (as defined below); or
- 4.5.1.3 if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no recent price exists or if the most recent price available does not reflect the ACD's best estimate of the value, at a value which, in the opinion of the ACD, is fair and reasonable;
- 4.5.2 exchange-traded derivative contracts:
- 4.5.2.1 (aa) if a single price for buying and selling the exchange-traded derivative contract is quoted, at that price; or
- 4.5.2.2 (bb) if separate buying and selling prices are quoted, at the average of the two prices;
- 4.5.3 over-the-counter derivative contracts shall be valued in accordance with the method of valuation as shall have been agreed between the ACD and the Depository;
- 4.5.4 any other investment:
- 4.5.4.1 the best available market dealing offer price (on the most appropriate market in a standard size) plus any dealing costs, (as defined below); or
- 4.5.4.2 if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if the most recent price available does not reflect the ACD's best estimate of the value, at a value which, in the opinion of the ACD, is fair and reasonable; and
- 4.5.5 property other than that described above: at a value which, in the opinion of the ACD, is fair and reasonable (plus any dealing costs (as defined below)).

**5. Valuation of the Property of the Company on a Cancellation Basis**

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

5.1 Property which is not cash (or other assets dealt with in paragraphs 6 and 2.2) shall be valued as follows and the prices used shall (subject as follows) be the most recent prices which it is practicable to obtain:

5.1.1 immovable property:

5.1.1.1 by a standing independent valuer (as defined in the glossary to the FCA Rules) appointed by the ACD with the approval of the Depositary, on the basis of an 'market value' as defined in Valuation Standard 2.3 of the RICS Valuation Standards (The Red Book) (8th Edition published April 2012), as updated from time to time;

5.1.1.2 on the basis of a full valuation with physical inspection (including, where the immovable is or includes a building, internal inspection), at least once a year; and

5.1.1.3 on the basis of the last full valuation, at least once a month; and in each case, less any dealing costs (as defined below);

5.1.2 units or shares in a collective investment scheme:

5.1.2.1 if a single price for buying and selling units or shares is quoted, at that price less any dealing costs (as defined below), any redemption charge payable by the Company on the sale of the units or shares, (taking account of any expected discount) and any dilution levy which would be deducted in the event of a sale by the Company of the units or shares (except that, where the ACD, or an associate of the ACD, is also the manager or authorised corporate director of the collective investment scheme whose units or shares are held by the Company, any redemption charge payable in the event of a sale by the Company of those units or shares must not be deducted)); or

5.1.2.2 if separate buying (offer) and selling (bid) prices are quoted, at the selling price less any dealing costs (as defined below) and any redemption charge payable on the sale of the units or shares taking account of any expected discount; or

5.1.2.3 if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or

if no recent price exists or if the most recent price available does not reflect the ACD's best estimate of the value, at a value which, in the opinion of the ACD, is fair and reasonable;

5.1.3 exchange-traded derivative contracts:

5.1.3.1 if a single price for buying and selling the exchange-traded derivative contract is quoted, at that price; or

5.1.3.2 if separate buying and selling prices are quoted, at the average of the two prices;

5.1.4 over-the-counter derivative contracts shall be valued in accordance with the method of valuation as shall have been agreed between the ACD and the Depositary;

5.1.5 any other investment:

5.1.5.1 the best available market dealing bid price on the most appropriate market in a standard size (less any dealing costs (as defined below)); or

5.1.5.2 if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if the most recent price available does not reflect the ACD's best estimate of the value, at a value which, in the opinion of the ACD, is fair and reasonable; and

5.1.6 property other than that described above: at a value which, in the opinion of the ACD is fair and reasonable (less any dealing costs (as defined in 5.3 below)).

5.2 Cash and amounts held in current, deposit and margin accounts and in other time related deposits shall be valued at their nominal values.

5.3 For the purposes of this Appendix VI, 'dealing costs' means in relation to immovable property any costs and charges incurred in buying or selling immovable property, including stamp duty land tax and any fiscal charges, commission or other charges payable in the event of the Company carrying out the transaction in question (but excluding any preliminary charge payable by the Company on the purchase of units or shares), assuming that the commission and charges (other than fiscal charges) which would be payable by the Company are the least that could reasonably be expected to be paid in order to carry out the transaction and otherwise "dealing costs" means any fiscal charges, commission or other charges payable in the event of the Company carrying out the transaction in question (but excluding any preliminary charge payable by the Company on the purchase of units or shares), assuming that the commission and charges (other than fiscal charges) which would be payable by the Company are the least that could reasonably be expected to be paid in order to carry out the transaction.

## Appendix VII

### Performance of the Company

Performance\* to 31 December 2015 quoted in sterling (on a bid to bid price basis, net of fees, with income net of UK basic rate tax reinvested). Annualised performance since launch is quoted to 30 April 2016 (source: Morningstar).

Fund name	Launch Date	Calendar year performance (%)										Annualised Performance since launch
		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	
Threadneedle UK Property Trust	February 2007	n/a	n/a	-8.24	0.15	3.99	1.68	-1.53	3.14	13.44	8.43	1.95

Past performance is not a guide for future performance.

Threadneedle UK Property Authorised Investment Fund (an OEIC) does not have 10 complete years of past performance as it launched on 14 May 2016.

The past performance shown prior to this date is based upon the performance of the Threadneedle UK Property Unit Trust (a unit trust which converted into the Threadneedle UK Property Authorised Investment Fund on 14 May 2016).

## Directory

### **The Company and Head Office:**

Threadneedle UK Property Authorised Investment Fund  
Cannon Place  
78 Cannon Street  
London EC4N 6AG

### **Authorised Corporate Director and AIFM:**

Threadneedle Investment Services Limited  
Registered office and head office:  
Cannon Place  
78 Cannon Street  
London EC4N 6AG

### **ACD Client Services Department:**

Threadneedle Investment Services Limited  
PO Box 10033 Chelmsford Essex CM99 2AL  
Telephone (dealing & customer enquiries): 0800 953 0134  
Fax (dealing): 0845 113 0274  
Email (enquiries): [questions@service.columbiathreadneedle.co.uk](mailto:questions@service.columbiathreadneedle.co.uk)

### **Investment Manager:**

Threadneedle Asset Management Limited  
Cannon Place  
78 Cannon Street  
London EC4N 6AG

### **Depositary:**

Citibank Europe plc, UK Branch  
Citigroup Centre, Canada Square  
Canary Wharf  
London E14 5LB

### **Legal Advisers:**

Eversheds LLP  
One Wood Street, London EC4V 7WS

### **Auditor:**

PricewaterhouseCoopers LLP  
7 More London Riverside  
London SE1 2RT

### **Standing Independent Valuer:**

CBRE Limited  
Kingsley House, Wimpole Street, London W1G 0RE

### **Transfer Agent:**

International Financial Data Services (UK) Limited  
IFDS House  
St Nicholas Lane  
Basildon  
Essex SS15 5FS

\*Please note that calls may be recorded.

To find out more visit [columbiathreadneedle.com](https://columbiathreadneedle.com)



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