

**SCHEME PARTICULARS** dated 1 September 2004

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**CORE HARBOUR GLOBAL FUND**  
(the "Fund")

A unit trust established in Guernsey by a trust instrument dated 27 August 2004.

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The Directors of Optimal Fund Management Limited ("the Manager"), the manager of the Fund, whose names appear under the heading "The Manager" on page 20, accept responsibility for the information in these scheme particulars ("Particulars"). To the best of the knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case the information contained in these Particulars is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

These Particulars constitute Scheme Particulars relating to the Fund for the purpose of Guernsey's Collective Investment Schemes (Class B) Rules 1990.

## **IMPORTANT INFORMATION**

**No broker, dealer or other person has been authorised by the Manager or by any of its agents to issue any advertisement or to give any information or to make any representations in connection with the offering or sale of Units other than those contained in these Particulars and, if issued, given or made, such advertisement, information or representations must not be relied upon as having been authorised by the Manager or any of its agents. Statements made in these Particulars are based on the law and practice in force at the date hereof and are subject to changes therein. Neither the delivery of these Particulars nor the issue of Units shall, under any circumstances, imply that there has been no change in the circumstances affecting any of the matters contained in these Particulars since the date of the document.**

**These Particulars do not constitute, and may not be used for the purposes of, an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. The distribution of these Particulars and the offering of Units in certain jurisdictions may be restricted and accordingly persons into whose possession such documents come are required to inform themselves about and to observe such restrictions.**

**The Fund is an unregulated collective investment scheme in the United Kingdom. The promotion of the Fund in the United Kingdom is restricted by Section 21 of the Financial Services and Markets Act 2000. Units may not be offered or sold by an unauthorised person in the United Kingdom by means of this document other than in accordance with The Financial Services and Markets Act 2000 (Financial Promotion) Order 2001. Units may not be offered or sold by an authorised person in the United Kingdom by means of this document other than in accordance with section 238 of the Financial Services and Markets Act 2000, The Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes)(Exemptions) Order 2001 and Chapter 3 of the Conduct of Business Sourcebook. Except as described above no document, including this document, issued in connection with the Units in the United Kingdom may be issued or passed on in the United Kingdom to any person, other than to persons to whom the document may otherwise lawfully be issued, unless that person is of a kind described in The Financial Services and Markets Act 2000 (Financial Promotion) Order 2001.**

**The Fund is an unregulated collective investment scheme in the Republic of South Africa. Accordingly no document including this document may be issued or passed and no Units may be offered or sold to any person in the Republic of South Africa who is not authorised to receive the same under the provisions of the Unit Trusts Control Act 1981.**

**None of the Units has been or will be registered under the United States Securities Act of 1933, as amended, and, except as described on page 18 none of the Units may be offered or sold, directly or indirectly, in the United States of America, its territories or possessions or any area subject to its jurisdiction including the Commonwealth of Puerto Rico (the 'United States') or to any resident thereof (including any corporation, partnership or other entity created or organised in or under the laws of the United States or any political subdivision thereof) or any estate or trust that is subject to United States federal income taxation regardless of the source of its income. In addition, the Fund has not been and will not be registered under the United States Investment Company Act of 1940 ("1940 Act"), as amended and the Manager has not been registered under the United States Investment Advisers Act of 1940, as amended.**

**The Guernsey Financial Services Commission has authorised the Fund as a Class B Collective Investment Scheme under the Protection of Investors (Bailiwick of Guernsey) Law, 1987. It must be distinctly understood that in giving this authorisation, the Commission does not vouch for the**

**financial soundness of the Fund or the correctness of any of the statements made or opinions expressed with regard to the Fund. Investors in the Fund are not eligible for the payment of any compensation under the Collective Investment Schemes (Compensation of Investors) Rules 1988 made under the Protection of Investors (Bailiwick of Guernsey) Law, 1987.**

**Investment in any Class Fund of the Fund should be regarded as a long-term investment. The value of Units may fall as well as rise. There can be no guarantee that the investment objective of the Class Funds will be achieved and investors may not receive the amount originally invested. Investors are referred to the section headed "Risk Factors" on page 8 below.**

**Distribution of these Particulars is not authorised in any jurisdiction unless they are accompanied by the Fund's most recent annual report and financial statements and, if more recent, its interim report and financial statements.**

**Prospective investors should not treat the contents of this document as advice relating to legal, taxation, investment or any other matters and are recommended to consult their own professional advisers concerning the consequences of their acquiring, holding, converting or disposing of Units.**

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## DEFINITIONS

The following words shall have the meanings opposite them unless the context in which they appear requires otherwise:-

<b><i>1933 Act</i></b>	United States Securities Act of 1933, as amended.
<b><i>Accounting Date</i></b>	31 October in each year during the continuance of the Fund commencing with the 31 October 2005.
<b><i>Accounting Period</i></b>	a period commencing, in the case of the first period, on the day when Units are first issued and in any other case, on the day following the expiry of the preceding Accounting Period and ending on the next succeeding Accounting Date
<b><i>Administrator</i></b>	Bordeaux Services (Guernsey) Limited.
<b><i>Business Day</i></b>	Any day (excluding Saturdays and Sundays) on which banks in Guernsey are open for normal banking business.
<b><i>Class Fund</i></b>	A segregated sub-trust of the Fund established and maintained in accordance with the Trust Instrument or all the assets (including cash) for the time being held or deemed to be held for the account of a particular sub-trust, as the context so requires.
<b><i>the Commission</i></b>	The Guernsey Financial Services Commission.
<b><i>Creation Price</i></b>	The price (excluding any Placement Fee) per Unit at which Units are issued which price shall be ascertained in accordance with the provisions of the Trust Instrument.
<b><i>Dealing Day</i></b>	Wednesday in each week (or if that is not a Business Day then the following Business Day) being the day on which the Manager accepts applications to buy, convert and redeem Units.
<b><i>Directors</i></b>	The directors of the Manager.
<b><i>Extraordinary Resolution</i></b>	A resolution proposed as such at a meeting of Unitholders convened and held in accordance with the Trust Instrument and passed as such at such meeting by a majority consisting of 75 per cent or more of the total number of votes cast for and against such resolution.
<b><i>the Fund</i></b>	Core Harbour Global Fund.
<b><i>Guernsey</i></b>	The Island of Guernsey and the Islands of Alderney and Herm.

<b><i>Manager</i></b>	Optimal Fund Management Limited
<b><i>Net Asset Value</i></b>	The value of the net assets of a Class Fund, determined in accordance with the Trust Instrument.
<b><i>Placement Fee</i></b>	the percentage charge which may be levied by the Manager on the issue of Units as referred to in the Trust Instrument and on page 13 of these Particulars.
<b><i>Recognised Investment Exchange</i></b>	any stock or investment exchange, institution or screen based or other electronic quotation or trading system providing dealing facilities or quotations for investments approved from time to time by the Trustee.
<b><i>Redemption Price</i></b>	the price per Unit at which Units of a particular Class Fund are from time to time realised or to be realised, which price shall be ascertained in accordance with the provisions of the Trust Instrument.
<b><i>the Register</i></b>	The register of Unitholders maintained by the Administrator on behalf of the Trustee.
<b><i>Trust Instrument</i></b>	The trust instrument dated 27 August 2004 made between (1) the Manager and (2) the Trustee by which the Fund was established.
<b><i>Trustee</i></b>	Barings (Guernsey) Limited.
<b><i>Unit</i></b>	In relation to a Class Fund, one undivided share in that Class Fund including any fraction of a Unit which shall represent the corresponding fraction of an undivided share in that Class Fund.
<b><i>Unitholder</i></b>	the person for the time being entered on the Register as the holder of a Unit including (where the context so admits) persons jointly so registered.

## SUMMARY

The information on the Core Harbour Global Fund set out below should be read in conjunction with the full text of this document, from which it is derived.

- Structure:** The Fund is an open ended unit trust established and authorised in Guernsey which is structured in such a way as to enable the Manager and the Trustee to create a series of sub-funds each with its own investment objective and segregated pool of assets.
- Class Funds:** The Fund has been established with three Class Funds, a master fund denominated in US dollars and two feeder funds denominated respectively in Euros and GBP which will invest exclusively in the master fund. The Manager will hedge the US Dollar exposure in each feeder fund against the currency in which the feeder fund is denominated through forward foreign exchange contracts.
- Manager:** Optimal Fund Management Limited, a company incorporated in Guernsey, has overall responsibility for the management and administration of the Fund.
- Administrator and Registrar:** The Manager has delegated the performance of its administrative duties under the Trust Instrument to Bordeaux Services (Guernsey) Limited, which has also been appointed to act as registrar of the Fund by the Trustee.
- Trustee:** Barings (Guernsey) Limited acts as trustee of the assets of each Class Fund.
- Distributions:** There will be no distributions of income to Unitholders; all income accruing to each Class Fund will be added to the capital of the Class Fund from which it is derived.
- Minimum Subscription:** The minimum subscription for each Class Fund which will be accepted by the Manager is set out in these Particulars.
- Certificates:** Units will be issued in registered, uncertificated form.
- Annual Accounting Date:** Audited accounts for each Class Fund will be prepared to 31 October in each year. Consolidated accounts for the Fund will not however be prepared.
- Dealing Days:** Investors may subscribe for, redeem or convert Units of each Class Fund on Wednesday each week (or, if this is not a Business Day, the next succeeding Business Day).
- Valuation Point:** The Administrator values the assets of each Class Fund and calculates the prices at which Units may be bought from the Manager or sold back to the Manager as at midnight on the Business Day immediately preceding the relevant Dealing Day.

Further details and explanations appear later in this document.

## DIRECTORY

### **Manager**

Optimal Fund Management Limited  
Barclays Court  
Les Echelons  
St Peter Port  
Guernsey  
GY1 6AW

### **Directors of the Manager**

Peter Gordon Radford  
Nigel Thomas Carey  
Scott MacGibbon Campbell  
Stephen Norbury Stewart

### **Trustee**

Barings (Guernsey) Limited  
Trafalgar Court  
Les Banques  
St Peter Port  
Guernsey  
GY1 3DA

### **Administrator and Registrar**

Bordeaux Services (Guernsey) Limited  
Barclays Court  
Les Echelons  
St Peter Port  
Guernsey  
GY1 6AW

### **Auditors**

PKF (Guernsey) Limited  
Chartered Accountants  
PO Box 296  
Suites 13 & 15  
Sarnia House  
St Peter Port  
Guernsey  
GY1 4NA

### **Legal Advisers**

Carey Olsen  
PO Box 98  
7 New Street  
St Peter Port  
Guernsey  
GY1 4BZ

## **THE FUND**

### **Introduction**

The Fund is an open-ended unit trust established in Guernsey by a Trust Instrument dated 27 August 2004 and authorised by the Commission as a Class B collective investment scheme.

The Fund is constituted as an umbrella fund, the portfolios of which are segregated in separate sub-trusts which are represented by different classes of Units. The Class Funds currently in existence are the Core Harbour US\$ Global Asset Allocation Fund (“US\$ Fund”), the Core Harbour Euro Global Asset Allocation Fund (“Euro Fund”) and the Core Harbour GBP Global Asset Allocation Fund (“GBP Fund”). The Manager and the Trustee may create further Class Funds in the future.

The nature of the right represented by Units is that of a beneficial owner under a trust whereby property of each Class Fund is held by the Trustee for the benefit of Unitholders who have rights to participate in that property in proportion to the Units held and the number of Units of the Class Fund concerned in issue at any one time.

### **Investment Objectives of the US\$ Fund**

The objective of the US\$ Fund is to achieve long term growth and absolute returns, with limited volatility, diversifying across cash, bonds, equities, alternative strategies and property primarily using a multi manager approach.

### **Investment Policy**

The Manager seeks to achieve the US\$ Fund's investment objective through investment in mutual funds and pooled investment vehicles, located in Guernsey and other jurisdictions which, in the opinion of the Manager, provide regulation which is at least equivalent to that applicable in Guernsey and which invest in cash, bonds, equities, alternative strategies and property advised or managed by portfolio managers who, in the opinion of the Manager, are appropriately experienced in the investment and analysis of cash, bonds, equity, property and alternative strategies.

Mutual funds and pooled investment vehicles which have adopted alternative strategies shall include but not be limited to those mutual funds and pooled investment vehicles who invest in Cash / Futures Arbitrage, Collateralised Loans, Convertible Arbitrage, Discretionary Trading, Distressed Securities, Emerging Equity Long / Short, Equity Arbitrage, Equity Long / Short, Equity Options Arbitrage, Event Driven, Fixed Income Arbitrage, Fixed Income Long / Short, Global Macro, MBS Arbitrage, Merger Arbitrage, Regulation D Arbitrage, Market Neutral, Statistical Arbitrage, Short Sellers, Special Situations, Systematic Trading and Tactical Trading.

Notwithstanding the above the Manager may obtain exposure to equity markets through direct investment in quoted securities and to bond markets through direct investment in securities issued by governmental issuers, local authorities, public international bodies and corporations.

For risk management purposes and/or tactical positioning of the assets of the US\$ Fund the Manager may use a tactical asset allocation approach which may include but not be limited to investments in forward contracts, contracts for difference, equities, currencies and exchange traded funds (“Tactical Asset Allocation Approach”).

In order to achieve the objective of the US\$ Fund, the Manager will allocate the funds available for investment according to the following table:

<b>Asset Area</b>	<b>Min</b>	<b>Neutral</b>	<b>Max</b>
Cash	0%	10%	100%
Bonds	0%	15%	100%
Equities	0%	35%	100%
Property	0%	10%	100%
Alternative Strategies	0%	30%	100%

### **Base Currency**

The Base Currency of the US\$ Fund is US\$.

### **Investment Restrictions of the US\$ Fund**

In order to ensure a proper spread of risk the Manager has resolved to adopt the following investment restrictions for the US\$ Fund:

- (a) Not more than thirty per cent of the total value of the assets of the US\$ Fund will be invested in any one mutual fund or fund of funds provided that there shall be no percentage restriction on the value of any investment in any Class Fund other than the Euro Fund and the GBP Fund.
- (b) The Manager will limit investment in any single issue of a debt instrument to a level not exceeding twenty per cent of the total value of the US\$ Fund. For this purpose debt instruments are regarded as being of different issues even though issued by the same issuer if issued on different terms whether as to interest rates or repayment dates or otherwise.
- (c) The Manager will limit investment in any one company to a level not exceeding ten per cent of the outstanding equity securities of that company or any class of such securities and so that not more than ten per cent of the value of the US\$ Fund is represented by equity securities issued by any one company.
- (d) The Manager may invest the assets of the US\$ Fund in equity securities which are not quoted on a Recognised Investment Exchange provided that not more than 10 per cent of the value of the US\$ Fund is represented by such securities.
- (e) Not more than ten per cent of the total value of the assets of the US\$ Fund shall be deposited at any time with one deposit taking institution but this shall not apply to any deposit of up to £1 million or its equivalent in any other currency.
- (f) Not more than 50% of the total value of the assets of the US\$ Fund may be invested in accordance with any Tactical Asset Allocation Approach.

The above restrictions apply as at the date of the relevant transaction or commitment to invest. Changes in the portfolio of the US\$ Fund does not have to be effected merely because, owing to appreciations or depreciations in value, or by reason of the receipt of, or subscription for, any rights, bonuses or benefits in the nature of capital or of any acquisition or merger or scheme of arrangement for amalgamation, reconstruction, conversion or exchange or of any redemption, any of the restrictions would thereby be

breached, but regard shall be had to these restrictions when considering changes or additions to the investment portfolio of the US\$ Fund.

Where the Manager invests in any Class Fund in accordance with paragraph (a) above the Manager shall rebate any fees it is entitled to in respect of those Class Funds to the account of the US\$ Fund.

### **Investment Objective of the Euro Fund**

The objective of the Euro Fund is to achieve long term growth and absolute returns, with limited volatility, diversifying across cash, bonds, equities, alternative strategies and property through investment of substantially all its assets in the US\$ Fund and hedging the currency exposure back to Euro.

### **Base Currency**

The base currency of the Euro Fund is Euros.

### **Investment Objective of the GBP Fund**

The objective of the GBP Fund is to achieve long term growth and absolute returns, with limited volatility, diversifying across cash, bonds, equities, alternative strategies and property through investment of substantially all its assets in the US\$ Fund and hedging the currency exposure back to GBP.

### **Base Currency**

The base currency of the GBP Fund is GBP.

### **Currency Overlay Programme**

The Manager may from time to time at its discretion enter into forward foreign exchange contracts in respect of the Euro Fund and GBP Fund for the purpose of reducing (without necessarily providing a perfect hedge against) the affect of adverse currency movements in relation to the underlying investments.

No such contract will have a duration of more than six months and the maximum amount which may be payable by way of premium or margin is 10 per cent of the Net Asset Value of the Euro Fund or GBP Fund respectively.

### **Borrowings**

The Manager has power to borrow for the account of the US\$ Fund but such borrowings will be limited to 10 per cent of the Net Asset Value at the time of borrowing. The Manager may utilise this facility for liquidity requirements or for the purpose of acquiring investments.

### **Distribution Policy**

There will be no distributions of income to Unitholders. All income accruing to the Fund will be added to the capital of the Class Fund from which it is derived and reflected in the Net Asset Value of that Class Fund.

## **RISK FACTORS**

An investment in any of the Class Funds carries substantial risk and is suitable only for persons which can assume the risk of losing their entire investment. Prospective investors should give careful consideration to the following factors in evaluating the merits and suitability of an investment in the Class Funds, including whether such an investment is suitable in light of their personal investment goals and financial condition.

**Potential investors who are in any doubt as to the risks involved in investment in the Fund are recommended to obtain independent financial advice before making an investment in the Fund.**

### **Borrowing**

The US\$ Fund may use borrowings for the purpose of making investments. The use of borrowing creates special risks and may significantly increase the US\$ Fund's investment risk. Borrowing creates an opportunity for greater yield and total return but, at the same time, will increase the US\$ Fund's exposure to capital risk and interest costs. Any investment income and gains earned on investments made through the use of borrowings that are in excess of the interest costs associated therewith may cause the Net Asset Value of the US\$ Fund to increase more rapidly than would otherwise be the case. Conversely, where the associated interest costs are greater than such income and gains, the Net Asset Value of the US\$ Fund may decrease more rapidly than would otherwise be the case.

### **Changes in Portfolio Holdings**

The holdings of the US\$ Fund may be altered from time to time due to certain events such as significant redemptions. As a result, any illiquid portion of the US\$ Fund's portfolio may, at times, constitute a substantial portion of the US\$ Fund's overall holdings, and therefore, make liquidation of the US\$ Fund's holdings more difficult. Investors should note that the Manager has the ability to defer redemption requests and to defer payment of part or all of the redemption proceeds of Units in certain circumstances.

### **Concentration of Investments**

The Euro Fund and the GBP Fund will invest all of their assets (to the extent not retained in cash) in the Units of the US\$ Fund and will accordingly not be diversified. The US\$ Fund may at certain times hold relatively few investments and could be subject to significant losses if it holds a large position in a particular investment that declines in value or is otherwise adversely affected.

### **Currency Exposure**

Assets of the US\$ Fund may be denominated primarily in currencies other than the US\$ and substantially all of the income received by the US\$ Fund may be in foreign currencies; however, the US\$ Fund will report its results and transact subscriptions and redemptions in US\$. As a result, the value of such investments and income will depend on the exchange rate between the US\$ and the currency in which such assets are denominated. The US\$ Fund may be affected favourably or unfavourably by changes in the exchange rate between foreign currencies and the US\$. Changes in foreign currency exchange rates may also affect the value of dividends and interest earned, and the level of gains and losses realised on the sale of securities.

The Euro Fund and GBP Fund will enter into forward foreign exchange contracts to hedge against the possibility that their base currency may suffer a decline against the US\$. There can be no assurance as to the success of any hedging operations which the Euro Fund or GBP Fund may implement.

A forward foreign exchange contract is a contractually binding obligation to purchase or sell a particular currency at a specified date in the future. Forward foreign exchange contracts are not uniform

as to the quantity or time at which a currency is to be delivered and are not traded on exchanges. Rather, they are individually negotiated transactions. Forward foreign exchange contracts are effected through a trading system known as the interbank market. It is not a market with a specific location but rather a network of participants electronically linked. Documentation of transactions generally consists of an exchange of telex or facsimile messages. There is no limitation as to daily price movements on this market and in exceptional circumstances there have been periods during which certain banks have refused to quote prices for forward foreign exchange contracts or have quoted prices with an unusually wide spread between the price at which the bank is prepared to buy and that at which it is prepared to sell. Transactions in forward foreign exchange contracts are not regulated by any regulatory authority nor are they guaranteed by an exchange or clearing house. The Euro Fund and GBP Fund will be subject to the risk of the inability or refusal of its counterparties to perform with respect to such contracts. Any such default would eliminate any profit potential and compel the Euro Fund and GBP Fund to cover its commitments for resale or repurchase, if any, at the then current market price. These events could result in significant losses.

### **Debt Securities**

The US\$ Fund may invest directly or in managers of mutual funds or pooled investment vehicles (“Fund Managers”) which invest in listed and unlisted debt securities which may be unrated by a recognised credit-rating agency or below investment grade and which are subject to greater risk of loss of principal and interest than higher-rated debt securities. The Manager or a Fund Manager may invest in debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets. The Manager or a Fund Manager may invest in debt securities which are not protected by financial covenants or limitations on additional indebtedness. The Manager or a Fund Manager will therefore be subject to credit, liquidity and interest rate risks. In addition, evaluating credit risk for debt securities involves uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult. Also, the market for credit spreads is often inefficient and illiquid, making it difficult to accurately calculate discounting spreads for valuing financial instruments.

### **Derivatives**

The Fund Managers and the Manager may utilise both exchange-traded and over-the-counter derivatives, including, but not limited to, futures, forwards, swaps, options and contracts for differences, as part of their investment policy. These instruments can be highly volatile and expose investors to a high risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in unquantifiable further loss exceeding any margin deposited. In addition, daily limits on price fluctuations and speculative position limits on exchanges may prevent prompt liquidation of positions resulting in potentially greater losses. Transactions in over-the-counter contracts may involve additional risk as there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of a position or to assess the exposure to risk. Contractual asymmetries and inefficiencies can also increase risk, such as break clauses, whereby a counterparty can terminate a transaction on the basis of a certain reduction in net asset value, incorrect collateral calls or delays in collateral recovery. A Fund Manager or Manager may also sell covered and uncovered options on securities. To the extent that such options are uncovered, the US\$ Fund could theoretically incur an unlimited loss.

### **Emerging Markets**

If the Manager or a Fund Manager invests in equities or securities of companies incorporated in or whose principal operations are in emerging markets, additional risks may be encountered. These include:

*Currency Risk:* the currencies in which investments are denominated may be unstable, may be subject to significant depreciation and may not be freely convertible.

*Country Risk:* the value of the assets of any mutual fund or pooled investment vehicle (“Investment Funds”) may be affected by political, legal, economic and fiscal uncertainties. Existing laws and regulations may not be consistently applied.

*Market Characteristics:* emerging markets are still in the early stages of their development, have less volume, are less liquid and experience greater volatility than more established markets and are not highly regulated. Settlement of transactions may be subject to delay and administrative uncertainties.

*Custody Risk:* custodians are not able to offer the level of service and safe-keeping, settlement and administration of securities that is customary in more developed markets and there is a risk that an Investment Fund will not be recognised as the owner of securities held on its behalf by a sub-custodian.

*Disclosure:* less complete and reliable fiscal and other information may be available to investors.

## **Illiquidity**

It is not anticipated that there will be an active secondary market for the Units and it is not expected that such a market will develop. Further, a Unitholder’s ability to redeem its Units may be limited by the deferred redemptions provisions.

## **Illiquidity in Certain Markets**

The US\$ Fund may invest directly or in Investment Funds which invest in illiquid or restricted securities for which there is no established resale market. Illiquidity in certain markets could make it difficult for a Fund Manager to liquidate positions on favourable terms, thereby resulting in losses or a decrease in the net asset value of the US\$ Fund or the Investment Fund in question. In addition, although many of the securities which a Fund Manager may acquire may be traded on public exchanges, each exchange typically has the right to suspend or limit trading in all securities which it lists. Such a suspension could render it difficult or impossible for the Manager or a Fund Manager to liquidate its positions and would thereby expose the Investment Funds to losses. The Manager or a Fund Manager, therefore, may be locked into an adverse price movement for several days or more which may result in immediate and substantial loss to the US\$ Fund or the Investment Fund in question.

## **Manager Risk**

The success of any Class Fund will be dependent on the performance of the Manager. No assurance can be given that the Manager will succeed in meeting its investment objectives in relation to the Class Funds or that its assessment of the short-term or long-term prospects, volatility and correlation of the types of investments referred to in these Particulars will prove accurate.

## **Market Liquidity and Leverage**

The Manager or a Fund Manager may be adversely affected by a decrease in market liquidity for the instruments in which it invest which may impair its ability to adjust its positions. The size of the Manager’s or Fund Manager’s positions may magnify the effect of a decrease in market liquidity for such instruments. Changes in overall market leverage, deleveraging as a consequence of a decision by any Investment Fund’s prime broker and custodian, or other counterparties with which any Fund Manager or

the Manager enters into repurchase/reverse repurchase agreements or derivative transactions, to reduce the level of leverage available, or the liquidation by other market participants of the same or similar positions, may also adversely affect the US\$ Fund or the Investment Fund in question.

### **Multi Manager Approach**

The overall success of the Class Funds depends upon the ability of each Fund Manager to be successful in its own strategy. The past performance of such strategies is not necessarily indicative of their future profitability, and no strategy can consistently determine which security to purchase or sell at a profit. Any factor which would make it more difficult to execute more timely trades, such as a significant lessening of liquidity in a particular market, would also be detrimental to profitability. Further, Fund Managers may modify their strategies from time to time in an attempt to evaluate market movements more favourably. As a result of such periodic modifications, it is possible that the strategies used by the Fund Managers in the future may be different from those presently in use. No assurance can be given that the strategies to be used by the Fund Managers will be successful under all or any market conditions. In addition, it is not known what effect, if any, the increase in total funds being managed by a particular Fund Manager will have on the performance of that Fund Manager's trading methods.

Moreover, in order to diversify the US\$ Fund's investments, a number of Fund Managers will be appointed each of which trades independently of the others. Although this diversification is intended to offset losses while maintaining the possibility of capitalising on profitable price movements, there can be no assurance that the use of several Fund Managers will not result overall in losses generated by some Fund Managers exceeding profits achieved by others.

### **Net Asset Value Considerations**

The Net Asset Value per Unit of any Class Fund is expected to fluctuate over time with the performance of the US\$ Fund's investments. A Unitholder may not fully recover his initial investment when he redeems his Units or upon compulsory redemption if the Net Asset Value per Unit at the time of such redemption is less than the Subscription Price paid by such Unitholder.

### **Short Sales**

The Manager or a Fund Manager may sell securities short as an aspect of their investment strategy. Since the borrowed securities sold short must later be replaced by market purchases, any appreciation in the price of the borrowed securities will result in a loss. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Furthermore, a short seller may be prematurely forced out of a position if the lender from which the short seller borrowed stock, in order to effect settlement of a short sale, recalls such stock under circumstances in which such stock cannot be borrowed from other sources.

## **Tax Considerations**

Where the Manager or a Fund Manager invests in securities that are not subject to withholding tax at the time of acquisition, there can be no assurance that tax may not be withheld in the future as a result of any change in applicable laws, treaties, rules or regulations or the interpretation thereof. The Manager or a Fund Manager will not be able to recover such withheld tax and so any such change would have an adverse effect on its net asset value. Where the Manager or a Fund Manager sells securities short that are subject to withholding tax at the time of sale, the price obtained will reflect the withholding tax liability of the purchaser. In the event that in the future such securities cease to be subject to withholding tax, the benefit thereof will accrue to the purchaser and not to the Investment Fund or the Manager.

## **SUBSCRIPTION AND REDEMPTION OF UNITS**

### **Subscriptions**

Units of each of the three Class Funds with which the Fund has been established will be available for subscription by eligible investors during the period from the date on which the Fund is authorised by the Commission to 15 September 2004 at an initial Creation Price per Unit of \$100 for the US\$ Fund, £100 for the GBP Fund and €100 for the Euro Fund, exclusive of any Placement Fee. Thereafter, Units of each Class Fund are available for subscription by eligible investors on each Dealing Day at the Creation Price which is calculated for each Class Fund in accordance with the Trust Instrument by reference to the Net Asset Value per Unit of the Class Fund concerned as at midnight in Guernsey on the Business Day preceding that Dealing Day, added to which there may be such sum as the Manager considers represents an allowance for duties and charges commensurate with the size of the Class Fund concerned which would be incurred on the assumption that the investments held by that Class Fund were to be acquired on that Dealing Day and the resulting amount is rounded up to the nearest fourth decimal place. The benefit of any rounding will be retained within the relevant Class Fund. Further information on how the Net Asset Value is calculated can be found under the heading "Calculation of Net Asset Value".

### **Exchange Offers**

The Manager may at any time and from time to time make arrangements for the issue of Units other than for cash by way of an exchange offer upon such terms as the Manager may think fit but subject to the terms of the Trust Instrument and subject to and in accordance with the following provisions:-

1. The Manager shall ascertain the Creation Price of the Units and may if it thinks fit add a Placement Fee;
2. The investments to be transferred to the Trustee shall be valued at the relevant time on such basis as the Manager may decide so long as the same does not exceed the highest value obtained by applying the provisions of the Trust Instrument with regard to valuations;
3. The number of Units of the relevant Class Fund to be issued shall be that number which would have fallen to be issued for cash at the Creation Price (net of any Placement Fee) against the payment of a sum equal to the value (calculated as in sub-paragraph 2. above) of the investments to be vested in the Trustee minus such sum as the Manager may consider represents any expenses to be paid out of the relevant Class Fund in connection with the vesting of the investments;
4. The costs, fees and expenses incurred in effecting such exchange and any Placement Fee to which the Manager is entitled may be paid out of the relevant Class Fund and any cash amount payable or receivable by way of equality of exchange shall be paid out of or added to the Class Fund as the case may be;
5. No Units shall be issued until the investments shall have been vested in the Trustee to the Trustee's satisfaction.

### **Placement Fee**

The Creation Price is exclusive of a Placement Fee which may be imposed from time to time at the discretion of the Manager of up to 5 per cent of the Creation Price. Under the Trust Instrument, the initial charge may be retained for the use and benefit of the Manager. There is no charge for the conversion of Units of one Class Fund into Units of another Class Fund (See "Conversion Procedure", page 15).

## **Minimum Subscription**

At all times the minimum subscription for Units in the US\$ Fund is \$5,000 (exclusive of the Placement Fee) and for Units in the Euro Fund and GBP Fund the minimum subscription shall be the equivalent value of \$5,000 in Euros or GBP respectively (exclusive of the Placement Fee). The Manager may vary this amount but not so as to reduce it below the minimum specified in this paragraph or to require Unitholders to increase their holdings. Unitholders may make additional subscriptions on any Dealing Day subject, unless the Manager otherwise agrees in any particular case, to a minimum investment on any one occasion of at least \$1,000 (exclusive of the Placement Fee) or the equivalent value in Euros or GBP.

## **Application Procedure**

An application form for Units is available from the Manager. Applications may be faxed, however the original should be immediately mailed to the Manager. Applications for Units must be received by the Manager in Guernsey by 3.30 pm on the Business Day prior to the Dealing Day in respect of which the application is made ("the Relevant Business Day"). Any application form received after 3.30 p.m. (or such other time as the Manager may determine either generally or in a specific case) on the Relevant Business Day may be deemed to have been received on the next following Business Day and if so, will be carried over to the next following Dealing Day.

Communications to the Manager must be sent to:-

Optimal Fund Management Limited  
Barclays Court  
Les Echelons  
St Peter Port  
Guernsey  
GY1 6AW

Telephone: +44 1481 715167  
Fax: +44 1481 714061.

Applications must include the following information:-

- The amount to be invested, such amount being not less than the minimum subscription amount referred to above, unless otherwise agreed by the Manager.
- Details of the Class Fund or Class Funds in which the investment is requested to be made.
- The exact name(s) in which the Units are to be registered and the name and address to which any correspondence should be sent.
- Confirmation that the application has been made in compliance with the Trust Instrument and the terms and conditions of these Particulars.
- A statement as to how settlement will be made and confirmation that cleared funds will be received for the account of the Fund by close of business on the Business Day prior to the Dealing Day in respect of which the application is made.

The Manager may reject any application for Units in whole or in part at its entire discretion. If payment in full in cleared funds is not received by close of business on the Business Day prior to the relevant Dealing Day, the Manager has the right to cancel the issue of the relevant Units.

Measures aimed at the prevention of money laundering require an applicant to provide verification of identity to the Administrator. This obligation arises unless (i) the application is being made through a recognised financial intermediary; or (ii) payment is made through a banking institution, which in either case is in a country recognised by the Administrator as having money laundering regulations equivalent to those in Guernsey.

The Administrator will notify applicants if proof of identity is required. By way of example, an individual will be required to produce a copy of a passport or identification card duly certified by a public authority (such as a notary public, the police or the ambassador in his country of residence), together with evidence of the applicant's address, such as a utility bill or bank statement. In the case of corporate applicants, this may require production of a certified copy of the certificate of incorporation (and any change of name), bye-laws, memorandum and articles of association (or equivalent), and the names and addresses of all directors and beneficial owners.

Units will not be issued until such time as the Administrator has received, and the Manager is satisfied with, all the information and documentation required to verify the identity of the applicant. This may result in Units being issued on a Dealing Day subsequent to the Dealing Day on which an applicant initially wished to have Units issued to him at the Net Asset Value per Unit as calculated on the subsequent Dealing Day.

It is further acknowledged that the Administrator and the Manager shall be held harmless by the applicant against any loss arising as a result of a failure to process the subscription if information that has been requested by the Administrator has not been provided by the applicant.

### **Contract Notes**

A contract note will be sent to the applicant on acceptance of the application within two Business Days after the relevant Dealing Day, providing details of the transaction. Applicants will also in due course be allocated a Register account number which should be quoted in any correspondence by the Unitholder with the Manager.

All Units will be issued in registered uncertificated form and the Register will be conclusive evidence of ownership. The Register may be inspected by Unitholders during normal business hours on any Business Day at the office of the Administrator.

Any changes to a Unitholder's personal details must be notified immediately to the Administrator in writing. The Administrator reserves the right to require an indemnity or verification countersigned by a bank, stockbroker or other party acceptable to it before the Administrator can accept instructions to alter the Register.

### **Conversion Procedure**

Unitholders are entitled to exchange Units in one Class Fund ("the Original Class Fund") for Units in any other Class Fund then in existence ("the New Class Fund"). Unitholders are only entitled to exchange Units on a Dealing Day, subject to receipt of a conversion request by the Manager by 3.30 pm on the Business Day prior to the Dealing Day in respect of which the application for conversion is made. Any conversion request received after 3.30 pm on the Relevant Business Day may be deemed to have been received on the next following Business Day and carried forward to the next succeeding Dealing Day.

Instructions for the conversion of Units may be given by facsimile or in writing to the Manager at the address stated above specifying the number or value of class of Units to be converted and the class of Units into which they are to be converted. If the Units to be converted were issued in certificated form the certificate(s) must also be lodged with the Administrator prior to the relevant Dealing Day. The Administrator will supply Unitholders with a form of conversion notice on request.

Conversion is effected on the relevant Dealing Day by the redemption of the Units of the original Class Fund to be converted at the Redemption Price (as defined below) ruling on the relevant Dealing Day and the application of the net proceeds of redemption in the purchase of Units of the New Class Fund at the Creation Price ruling on the relevant Dealing Day in accordance with the following formula:

$$N = (P \times R \times CF) \div S$$

Where:-

- N* is the number of Units of the New Class Fund to be allotted;
- P* is the aggregate number of Units of the Original Class Fund to be converted;
- R* is the Redemption Price per Unit of the Original Class Fund ruling on the relevant Dealing Day;
- CF* is the currency conversion factor determined by the Manager on the relevant Dealing Day as representing the effective rate of exchange applicable between the base currencies of the relevant Class Funds;
- S* is the Creation Price per Unit for the New Class Fund ruling on the relevant Dealing Day.

The Manager does not levy any charge for the conversion of Units. Contract notes confirming the redemption of the original Class Fund and subsequent investment in the new Class Fund will be issued within two Business Days of the relevant Dealing Day.

### **Redemption Procedure**

Units may be redeemed at the applicable Redemption Price on any Dealing Day ("the Relevant Dealing Day"), subject to receipt of a redemption request by the Administrator at least one Business Day prior to the Dealing Day in respect of which the application is made. Instructions for the redemption of Units may be given by telephone or fax or in writing to the Administrator at the above address specifying the number or value of the Units to be redeemed. An original notice of redemption (which can be obtained from the Administrator), must be completed and signed and must also be in the possession of the Administrator before redemption proceeds may be released. If the Units to be redeemed were issued in certificated form, the certificate(s) must also be lodged with the Administrator before redemption proceeds may be released.

Payment of the redemption proceeds will be made in the base currency of the Relevant Class Fund as soon as possible after the Relevant Dealing Day but no later than close of business on the fifteenth Business Day following the later of the following times: (a) the next Valuation Point occurring after the receipt by the Manager of the realisation request, and (b) the time when the Manager is possessed of all duly executed instruments and authorisations as would enable the Manager to vest title to the Units in itself.

Units are redeemed at the Redemption Price which is calculated in accordance with the Trust Instrument by reference to the Net Asset Value per Unit calculated as at midnight on the Business Day preceding the Relevant Dealing Day. From such Net Asset Value may be deducted such sum as the Manager may consider represents an allowance for duties and charges commensurate with the size of the Class Fund in relation to the realisation of the investments held by or for the account of the Class Fund concerned and the resulting amount rounded down to the nearest fourth decimal place. The benefit of any rounding is retained within the relevant Class Fund.

At the discretion of the Manager, redemption of part of a holding may be refused if, as a result of such redemption, a Unitholder would become the holder of Units with a redemption value of less than the minimum investment level prescribed by the Manager from time to time in respect of each Class Fund. Alternatively, such a request may be treated upon notice to the Unitholder concerned as a request to redeem the entire holding of Units (see "Compulsory Redemption" below).

The Manager may limit the total number of Units which may be redeemed on any Dealing Day to 10 per cent of the value of the relevant Class Fund. The limitation will be applied *pro rata* to all Unitholders who have requested redemptions to be effected on or as at such Dealing Day so that the proportion of each holding redeemed is the same for all such Unitholders. Any Units which, by virtue of this limitation, are not realised on any particular Dealing Day shall be carried forward for redemption on the next following Dealing Day at the Redemption Price ruling on that Dealing Day. In respect of any Dealing Day to which redemption requests ("Deferred Requests") are deferred, such requests will be dealt with in priority to other requests for redemption of Units on that day ("Other Requests") until the Deferred Requests have been satisfied in full. The deferral powers described in this paragraph shall apply *mutatis mutandis* to any Other Requests which, as a result of the above limit, have not been satisfied in full on any Dealing Day. A Unitholder whose redemption application has been deferred on any Dealing Day shall have the right to withdraw his application at any time prior to the following Dealing Day.

Where a Unitholder requests realisation of a number of Units representing not less than 5 per cent of all the undivided shares in a Class Fund represented by all the Units of that Class Fund in existence, the Manager may, by serving notice in writing on the Unitholder not later than the close of business of the second Business Day following the day on which that request is received, elect that the Unitholder shall not be paid the Redemption Price of his Units, but instead shall accept a transfer of an appropriate proportion of the assets of the Class Fund.

Redemption requests are irrevocable other than in the circumstances described below on page 17.

### **Compulsory Redemption**

The Manager has the power under the Trust Instrument in its absolute discretion compulsorily to redeem on any Dealing Day the Units of any investor (i) which, as a result of a redemption of any part of the investor's holding, have a redemption value of less than the specified minimum holding for the Class Fund concerned or (ii) who holds Units directly or beneficially in breach of any law or requirement of any country, governmental or regulatory authority or (iii) whose existence as a Unitholder causes or threatens to cause the Fund or any Class Fund thereof to incur any liability to taxation or to suffer any pecuniary or other disadvantage in any jurisdiction which it would otherwise not have expected to incur or suffer or (iv) whose existence as a Unitholder may cause the Fund to be classified as an "investment company" under the 1940 Act.

The Manager is also entitled on not less than four weeks' notice to Unitholders to redeem compulsorily all the Units of any Class Fund if on each of four consecutive Dealing Days its Net Asset Value is less than \$500,000 or the equivalent value in the base currency of the relevant Class Fund. In addition, the Manager may elect to wind up the Trust and redeem all Units then outstanding at any time if the aggregate Net Asset value of all the Class Funds then in existence is less than \$5 million on each of four consecutive Dealing Days.

### **Suspension of Calculation of Net Asset Value**

The Manager with the approval of the Trustee may suspend the calculation of the Net Asset Value and the subscription, conversion and redemption of Units of any Class Fund for the whole or any part of a period during which:-

1. one or more markets which provide the basis for valuing any assets of the Class Fund concerned are closed other than for or during holidays or if trading in or on such markets is restricted or suspended or where trading is restricted or suspended in respect of securities which in the opinion of the Manager form a material part of that Class Fund's assets;
2. as a result of political, economic, military or monetary events or any circumstances outside the control, responsibility and power of the Manager, the determination of the price or value or the disposal of assets held by the Class Fund concerned is, in the opinion of the Manager, impracticable or prejudicial to the interests of Unitholders;
3. there is a breakdown of the means of communication normally used for valuing any part of the Class Fund concerned or if for any reason the value of any part of the Class Fund may not, in the opinion of the Manager, be determined as rapidly and accurately as required; or
4. as a result of foreign exchange restrictions or other restrictions affecting the transfer of funds, transactions on behalf of the Class Fund concerned are rendered impracticable or if purchases, sales, deposits and withdrawals of the Class Fund's assets cannot be effected, in the opinion of the Manager, at normal rates of exchange.

In the event of a suspension, any Unitholder whose request for redemption of his Units is outstanding at the time of such suspension may withdraw his redemption request at any time prior to the cessation of the suspension (notice of which will be given to Unitholders). If the request is not withdrawn in writing the redemption will take place as of the first scheduled Dealing Day following the termination of the suspension. The Manager may elect to treat the first Business Day on which the conditions giving rise to the suspension have ceased to apply (and on which no other such conditions exist) as the first Dealing Day notwithstanding that such Business Day is not a scheduled Dealing Day.

### **Eligible Investors**

Each investor must represent and warrant to the Manager that, *inter alia*, he is able to acquire and hold Units without violating applicable laws.

The Manager will not knowingly offer or sell Units to any investor to whom such offer or sale would be unlawful, might result in the Fund incurring any liability to taxation or suffering any other pecuniary disadvantage which the Fund might not otherwise incur or suffer or would result in the Fund being required to register under the 1940 Act. Units may not be held by any person in breach of the law or requirements of any country or governmental authority including, without limitation, exchange control regulations.

It is contemplated that the Manager may decide to accept applications for Units from a limited number of "accredited investors" (as defined in the 1933 Act) in the United States provided that the Manager receives evidence satisfactory to it that the sale of Units to such an investor is exempt from registration under the securities laws of the United States including, but not limited to, the said Act and, in all events that there will be no adverse tax consequences to the Fund, or its Unitholders as a result of such a sale.

### **Transfers of Units**

The Units are freely transferable although the Manager has discretion to refuse to register a transfer of Units to any person who is not an eligible investor as described above. The Manager will not exercise such discretion unreasonably.

## **Calculation of Net Asset Value**

The Net Asset Value of each Class Fund is calculated in accordance with the Trust Instrument by the Administrator at midnight on the Business Day preceding each Dealing Day.

Under the Trust Instrument the Net Asset Value of the US\$ Fund is determined by deducting the total liabilities of the US\$ Fund from the value of the total assets of the US\$ Fund. Total assets include but shall not be limited to all cash, accounts receivable, accrued interest and the current market values of all investments ("Total Assets"). Total liabilities include but shall not be limited to any fees payable to the Manager, the Trustee and the Administrator, provision for taxes (if any) allowances for contingent liabilities and any other costs and expenses reasonably and properly incurred by the Manager in effecting the acquisition or disposal of securities ("Total Liabilities").

The Net Asset Value per Unit for the US\$ Fund is then determined by dividing the Net Asset Value by the number of Units of US\$ Fund concerned in issue and deemed to be in issue.

Under the Trust Instrument the Net Asset Value of the Euro Fund or GBP Fund is determined by deducting the Total Liabilities of the Euro Fund or GBP Fund from the value of the Total Assets of the Euro Fund or GBP Fund and dividing that figure by the relevant Euro or GBP exchange rate, as appropriate.

For the purposes of calculating the Net Asset Value of the Euro Fund and GBP Fund the calculation of Total Liabilities shall not include any fees payable to the Manager but shall include the cost of the currency overlay programme.

The Net Asset Value per Unit for the Euro Fund and GBP Fund is then determined by dividing the Net Asset Value of the Euro Fund or GBP Fund by the number of Units of the Euro or GBP Fund concerned in issue and deemed to be in issue.

The method of calculation of the price at which Units are issued is set out on page 13 and the method of calculation of the price at which Units are redeemed is set out on page 16 of these Particulars. Further information on the valuation of assets is provided in section 3 of "Additional Information" on page 24.

## **Publication of Prices**

The Creation Price and the Redemption Price for each Class Fund in respect of the immediately preceding Dealing Day are available on request from the Administrator and the Manager.

## MANAGEMENT AND ORGANISATION

### **The Manager**

The Manager was registered in Guernsey on the 15 July 2003. It is licensed by the Commission to act as manager to Guernsey based collective investment schemes such as the Fund. The Manager is also approved to act as investment advisor to a number of other collective investment schemes and has US\$ 85 million of funds under management as at August 2004. The Manager is an independent institutional fund advisor specialising in absolute return objectives combined with low levels of volatility and capital preservation using a multi management process. The Manager offers portfolio management and institutional asset management services, as well as providing a wide range of mutual funds, to a global audience.

### ***The Directors of the Manager are:***

#### ***Scott MacGibbon Campbell***

Mr Campbell, Director and Head of Portfolio Management of Optimal Fund Management Limited (“Optimal”) has 14 years experience in international fund management. He is responsible for all investment decision making and business management. Having started his career at AMP in New Zealand, he joined Appleton in 1996 and was appointed Managing Director of Appleton International in 1997. He moved the location of the operation to London in 2000 and successfully continued the development of the business as well as acting as Chief Investment Officer. He resigned from Appleton in April 2002 to set up his own institutional offshore fund management company, which resulted in the creation of Optimal in July 2003. Mr Campbell has achieved a five star ranking from Standard & Poor’s for the management of various of the Appleton range of offshore funds.

#### ***Stephen Norbury Stewart***

Mr Stewart is the Managing Director of Bond Street Financial Services, an independent South African securities distribution network. He has 20 years experience in offshore financial services and after various roles joined Appleton in 1993. He was Chief Executive Officer of The Appleton Group from 1998 – 1999. He established and developed the international arm of Appleton until 1997, when he handed over responsibility for fund management and future development to Mr Campbell. He is also the Managing Director of Bond Street Financial Services (Pty) Limited, a provider of offshore and domestic investment services to both the independent adviser and investor in South Africa..

#### ***Peter Gordon Radford***

Mr Radford is an Executive Director of the Administrator and of Genesis Fund Managers Limited and of Genesis Asset Managers Limited and is also a non executive director of the Manager. He has an Honours Degree in Business Studies and is a Fellow of the Institute of Chartered Accountants in England and Wales and of the South African Institute of Chartered Accountants. He is also a Member of the Securities Institute and a Member of the Society of Trust and Estate Practitioners.

#### ***Nigel Thomas Carey***

Mr Carey is a Guernsey Advocate and is the senior partner in Guernsey in the firm of Carey Olsen. He is a non executive director of the Manager and the Investment Manager. He holds a degree in law from the University of Southampton and qualified as a solicitor of the Supreme Court of England and Wales in 1974. He was called to the Guernsey Bar in 1975. He is a director of a number of Guernsey based mutual fund companies and investment companies. He served for a number of years as an Ordinary Member of the Guernsey Financial Services Commission, retiring from that position on the 31<sup>st</sup> July 2004, and from 1997 to 1999 was Chairman of the Guernsey Bar Council.

The Manager's appointment may be terminated at any time by the Trustee upon the insolvency or receivership of the Manager or if the Manager ceases to be qualified to act as such. The Trustee shall be entitled to remove the Manager on three months' notice if for good and sufficient reason the Trustee is of the opinion that a change of manager is desirable in the interests of Unitholders, or if an Extraordinary Resolution is passed removing the Manager or if the holders of three quarters of all the Units in issue request the removal of the Manager.

Under the terms of the Trust Instrument the Manager is not liable for any acts or omissions in the performance of its services under the Trust Instrument in the absence of wilful default, negligence or fraud and subject thereto the Manager is entitled to be indemnified to the extent permitted by law, against all actions, proceedings, claims and demands arising in connection with the performance of its services.

### **The Administrator**

The Manager has delegated to Bordeaux Services (Guernsey) Limited certain administrative duties under the Trust Instrument as detailed below. The Administrator was registered in Guernsey on 2 April 2004 and is a wholly owned subsidiary of Genesis Fund Managers LLP, a partnership registered in Delaware.

Pursuant to an Administration Agreement dated 27 August 2004, between the Administrator and the Manager, the Administrator will be responsible for, among other things, the following matters:

- keeping the accounts of the Fund and any necessary books and records;
- 
- processing subscription, conversion and redemption applications;
- 
- calculating the prices at which Units are to be issued, converted or redeemed;
- 
- communicating with Unitholders; and
- 
- calculating the fees of the Manager, the Trustee and the Administrator.

The Administration Agreement may be terminated by any party on not less than ninety days' notice, or earlier upon certain breaches of the Administration Agreement or the insolvency or receivership of any party or if the Administrator ceases to be qualified to act as such.

The Manager has agreed that it shall not hold the Administrator liable for any acts or omissions in the performance of its services under the Administration Agreement in the absence of wilful default, negligence or fraud and subject thereto to indemnify the Administrator, to the extent permitted by law, against all actions, proceedings, claims and demands arising in connection with the performance of its services.

### **The Trustee**

Barings (Guernsey) Limited acts as trustee of the Fund and is responsible for the safe custody of the assets of each Class Fund. The Trustee was incorporated with limited liability in Guernsey on 19 September 1972 and is a wholly-owned indirect subsidiary of ING Groep NV., a corporation established in the Netherlands. The Trustee has an issued and fully paid up share capital of £10 million and provides a full range of banking, trustee and custodial services. The Trustee is licensed by the Commission to act *inter alia* as custodian or trustee of Guernsey based collective investment schemes and in addition is a bank licensed under the provisions of the Banking Supervision (Bailiwick of Guernsey) Law, 1994. The Trustee will also provide banking and related services to the Fund on normal commercial terms and will be entitled to retain all benefits arising therefrom.

The Trustee is not entitled to retire voluntarily except upon the appointment of a new trustee. If the Trustee desires to retire, or goes into liquidation (other than voluntary liquidation for the purpose of reconstruction or amalgamation) or being removed by an Extraordinary Resolution then the Manager must appoint another trustee acceptable to the Commission to take the Trustee's place.

The Trust Instrument provides that the Trustee is not liable for any acts or omissions in the performance of its services in the absence of wilful default, gross negligence or fraud and subject thereto the Trustee is entitled to be indemnified to the extent permitted by law, against all actions, proceedings, claims and demands arising in connection with the performance of its services.

### **The Registrar**

Under the terms of the Trust Instrument the Trustee is required to maintain the Register of Unitholders. By an agreement dated 27 August 2004, the Trustee has delegated this responsibility to the Administrator.

All Units issued will be registered and the Register will be conclusive evidence of ownership. The Register may be inspected by Unitholders during normal business hours on any Business Day at the registered office of the Administrator.

Any changes to a Unitholder's details must be notified immediately to the Administrator in writing. The Administrator reserves the right to require an indemnity or verification countersigned by a bank, stockbroker or other party acceptable to it before the Administrator can accept instructions to alter the Register.

### **The Auditors**

PKF (Guernsey) Limited of PO Box 296, Suites 13 and 15, Sarnia House, Le Truchot, St Peter Port, Guernsey has been appointed as auditor to the Fund.

## **FEES AND EXPENSES**

### **Establishment Costs**

The costs and expenses associated with its organisation and the initial offering of Units including the costs incurred in connection with the preparation of these Particulars, obtaining authorisation of the Fund in Guernsey and professional fees are not expected to amount to more than £25,000. These costs and expenses are being amortised over the first five Accounting Periods of the Fund and will be apportioned over the Class Funds *pro rata* to the respective Net Asset Values of the Class Funds.

### **Fees of the Manager**

Under the terms of the Trust Instrument, the Trustee shall pay the Manager a periodic fee in respect of the US\$ Fund of 1.75 per cent of the Net Asset Value at the Valuation Point for each Dealing Day of which 0.25 per cent will be paid to the Administrator by the Manager as an administration fee as detailed on page 24 below. The periodic fee is payable monthly in arrears on the last Dealing Day in each month. The periodic fee may only be increased with the approval of an Extraordinary Resolution.

In addition, the Manager shall be entitled to a Performance Fee in respect of the US\$ Fund which shall be calculated and paid as follows.

The Performance Fee shall accrue at each Valuation Point, shall crystallise on the last Valuation Point of each calendar quarter and be payable as soon as practicable thereafter. The Performance Fee shall be 10 per cent of the amount by which the value of the US\$ Fund, after deducting the accrued Management Fee but before deduction of any accrued Performance Fee and adjusting for subscriptions and redemptions during the relevant period (the "Adjusted Value"), at the Valuation Point at the end of the calendar quarter exceeds the Adjusted Value of the US\$ Global Asset Allocation Fund at the beginning of the calendar quarter subject to the High Water Mark.

The High Water Mark is an amount equal to:

- until such time as the first Performance Fee is paid, the amount raised on the initial offer of Units; and
- once the first Performance Fee is paid, the Adjusted Value of the US\$ Fund as of the last Valuation Point in respect of which the Performance Fee was paid.

### **Fees of the Trustee**

The Trustee is entitled to an annual fee out of the US\$ Fund at a rate not exceeding 0.075 per cent per annum of the aggregate Net Asset Value of the US\$ Fund subject to a minimum fee of £18,000. In the event any additional Class Funds are created in the future the minimum fee shall be increased by £6000 per additional Class Fund. The fee shall include transaction fees not exceeding £100 per transaction. All the fees and expenses of the Trustee, and any other agents or delegates of the Trustee payable by the Trustee are reimbursed to the Trustee out of the relevant Class Fund.

The Trustee is permitted to claim reimbursement from the Fund in respect of the fees, charges and commissions paid to any sub-custodians or agents provided that such fees, charges and commissions are in accordance with normal commercial rates.

### **Fees of the Administrator**

The Manager shall pay the Administrator, out of the periodic fee, an administration fee in respect of the US\$ Fund of 0.25 per cent of the Net Asset Value at the Valuation Point for each Dealing Day. The administration fee is payable, by the Manager, monthly in arrears on the last Dealing Day in each month.

### **Other Operating Expenses**

The Manager and the Administrator are responsible for providing all office personnel, office space and office facilities required for the performance of their services. The following expenses where relevant are payable out of each Class Fund and, where appropriate, shall be allocated between Class Funds *pro rata* to their respective Net Asset Values:

- the costs incurred in dealing in the property of the Fund;
- interest on borrowings permitted and charges incurred in effecting or terminating such borrowings or in negotiating or varying the terms of such borrowings;
- taxation and duties payable in respect of the Fund, the Trust Instrument and the issue of Units;
- any costs incurred in modifying the Trust Instrument for the benefit of Unitholders;
- any costs incurred in respect of meetings of Unitholders;
- any charge reasonably incurred by the Trustee in depositing and holding or causing to be deposited and held any property of any Class Fund in a country or territory outside Guernsey including insurance, transit and handling charges;
- the fees and expenses of the Auditor;
- the fees of the Commission, the States of Guernsey Income Tax Authority and of any regulatory authority in a country or territory outside Guernsey in which Units are or may be marketed;
- the costs incurred in printing, publishing and revising Scheme Particulars and printing, publishing and dispatching annual and interim reports;
- the expenses of the Trustee in convening a meeting of Unitholders convened by the Trustee alone;
- the fees and expenses of any consultants to the Fund appointed with the approval of the Manager and Trustee;
- the amount of the expenses incurred in the establishment of the Fund and each Class Fund specified in these Particulars or the relevant Supplemental Particulars;
- expenses incurred in the preparation and printing of certificates, tax vouchers, warrants, proxy cards and contract notes;
- the costs incurred in the publication of Unit prices;
- any expenses approved by an Extraordinary Resolution of Unitholders; and
- any other expenses permitted by the Collective Investment Schemes (Class B) Rules 1990 or authorised by the Commission either generally or in any particular case;

together with any tax in the nature of value added tax or otherwise payable in respect of such fees and expenses.

## CONFLICTS OF INTEREST

The Manager may from time to time act as manager, investment manager or investment advisers to other funds. It is therefore possible that the Manager may, in the course of their business, have potential conflicts of interest with the Fund. The Manager may, for example, make investments for other clients or on its own behalf without making the same available to the Fund. Each of the Manager will, however, have regard in such event to its obligations under the Trust Instrument and, in particular, to its obligations to act in the best interests of the Unitholders so far as practicable, having regard to its obligations to other clients when undertaking any investment where potential conflicts of interest may arise. In the event that a conflict of interest does arise, the Manager will endeavour to ensure that it is resolved fairly.

Under the Trust Instrument, cash forming part of the Fund may be placed by the Trustee in any current, deposit or loan account with itself or with any associate of the Trustee so long as that bank pays interest thereon at a rate no lower than is, in accordance with normal banking practice, the commercial rate for deposits of the size of deposit in question negotiated at arm's length.

The Trust Instrument also provides that the Manager, the Trustee and any investment manager or delegate of the Manager or any associate of any of them may:-

1. become the owner of Units and hold, dispose of or otherwise deal with those Units as if that person were not such a person;
2. deal in property of any description on that person's individual account notwithstanding the fact that property of that description is included in the assets of the Fund;
3. enter into any financial, banking or other transaction with one another or with any Unitholder or any company or body any of whose investments form part of the Fund or have an interest in any such transaction.

without that party having to account to any other such party, to the Unitholders or any of them for any profits or benefits made by or derived from or in connection with any such transaction.

Cash forming part of the assets of any Class Fund may be invested under the Trust Instrument in units in other investment funds and other investment funds managed or operated by the Manager or by another body corporate in the same group as the Manager.

## TAXATION

The following summary of the anticipated tax treatment in Guernsey applies to persons holding Units as an investment. The summary does not constitute legal or tax advice and is based on taxation law and practice at the date of these Particulars. Prospective investors should be aware that the level and bases of taxation and any reliefs available may change from those described and should consult their own professional advisers on the implications of making an investment in, holding, converting or disposing of Units under the laws of the countries in which they are liable to taxation.

The Fund qualifies for exemption from income tax in Guernsey under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 ("the Ordinance"). Exemption has to be applied for annually and is granted subject to the payment of an annual fee, currently fixed at £600, provided the States of Guernsey Income Tax Authority is satisfied that the Fund complies and will continue to comply with the provisions of the Ordinance. The Fund has been granted exemption for the current year and it is the intention of the Manager to conduct the affairs of the Fund so as to ensure that it continues to qualify for exemption.

Unitholders (unless they are resident in Guernsey for tax purposes) will not suffer any income tax in Guernsey on any income distributions made to them. There are no death duties, capital inheritance, capital gains, gifts, sales or turnover taxes levied in Guernsey in connection with the acquisition, holding or disposal of Units. No stamp duty is chargeable in Guernsey on the issue, conversion, transfer or redemption of Units.

The Fund may receive certain income net of irrecoverable withholding taxes but the Manager in consultation with the Investment Manager will seek to pursue an investment policy which mitigates such liability as far as is reasonably practicable.

The above is a guide only to the taxation position and individual circumstances may differ. Persons interested in purchasing Units should seek their own advice as to any tax consequences particular to their circumstances arising in the jurisdiction in which they are resident or domiciled for tax purposes in connection with the acquisition, ownership, conversion, redemption or disposal by them of Units.

## **ADDITIONAL INFORMATION**

### **1. Meetings of Unitholders and Voting Rights**

The Trustee or the Manager may convene meetings of Unitholders whenever it is thought fit. The Manager is obliged to call a meeting of Unitholders if requested to do so in writing by Unitholders holding not less than one-tenth of the Units in issue.

The Trust Instrument requires that at least 14 days' notice be given to Unitholders of every meeting and provides that a notice given by post shall be deemed to have served on the fifth day after the day of posting. The quorum for any meeting of Unitholders shall be Unitholders present in person or by proxy representing one-twentieth of the Units for the time being in issue. At any meeting of Unitholders, resolutions may be passed by a show of hands at the meeting unless a poll is requested. On a show of hands every Unitholder has one vote.

A poll can be demanded by the chairman of the meeting or by one or more Unitholders with not less than one-twentieth in value of the Units for the time being in issue. On a poll every Unitholder is entitled to have one vote for every complete Unit held and a Unitholder 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. Only Unitholders or their proxies may vote at meetings of Unitholders.

A meeting of Unitholders duly convened and held in accordance with the provisions set out in the Trust Instrument shall be competent by Extraordinary Resolution:-

- (a) to sanction any modification, alteration or addition to a provision of the Trust Instrument;
- (b) to approve any change in the investment or borrowing powers of Fund set out in these particulars;
- (c) to approve any increase in the maximum permitted fees of the Manager;
- (d) to terminate the Fund;
- (e) to remove the Trustee or the Manager;
- (f) to approve an arrangement for the reconstruction or amalgamation of the Fund with another body or scheme whether or not that other scheme is a collective investment scheme; and

shall have such further or other powers as are:-

- (i) permitted by applicable law and not inconsistent with any applicable regulations; or
- (ii) required by applicable law.

### **2. Duration of the Fund**

The Fund will come to an end at the latest on the hundredth anniversary of the date of the Trust Instrument or earlier on the happening of any one of the following events:-

- If the Fund ceases to be authorised in Guernsey (unless otherwise directed by the Commission);

- When an Extraordinary Resolution is passed by the Unitholders for the termination of the Fund;
- At any time if the aggregate Net Asset Value of all the Class Funds is less than \$5 million on each of four consecutive Dealing Days and the Manager elects to wind up the Fund.

On termination of the Fund, the Trustee will cease the creation and cancellation of Units, the Manager will cease the issue and redemption of Units and the Trustee will realise the assets of the Fund. Unitholders will be entitled to the net proceeds of the realisation of the assets of the Fund pro rata to their respective interests.

### 3. Valuation

The value of investments comprised in any Class Fund shall be calculated on the following basis:-

- 3.1 The value of any units, shares or other interests in any unit trust, mutual fund, investment company or similar investment vehicle or collective investment scheme shall be derived from the last published prices, or, if in any particular case the price is not published, the price supplied by the manager concerned.
- 3.2 the value of any investment quoted, listed or normally dealt in on a Recognised Investment Exchange shall be calculated on a mid-market basis by reference to the prices appearing to the Manager to be the latest available prices on such Recognised Investment Exchange, **PROVIDED THAT:-**
  - (a) if an investment is quoted, listed or normally dealt in on more than one Recognised Investment Exchange, the Manager shall adopt the price or, as the case may be, the middle market quotation on the Recognised Investment Exchange which in its opinion, provides the principal market for such investment;
  - (b) in the case of any investment which is quoted, listed or normally dealt in on a Recognised Investment Exchange but in respect of which, for any reason prices on that Recognised Investment Exchange may not be available at the relevant time, the value thereof shall be such as is provided by a stockbroker or other competent professional person approved for the purpose by the Trustee or such as the Manager considers in the circumstances to be fair and is approved by the Trustee;
  - (c) there shall be taken into account interest accrued on interest bearing investments up to the relevant Business Day preceding the Dealing Day, except interest accrued on investments quoted, listed or normally dealt in on a recognised investment exchange which is included in the quoted or listed price.
- 3.3 The value of any Investment which is not quoted, listed or normally dealt in on a Recognised Investment Exchange shall be the value considered by the Manager in good faith to be the value thereof after consultation as deemed appropriate with any broker or other suitably qualified person and which is approved by the Trustee.
- 3.4 Put options and call options shall be valued on a mid market basis, being the median between the total of the amount of premium which would be received if an option were sold on the best terms then available on an appropriate Recognised Investment Exchange and the total of the amount of

premium which would be paid if an option were purchased on the best terms then available on such Exchange.

- 3.5 In the case of any investment contracted to be realised at a known price, the anticipated net proceeds of such realisation shall be taken into account in lieu of any other method of determining the value of the investment concerned.
- 3.6 Cash, deposits and similar investments shall be valued at their face value (together with accrued interest) unless in the opinion of the Manager any adjustment should be made to reflect the value thereof. Cash, deposits and other investments held in currencies other than the base currency of the relevant Class Fund will be translated into base currency at the prevailing rates of exchange for the currencies concerned.
- 3.7 The Manager shall be entitled in its discretion, with the approval of the Trustee, to apply a method of valuing any investment comprised in the Fund different from that prescribed by the Trust Instrument if such method would in its opinion be more equitable for Unitholders.

#### **4. Alterations to the Trust Instrument**

The Trustee and the Manager may concur in altering the Trust Instrument if this is required solely to implement, or as a direct consequence of, a change in the law, to change the name of the Fund, to change the dates on which any accounting period begins or ends, to make an amendment considered either for the benefit of or not prejudicial to Unitholders or potential Unitholders, to remove obsolete provisions of the Trust Instrument or to give effect to any decision or agreement for the replacement of the Manager or Trustee when either has been removed or wishes to retire or has retired. In any other case alterations to the trust instrument require the sanction of an Extraordinary Resolution at a meeting of Unitholders. However, no alteration may impose upon a Unitholder any obligation to make any further payment or to accept any liability in respect of his Units.

#### **5. Regulatory Consents**

All consents, approvals, authorisations or other orders of all regulatory authorities (if any) required by the Fund under the laws of Guernsey for the issue of Units and for the Manager, the Administrator, the Trustee and the Investment Manager to undertake their respective obligations have been given.

#### **6. Reports and Financial Statements**

Copies of the audited financial statements of each Class Fund, which will be made up to 31 October in each year will be sent to Unitholders at their registered addresses within six months of the end of the annual accounting period to which they relate. Copies of each Class Fund's unaudited interim report and accounts will also be sent to Unitholders within four months of the half yearly accounting period to which they relate. It is not the Manager's intention to produce consolidated accounts for the Fund as it considers that that this will not provide any meaningful information for the Unitholders.

#### **7. Litigation**

No legal or arbitration proceedings have been commenced and no legal or arbitration proceedings are pending or threatened in relation to the Fund.

#### **8. Material Contracts**

The following contracts have been entered into and are (or may be) material in respect of the Fund:-

- (a) The Administration Agreement dated 27 August 2004 between (1) the Manager and (2) the Administrator.
- (b) The Registrar Agreement dated 27 August 2004 between (1) the Trustee and (2) the Administrator.

9. **Documents available for inspection**

Copies of the Trust Instrument, these Particulars and any current Supplemental Particulars, the Agreements listed in paragraph 8 above, The Protection of Investors (Bailiwick of Guernsey) Law, 1987 and the "B" Scheme Rules may be inspected during usual business hours on any Business Day at the offices of the Administrator and the Trustee in Guernsey in each case at the addresses stated in the directory of these Particulars on page 4.

The most recent published Annual and Interim Report and Financial Statements of each Class Fund when available will also be available for inspection during business hours on any Business Day at the offices of the Administrator in Guernsey.